



WesternOilSands

ARRANGEMENT INVOLVING

WESTERN OIL SANDS INC.

– and –

MARATHON OIL CORPORATION

– and –

1339971 ALBERTA LTD.

– and –

WESTERNZAGROS RESOURCES LTD.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE OF PETITION

INFORMATION CIRCULAR OF WESTERN OIL SANDS INC.

These materials are important and require your immediate attention. They require Western Shareholders to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors. **The Western Board of Directors recommends that Western Shareholders vote FOR the Arrangement.** If you have any questions or require more information with regard to voting your Western Shares, please contact Georgeson, our proxy solicitation agent, at 1-888-605-7643.

September 14, 2007

Neither the TSX Venture Exchange nor any securities regulatory authority has in any way passed upon the merits of the plan of arrangement described in this Information Circular.

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Additional documentation accompanying and forming part of this Information Circular has been included on the enclosed CD-ROM. See “Documents on the Enclosed CD-ROM”.



September 14, 2007

Dear Western Shareholders:

The Board of Directors cordially invites you to attend a special meeting of holders of Class A shares (“Western Shares”) of Western Oil Sands Inc. (“Western”) to be held at 10:00 a.m. (Calgary time) on Tuesday, October 16, 2007 in the Macleod Hall B at the TELUS Convention Centre, 120 - 9th Avenue S.E., Calgary, Alberta.

At the meeting, shareholders will be asked to approve an arrangement (the “Arrangement”) pursuant to which (i) Marathon Oil Corporation (“Marathon”) will indirectly acquire Western in exchange for the consideration to be received by holders of Western Shares from Marathon, as described below, and (ii) shares and warrants to acquire shares of a new international exploration company, WesternZagros Resources Ltd. (“New WesternZagros”) will be distributed to holders of Western Shares. Marathon is an integrated international energy company engaged in exploration and production, integrated gas, and refining, marketing and transportation. Headquartered in Houston, Texas, Marathon’s principal exploration and production activities are in the United States, Angola, Equatorial Guinea, Indonesia, Libya, Norway and the United Kingdom. Marathon is also the fifth-largest refiner in the United States and has a retail marketing system within the United States comprising approximately 5,700 locations in 17 states. The combination of Marathon and Western will result in the integration of Western’s Canadian upstream oil sands assets with Marathon’s downstream refining operations. Marathon brings considerable experience in refining, and the combination of its substantial capital resources with Western’s interest in the Athabasca Oil Sands Project, Western’s in-situ assets, and Western’s oil sands personnel will provide a platform for future growth and competitive advantage.

Under the Arrangement, a holder of Western Shares may elect, subject to certain pro-ration provisions described below, to receive for each Western Share, either:

- (a) Cdn\$35.50 in cash;
- (b) 0.5932 of a share of Marathon common stock (each, a “Marathon Share”);
- (c) 0.5932 of an exchangeable share (each, an “Exchangeable Share”) in the capital of 1339971 Alberta Ltd. (“AcquisitionCo”), an indirect subsidiary of Marathon (other than holders of Western Shares who are non-residents of Canada or are exempt from tax under Part I of the *Income Tax Act* (Canada) who are not entitled to elect to receive Exchangeable Shares); or
- (d) a combination thereof,

in exchange for the aggregate number of Western Shares in respect of which such an election is made.

In addition, a holder of Western Shares will receive, for each Western Share, one common share (each, a “New WesternZagros Share”) in the capital of New WesternZagros and one-tenth of a New WesternZagros common share purchase warrant (each, a “New WesternZagros Warrant”). Each whole New WesternZagros Warrant will entitle the holder thereof to purchase one New WesternZagros Share at a price of Cdn\$2.50 until the date which is three months from the effective date of the Arrangement. New WesternZagros was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Following completion of the Arrangement and certain other transactions, New WesternZagros will carry on the business currently carried on by Western’s subsidiary, WesternZagros Resources Inc., in the Kurdistan region of Iraq. New WesternZagros has applied to list the New WesternZagros Shares and the New WesternZagros Warrants on the TSX Venture Exchange (the “TSX-V”). Listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V will be subject to New WesternZagros meeting the original listing requirements of the TSX-V. Trading in both the New WesternZagros Shares and the New WesternZagros Warrants is expected to commence concurrently with the delisting of the Western Shares on the TSX.

Under the Arrangement, the maximum amount of cash to be paid to holders of Western Shares is approximately Cdn\$3.8 billion, the maximum number of Exchangeable Shares that may be elected by shareholders is 29.4 million and the maximum aggregate number of Marathon Shares and Exchangeable Shares that may be issued to holders of Western Shares is 34.3 million. If holders of Western Shares elect to receive either cash, Exchangeable Shares or Marathon Shares in excess of these amounts, the actual amount of cash and the actual number of Exchangeable Shares and Marathon Shares issued to holders of Western Shares pursuant to the Arrangement will be subject to pro-ration. As a result, holders of Western Shares will receive, in aggregate, cash in respect of approximately 65% of

the outstanding Western Shares and Marathon Shares and Exchangeable Shares in respect of approximately 35% of the outstanding Western Shares.

Each Exchangeable Share will initially be exchangeable at any time for one Marathon Share. The Exchangeable Shares will have economic and voting rights that are, as nearly as practicable, the same as the rights of Marathon Shares, including the right to vote at meetings of holders of Marathon Shares. The exchange ratio for the Exchangeable Shares will be adjusted from time to time to account for cash dividends paid by Marathon on the Marathon Shares. The Exchangeable Shares may offer certain Canadian shareholders the opportunity to achieve a Canadian tax deferral in certain circumstances as described in the information circular of Western enclosed herewith (the "Information Circular").

It is a condition to the Arrangement that the Marathon Shares issued pursuant to the Arrangement and upon an exchange of Exchangeable Shares be listed on the New York Stock Exchange. There is currently no intention to list the Exchangeable Shares on a stock exchange.

The Board of Directors has considered the Arrangement at length and has unanimously determined that the Arrangement is in the best interests of Western and the Western shareholders and has, based upon, among other things, the opinions of its financial advisors, unanimously determined that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western shareholders. Accordingly, the Board of Directors has unanimously approved the Arrangement and unanimously recommends that shareholders vote in favour of the Arrangement.

It is important that your Western Shares be represented at the meeting. Whether or not you are able to attend, we urge you to complete the enclosed form of proxy and return it in the envelope provided or by fax to the attention of Valiant Trust Company, Proxy Department at (403) 233-2857 not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the meeting. If you require any assistance in completing your proxy, please call Georgeson toll free at 1-888-605-7643.

Included with this letter, in addition to the proxy form, is a notice of the special meeting and the Information Circular, including a CD-ROM on which you will find documents that form part of the Information Circular. The Information Circular contains a detailed description of the Arrangement, including a summary of certain information in the Information Circular. You should consider carefully all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisors.

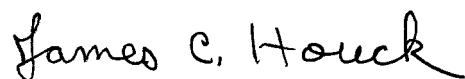
Also enclosed is a letter of transmittal and election form to enable holders of Western Shares to elect the form of consideration they wish to receive. The letter of transmittal and election form contains complete instructions on how to make your election and exchange your Western Shares. You will not actually receive your cash, Exchangeable Shares and/or Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants until the Arrangement is completed and you have returned your properly completed documents, including the letter of transmittal and election form and share certificates. The consideration you will actually receive will also be subject to the pro-ration provisions described above and in the Information Circular. **The letter of transmittal and election form must be submitted by 4:30 p.m. (Calgary time) on the business day immediately prior to the date of the meeting, or if the meeting is adjourned at such time on the business day immediately prior to the date of such adjourned meeting.**

Subject to obtaining court and other regulatory approvals, if the shareholders approve the Arrangement, it is anticipated that the Arrangement will be completed in October 2007.

If you have any questions or need additional information, you should consult your financial, legal, tax or other professional advisor, or contact our proxy solicitation agent, Georgeson, at the numbers listed on the back cover of the Information Circular.

On behalf of Western, I would like to thank all shareholders for their ongoing support as we prepare to take part in this important event in the history of Western.

Yours very truly,



James C. Houck
President and Chief Executive Officer

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
WESTERN OIL SANDS INC.

NOTICE IS HEREBY GIVEN that, pursuant to an order (the “Interim Order”) of the Court of Queen’s Bench of Alberta (the “Court”) dated September 14, 2007, a special meeting (the “Meeting”) of the holders of Class A shares (the “Western Shareholders”) of Western Oil Sands Inc. (“Western”) will be held at the Macleod Hall B, TELUS Convention Centre, 120 - 9th Avenue S.E., Calgary, Alberta on Tuesday, October 16, 2007 at 10:00 a.m. (Calgary time) for the following purposes:

1. for Western Shareholders to consider and, if deemed advisable, to pass a special resolution (the “Arrangement Resolution”) to approve an arrangement (the “Arrangement”) under Section 193 of the *Business Corporations Act* (Alberta) (the “ABCA”) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation (“Marathon”), of all of the outstanding Class A shares (the “Common Shares”) of Western in exchange for, in respect of each Common Share, either: (i) Cdn\$35.50 in cash; (ii) 0.5932 of a share of Marathon common stock; (iii) 0.5932 of an exchangeable share of 1339971 Alberta Ltd.; or (iv) a combination thereof, subject to pro-rata, as well as one common share of WesternZagros Resources Ltd. (“New WesternZagros”) and one-tenth of a common share purchase warrant of New WesternZagros, all as more particularly described in the accompanying information circular of Western (the “Information Circular”);
2. for Western Shareholders to consider and, if deemed advisable, to pass an ordinary resolution ratifying and approving a stock option plan for New WesternZagros;
3. for Western Shareholders to consider and, if deemed advisable, to pass an ordinary resolution to approve a shareholder rights plan for New WesternZagros;
4. for Western Shareholders to consider and, if deemed advisable, to pass an ordinary resolution approving the private placement of up to 5 million common shares of New WesternZagros at a price of Cdn\$2.50 per share; and
5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The completion of the Arrangement is not conditional upon approval of the New WesternZagros stock option plan, the New WesternZagros shareholder rights plan or the New WesternZagros private placement.

The board of directors of Western has set the close of business on September 14, 2007 (the “Record Date”) as the record date for determining Western Shareholders who are entitled to receive notice of the Meeting. Only Western Shareholders whose names have been entered in the register of Western Shareholders at the close of business on that date are entitled to receive notice of, and to vote at, the Meeting unless a Western Shareholder transfers his Common Shares after the Record Date and the transferee of those Common Shares establishes that he owns the Common Shares and demands not later than the close of business 10 days before the Meeting, that the transferee’s name be included in the list of Western Shareholders entitled to vote such Common Shares at the Meeting.

The Arrangement is described in the Information Circular, which forms part of this Notice. The full text of the Arrangement Resolution is set out in Appendix A to the Information Circular.

Pursuant to the Interim Order, registered Western Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Common Shares in accordance with the provisions of Section 191 of the ABCA, as modified by the Interim Order. A registered Western Shareholder wishing to exercise rights of dissent with respect to the Arrangement must send to Western a written objection to the Arrangement Resolution, which written objection must be received by the Vice President, General Counsel and Corporate Secretary of Western by 2:00 p.m. (Calgary time) on the business day before the Meeting (or any adjournment or postponement thereof). A Western Shareholder’s right to dissent is more particularly described in the Information Circular and a copy of the Interim Order and the text of Section 191 of the ABCA are set forth in Appendices B and J, respectively, to the Information Circular.

Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right of dissent. Persons who are beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Common Shares are entitled to dissent. Accordingly, a beneficial owner of Common Shares desiring to exercise this right must make arrangements for the Common Shares beneficially owned by such Western Shareholder to be registered in the Western Shareholder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Western or, alternatively, make arrangements for the registered holder of such Common Shares to dissent on the Western Shareholder's behalf. It is strongly suggested that any Western Shareholder wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of the ABCA, as modified by the Interim Order, may prejudice such Western Shareholder's right to dissent.

