

LETTER OF

REPRESENTATIONS AND WARRANTIES

(GARMIAN BLOCK)

(WESTERNZAGROS)

To: The Government of the Kurdistan Region of Iraq (the "Government")

By: WesternZagros Limited (the "Company"), a company established and existing under the laws of the Republic of Cyprus, and WesternZagros Resources Ltd. ("WesternZagros Resources"), a company established and existing under the laws of the Province of Alberta, Canada.

Date: 25 July 2011

This Letter of Representations and Warranties (this "Letter") is provided by the Company and WesternZagros Resources to the Government as an inducement for the Government to enter into the Production Sharing Contract, dated concurrently with this Letter, with the Company in respect of the Garmian contract area (the "Contract"), and in respect of the Guarantee of WesternZagros Resources (the "Guarantee"), dated and delivered concurrently with the Contract, in favour of the Government.

The Company and WesternZagros Resources each acknowledges that the Government is relying upon each of the representations and warranties made in this Letter in entering into the Contract and accepting the Guarantee.

1. DEFINITIONS; INTERPRETATION; REPETITION

1.1 Terms not defined in this Letter have the meanings set forth in the Contract.

1.2 As used in this Letter:

"Affiliate" means in relation to any other Person:

- (a) if the Person is a subsidiary of another company, such Person's ultimate holding company and any subsidiary (other than the Person itself) of such ultimate holding company; or
- (b) if such Person is not a subsidiary of another company, any subsidiary of such Person.

For the purpose of this definition: (a) “holding company” and “subsidiary” have the meanings given to those expressions in Section 1159 of the Companies Act 2006; and (b) in relation to the Company, every WesternZagros Group Member is an Affiliate of the Company.

“**Charter Documents**” is defined in clause 2.3.

“**Company**” is defined in the preamble.

“**Contract**” is defined in the introductory clause.

“**Government**” is defined in the preamble.

“**Guarantee**” is defined in the introductory clause.

“**Letter**” is defined in the introductory clause.

“**Person**” means an individual or other entity (legal or otherwise), including a corporation, joint stock company, limited liability company, partnership or joint venture.

“**Prescribed Person**” means a public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of the Government) or any political party or political party official or candidate for office in the Kurdistan Region or Iraq.

“**WesternZagros Group**” means in relation to the Company, the group of companies comprising WesternZagros Resources and all direct and indirect Affiliates of WesternZagros Resources.

“**WesternZagros Group Member**” means a constituent of the WesternZagros Group.

“**WesternZagros Resources**” is defined in the introductory clause.

- 1.3 The representations set out in clause 2 of this Letter are made on the date of this Letter and are repeated as of the date of the Contract.
- 1.4 No representations and warranties are made, and none should be construed, in respect of the laws of the Kurdistan Region of Iraq or of the Republic of Iraq or the actions or inactions of any governmental authority in Iraq.

2. REPRESENTATIONS OF THE COMPANY AND WESTERNZAGROS RESOURCES

The Company and WesternZagros Resources each represents to the Government:

- 2.1 The Company has been duly formed and is validly existing as a private limited liability company under the laws of Cyprus.

- 2.2 The Company is a wholly-owned subsidiary of WesternZagros Resources.
- 2.3 The Company has the corporate power and corporate authority to own its properties and assets and to enter into and perform the Contract under its charter documents (its “**Charter Documents**”).
- 2.4 The execution, delivery and performance by the Company of the Contract have been duly authorised by all requisite action on the part of the Company.
- 2.5 The choice of the laws of England as the law governing the Contract is valid and binding upon the Company under the laws of Cyprus, insofar as the laws of Cyprus are applicable, and under English law. When signed and delivered by both the Company and the Government, the Contract will constitute the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to such exceptions as may exist under the laws of England.
- 2.6 Neither (i) the signing and delivery by the Company of the Contract, nor (ii) the performance by the Company of its contractual obligations under the Contract, violates or conflicts (or will violate or conflict) with: (a) the Charter Documents, (b) the provisions of any applicable laws of Cyprus, or of Alberta, Canada or of Canada, (c) the provisions of any published law, rule, or regulation applicable to the Company, (d) the provisions of any agreement or instrument to which the Company is a party, or (e) any order, judgment, or decree of any court or governmental authority in any jurisdiction which is expressed to be binding on the Company.
- 2.7 The signing and performance of the Contract by the Company does not require any order, consent, permit, or approval of any governmental authority of: (i) Cyprus or (ii) any other country or state with competent jurisdiction over the Company.
- 2.8 The Company has not passed a resolution to voluntarily dissolve, merge, or de-merge. No petition has been presented by a court for the bankruptcy or moratorium of payment of the Company. No receiver, trustee, administrator, or similar officer has been appointed in respect of the Company or its assets, and no decision has been taken to dissolve the Company.
- 2.9 There are no actions, suits, proceedings, or investigations pending or, to the Company’s or WesternZagros Resources’ knowledge, threatened, against the Company before any court, arbitral tribunal, or any governmental body that could impair its ability to perform its obligations under the Contract.
- 2.10 The Company is not in violation or default with respect to any order, decree, writ, or injunction of any court, arbitral tribunal, or

governmental body that could impair its ability to perform its obligations under the Contract.

