WesternZagros {TSX.V: WZR}

WesternZagros {TSX.V: WZR} announce they declined a $1.46 per share offer for the company!

WZR are raising $400 million to fund their work programs on the Garmian and Kurdamir blocks.

WesternZagros Announces a Combined Financing in Excess of CDN $400 Million.

WesternZagros Resources Ltd. {TSX.V:WZR} announces it will launch a CDN $250 million equity rights offering that is supported by a comprehensive equity arrangement for up to CDN$200 million and a separate debt financing arrangement of U.S.$200 million from its largest shareholder, Crest Energy International.

The proceeds are to be used to fund the development of WZR's two major oil discoveries at the Kurdamir and Garmian Blocks in Iraqi Kursdistan.

"We are very pleased to enter into these financing arrangements with Crest. This is the next exciting step in our efforts to advance the development of our world-class discoveries – securing the financing to bring these major fields into production and generate cash flow. The financing is the result of an exhaustive strategic alternatives review process. It meets the Company's key goals of raising the substantial capital necessary to meet the Company's development needs, while allowing all shareholders the opportunity to participate in the growth of the Company's assets. We are confident that WesternZagros's assets are poised to be substantial oil and gas producers not only to the benefit of the Company and its shareholders, but also to the Kurdistan Region of Iraq. With our financing secure, we look forward to progressing the development of these assets with our co-venturers and the Kurdistan Regional Government." said Simon Hatfield, WesternZagros's Chief Executive Officer.

The Company will undertake a rights offering ("Rights Offering") to holders of common shares of WesternZagros to raise gross proceeds of up to CDN$250 million. The subscription price at which each Common Share is issuable upon the exercise of Rights pursuant to the Rights Offering will be the lesser of CDN$0.65 and the market price of the Common Shares determined in accordance with applicable Canadian securities laws as of the last trading day immediately prior to the filing of a final prospectus under the Rights Offering. Crest, the Company's largest shareholder, with 19.8% of the outstanding Common Shares, has agreed to support the Rights Offering by entering into an equity backstop agreement with the Company to purchase, in aggregate, up to CDN $200 million of equity securities of the Company (the "Equity Backstop Agreement"), as further described below. In addition, Crest has agreed to provide debt financing to the Company of up to U.S.$200 million ("Debt Financing" and collectively with the Rights Offering, the "Financing"), also further described below. The Company's second largest shareholder, Paulson & Co. Inc., with 11.1% of the outstanding Common Shares, has indicated to the Company that it intends to vote in favor of the transaction at a special meeting of the Shareholders as further discussed below and intends to participate in the Rights Offering.

In March 2014, the Company commenced a process to evaluate a range of funding options available to the Company while progressing its development plans and, as further announced in May 2014, the Company established a Special Committee of the Board of Directors (the "Special Committee") to review and evaluate financing and strategic alternatives available to the Company. In connection therewith, the Special Committee and its financial advisors evaluated a broad range of alternatives with a view to enhancing shareholder value, including the potential sale of the Company, the sale of certain assets of the Company, the sale of substantially all of the assets of the Company, the completion of a rights offering and other equity and debt financing alternatives. This process resulted in the Company receiving the Financing proposal from Crest, which was ultimately determined to be the best alternative available to the Company.

An alternate non-binding proposal was received from an international oil and gas company to acquire all of the issued and outstanding Common Shares of the Company for cash consideration of CDN$1.46 per Common Share and the provision of interim financing to the Company during the period until closing of the transaction.

However, as a result of deal specific risks, including but not limited to current geo-political events, and upon exhaustive negotiation with the party to negate these risks, the Special Committee determined the proposal was not actionable in the near term.

The Board of Directors and management believe that the Financing provides the best available solution to the Company's capital requirements and the Company will now be able to turn its full attention to targeting production and cash flow growth through the development of its asset base. The Board of Directors of the Company (other than the nominee director of Crest who abstained from voting), after receiving the unanimous recommendation of the Special Committee, has determined that the Financing is in the best interests of the Company and has unanimously approved the Financing and the entering into of the Equity Backstop Agreement.