Whether or not you intend to attend the Meeting, you are requested to complete, sign, date and return the enclosed form of proxy either in the enclosed addressed envelope to Western Oil Sands Inc., c/o Valiant Trust Company, 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1 or by fax to the attention of the Proxy Department at (403) 233-2857 no later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Meeting or any adjournment thereof. The time limit for the deposit of proxies may be waived by the Western Board of Directors at its discretion, without notice. If you require any assistance in completing your proxy, please call Georgeson toll free at 1-888-605-7643.

DATED at Calgary, Alberta, this 14th day of September, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS
OF WESTERN OIL SANDS INC.**

(Signed) "James C. Houck"
President and Chief Executive Officer

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*,
R.S.A. 2000, c. B-9

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
WESTERN OIL SANDS INC., MARATHON OIL CORPORATION, 1339971 ALBERTA LTD. AND
WESTERNZAGROS RESOURCES LTD.

AND

THE SHAREHOLDERS OF WESTERN OIL SANDS INC.

NOTICE OF PETITION

NOTICE IS HEREBY GIVEN that a petition (the "Petition") has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Court") on behalf of Western Oil Sands Inc. ("Western") with respect to a proposed arrangement (the "Arrangement") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "ABCA"), involving Western, Marathon Oil Corporation, 1339971 Alberta Ltd. and WesternZagros Resources Ltd. and holders of Class A shares of Western ("Western Shareholders"), which Arrangement is described in greater detail in the information circular of Western dated September 14, 2007, accompanying this Notice of Petition.

At the hearing of the Petition, Western intends to seek:

- (a) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (b) a declaration that the terms and conditions of the Arrangement are fair to the Western Shareholders from a substantive and a procedural point of view;
- (c) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Date as defined in the Arrangement; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

AND NOTICE IS HEREBY GIVEN that the order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended, with respect to the distribution of the shares of common stock of Marathon Oil Corporation, the exchangeable shares of 1339971 Alberta Ltd., the common shares of WesternZagros Resources Ltd. and the common share purchase warrants of WesternZagros Resources Ltd. (but not the common shares of WesternZagros Resources Ltd. issuable upon exercise thereof), to be issued pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, 601 - 5th Street S.W., Calgary, Alberta, on the 16th day of October, 2007 at 1:15 p.m. (Calgary time), or as soon thereafter as counsel may be heard. **Any Western Shareholder or any other interested party desiring to support or oppose the Petition, may appear at the time of hearing in person or by counsel for that purpose. Any Western Shareholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen's Bench of Alberta, Judicial District of Calgary, and serve upon Western on or before noon on October 11, 2007, a notice of intention to appear, including an address for service in the Province of Alberta together with any evidence or materials which are to be presented to the Court.** Service on Western is to be effected by delivery to the solicitors for Western at the address below. If any Western Shareholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Petition will be given by Western and that in the event the hearing of the Petition is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by Order dated September 14, 2007, has given directions as to the calling and holding of the meeting of Western Shareholders for the purpose of such holders voting upon the special resolution to approve the Arrangement and has directed that for registered Western Shareholders, a right of dissent with respect to the Arrangement under the provisions of Section 191 of the ABCA shall be applicable.

AND NOTICE IS FURTHER GIVEN that a copy of the said Petition and other documents in the proceedings will be furnished to any Western Shareholder or other interested party requesting the same by the undermentioned solicitors for Western upon written request delivered to such solicitors as follows:

Macleod Dixon LLP
3700, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2
Attention: Steven H. Leidl

DATED at the City of Calgary, in the Province of Alberta, this 14th day of September, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS OF
WESTERN OIL SANDS INC.**

(Signed) "James C. Houck"
President and Chief Executive Officer

INFORMATION CIRCULAR

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Western for use at the Meeting and any adjournments thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Schedule A to the Arrangement Agreement which is attached to this Information Circular as Appendix C. You are urged to carefully read the full text of the Plan of Arrangement.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "Glossary of Terms". Information contained in this Information Circular is given as of September 1, 2007 unless otherwise specifically stated.

The information concerning Marathon and its subsidiaries contained in this Information Circular, including the appendices and on the enclosed CD-ROM, has been taken from or is based upon publicly available documents, records and information on file with the United States Securities and Exchange Commission, the New York Stock Exchange and other public sources or has been provided by Marathon for inclusion in this Information Circular. Although Western has no knowledge that any statements contained herein taken from or based on such documents, records or information provided by Marathon are untrue or incomplete, Western assumes no responsibility for the accuracy of the information contained in such documents, records or information or for any failure by Marathon to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Western.

Western Shareholders should be aware that the public disclosure documents of Marathon have been filed in accordance with the securities laws of the United States, and those requirements may differ from those of the provinces and territories of Canada. In addition, financial statements included or incorporated by reference in this Information Circular and in the public disclosure documents of Marathon have not been prepared in accordance with Canadian GAAP and may not be comparable to financial statements of Western.

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to purchase the securities to be issued under or in connection with the Arrangement, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Information Circular nor any distribution of the securities to be issued under or in connection with the Arrangement will, under any circumstances, create any implication or be treated as a representation that there has been no change in the information set forth herein since the date of this Information Circular.

THE SECURITIES TO BE ISSUED PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY CANADIAN SECURITIES REGULATORY AUTHORITY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS ANY CANADIAN SECURITIES REGULATORY AUTHORITY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Information for U.S. Shareholders

The Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants to be issued to Western Shareholders in the Arrangement and from time to time thereafter pursuant to the Arrangement will not be registered under the U.S. Securities Act. Such securities will instead be issued in reliance upon the exemption provided by Section 3(a)(10) of the U.S. Securities Act. Section 3(a)(10) exempts any securities issued in exchange for one or more bona fide outstanding securities, or partly in such exchange and partly for cash, from the general requirement of registration where the terms and conditions of the issuance and exchange of the securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear. The Court will conduct a hearing to determine the fairness of the terms and conditions of the Arrangement, including the proposed issuance of securities in exchange for the outstanding Western Shares. The Court entered the Interim Order on September 14, 2007 and, subject to the approval of the Arrangement by the Western Shareholders, a hearing on the fairness of the Arrangement will be held by the Court on October 16, 2007. See “The Arrangement — Court Approval of the Arrangement and Completion of the Arrangement”.

The Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants (but not the New WesternZagros Shares issuable upon the exercise thereof) issued in the Arrangement will be freely transferable under U.S. Securities Laws, except for Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants held by persons who are deemed to be “affiliates” (for purposes of U.S. Securities Laws) of Western or Marathon prior to or after the Arrangement, which may be resold by them only in transactions permitted by the resale provisions of Rule 145 under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act. An “affiliate” of a corporation for purposes of U.S. Securities Laws is a person who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such corporation.

This solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, the solicitation and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared in accordance with disclosure requirements applicable in Canada. Western Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

The historical financial statements of, and the summaries of historical financial information concerning, Western contained or incorporated by reference in this Information Circular (including on the CD-ROM accompanying this Information Circular) have been prepared in accordance with Canadian GAAP, which differ from U.S. GAAP in certain material respects, and thus may not be comparable to financial statements and financial information of United States companies. See “Selected Financial Information”.

Production and reserve quantities are reported in this Information Circular in accordance with Canadian reporting practices. These practices are different from the practices used to report production and estimate reserves in reports and other materials filed with the SEC by U.S. oil and natural gas companies.

Marathon has agreed to file a registration statement on Form S-3 prior to the Effective Time in order to register under the U.S. Securities Act the issuance from time to time of Marathon Shares in exchange for the Exchangeable Shares. It is a condition to Western’s obligation to complete the Arrangement that the registration statement will be effective under the U.S. Securities Act prior to the Effective Time. See “The Arrangement Agreement — Conditions to Closing”.

The enforcement by investors of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that Western, AcquisitionCo and New WesternZagros are organized under the laws of the Province of Alberta, that their officers and directors are, or will be, primarily residents of countries other than the United States, that certain experts named in this Information Circular are residents of countries other than the United States, and that all or substantial portions of the assets of Western, AcquisitionCo, New WesternZagros and such other persons are, or will be, located outside the United States.

New WesternZagros Warrants may be exercised only by a holder who represents that at the time of exercise the holder is not then located in the United States, unless the holder provides a legal opinion or other evidence reasonably satisfactory to New WesternZagros to the effect that the exercise of the New WesternZagros Warrants does not require registration under the U.S. Securities Act or state securities laws. It is anticipated that only a few U.S. Warrantholders will be able to provide a satisfactory legal opinion to permit such U.S. Warrantholders to exercise their New WesternZagros Warrants. Consequently, most U.S. Warrantholders will be unable to exercise their New WesternZagros Warrants.

Any New WesternZagros Shares issuable upon the exercise of the New WesternZagros Warrants in the United States will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, certificates representing such New WesternZagros Shares will bear a legend to that effect, and such New WesternZagros Shares may be resold only pursuant to an exemption from the registration requirements of the U.S. Securities Act and state securities laws.

Notwithstanding the foregoing, subject to certain limitations, the New WesternZagros Warrants and any New WesternZagros Shares issuable upon the exercise of New WesternZagros Warrants may be resold outside the United States without registration under the U.S. Securities Act pursuant to Regulation S, including in transactions over the TSX-V (if the applicable New WesternZagros Warrants and New WesternZagros Shares, as the case may be, are so listed).

DOCUMENTS ON THE ENCLOSED CD-ROM

The documents listed below are included on the CD-ROM accompanying and forming an integral part of this Information Circular.

Western

1. Western annual information form for the year ended December 31, 2006;
2. Western audited consolidated annual financial statements for the year ended December 31, 2006;
3. Western audited consolidated annual financial statements for the year ended December 31, 2005;
4. Western management’s discussion and analysis for the year ended December 31, 2006;
5. Western management’s discussion and analysis for the year ended December 31, 2005;
6. Western management proxy circular dated May 1, 2007 with respect to the annual general meeting of shareholders held on June 12, 2007;
7. Western unaudited consolidated interim financial statements for the three and six months ended June 30, 2007;
8. Western management’s discussion and analysis for the three and six months ended June 30, 2007; and
9. Western material change report dated August 9, 2007 with respect to the proposed Arrangement with Marathon.

Marathon

1. Marathon annual report on Form 10-K for the year ended December 31, 2006 (including management's discussion and analysis);
2. Marathon quarterly report on Form 10-Q for the quarter ended June 30, 2007;
3. Marathon 2007 proxy statement dated March 13, 2007 with respect to the annual meeting of shareholders held on April 25, 2007;
4. Marathon current report on Form 8-K filed September 7, 2007;
5. Marathon current report on Form 8-K filed August 3, 2007;
6. Marathon current report on Form 8-K filed May 30, 2007;
7. Marathon current report on Form 8-K filed May 14, 2007;
8. Marathon current report on Form 8-K filed April 25, 2007;
9. Marathon current report on Form 8-K filed March 6, 2007;
10. Marathon current report on Form 8-K filed February 1, 2007 (Items 5.02 and 8.01 only); and
11. Marathon registration statement on Form 8-A/A filed on July 17, 2007.

The documents listed above have been previously filed, if applicable, with Canadian and U.S. securities authorities pursuant to the relevant securities laws of each country. All of the documents are publicly available and may be viewed by any person at the places and in the manner described below under "Availability of the Documents on the Internet" or at the end of this Information Circular under "Additional Information". The documents should be read and reviewed by Western Shareholders in considering whether or not to vote in favour of the Arrangement Resolution.