- 2.11 The Company is in compliance with all laws of Cyprus.
- 2.12 The signing and performance of the Contract will not violate or result in a default under any agreement or other instrument binding upon the Company or its assets, or give rise to any right or claim that, in either case, could impair its ability to perform its obligations under the Contract.
- 2.13 No WesternZagros Group Member is barred from receiving contracts by any governmental authority in any country.
- 2.14 With respect to the Contract, neither the Company nor any other WesternZagros Group Member, and no other Person acting on behalf of the Company, or on behalf of any WesternZagros Group Member, has:
- (a) made, offered, or authorised (and has not agreed to make and does not expect will be made) any payment, gift, promise or other advantage, whether directly or through any other Person, to or for the use or benefit of any Prescribed Person; where
 - (b) such payment, gift, promise or advantage violates (assuming the following are applicable to the Company or a WesternZagros Group Member, whether or not actually applicable or in effect):
 - (1) the Foreign Corrupt Practices Act of 1977 (Pub. L. No. 95-213, §§101-104) of the United States of America, as amended;
 - (2) the Corruption of Foreign Public Officials Act of Canada;
 - (3) the laws of the Kurdistan Region or of the Republic of Iraq;
 - (4) the laws of Cyprus;
 - (5) the Bribery Act of 2010; or
 - (6) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on 17 December 1997, which entered into force on 15 February 1999, and the Convention's Commentaries.
- 2.15 No shares, debt instruments, or revenues of the Company or of any WesternZagros Group Member are (directly or indirectly) held (or are to be held pursuant to any agreement) or payable (directly or indirectly), to or for the benefit of any Prescribed Person, including any form of interest in the Contract or in relation to the Contract.

- 2.16 Neither the Company, nor any other WesternZagros Group Member, is or has been finally adjudged to be in violation of any law applicable to it relating to terrorism or money laundering.
- 2.17 Neither the Company, nor any other WesternZagros Group Member, is a party to any agreement, howsoever characterised, or committed to enter into any such agreement, with any broker, finder, facilitator, or other intermediary in respect of the Contract.
- 2.18 No representation by the Company or WesternZagros Resources contained in this Letter contains any untrue statement of material fact or omits to state a material fact necessary to make such representation not misleading.
- 2.19 In respect of its international upstream investments (i.e., under production sharing contracts, concessions, and exploration and production licenses), each WesternZagros Group Member has a record of commitment and are committed to the Ten Principles of the Global Compact, launched by the United Nations on 26 July 2000 and is a participant in the Global Compact.

3. WARRANTIES; ACKNOWLEDGEMENT

- 3.1 The Company and WesternZagros Resources each warrants to the Government that the Company has, or will have when needed from WesternZagros Resources or other WesternZagros Group Members, the technical, financial, and managerial capability to perform its obligations under the Contract.
- 3.2 The Company and WesternZagros Resources each warrants that, in providing this Letter and entering into the Contract and the Guarantee, as applicable, it is not relying upon, and did not relied upon, any statement, representation, warranty, or agreement of the Government, except for those expressly contained in the Contract.
- 3.3 The Company and WesternZagros Resources each acknowledges that the Government has made no representation or warranty to the Company, any WesternZagros Group Member, or any Person acting on behalf of the Company or any WesternZagros Group Member, except as set forth in the Contract.

4. INDIVIDUAL REPRESENTATIONS OF WESTERNZAGROS RESOURCES

WesternZagros Resources represents to the Government:

- 4.1 WesternZagros Resources is (a) a corporation duly organised, validly existing and in good standing under the laws of Alberta, Canada, and