Terms of the Rights Offering and the Equity Backstop Agreement

Pursuant to the Rights Offering, the Company will distribute one right ("Right") for each Common Share held to each holder of record of Common Shares at the close of business on a date to be specified as the record date ("Record Date"). The Record Date, currently anticipated to be in mid-October, will be specified in a final short form prospectus (the "Final Prospectus") of the Company which is expected to be filed with securities regulators in early October 2014. The Rights will permit holders thereof ("Rightsholders") to purchase, in the aggregate, up to approximately CDN$250 million of Common Shares. The subscription price for each Common Share will be equal to the lesser of: (a) CDN$0.65; and (b) the market price of the Common Shares determined in accordance with applicable Canadian securities laws immediately before the date the Final Prospectus is filed (the "Subscription Price").

The Rights are expected to be listed for trading on the TSX Venture Exchange (the "TSXV") and will be exercisable for not less than 21 days following the date of mailing to Shareholders of the Final Prospectus for the Rights Offering. Any Rights not exercised on or before the time that the Rights expire will be void and will have no value. The right to subscribe for all of the Common Shares that can be initially purchased upon exercise of all Rights held by a Rightsholder is referred to as the "Basic Subscription Privilege". A Rightsholder (other than Crest) who has exercised in full its Basic Subscription Privilege will be entitled to subscribe for additional Common Shares on a pro rata basis, if available, that were not otherwise subscribed for in the Rights Offering at the Subscription Price pursuant to an additional subscription privilege.

The number of Rights that will permit a Rightsholder to subscribe for one Common Share will be dependent upon the Subscription Price as determined as set forth above. Pursuant to the terms of the Equity Backstop Agreement, Crest has committed to purchase, at the Subscription Price, up to CDN$200 million of any Common Shares not otherwise subscribed for by Rightsholders under the Rights Offering. The maximum number of Common Shares that may be purchased by Crest under the Rights Offering may not exceed 19.9% of the then issued and outstanding Common Shares (post-Rights Offering) and the balance purchased by Crest will be non-voting, Series 1, Class A Preferred Shares (the “Preferred Shares”). Crest currently beneficially owns or controls or directs, directly or indirectly, 19.8% of the issued and outstanding Common Shares. If upon the exercise of the Rights, the holdings of Crest would, in aggregate, exceed 19.9% of the then issued and outstanding Common Shares, the Company will issue the Preferred Shares to Crest for that number of Common Shares that would otherwise have been issued on an exercise of Rights but for the application of the 19.9% limitation. The Preferred Shares are intended to be equivalent to the Common Shares other than in respect of voting rights and certain rights upon the liquidation or winding up of the Company. The Preferred Shares will be issued to Crest on a private placement basis and will be issued at a price equal to the Subscription Price (the “Private Placement”).

The completion of each of the Rights Offering and the Private Placement is conditional upon the satisfaction of certain conditions, including the Company receiving all required approvals, including those of the applicable securities commission or regulators, the TSXV and the Shareholders as further described below and the entering into of a voting agreement in respect of the Preferred Shares. The Company intends to use the net proceeds raised from the Rights Offering and the Private Placement to fund the Company’s allocation of the work programs on each of the Garmian and the Kurdamir blocks in Kurdistan, as well as for general and administrative purposes.

The closing of the Rights Offering is expected to occur in mid to late November 2014.

Further details on the Rights Offering and the procedures to be followed by Shareholders will be included in the preliminary short form prospectus of the Company and the Final

Prospectus, which will be filed on www.sedar.com. The Final Prospectus will be mailed to shareholders as of the Record Date shortly after the Record Date. The Company will also file a registration statement relating to the Common Shares underlying the Rights with the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any province, state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such province, state or jurisdiction.

Special Meeting of Shareholders

In light of Crest's current ownership of approximately 19.8% of the outstanding Common Shares and 19.8% of the outstanding convertible notes, it is a "related party" of the Company as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions adopted by the securities regulators in the provinces of Ontario and Quebec ("MI 61-101"). While purchases of Common Shares by Crest pursuant to the Rights Offering are not subject to the minority shareholder approval requirements of MI 61-101, the completion of the Private Placement is. As such, the Company will seek Shareholder approval of the Private Placement at a special meeting of Shareholders (the "Special Meeting"). In order for the Shareholder approval of the Private Placement to be effective, it must be approved by an affirmative vote of a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting, after excluding the votes cast by Crest or any of its associates or affiliates (the "Private Placement Resolution").