The consolidated financial statements included in Marathon's annual report on Form 10-K for the year ended December 31, 2006 do not reflect the two-for-one split of Marathon Common Stock which was effected in the form of a stock dividend distributed on June 18, 2007 to Marathon Shareholders of record at the close of business on May 23, 2007. The consolidated financial statements included in Marathon's current report on Form 8-K filed September 7, 2007 have been retroactively adjusted to reflect the stock split for all periods presented.

Viewing and Software Formats

The documents on the enclosed CD-ROM have been stored in Adobe® Acrobat® format. To view the documents you will require access to a computer on which Adobe® Acrobat® Reader is available or you will need to download it on to your computer. For your convenience, a link to the Adobe® website where the Adobe® Acrobat® Reader can be downloaded to your computer has been included on the CD-ROM enclosed with this Information Circular.

Availability of the Documents on the Internet

The documents contained on the CD-ROM are publicly available free of charge on the Internet and may be accessed as follows:

1. For documents relating to Western filed with the Canadian securities authorities, you may also go to "www.sedar.com", click on "English", click on "Search Database", then click on "Search for Public Company Documents", type (without quotes) "Western Oil Sands Inc." in the "Company Name" Box and then click on "Search"; and

2. For documents relating to Marathon filed with the SEC, you may go to “www.sec.gov”, then click on “Search for Company Filings” and click “Companies & Other Filers”. In the “Enter Your Search Information” box, type (without quotes) “Marathon Oil Corp” as the company name and click “Find Companies”.

Instructions to View Documents on the CD-ROM

Windows Users

To view the documents on the CD-ROM (Windows Instructions):

1. Place the CD-ROM in the CD-ROM Drive;
2. Double-click on the “My Computer” icon on your desktop; and
3. Double-click on the drive for the CD-ROM. Typically, this will be your (D:) Drive.

If Adobe® Acrobat® Reader is installed on your PC, simply double-click on the PDF document icon to open the document represented by the icon or open the files using the application directly. If Adobe® Acrobat® Reader is not installed on your computer, it is available as a download through the link to the Adobe® website included on the CD-ROM. Follow the associated instructions to install it.

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To view the documents on the CD-ROM (Mac Instructions):

1. Place the CD in the CD-ROM Drive; and
2. Double-click on the CD icon which should now appear on your desktop.

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Paper Copy Availability

If you: (a) are unable to view the documents on the CD-ROM for any reason whatsoever; (b) are unable to access the documents on the Internet at the Internet addresses specified above; or (c) would like an identical paper version of any or all of the documents for any reason whatsoever, please contact Western to the attention of Lauren Hill, by e-mail at lhill@westernoilsands.com, by telephone at (403) 233-1723 or by fax at (403) 234-9156, any time prior to the date of the Meeting, and a copy of any or all of the documents requested will be provided to you without charge by e-mail or pre-paid mail, at your option. Western will pay all mailing and shipping costs associated with such a request.

FORWARD-LOOKING STATEMENTS

This Information Circular contains forward-looking statements. Words such as “will”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates” and variations of such words and similar expressions are intended to identify forward-looking statements. Specifically, and without limiting the generality of the foregoing, all statements included in this Information Circular that address activities, events or developments that either Western, New WesternZagros or Marathon expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), business strategies and measures to implement such strategies, competitive strengths, goals, expansion and growth, or references to the future success of Western, New WesternZagros or Marathon, their respective subsidiaries and the companies, joint ventures or partnerships in which Western or Marathon have equity investments and the completion of the Arrangement and the Subsequent Transactions are forward-looking statements. Actual results could differ materially from those reflected in the forward-looking statements as a result of (i) the factors described under the heading “Risk Factors”, (ii) general economic market or business conditions, (iii) the opportunities (or lack thereof) that may be presented to and pursued by Western, New WesternZagros or Marathon, (iv) competitive actions by other companies, (v) changes in laws and (vi) other factors, many of which are beyond the control of Western, New WesternZagros and Marathon.

All written and oral forward-looking statements attributable to Western, New WesternZagros or Marathon, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth above. Readers of this Information Circular are cautioned not to place undue reliance on forward-looking statements contained in this Information Circular, which reflect the analysis of the management of Western, New WesternZagros and Marathon, as appropriate, only as of the date of this Information Circular. None of Western, New WesternZagros or Marathon undertakes any obligation to release publicly the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date of this Information Circular or to reflect the occurrence of unanticipated events, except as required by applicable securities laws.

See also “Forward-Looking Statements” in Appendix G — Information Concerning New WesternZagros.

SUMMARY

The following is a summary of certain information contained in this Information Circular (including certain information on the enclosed CD-ROM). This summary is not intended to be complete and is qualified in its entirety by the more detailed information and financial statements, including the notes thereto contained elsewhere in this Information Circular, the attached Appendices and the documents contained on the CD-ROM accompanying this Information Circular, all of which are important and should be reviewed carefully. Capitalized terms used in this summary without definition have the meanings ascribed to them in the Glossary of Terms or elsewhere in this Information Circular.

The Arrangement

Marathon will acquire Western through its indirect wholly-owned subsidiary, AcquisitionCo, for consideration consisting of cash, Marathon Shares, Exchangeable Shares or a combination thereof. Western Shareholders will also receive one New WesternZagros Share and one-tenth of a New WesternZagros Warrant for each Western Share held. The Arrangement will be implemented by way of a court-approved plan of arrangement under the ABCA pursuant to the terms of the Arrangement Agreement.

The Arrangement Agreement is attached to this Information Circular as Appendix C. Western encourages you to read the Arrangement Agreement as it is the agreement between Marathon and Western that governs the Arrangement. See “The Arrangement — The Arrangement Agreement”. The Plan of Arrangement is attached as Schedule A to the Arrangement Agreement. The Exchangeable Share Provisions are attached to this Information Circular as Appendix D. Western encourages you to read the Plan of Arrangement and Exchangeable Share Provisions. See “The Arrangement Arrangement — Mechanics” and “The Arrangement — Description of Exchangeable Shares”.

Date, Place and Purpose of the Meeting

The Meeting will be held at the Macleod Hall B, TELUS Convention Centre, 120 - 9th Avenue S.E., Calgary, Alberta on Tuesday, October 16, 2007 at 10:00 a.m. (Calgary time).

The primary purpose of the Meeting is for Western Shareholders to consider and, if deemed advisable, approve the Arrangement Resolution. See “Information Concerning the Meeting”.

In addition, at the Meeting, Western Shareholders will also consider and, if deemed advisable, approve the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan and the New WesternZagros Private Placement. **The completion of the Arrangement is not conditional upon the approval of the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan or the New WesternZagros Private Placement.** See “Other Matters of Special Business Relating to New WesternZagros”.

The Companies

Western, WesternZagros and New WesternZagros

Western is a Canadian-based energy company committed to growing shareholder value through opportunity capture and development of large, world-class hydrocarbon resources. Western’s primary focus is its 20% undivided interest in the Athabasca Oil Sands Project.

WesternZagros is an international natural resources company formed for the purpose of engaging in the business of acquiring properties and exploring for, developing and producing crude oil and natural gas outside of North America. WesternZagros, through a subsidiary, is a party to an Exploration and Production Sharing Agreement (“EPSA”) with the Kurdistan Regional Government in respect of a

2,120 square kilometre exploration project area in the Kurdistan region of Iraq. New WesternZagros was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Following completion of the Arrangement and the Subsequent Transactions, New WesternZagros and its subsidiaries will carry on the business currently carried on by WesternZagros and its subsidiaries and will have Cdn\$82,533,877 of cash on hand. Subsequently, New WesternZagros will complete the New WesternZagros Private Placement of up to 5 million New WesternZagros shares at a price of Cdn\$2.50 per share for gross proceeds of up to Cdn\$12.5 million. Certain persons have committed to participate in the NewWesternZagros Private Placement as to approximately Cdn\$9.4 million. In addition, certain persons have committed to exercise a portion of the New WesternZagros Warrants which will be owned or controlled by them, directly or indirectly, representing an aggregate value of approximately Cdn\$1.4 million or 3.4% of the New WesternZagros Shares to be issued upon exercise of the New WesternZagros Warrants which will be issued under the Arrangement. See “Information Concerning Western”. Also see “Information Concerning WesternZagros” and “Information Concerning New WesternZagros” included in this Information Circular and Appendix G to this Information Circular.

Marathon

Marathon is an integrated international energy company engaged in exploration and production, integrated gas operations and refining, marketing and transportation. Headquartered in Houston, Texas, Marathon’s principal exploration and production activities are in the United States, Angola, Equatorial Guinea, Indonesia, Libya, Norway, and the United Kingdom. Marathon is also the fifth-largest refiner in the United States and has a retail marketing system in the United States comprising approximately 5,700 locations in 17 states. See “Information Concerning Marathon”.

Background and Reasons for the Arrangement

The Arrangement Agreement is the result of a broad and extensive strategic review process conducted by the Western Board of Directors, oversight of which was directed by a committee of independent directors working with management, the Financial Advisors and legal counsel. This process ultimately led to the arm’s length negotiation of the Arrangement Agreement and the resulting terms of the Arrangement between Western and Marathon. The background to the Arrangement, including a discussion of the strategic review process, as well as the reasons of the Western Board of Directors for its recommendation of the Arrangement are set forth in this Information Circular. See “The Arrangement — Background and Reasons for the Arrangement”.

Recommendation of the Western Board of Directors

The Western Board of Directors has unanimously determined that the Arrangement is in the best interests of Western and the Western Shareholders and has, based upon, among other things, the opinions of the Financial Advisors, unanimously determined that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western Shareholders. Accordingly, the Western Board of Directors has unanimously approved the Arrangement and unanimously recommends that Western Shareholders vote FOR the Arrangement Resolution. See “The Arrangement — Recommendation of the Western Board of Directors”.

Opinions of Financial Advisors

In deciding to approve the Arrangement, the Western Board of Directors considered, among other things, the opinions of the Financial Advisors. The Western Board of Directors received opinions from Goldman, Sachs & Co. and TD Securities Inc. that, as of the date of their respective opinions and subject to and based on the various considerations referred to in their respective opinions, the Cash

Consideration, the Marathon Share Consideration and the Exchangeable Share Consideration, in the case of the opinion of Goldman, Sachs & Co. and the Cash Consideration and Share Consideration, in the case of the opinion of TD Securities Inc., to be received by Western Shareholders pursuant to the Arrangement was fair, from a financial point of view, to Western Shareholders. The fairness opinions are attached to this Information Circular as Appendices E and F, respectively. **Western encourages you to read these opinions in their entirety.** See “The Arrangement — Opinions of Financial Advisors”.

Goldman, Sachs & Co. and TD Securities Inc. provided their opinions for the information and assistance of the Western Board of Directors in connection with its consideration of the Arrangement. The Goldman, Sachs & Co. and TD Securities Inc. opinions are not recommendations as to how any Western Shareholder should vote with respect to the Arrangement or any other matter.

What Western Shareholders May Elect to Receive in the Arrangement

A Western Shareholder (other than a Western Shareholder who exercises his or her Dissent Rights and other than Marathon and its affiliates) may elect, subject to certain pro-ration provisions described below, to receive for each Western Share:

- (a) Cdn\$35.50 in cash;
- (b) 0.5932 of a Marathon Share;
- (c) 0.5932 of an Exchangeable Share (other than Western Shareholders who are Non-Residents and Western Shareholders that are exempt from tax under Part I of the ITA who are not entitled to elect to receive Exchangeable Shares); or
- (d) a combination thereof,

in exchange for the aggregate number of Western Shares in respect of which such an election is made.