- (b) has the corporate power and corporate authority to own its assets and properties, and to enter into and perform the Guarantee.
- 4.2 There are no actions, suits, proceedings, or investigations pending or, to its best knowledge after diligent inquiry, threatened against WesternZagros Resources before any court, arbitral tribunal, or any governmental body.
- 4.3 WesternZagros Resources has no knowledge of any violation or default by WesternZagros Resources with respect to any order, decree, writ, or injunction of any court, arbitral tribunal, or any governmental body.
- 4.4 The signing and delivery of the Guarantee will not violate or result in a default under any agreement or other instrument binding upon WesternZagros Resources or its assets, or give rise to any right or claim that could impair its ability to perform its obligations under the Guarantee.
- 4.5 The execution, delivery and performance by WesternZagros Resources of this Letter and the Guarantee have been duly authorised by all requisite corporate action on the part of WesternZagros Resources.
- 4.6 This Letter and the Guarantee (i) constitute the legal, valid, and binding obligations of WesternZagros Resources, and (ii) are enforceable against WesternZagros Resources in accordance with their terms, subject to such exceptions as may exist under the laws of England.
- 4.7 Shares of WesternZagros Resources are listed and traded on the Toronto Stock Exchange.
- 4.8 WesternZagros Resources has either provided or offered to provide the Government with the most recent annual and quarterly financial disclosure documents (for its fiscal year 2009) and WesternZagros Resources filings made with the regulatory authority of its jurisdiction of incorporation.
- 4.9 WesternZagros Resources has provided its unconsolidated balance sheet and statements of income, stockholder's equity and cash flows (i) as of and for the fiscal year ended December 31, 2009, reported on by PriceWaterhouseCoopers, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended June 30, 2010, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of WesternZagros Resources as of such dates and for such periods in accordance with generally accepted accounting principles subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii).

5. RELIANCE

The Government may rely on the representations set forth in this Letter whether or not the Government has any information or belief that any representation is incorrect in any respect when made or repeated, regardless of any investigation conducted by or on behalf of the Government.

6. MERGER

All prior negotiations and agreements between the Government, the Company, and WesternZagros Resources on or related to the representations and warranties contained in this Letter are expressly merged into and superseded by this Letter. The Government is not entitled to rely upon any representation or warranty of the Company or of WesternZagros Resources, except for those expressly set forth in this Letter or set forth in the Contract or any other agreement or document signed and delivered by the Company or WesternZagros Resources as applicable, contemporaneously or after the date of this Letter.

7. GOVERNING LAW

This Letter is governed by English law.

8. DISPUTES; NO THIRD PARTY RIGHTS

8.1 Neither the Company nor WesternZagros Resources intends that any Person other than the Government and its advisors may rely on all or any part of this Letter. Neither the Company nor WesternZagros Resources intend that any part of this Letter is enforceable solely by virtue of the Contracts (Rights of Third Parties) Act of 1999 by any person other than the Government.

8.2 The Government will have no right or remedy in respect of this Letter unless the Contract has been signed and delivered by the Government and the Company. Any dispute arising out of or related to this Letter, or any representation or warranty set forth in this Letter, will be considered a "Dispute" under the Contract and is governed by the arbitration agreement set forth in the Contract, provided that the Company and WesternZagros Resources will be considered a single Contractor Entity.

9. COUNTERPARTS

This Letter may be delivered by the Company and WesternZagros Resources in counterparts, each of which will constitute an original, and both of which, collectively, constitute only one Letter. The signatures of the


Company, WesternZagros Resources, and the Government need not appear on the same counterpart. The delivery by email of an executed counterpart signature page in PDF, JPEG or equivalent electronic format by the Company and WesternZagros Resources is as effective as executing and delivering this Letter in the presence of the Government. The acceptance of the Government is not required to make this Letter effective, and the Government may deliver a signed counterpart signature page in PDF, JPEG, or equivalent electronic format, which will be as effective to establish receipt as if the Government accepted receipt in the presence of the Company and WesternZagros Resources.

[Signature page follows.]

WESTERNZAGROS LIMITED

By: 
Name: Ian McIntosh
Director

WESTERNZAGROS RESOURCES LTD.

By: 
Name: M. Simon Hatfield
Director, CEO

Received:

For and on behalf of the **GOVERNMENT OF THE KURDISTAN REGION
OF IRAQ**

By:.....
Ashti Hawrami
Minister of Natural Resources
Kurdistan Regional Government
**On behalf of the Ministry of Natural Resources in the
Kurdistan Region**

*[Signature page to Letter of Representations and Warranties (Garmian Block) by
WesternZagros Limited and WesternZagros Resources Ltd.]*

WESTERNZAGROS LIMITED


By:
Name:.....
Director

WESTERNZAGROS RESOURCES LTD.

By:
Name:.....
Director

Received:

For and on behalf of the **GOVERNMENT OF THE KURDISTAN REGION
OF IRAQ**

By: .....
Ashti Hawrami
Minister of Natural Resources
Kurdistan Regional Government

**On behalf of the Ministry of Natural Resources in the
Kurdistan Region**

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