The Special Meeting is expected to be held in early October 2014, and the record date for determining Shareholders entitled to receive notice of and to vote at such meeting is expected to be early September 2014. An information circular providing details of the Special Meeting will be mailed in early September.

The Board of Directors of the Company (other than the nominee director of Crest who abstained from voting) has unanimously resolved to recommend that shareholders vote in favour of the Private Placement Resolution.

Terms of the Debt Financing

Crest and the Company have also entered into a loan agreement (the “Loan Agreement”), pursuant to which Crest has agreed to provide debt financing to the Company of up to US$200 million, available in two tranches. The first tranche is for up to US$150 million (“Tranche 1”) and will be available to be drawn on or after October 1, 2015 provided a borrowing notice has been delivered by the Company to Crest no earlier than September 1, 2015. The availability of Tranche 1 will expire if a borrowing notice is not delivered on or before January 1, 2016. The second tranche is for up to US$50 million (“Tranche 2”) and will be available on or after June 1, 2016 provided a borrowing notice has been delivered to Crest no earlier than May 1, 2016. The availability of Tranche 2 will expire if a borrowing notice is not delivered on or before June 1, 2016. Multiple drawdowns are permitted under each of the tranches.

Both Tranche 1 and Tranche 2 will mature and be due on the second year anniversary of the first date they became available (October 1, 2017 and June 1, 2018, respectively). Amounts drawn under Tranche 1 will bear interest at a rate of 12% per annum while amounts drawn under Tranche 2 will bear interest at a rate of 14% per annum, with interest to be paid quarterly, in arrears and in cash. Provided that the amounts under each of Tranche 1 and Tranche 2 remain available but have not yet been drawn by the Company, such undrawn amounts will be subject to a fee commencing upon receipt of the first borrowing notice for each tranche at a rate per annum of 8%, such fee to be paid quarterly in arrears and in cash. Both Tranche 1 and Tranche 2 are unsecured loans.

Drawn amounts under the Loan Agreement will be utilized by the Company for general corporate purposes including direct capital requirements of WesternZagros and its subsidiaries, and repayment of the Company's 4% Convertible Notes that are due in December 2015. If Crest has not converted its 4% Convertible Notes and the Company has delivered a borrowing notice for Tranche 1, the amount of the maximum commitment for Tranche 1 shall be increased by the total amount due to Crest under the 4% Convertible Notes (equal to CDN$19.8 million).

Crest has the right to appoint one additional director to the Company's Board of Directors (in addition to the two seats it currently has the right to appoint under the terms of its Investment Agreement with the Company). Crest would be permitted to appoint the additional director upon the first draw down of the Tranche 1 or Tranche 2 loan and such director would only remain a director for as long as and so long as any loans remain outstanding.

Anticipated Timeline for the Financing

A summary of the anticipated timeline for completion of the Rights Offering and the Private Placement is as follows:

Late August/Early September	Filing of the preliminary prospectus in connection with the Rights Offering
Early September	Mailing of the information circular in connection with the Special Meeting
Early October	Special Meeting and filing of the Final Prospectus
Mid-October	Record Date for the Rights Offering and listing of the Rights
Mid - Late November	Closing of the Rights Offering and the Private Placement

Second Quarter Release

The Company intends to release its second quarter interim financial statements and management discussion and analysis on

August 21, 2014.

About WesternZagros Resources Ltd.

WesternZagros is an international natural resources company focused on acquiring properties and exploring for, developing and producing crude oil and natural gas in Iraq. WesternZagros, through its wholly-owned subsidiaries, holds a 40 percent working interest in two Production Sharing Contracts with the Kurdistan Regional Government in the Kurdistan Region of Iraq. WesternZagros's shares trade in Canada on the TSX Venture Exchange under the symbol "WZR".