In addition, a Western Shareholder will receive, for each Western Share, one New WesternZagros Share and one-tenth of a New WesternZagros Warrant. Each whole New WesternZagros Warrant will entitle the holder thereof to purchase one New WesternZagros Share at a price of Cdn\$2.50 until the date which is three months from the Effective Date. New WesternZagros has applied to list the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V. Listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V will be subject to New WesternZagros meeting the original listing requirements of the TSX-V. Trading in both the New WesternZagros Shares and the New WesternZagros Warrants is expected to commence concurrently with the delisting of the Western Shares on the TSX. In general, New WesternZagros Warrants will not be exercisable by U.S. persons. See “The Arrangement — United States Securities Law Matters”.

Each Exchangeable Share will initially be exchangeable at any time for one Marathon Share. The Exchangeable Shares will have economic and voting rights that are, as nearly as practicable, the same as the rights of Marathon Shares, including the right to vote at meetings of holders of Marathon Shares. In addition, the exchange ratio for the Exchangeable Shares will be adjusted from time to time to account for cash dividends paid by Marathon on the Marathon Shares. The Exchangeable Shares may offer Eligible Holders the opportunity to achieve a Canadian tax deferral in certain circumstances. See “Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations — Western Shareholders Resident in Canada”.

It is a condition of the Arrangement that the Marathon Shares issued in the Arrangement and upon an exchange of Exchangeable Shares are listed on the NYSE. There is currently no intention to list the Exchangeable Shares on any stock exchange. See “The Arrangement — Stock Exchange Listings”.

Only Eligible Holders may elect to receive Exchangeable Shares. Any election to receive Exchangeable Shares by a Western Shareholder who is not an Eligible Holder will be deemed to be an election to receive Marathon Shares. See “The Arrangement — Arrangement Mechanics”.

Effective Time

It is anticipated that the Arrangement will become effective in October 2007 after the required Western Shareholder, Court and regulatory approvals have been obtained and are final and all other conditions to closing have been satisfied or waived. See “The Arrangement — The Arrangement Agreement — Effective Date of the Arrangement”.

Shareholder Vote Required

Approval of the Arrangement Resolution requires the affirmative vote of not less than two-thirds (66⅔%) of the votes validly cast at the Meeting by Western Shareholders. See “The Arrangement — Shareholder Approval of the Arrangement”.

Approval of the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan and the New WesternZagros Private Placement requires the affirmative vote of a majority of the votes validly cast at the Meeting by Western Shareholders. See “Other Matters of Special Business Relating to New WesternZagros”.

Support Agreements

Concurrent with entering into the Arrangement Agreement, the directors and officers of Western, who in the aggregate beneficially own, directly or indirectly, or exercise control or direction over, approximately 4.0% of the issued and outstanding Western Shares, 54.5% of the Western Options, 37.6% of the Western PSUs and 65.4% of the Western DSUs outstanding on July 30, 2007, entered into separate support agreements with Marathon whereby they agreed to vote in favour of the Arrangement all such Western Shares held by them on the Meeting Date.

Regulatory Approvals

Consummation of the Arrangement is subject to approvals from regulatory authorities in Canada and the United States, including:

- (a) the approval of the Court;
- (b) the required approvals from the Minister of Industry under the Investment Canada Act;
- (c) either a notification or a request for an advance ruling certificate under the Competition Act in respect of the Arrangement being made and:
 - (i) any waiting periods prescribed under the Competition Act being expired and Marathon, AcquisitionCo, Western and WesternZagros receiving a no-action letter from the Commissioner of Competition satisfactory to Marathon, acting reasonably;
 - (ii) Marathon, AcquisitionCo, Western and WesternZagros receiving an advance ruling certificate from the Competition Bureau in respect of the transactions contemplated by the Arrangement Agreement; or
 - (iii) the Commissioner of Competition waiving the obligation to file under Section 114 of the Competition Act and Marathon, AcquisitionCo, Western and WesternZagros receiving a no-action letter from the Commissioner of Competition satisfactory to Marathon, acting reasonably; and

- (d) the approval of the NYSE with respect to the additional listing of Marathon Shares and Marathon Shares issuable on exchange of the Exchangeable Shares issuable under the terms of the Arrangement.

On August 29, 2007, the Commissioner of Competition issued an advance ruling certificate in respect of the Arrangement. See “The Arrangement — Regulatory Matters”.

Other Conditions Precedent

The respective obligations of the parties to the Arrangement Agreement to complete the Arrangement are also subject to the satisfaction of certain other conditions. See “The Arrangement — The Arrangement Agreement — Conditions to Closing”.

Non-Solicitation Provisions

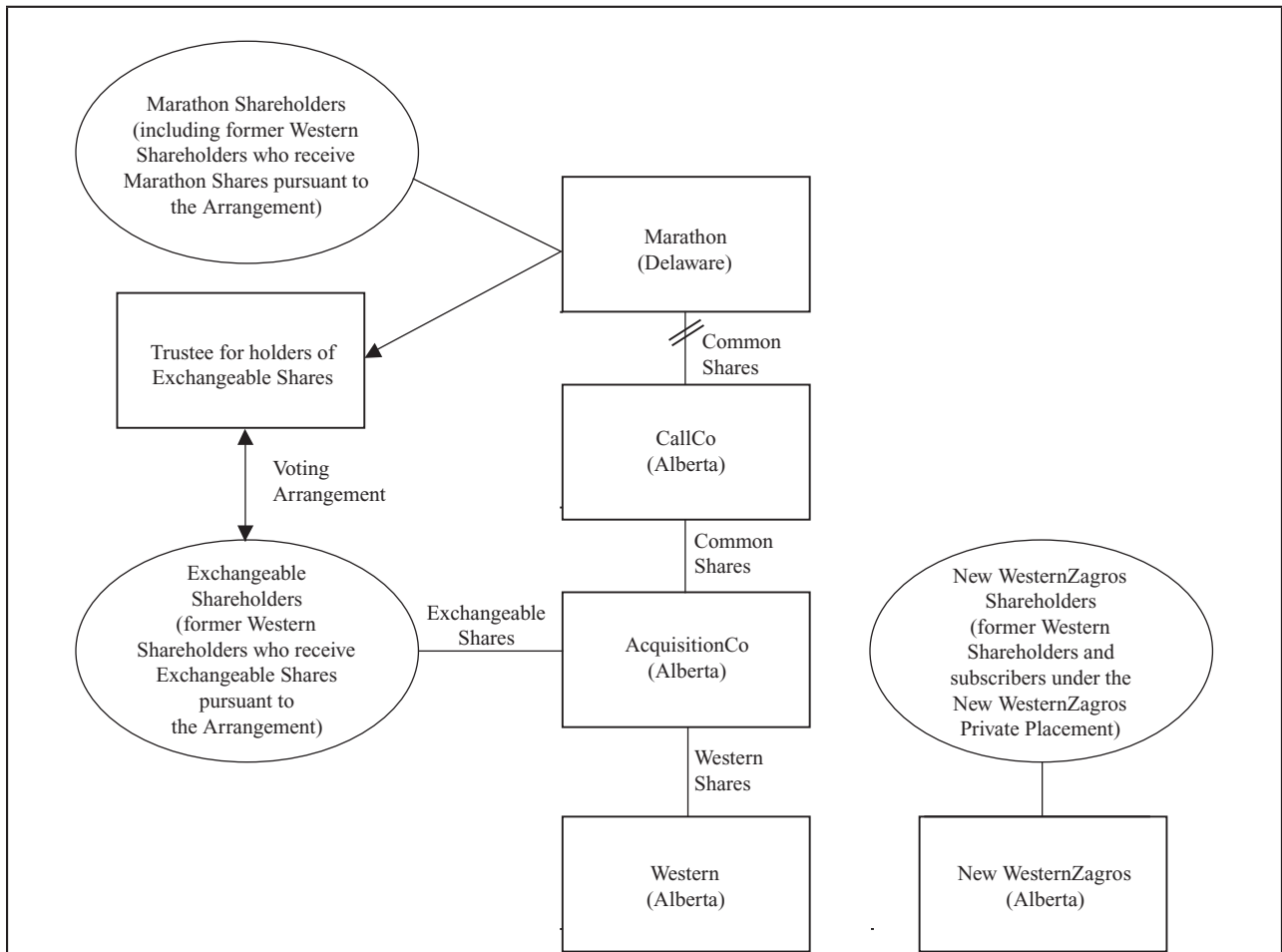
Western has agreed in the Arrangement Agreement that it shall and shall cause the officers, directors, employees, representatives and agents of Western and its subsidiaries to immediately cease any existing discussions with any Person (other than Marathon) with respect to any proposal that constitutes, or may constitute, an Acquisition Proposal. Western has also agreed that, except in certain circumstances, it shall not, directly or indirectly, through any of its subsidiaries or through any officer, director, employee, investment banker, attorney or other representative or agent of it or any of its subsidiaries, solicit, initiate, knowingly facilitate or knowingly encourage (including by way of furnishing information) the initiation of any inquiries or proposals regarding an Acquisition Proposal or participate in any discussions or negotiations regarding an Acquisition Proposal. Notwithstanding the foregoing, Western is permitted to respond to an Acquisition Proposal which the Western Board of Directors determines to be a Superior Proposal and can accept, recommend, approve or enter into an agreement to implement a Superior Proposal provided Western has complied with, among other things, its obligations under the Arrangement Agreement, and has provided Marathon with at least three Business Days notice of any decision by the Western Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal and Marathon has not agreed to amend the Arrangement Agreement to provide Western Shareholders with consideration equal to or greater than that offered under the Superior Proposal. See “The Arrangement — The Arrangement Agreement — Non-Solicitation”.

Termination Fee

The Arrangement Agreement requires that Western pay a termination fee of Cdn\$200 million in certain circumstances, including if the Arrangement is not completed for certain reasons. See “The Arrangement — The Arrangement Agreement — Termination Fee”.

The Structure

The following chart shows, in a simplified manner, the relationship between Western, New WesternZagros, AcquisitionCo, CallCo and Marathon and the former Western Shareholders following completion of the Arrangement and the Subsequent Transactions.



Procedures for Exchange of Share Certificates and Election Deadline

Enclosed with this Information Circular is a Letter of Transmittal and Election Form which, when properly completed and returned together with the certificate or certificates representing Western Shares and all other required documents, will enable each Western Shareholder to obtain the consideration that the Western Shareholder is entitled to receive under the Arrangement. The Letter of Transmittal and Election Form must be submitted by the Election Deadline. The Letter of Transmittal and Election Form will contain complete instructions on how to make your election and exchange your Western Shares. **The Election Deadline is 4:30 p.m. (Calgary time) on the Business Day immediately prior to the date of the Meeting or, if such meeting is adjourned, such time on the Business Day immediately prior to the date of such adjourned meeting.** See “The Arrangement — Procedure for Exchange of Share Certificates by Western Shareholders”.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Western Board of Directors with respect to the Arrangement, Western Shareholders should be aware that certain members of Western’s management and the Western Board of Directors have certain interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement. The Western Board of Directors is aware of these interests and considered them along with the other matters

described herein under the heading “The Arrangement — Background and Reasons for the Arrangement”. See “The Arrangement — Interests of Certain Persons in the Arrangement”.

Pro-Ration Provisions

The Plan of Arrangement provides that the maximum amount of cash to be paid to Western Shareholders is Cdn\$3,807,847,771, the maximum number of Exchangeable Shares that may be elected by Western Shareholders is 29.4 million and the maximum aggregate number of Marathon Shares and Exchangeable Shares that may be issued to Western Shareholders is 34.3 million. If Western Shareholders elect to receive either cash, Exchangeable Shares or Marathon Shares in excess of these amounts, the actual amount of cash paid and the actual number of Exchangeable Shares and Marathon Shares issued to Western Shareholders pursuant to the Arrangement will be subject to pro-ration. As a result, Western Shareholders will receive cash, in aggregate, in respect of approximately 65% of the outstanding Western Shares and Marathon Shares and Exchangeable Shares in respect of approximately 35% of the outstanding Western Shares.

Elections for Cash

If the aggregate amount of Cash Consideration that would, but for pro-rationing pursuant to the Plan of Arrangement, be paid to Western Shareholders pursuant to the Plan of Arrangement exceeds Cdn\$3,807,847,771, then the Cash Consideration paid to any Western Shareholder shall be determined by multiplying the total amount of Cash Consideration otherwise payable to such Western Shareholder by a fraction, rounded to six decimal places, the numerator of which is Cdn\$3,807,847,771 and the denominator of which is the aggregate amount of the Cash Consideration otherwise payable to all Western Shareholders; and such Western Shareholder shall be deemed to have elected to receive Marathon Share Consideration for the remainder of their Western Shares for which, but for such pro-rationing, such Western Shareholder would otherwise have received Cash Consideration.

Elections for Exchangeable Shares and/or Marathon Shares

If the aggregate number of Exchangeable Shares that would, but for pro-rationing pursuant to the Plan of Arrangement, be issued to Western Shareholders pursuant to the Plan of Arrangement exceeds 29.4 million Exchangeable Shares, then the number of Exchangeable Shares to be issued to any Western Shareholder, subject to rounding in accordance with the Plan of Arrangement, shall be determined by multiplying the total number of Exchangeable Shares otherwise issuable to such Western Shareholder by a fraction, rounded to six decimal places, the numerator of which is 29.4 million and the denominator of which is the aggregate number of Exchangeable Shares otherwise issuable to all Western Shareholders; and such Western Shareholder shall be deemed to have elected to receive Marathon Share Consideration for the remainder of their Western Shares for which, but for such pro-rationing, such Western Shareholder would otherwise have received Exchangeable Shares.

If the aggregate number of Marathon Shares and Exchangeable Shares that would, but for pro-rationing pursuant to the Plan of Arrangement, be issued to Western Shareholders pursuant to the Plan of Arrangement (including those Marathon Shares which Western Shareholders are deemed to have elected to receive pursuant to the pro-rationing of Exchangeable Shares described above) exceeds 34.3 million Marathon Shares and Exchangeable Shares collectively, then the number of Marathon Shares and Exchangeable Shares to be issued to any Western Shareholder, subject to rounding in accordance with the Plan of Arrangement, shall be determined by multiplying the total number of Marathon Shares and Exchangeable Shares otherwise issuable to such Western Shareholder by a fraction, rounded to six decimal places, the numerator of which is 34.3 million and the denominator of which is the aggregate number of Marathon Shares and Exchangeable Shares otherwise issuable to all Western Shareholders; and such holder shall be deemed to have elected to receive Cash Consideration for the remainder of their Western

Shares for which, but for such pro-rationing, such Western Shareholder would otherwise have received Marathon Shares and Exchangeable Shares.

See “The Arrangement — Arrangement Mechanics”.

What Happens if a Western Shareholder Fails to Make a Valid Election

Any Western Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, or otherwise fails to comply with the requirements of the Plan of Arrangement and the Letter of Transmittal and Election Form with respect to elections to receive the Cash Consideration, the Marathon Share Consideration, the Exchangeable Share Consideration or a combination thereof, shall be deemed to have elected to receive, in aggregate, the Cash Consideration in respect of 65% of the outstanding Western Shares, and Marathon Share Consideration in respect of 35% of the outstanding Western Shares, subject to pro-ration in respect of the aggregate consideration to be provided for such holder’s Western Shares. See “The Arrangement — Pro-Ration Provisions — What Happens if a Western Shareholder Fails to Make a Valid Election”.

Fractional Shares

No certificates representing fractional Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants shall be issued upon the exchange of the Western Shares for Marathon Shares or Exchangeable Shares or the distribution of New WesternZagros Shares and New WesternZagros Warrants. In lieu of any fractional Marathon Share, Exchangeable Share, New WesternZagros Share or New WesternZagros Warrant, each registered Western Shareholder otherwise entitled to a fractional interest in a Marathon Share, Exchangeable Share, New WesternZagros Share or New WesternZagros Warrant will receive the nearest whole number of Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants, as the case may be.

For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants, as applicable, to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants, as applicable, to be issued will be rounded down to the nearest whole number.

Arrangements Respecting Western Options, Western PSUs and Western DSUs

Upon approval of the Arrangement by the Western Shareholders, all outstanding Western Options granted pursuant to the Western Option Plan and all Western PSUs granted pursuant to the Western PSU Plan shall be vested and shall be exercised, terminated or surrendered such that no options to purchase or receive Western Shares remain outstanding as at the Effective Date. See “The Arrangement — Western Options, Western PSUs and Western DSUs”.

Dissent Rights

Registered Western Shareholders are entitled to exercise Dissent Rights in accordance with the provisions of the ABCA as modified by the Plan of Arrangement and the Interim Order. Completion of the Arrangement is conditional on Dissent Rights not having been exercised by the holders of more than 15% of the outstanding Western Shares.

A registered Western Shareholder who wishes to dissent must provide a dissent notice to Western by 2:00 p.m. (Calgary time) on the Business Day before the Meeting (or any adjournment or postponement thereof). **It is important that registered Western Shareholders who wish to dissent comply strictly with the**

dissent procedures described in this Information Circular, which are different from the statutory dissent procedures of the ABCA. See “Dissenting Shareholder Rights”.

If you dissent, you will not be entitled to make any election for the consideration you will receive and there can be no assurance that the amount you receive as fair value for your Western Shares will be more than or equal to the consideration under the Arrangement.

Stock Exchange Listings

Western Shares

The Western Shares will be delisted from the TSX on or after the Effective Date.

Exchangeable Shares

There is no current intention to list the Exchangeable Shares on any stock exchange.

Marathon Shares

Shares of Marathon Common Stock are listed on the NYSE and the Chicago Stock Exchange and trade under the symbol “MRO”. Marathon will apply to the NYSE to list the Marathon Shares to be issued pursuant to the Arrangement and issuable upon exchange of the Exchangeable Shares. See “The Arrangement — Stock Exchange Listings”. It is a condition to the Arrangement that such listing be obtained. See “The Arrangement — The Arrangement Agreement — Conditions to Closing”.

New WesternZagros Shares and New WesternZagros Warrants

The TSX-V has conditionally approved the listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V. Listing will be subject to New WesternZagros fulfilling all of the listing requirements of the TSX-V. Trading in both the New WesternZagros Shares and the New WesternZagros Warrants is expected to commence concurrently with the delisting of the Western Shares on the TSX.

Comparative Per Share Market Information

The following table provides the closing price per share of Western Shares and Marathon Shares on July 30, 2007, the last full trading day on the TSX and the NYSE before the public announcement of the proposed Arrangement, and on September 13, 2007, the last full trading day on the TSX and the NYSE before the date of this Information Circular.

<u>Date</u>	<u>Western Shares (TSX)</u>	<u>Marathon Shares (NYSE)</u>
July 30, 2007	Cdn\$34.13	US\$57.00
September 13, 2007	Cdn\$37.79	US\$54.87

See “Market Prices of, and Dividends on, Western Shares and Marathon Shares”.

Dividend History

Western

No dividends have been paid on any shares of Western since the date of its incorporation.

Marathon

In the first and second quarters of 2005, Marathon paid a quarterly dividend of US\$0.14 per Marathon Share. In the following two quarters of 2005, and in the first quarter of 2006, Marathon paid a quarterly dividend of US\$0.16 per Marathon Share. In the remaining three quarters of 2006 and the first quarter of 2007, Marathon paid a quarterly dividend of US\$0.20 per Marathon Share. In the second quarter of 2007, Marathon paid a quarterly dividend of US\$0.24 per Marathon Share.

See “Market Prices of, and Dividends on, Western Shares and Marathon Shares”, “Information Concerning Western — Dividend Policy” and “Information Concerning Marathon — Dividend Policy”.

Material Income Tax Consequences of the Arrangement

Canada

The exchange of a Western Share for a Class A Share, a Class B Share and a Class C Share by a Western Shareholder who is a resident of Canada will not result in a capital gain or a capital loss to such Western Shareholder.

The exchange of Class A Shares for Cash Consideration or Marathon Shares by a Western Shareholder who is a resident of Canada will generally be a taxable event to such holder for the purposes of the ITA. However, an Eligible Holder that exchanges its Western Shares for consideration that includes Exchangeable Shares pursuant to the Arrangement and that makes a valid tax election with AcquisitionCo under Subsections 85(1) or 85(2) of the ITA, may obtain a full or partial deferral (rollover) of any capital gains that may otherwise arise on such exchange.

The exchange of Class B Shares for New WesternZagros Shares by a Western Shareholder who is a resident of Canada will, unless the Western Shareholder chooses to recognize a capital gain or capital loss on the exchange, result in neither a capital gain nor a capital loss in respect of the exchange.

The exchange of Class C Shares for New WesternZagros Warrants by a Western Shareholder who is a resident of Canada will result in a disposition of the Class C Shares for proceeds of disposition equal to the fair market value of the New WesternZagros Warrants received. Western is of the view that the New WesternZagros Warrants will have nominal fair market value on a per warrant basis. Provided this view is correct, the exchange of the Class C Shares will not result in any material adverse income tax consequences to a Western Shareholder.

Shareholders that are Non-Residents will generally not be subject to tax in Canada in respect of the exchange of their Western Shares for Cash Consideration, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants unless such Western Shares constitute “taxable Canadian property” for purposes of the ITA.

The Information Circular contains a general summary of the principal Canadian federal income tax considerations relevant to residents and Non-Residents and which relate to the Arrangement, and the above comments are qualified in their entirety by reference to such summary. See “Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations”.

United States

The exchange of Western Shares for Cash Consideration, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants will be treated as a taxable transaction for “U.S. Holders” (as defined in the section titled “Tax Considerations to Western Shareholders — Certain United States Federal Income Tax Considerations”). Generally, a U.S. Holder will recognize for U.S. federal income tax purposes a gain or loss equal to the difference, if any, between (i) the amount of cash and the fair market value of any Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants received in

exchange for Western Shares pursuant to the Arrangement and (ii) such U.S. Holder's tax basis in its Western Shares. Such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if such Western Shares were held for more than one year at the time of the exchange. However, for U.S. Holders whose Western Shares constitute stock in a passive foreign investment company (a "PFIC") and that have not made a valid "Pedigreed QEF" election (which is described herein), different treatment may apply. Although the applicable rules are extremely complex, generally any gain recognized by such shareholder will be subject to tax at the highest rate for ordinary income and such shareholder may be subject to additional tax in the nature of interest. U.S. Holders are urged to review the discussion below under "Tax Considerations to Western Shareholders — Certain United States Federal Income Tax Considerations".

Western Shareholders should read carefully the information under "Tax Considerations to Western Shareholders — Certain United States Federal Income Tax Considerations" which qualifies the information set forth above, and should consult their tax advisors. No advance income tax rulings have been sought or obtained with respect to any of the transactions described in this Information Circular.

Other Matters of Special Business relating to New WesternZagros

New WesternZagros Stock Option Plan

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, ratify and approve the adoption by New WesternZagros of the New WesternZagros Stock Option Plan which will authorize the New WesternZagros board of directors to issue stock options to directors, officers, employees or other service providers of New WesternZagros and its subsidiaries. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by Western Shareholders. Approval of the New WesternZagros Stock Option Plan is required by the TSX-V. A copy of the New WesternZagros Stock Option Plan is set out in Appendix H to this Information Circular. See "Other Matters of Special Business Relating to New WesternZagros — New WesternZagros Stock Option Plan".

New WesternZagros Shareholder Rights Plan

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, approve an ordinary resolution to approve the adoption of the New WesternZagros Shareholder Rights Plan. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by Western Shareholders. Approval of the New WesternZagros Shareholder Rights Plan by Western Shareholders is required by the TSX-V. See "Other Matters of Special Business Relating to New WesternZagros — New WesternZagros Shareholder Rights Plan".

New WesternZagros Private Placement

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, approve an ordinary resolution to authorize the New WesternZagros Private Placement of up to 5 million New WesternZagros Shares at a price of Cdn\$2.50 per share. Directors, officers and employees of New WesternZagros and persons associated with them will be entitled to subscribe to all or a portion of the New WesternZagros Private Placement. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by Western Shareholders, excluding votes cast by any Person who will participate in the New WesternZagros Private Placement and their associates or affiliates. Approval of the New WesternZagros Private Placement is required by the TSX-V. See "Other Matters of Special Business Relating to New WesternZagros — New WesternZagros Private Placement".

The completion of the Arrangement is not conditional upon approval of the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan or the New WesternZagros Private Placement.

GLOSSARY OF TERMS

Unless the context otherwise requires, when used in this Information Circular the following terms shall have the meanings set forth below. These defined terms are not necessarily used in the documents included on the enclosed CD-ROM.

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**AcquisitionCo**” means 1339971 Alberta Ltd., a corporation incorporated under the ABCA and an indirect subsidiary of Marathon;

“**Acquisition Proposal**” means any written proposal or offer made to Western or the Western Shareholders (including any takeover bid initiated by advertisement or circular) relating to: (i) any merger, amalgamation, take-over bid, tender offer, arrangement, share exchange, dissolution, liquidation, recapitalization or other business combination involving any purchase by a single Person (other than AcquisitionCo, Marathon or any of their subsidiaries) or combination of Persons (other than AcquisitionCo, Marathon or any of their subsidiaries) of Western Shares that, if consummated, would result in any Person (other than AcquisitionCo, Marathon or any of their subsidiaries) beneficially owning more than 20% of the voting rights attached to the Western Shares, or any liquidation or winding-up in respect of Western or any material Western subsidiary (other than WesternZagros); (ii) any purchase or sale of Western or its subsidiaries (other than WesternZagros) or any assets, where such assets represent more than 20% of the fair market value of the consolidated assets of Western or contribute more than 20% of the revenues of Western (on a consolidated basis) (or other arrangement having the same economic effect as a purchase or sale of assets); (iii) any sale or acquisition of 20% or more of the Western Shares or rights or interests therein or thereto; or (iv) any similar business combination or transaction of, or involving, Western and/or any subsidiary of Western (other than WesternZagros) that, if consummated, would result in any Person (other than AcquisitionCo, Marathon or any of their subsidiaries) beneficially owning more than 20% of the voting rights attached to the Western Shares;

“**AcquisitionCo Board of Directors**” means the board of directors of AcquisitionCo, as it may be comprised from time to time;

“**AMF Policy Q-27**” means *Autorité des marchés financiers du Québec Policy Q-27, Respecting Protection of Minority Securityholders in the Course of Certain Transactions*;

“**Ancillary Rights**” means the interest of a holder of Exchangeable Shares as a beneficiary of the trust created under the Voting and Exchange Trust Agreement, together with the benefits associated with the indirect support provided to the holder of Exchangeable Shares by Marathon and CallCo under the Support Agreement;

“**AOSP**” means the Athabasca Oil Sands Project;

“**Applicable Canadian Securities Laws**” means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;

“**Applicable Laws**”, in the context that refers to one or more Persons, means the Laws that apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

“**Arrangement**” means the arrangement under the provisions of Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;

“**Arrangement Agreement**” means the agreement dated July 30, 2007 among Marathon, AcquisitionCo, Western and WesternZagros with respect to the Arrangement, as amended and restated on September 14, 2007, together with all amendments thereto;

“**Arrangement Resolution**” means the special resolution attached as Appendix A to this Information Circular in respect to the Arrangement;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under Subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted to give effect to the Arrangement;

“**Automatic Exchange Right**” means the right of a beneficiary of the Voting and Exchange Trust Agreement to the exchange of their Exchangeable Shares for Marathon Shares upon the occurrence of a Liquidation Event;

“**Beneficiary**” means a registered holder from time to time of Exchangeable Shares, other than Marathon and its affiliates;

“**Business Day**” means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta or the City of Houston, Texas are not generally open for business;

“**Call Rights**” means, collectively, the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right, as such terms are defined in the Exchangeable Share Provisions;

“**CallCo**” means Marathon Canadian Oil Sands Holding Limited, an indirect wholly-owned subsidiary of Marathon;

“**Canadian GAAP**” or “**GAAP**” means Canadian generally accepted accounting principles;

“**Cash Consideration**” means Cdn\$35.50 in cash per Western Share to be received at the election or deemed election of a Western Shareholder (other than a Dissenting Shareholder);

“**Certificate**” means the certificate or other confirmation of filing to be issued by the Registrar pursuant to Subsection 193(11) of the ABCA giving effect to the Arrangement;

“**Change of Law**” means an amendment to the ITA and other applicable provincial income tax laws that permits holders of Exchangeable Shares who are residents of Canada for the purposes of the ITA, who hold the Exchangeable Shares as capital property and deal at arm’s length with Marathon and AcquisitionCo (all for the purposes of the ITA and other applicable provincial income tax laws), to exchange their Exchangeable Shares for Marathon Shares on a basis that will not require such holders to recognize any gain or loss or actual or deemed dividend in respect of such exchange for the purposes of the ITA or other applicable provincial income tax laws;

“**Class A Share**” means a share of the new class A shares in the capital of Western created and issued pursuant to the Plan of Arrangement;

“**Class B Aggregate Redemption Amount**” means the lesser of Cdn\$412,669,383 and the aggregate redemption amount of all the issued and outstanding New WesternZagros Preferred Shares to be issued by New WesternZagros during the course of the Subsequent Transactions;

“**Class B Redemption Amount**” means an amount equal to the quotient obtained by dividing the Class B Aggregate Redemption Amount by the number of issued and outstanding Class B Shares;

“**Class B Share**” means a share of the class B shares in the capital of Western created and issued pursuant to the Plan of Arrangement;

“**Class C Aggregate Redemption Amount**” means Cdn\$1,000,000;

“**Class C Redemption Amount**” means an amount equal to the quotient obtained by dividing the Class C Aggregate Redemption Amount by the number of issued and outstanding Class C Shares;

“**Class C Share**” means a share of the class C shares in the capital of Western created and issued pursuant to the Plan of Arrangement;

“**Closing Time**” shall be 1:00 p.m. (Calgary time) on the Effective Date, or such other time on the Effective Date as is agreed to by Marathon and Western;

“**Code**” means the *United States Internal Revenue Code of 1986*, as amended;

“**Competition Act**” means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

“**Confidentiality Agreement**” means the confidentiality agreement dated November 8, 2006 between Western and Marathon Petroleum Company LLC;

“**Contract**” means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;

“**Control Transaction**” has the meaning set forth in the Exchangeable Share Provisions;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**Current Market Price**” has the meaning set forth in the Exchangeable Share Provisions;

“**Depository**” means Valiant Trust Company at its principal office in Calgary, Alberta;

“**Disclosure Letter**” means the disclosure letter dated as of the date of the Arrangement Agreement from Western to Marathon as amended, supplemented or otherwise agreed to between Western and Marathon prior to the Effective Time;

“**Dissenting Shareholders**” means registered Western Shareholders who validly exercise the rights of dissent provided to them under Section 191 of the ABCA, as modified by the Interim Order;

“**Dissent Rights**” means the rights of dissent provided under Section 191 of the ABCA, as modified by the Interim Order, in favour of registered Western Shareholders in respect of the Arrangement;

“**Dividend Record Date**” has the meaning set forth in the Exchangeable Share Provisions;

“**DPSP**” means a trust governed by a deferred profit sharing plan under the ITA;

“**Effective Date**” means the date the Arrangement becomes effective under the ABCA, provided that such date shall not be later than the Outside Date, unless otherwise agreed to by Marathon and Western;

“**Effective Time**” means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

“**Election Deadline**” means 4:30 p.m. (Calgary time) on the Business Day immediately prior to the date of the Meeting or, if such meeting is adjourned, such time on the Business Day immediately prior to the date of such adjourned meeting;

“**Eligible Holder**” means a Western Shareholder that: (i) is a resident of Canada for the purposes of the ITA (including a partnership all of the members of which are residents of Canada for the purposes of the ITA); (ii) is not exempt from tax under Part I of the ITA; (iii) is the registered or beneficial owner of Western Shares; and (iv) meets the conditions set out in (i) through (iii) at the time it receives the Exchangeable Shares under the Arrangement;

“Employee Obligations” means any obligations or liabilities of Western to pay any amount to or on behalf of its officers, directors, consultants or employees, other than for salary, accrued bonuses for 2007, vacation pay and directors’ fees in the ordinary course, in each case in amounts consistent with historic practices and, without limiting the generality of the foregoing, Employee Obligations shall include the obligations of Western to officers or employees: (i) for severance or termination payments on the change of control of Western pursuant to Western’s severance policies and any involuntary severance, termination and employment offer agreements, including payments associated with Code Sections 280G and 4999 which define excise taxes associated with a change of control for United States taxpayers; (ii) for retention bonus payments pursuant to any retention bonus program or executive employment agreement; (iii) for payments with respect to any options, share appreciation rights, participating performance units, deferred share units or similar plans; and (iv) payments with respect to Western’s Supplemental Employee Retirement Plan and its registered pension plan;

“Encumbrances” means, in the case of property or an asset, all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, outstanding demands, burdens, capital leases, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, such property or asset, or any part thereof or interest therein, and any agreements, leases, options, easements, rights of way, restrictions, executions or other charges or encumbrances (including notices or other registrations in respect of any of the foregoing) against title to any of the property or asset, or any part thereof or interest therein;

“Environmental Laws” means, with respect to any Person or its business, activities, property, assets or undertaking, all federal, provincial, territorial, state, municipal, local or foreign Laws of any Governmental Authority or of any court, tribunal or other similar body, relating to environmental or health and safety matters in the jurisdictions applicable to such Person or its business, activities, property, assets or undertaking, including, without limitation, legislation governing the use and storage of Hazardous Substances;

“EPSA” means the Exploration and Production Sharing Agreement between a subsidiary of WesternZagros and the KRG;

“EPSA Lands” means the area covered by the EPSA;

“Exchange Ratio” has the meaning set forth in the Exchangeable Share Provisions;

“Exchange Right” means the right, upon the occurrence and during the continuance of an Insolvency Event, to require Marathon or CallCo to purchase from each or any Beneficiary all or any part of the Exchangeable Shares held by that Beneficiary;

“Exchangeable Share” means an exchangeable share in the capital of AcquisitionCo, to be created on or before the Effective Time, which shall initially be exchangeable on a one-for-one basis for a Marathon Share, subject to adjustment for future dividends, with substantially the rights, privileges and restrictions set forth in the Exchangeable Share Provisions;

“Exchangeable Share Consideration” means the consideration in the form of 0.5932 of an Exchangeable Share and associated Ancillary Rights to be received at the election of an Eligible Holder (other than a Dissenting Shareholder) pursuant to the Plan of Arrangement;

“Exchangeable Share Provisions” means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares substantially in the form set forth in Appendix D to this Information Circular;

“Exchangeable Share Voting Event” has the meaning set forth in the Exchangeable Share Provisions;

“Exempt Exchangeable Share Voting Event” has the meaning set forth in the Exchangeable Share Provisions;

“**Final Order**” means the final order of the Court approving this Arrangement under Subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“**Financial Advisors**” means, collectively, Goldman, Sachs & Co. and TD Securities Inc.;

“**Form S-3**” means a registration statement on Form S-3 (or other applicable form) filed by Marathon with the SEC under the U.S. Securities Act;

“**Georgeson**” means Georgeson, Western’s proxy solicitation agent;

“**GLJ**” means GLJ Petroleum Consultants Ltd., independent petroleum consultants;

“**Governmental Authority**” means any multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, any subdivision, agent, commission, board or authority of any of the foregoing, or any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“**Governmental Authorization**” means all licenses, permits, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other authorizations of or from any Governmental Authority necessary in connection with the conduct of the business of Western and Marathon, as applicable, as it is now, individually or in the aggregate, being or proposed to be conducted;

“**Hazardous Substances**” means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws;

“**Information Circular**” means this management information circular of Western, together with all appendices hereto and the documents included in the accompanying CD-ROM to be mailed or otherwise distributed by Western to the Western Shareholders as may be required pursuant to the Interim Order in connection with the Meeting;

“**Insolvency Event**” means (i) the institution by AcquisitionCo of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of AcquisitionCo to the institution of bankruptcy, insolvency, dissolution or winding-up proceedings against it, or (ii) the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies Creditors’ Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), and AcquisitionCo’s failure to contest in good faith such proceedings commenced in respect of AcquisitionCo within 15 days of becoming aware of the proceedings, or the consent by AcquisitionCo to the filing of any such petition or to the appointment of a receiver, or (iii) the making by AcquisitionCo of a general assignment for the benefit of creditors, or the admission in writing by AcquisitionCo of its inability to pay its debts generally as they become due, or (iv) AcquisitionCo not being permitted, pursuant to solvency requirements of Applicable Laws, to redeem any Retracted Shares pursuant to the Exchangeable Shares Provisions;

“**Interests**” means the title to or the right that Western and its subsidiaries (other than WesternZagros) have to produce petroleum, natural gas and related hydrocarbons;

“**Interim Order**” means the interim order of the Court set forth in Appendix B to this Information Circular concerning the Arrangement under Subsection 193(4) of the ABCA and containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“**Investment Canada Act**” means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended;

“**ITA**” means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, each as amended from time to time;

“**KRG**” means the Kurdistan Regional Government;

“**Laws**” means all laws, statutes, regulations, by-laws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices, directions (including all Applicable Canadian Securities Laws and U.S. Securities Laws), and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Authority, statutory body or self-regulatory authority (including the TSX, TSX-V and NYSE);

“**Letter of Transmittal and Election Form**” means the letter of transmittal and election form accompanying this Information Circular sent to Western Shareholders for making their election to receive, in addition to the New WesternZagros Share Consideration and the New WesternZagros Warrant Consideration, the Cash Consideration, the Marathon Share Consideration, the Exchangeable Share Consideration or a combination thereof in exchange for their Western Shares;

“**Liabilities**” means any and all debts, liabilities and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, including those arising under any Law, Contract, permit, license or other undertaking and as a result of any act or omission;

“**Liquidation Amount**” has the meaning set forth in the Exchangeable Share Provisions;

“**Liquidation Call Right**” has the meaning set forth in the Exchangeable Share Provisions;

“**Liquidation Date**” has the meaning set forth in the Exchangeable Share Provisions;

“**Liquidation Event**” means (i) any determination by the Marathon Board of Directors to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Marathon or to effect any other distribution of its assets among the Marathon Shareholders for the purpose of winding-up its affairs, or (ii) the receipt by Marathon of notice of, or Marathon otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Marathon or to effect any other distribution of assets of Marathon among the Marathon Shareholders for the purpose of winding-up its affairs, in each case where Marathon has failed to contest in good faith any such proceeding commenced in respect of Marathon within 30 days of becoming aware of the proceeding;

“**Mailing Date**” means the date that is as soon as reasonably practicable following the date of Arrangement Agreement and in any event by October 1, 2007;

“**Marathon**” means Marathon Oil Corporation, a corporation organized and existing under the laws of Delaware and any successor corporation;

“**Marathon Board of Directors**” means the board of directors of Marathon, as it may be comprised from time to time, including any duly constituted and acting committee thereof;

“**Marathon Common Stock**” means the common stock of Marathon;

“**Marathon Dividend**” has the meaning set forth in the Exchangeable Share Provisions;

“**Marathon Dividend Payment Date**” means a date on which a dividend is paid by Marathon to Marathon Shareholders;

“**Marathon Dividend Record Date**” has the meaning set forth in the Exchangeable Share Provisions;

“**Marathon Financial Statements**” means, collectively, the audited consolidated financial statements of Marathon as at and for the fiscal year ended December 31, 2006, together with the notes thereto and the auditors’ report thereon, and the unaudited consolidated financial statements of Marathon as at and for the three and six months ended June 30, 2007, together with the notes thereto;

“**Marathon Funds**” means the aggregate cash amount required to purchase the Western Shares pursuant to the terms of the Arrangement;

“**Marathon Information**” means the information included in this Information Circular describing Marathon and AcquisitionCo and the business, operations and affairs of Marathon and AcquisitionCo;

“**Marathon Share**” means a share of Marathon Common Stock;

“**Marathon Share Consideration**” means the consideration in the form of 0.5932 of a Marathon Share to be received at the election or deemed election of a Western Shareholder pursuant to the Plan of Arrangement;

“**Marathon Shareholder**” means a holder of Marathon Shares;

“**Material Adverse Change**” or “**Material Adverse Effect**” means, with respect to either Western or Marathon, as the case may be, any matter or action that has an effect or change that is, or would reasonably be expected to be, material and adverse to the business, operations, assets, capitalization, financial condition or prospects of such party and its subsidiaries, taken as a whole, other than any matter, action, effect or change relating to or resulting from: (i) general economic, financial, currency exchange, securities or commodity prices in Canada, the United States or elsewhere; (ii) conditions affecting the oil and gas exploration, exploitation, development and production industry as a whole, and not specifically relating to any party and/or its subsidiaries, including changes in Laws; (iii) any decline in crude oil or natural gas prices on a current or forward basis; (iv) any matter which has been publicly disclosed or has been communicated in writing, in the case of Marathon, to Western, and in the case of Western or WesternZagros, to Marathon, as of the date of the Arrangement Agreement; or (v) any changes arising from matters consented to or approved in writing by Western, in the case of changes relating to Marathon, or by Marathon in the case of changes relating to Western or WesternZagros, as applicable;

“**Meeting**” means the special meeting of Western Shareholders to be held to consider, among other things, the Arrangement, and any adjournment thereof;

“**New WesternZagros**” means WesternZagros Resources Ltd., a corporation incorporated pursuant to the ABCA;

“**New WesternZagros Preferred Share**” means a Class B preferred share in the capital of New WesternZagros;

“**New WesternZagros Private Placement**” means the private placement of up to 5 million New WesternZagros Shares at a price of Cdn\$2.50 per share;

“**New WesternZagros Securities**” means, collectively, New WesternZagros Shares and New WesternZagros Warrants;

“**New WesternZagros Share**” means a common share in the capital of New WesternZagros;

“**New WesternZagros Share Consideration**” means the consideration in the form of one New WesternZagros Share to be received by the Western Shareholders pursuant to the Plan of Arrangement;

“**New WesternZagros Shareholder Rights Plan**” means the shareholder rights plan of New WesternZagros having the terms set forth in the shareholder rights plan agreement between New WesternZagros and Valiant Trust Company, as rights agent;

“**New WesternZagros Stock Option Plan**” means the stock option plan of New WesternZagros providing for the issuance of up to 10% of the New WesternZagros Shares issued and outstanding from time to time, substantially in the form attached to this Information Circular as Appendix H;

“**New WesternZagros Warrant**” means a common share purchase warrant entitling the holder thereof to purchase one New WesternZagros Share at a price of Cdn\$2.50 until the date which is three months from the Effective Date in accordance with the terms and conditions of a warrant indenture to be entered into between New WesternZagros and Valiant Trust Company on the Effective Date;

“**New WesternZagros Warrant Consideration**” means the consideration in the form of one-tenth of a New WesternZagros Warrant to be received by the Western Shareholders pursuant to the Plan of Arrangement;

“**Non-Resident**” means: (i) a person who is not a resident of Canada for the purposes of the ITA; or (ii) a partnership that is not a Canadian partnership for the purposes of the ITA;

“**NYSE**” means the New York Stock Exchange;

“**OSC Rule 61-501**” means Ontario Securities Commission Rule 61-501, *Insider Bids, Issuer Bids, Business Combination and Related Party Transactions*;

“**Outside Date**” means November 30, 2007;

“**Person**” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

“**Plan of Arrangement**” means the plan of arrangement substantially in the form set out in Schedule A to the Arrangement Agreement as amended or supplemented from time to time in accordance with the terms thereof as set forth in Appendix C to this Information Circular;

“**Publicly Disclosed by Marathon**” means disclosed by Marathon in a public filing made by it with the SEC from January 1, 2006 to and including the date of the Arrangement Agreement;

“**Public Record**” means all information filed by or on behalf of Western or Marathon, as the case may be, with the Securities Authorities, in compliance, or intended compliance, with any Laws;

“**Redemption Call Right**” has the meaning set forth in the Exchangeable Share Provisions;

“**Redemption Date**” has the meaning set forth in the Exchangeable Share Provisions;

“**Redemption Price**” has the meaning set forth in the Exchangeable Share Provisions;

“**Registrar**” means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to Section 263 of the ABCA;

“**Regulation S**” means Regulation S promulgated under the U.S. Securities Act;

“**RESP**” means a trust governed by a registered education savings plan under the ITA;

“**RRIF**” means a trust governed by a registered retirement income fund under the ITA;

“**RRSP**” means a trust governed by a registered retirement savings plan under the ITA;

“**Retracted Shares**” has the meaning set forth in the Exchangeable Share Provisions;

“**Retraction Call Right**” has the meaning set forth in the Exchangeable Share Provisions;

“**Retraction Date**” has the meaning set forth in the Exchangeable Share Provisions;

“**Retraction Price**” has the meaning set forth in the Exchangeable Share Provisions;

“**Retraction Request**” has the meaning set forth in the Exchangeable Share Provisions;

“**SEC**” means the United States Securities and Exchange Commission;

“**Securities Act**” means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

“**Securities Authorities**” means the securities commissions or similar securities regulatory authorities in each of the Provinces or Territories of Canada and the SEC in the United States, collectively or individually as the context requires;

“**Shareholders**” means the holders from time to time of Common Shares, the Class A Shares, the Class B Shares or the Class C Shares, collectively or individually, as the context requires;

“**Shares**” means, the Common Shares, the Class A Shares, the Class B Shares or the Class C Shares, collectively or individually, as the context requires;

“**Sproule**” means Sproule International Limited, independent petroleum consultants;

“**Sproule Report**” means the report prepared by Sproule entitled “Technical Review and Assessment of Undiscovered Resources in the Kalar-Bawanoor Area, Zagros, South Kurdistan, Iraq for Western Oil Sands Inc. (as of July 31, 2007)”;

“**Subsequent Transactions**” means the transactions to be effected sequentially forthwith after the Effective Time pursuant to which: (i) WesternZagros will issue additional WesternZagros Shares to Western for cash subscription proceeds of Cdn\$81,533,877; (ii) all of the issued and outstanding WesternZagros Shares will be transferred to New WesternZagros in consideration for the issuance by New WesternZagros of the New WesternZagros Preferred Shares; (iii) the New WesternZagros Preferred Shares will be redeemed or purchased for cancellation in consideration for the issuance of a demand non-interest bearing promissory note of New WesternZagros; (iv) the Class B Shares held by New WesternZagros at that time will be redeemed or purchased for cancellation in consideration of the cancellation of such New WesternZagros promissory note; and (v) the Class C Shares held by New WesternZagros at that time will be redeemed or purchased for cancellation in consideration of the payment by Western to New WesternZagros of Cdn\$1,000,000;

“**subsidiary**” has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by Western or Marathon, as the case may be);

“**Superior Proposal**” means an unsolicited, bona fide Acquisition Proposal made after the date of the Arrangement Agreement that: (i) involves the purchase or acquisition of or offer by such Person to purchase all of the outstanding Western Shares or all or substantially all of the assets of Western and its subsidiaries; (ii) is made available to all or substantially all Western Shareholders and offers or makes available substantially equivalent consideration in form and amount per Western Share to be purchased or otherwise acquired; (iii) is not subject to a due diligence and/or access condition that would allow access to the books, records or personnel of Western or its subsidiaries beyond 5:00 p.m. (Mountain time) on the tenth Business Day after which access is first afforded to the Person making the Acquisition Proposal (provided that the foregoing shall not restrict the ability of such third party to continue to review information provided to it by Western during such 10 Business Day period or thereafter); (iv) is reasonably likely to be completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the Person making such proposal; (v) in respect of which any required financing to complete such Acquisition Proposal has been obtained or is reasonably likely to be obtained; and (vi) in respect of which the Western Board of Directors determines in good faith (after consultation with its financial advisors and outside counsel) would, if consummated in accordance with its terms (but not disregarding any risk of non-completion), result in a transaction more favourable to the Western Shareholders from a financial point of view than the transactions contemplated by the Arrangement Agreement, provided that no Acquisition Proposal shall be a Superior Proposal if the Person making such Acquisition Proposal is in default of any standstill obligation with Western;

“**Support Agreement**” means the agreement, so entitled and relating to the Exchangeable Shares, to be entered into among Marathon, CallCo and AcquisitionCo and dated as of the Effective Date;

“**Tax**” or “**Taxes**” means all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Taxing Authority, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, value added taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers’ compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Western or Marathon, as applicable (or any of their respective subsidiaries), as the case may be, is required to pay, withhold, remit or collect;

“**Tax Returns**” means all reports, estimates, elections, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be supplied to any Taxing Authority in connection with, any Taxes (including any attached schedules);

“**Taxing Authority**” means any Governmental Authority responsible for the imposition of any Tax (domestic or foreign);

“**Trustee**” means Valiant Trust Company at its principal office in Calgary, Alberta, as trustee under the Voting and Exchange Trust Agreement;

“**TSX**” means the Toronto Stock Exchange;

“**TSX-V**” means the TSX Venture Exchange;

“**United States**” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

“**U.S. Exchange Act**” means the *United States Securities Exchange Act of 1934*, as amended, and the rules, regulations and orders promulgated thereunder;

“**U.S. GAAP**” means generally accepted accounting principles as in effect in the United States;

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder;

“**U.S. Securities Laws**” means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time;

“**U.S. Warrantholder**” means a holder of New WesternZagros Warrants who is in the United States;

“**Voting and Exchange Trust Agreement**” means the agreement, so entitled and relating to the Exchangeable Shares, to be entered into among Marathon, CallCo, AcquisitionCo and the Trustee and dated as of the Effective Date;

“**Western**” means Western Oil Sands Inc., a corporation incorporated under the ABCA;

“**Western Board of Directors**” means the board of directors of Western as it may be comprised from time to time;

“**Western DSU Plan**” means the Western deferred share unit plan;

“**Western DSUs**” means all deferred share units granted pursuant to the Western DSU Plan;

“**Western Financial Statements**” means, collectively, the audited consolidated financial statements of Western as at and for the fiscal year ended December 31, 2006, together with the notes thereto and the auditors’ report thereon, and the unaudited consolidated financial statements of Western as at and for the three and six months ended June 30, 2007, together with the notes thereto;

“**Western Group**” means WesternZagros, 852006 Alberta Ltd., Western Oil Sands L.P., Western Oil Sands Finance Inc., WesternZagros Limited, 1331614 Alberta Ltd., Western U.S. Holdings Inc., Western Oil Holdings (Barbados) Inc., Western Oil International Holdings Limited, Western Oil Sands (U.S.A.) Inc., Western Bluewater Resources (Trinidad) Inc. and 1318214 Alberta Ltd.;

“**Western Information**” means the information included in this Information Circular describing Western, WesternZagros and New WesternZagros and the business, operations and affairs of Western, WesternZagros and New WesternZagros;

“**Western Option Plan**” means the Western share option plan and the agreements thereunder;

“**Western Options**” means all outstanding options granted pursuant to the Western Option Plan;

“**Western Plans**” means the employee benefits plans covering active, former or retired employees of each member of the Western Group, any related trust agreement, annuity or insurance contract or other funding vehicle;

“**Western PSU Plan**” means the Western performance share unit plan and the agreements thereunder;

“**Western PSUs**” means all performance share units granted pursuant to the Western PSU Plan;

“**Western Shares**” or “**Common Shares**” means the existing Class A shares in the capital of Western;

“**Western Shareholders**” means holders of Western Shares;

“**Western Rights Plan**” means the shareholder rights plan of Western;

“**WesternZagros**” means WesternZagros Resources Inc., a corporation incorporated under the ABCA;

“**WesternZagros Board of Directors**” means the board of directors of WesternZagros as it may be comprised from time to time;

“**WesternZagros Information**” means the information included in this Information Circular describing WesternZagros and the business, operations and affairs of WesternZagros; and

“**WesternZagros Shares**” means the common shares in the capital of WesternZagros.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

The historical consolidated financial statements of, and the summaries of historical financial information concerning, Western contained or incorporated by reference in this Information Circular (including on the CD-ROM accompanying this Information Circular) are reported in Canadian dollars and have been prepared in accordance with Canadian GAAP. The historical consolidated financial statements of, and the summaries of historical financial information concerning, WesternZagros and New WesternZagros contained in this Information Circular are reported in U.S. dollars and have been prepared in accordance with Canadian GAAP.

The historical consolidated financial statements of, and the summaries of historical financial information concerning, Marathon contained or incorporated by reference in this Information Circular (including on the CD-ROM accompanying this Information Circular) are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP. The audited balance sheet of AcquisitionCo contained in the Information Circular is reported in Canadian dollars and has been prepared in accordance with Canadian GAAP.

CANADIAN / U.S. EXCHANGE RATES

In this Information Circular, dollar amounts are expressed either in Canadian dollars (Cdn\$) or U.S. dollars (US\$). The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar expressed in Canadian dollars, the average of such exchange rates during such periods, and the exchange rate at the end of the period, in each case, based upon the Bank of Canada noon spot rate of exchange.

	Eight Months Ended August 31, 2007	Year Ended December 31		
		2006	2005	2004
High	1.1853	1.1726	1.2704	1.3968
Low	1.0372	1.0990	1.1507	1.1774
Average	1.1145	1.1342	1.2116	1.3015
Period End	1.0564	1.1653	1.1659	1.2036

On September 13, 2007, the exchange rate for one U.S. dollar expressed in Canadian dollars was Cdn\$1.0326 based upon the Bank of Canada noon spot rate of exchange.

ABBREVIATIONS

<p>“bbls” barrels</p> <p>“bbls/d” barrels of oil per day</p> <p>“boe” barrel of oil equivalent, using the conversion factor of six (6) Mcf of natural gas being equivalent to one bbl of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.</p> <p>“Mboe/d” thousand barrels of oil equivalent per day</p>	<p>“km” kilometre</p> <p>“Mbbbls/d” thousand barrels of oil per day</p> <p>“MMbbbls” million barrels</p> <p>“MMbbbls/d” million barrels of oil per day</p> <p>“Mboe” thousand barrels of oil equivalent</p> <p>“Mbpd” thousand barrels per day</p> <p>“MMbpd” million barrels per day</p> <p>“Mcf” thousand cubic feet</p> <p>“MMcf/d” million cubic feet per day</p> <p>“WTI” West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade</p>
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CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls oil	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

THE ARRANGEMENT

Background and Reasons for the Arrangement

Background to the Arrangement

The Arrangement Agreement is the result of a broad and extensive strategic review process conducted by the Western Board of Directors, oversight of which was directed by a committee of independent directors working with management, financial advisors and legal counsel. This process ultimately led to the arm's length negotiation of the Arrangement Agreement and the resulting terms of the Arrangement between Western and Marathon.

Prior to the development of the strategic review process discussed below, the Western Board of Directors reviewed strategic objectives as part of its ongoing responsibilities and activities. In the context of these reviews, Western held exploratory conversations with certain parties from time to time regarding possible business combination and downstream integration opportunities. These conversations did not lead to any meaningful negotiations between the parties.

In the second half of 2006, a number of circumstances and developments in respect of Western's business led to the decision of the Western Board of Directors to initiate a strategic review process. These included: (i) the announcement in July 2006 by Shell Canada Limited ("SHC"), the operator of the AOSP, to the effect that no further expansions of the upgrading and downstream facilities associated with the AOSP would occur within the joint venture following Expansion 1 of the AOSP; (ii) the continued increase in estimated capital costs for Expansion 1 which dramatically impacted project economics and future capital requirements; (iii) Western's participation in new business developments outside of the AOSP, including the Kurdistan exploration initiative; and (iv) increased market trading activity in Western Shares. Following the announcement by SHC regarding future upgrading, Western conducted an ongoing assessment of potential upgrading and refining alternatives available with respect to future bitumen production, and from time to time engaged various technical consultants, including Muse, Stancil & Co. and Jacobs Engineering Group Inc. to assist in this assessment. Western also conducted exploratory discussions with a number of industry participants regarding upgrading and refining opportunities on an ongoing basis.

In September 2006, the Western Board of Directors determined it was in the best interests of Western and the Western Shareholders to consider financial and strategic alternatives for its business and to prepare for possible unsolicited acquisition initiatives or other actions by third parties. A committee of independent directors of the Western Board of Directors (the "Ad Hoc Committee") was charged with overseeing and directing this process. In late September of 2006, Western engaged the Financial Advisors to assist and provide financial advisory services to Western and the Ad Hoc Committee in connection with this process.

From September 2006 to the announcement of the Arrangement, the Ad Hoc Committee formally met on 26 occasions and reported to the Western Board of Directors at 10 meetings to discuss the progress and developments of this process and ultimately the Arrangement. The Ad Hoc Committee originally consisted of Mr. Mac Van Wielingen, Mr. Geoff Cumming, Mr. Randall Oliphant and Mr. Robert Puchniak. Messrs. Cumming and Puchniak did not stand for re-election to the Western Board of Directors and their terms as directors ended on June 12, 2007, the date of Western's Annual General Meeting of Shareholders. Mr. Fred Dymont and Mr. John Lill were appointed to the Ad Hoc Committee effective as of June 12, 2007. At these meetings of the Ad Hoc Committee and of the Western Board of Directors, in camera sessions of independent directors were held without management and with and without the Financial Advisors.

Beginning in October 2006, Western, under the direction of the Ad Hoc Committee and with the assistance of the Financial Advisors and legal counsel, initiated a detailed review of a broad range of

alternatives available to Western. The review included an in-depth assessment of Western's oil sands assets, its business plan and its existing contractual rights and restrictions, with particular attention to the alternatives available to enhance the value of its sizeable and increasing bitumen resource base beyond AOSP Expansion 1. These included alternatives to provide for upgrading or refining of future bitumen production by way of building or acquiring upgrading or refining facilities, entering into various forms of supply agreements, asset swaps, joint ventures or other commercial arrangements with parties who owned or intended to build upgrading or refining facilities and various structural alternatives.

In addition to downstream alternatives, Western also considered the merits of a reorganization of its corporate structure, the sale or spin off of selected assets, a sale, merger or other corporate transaction and various alternatives with respect to Western's Kurdistan business.

On October 23, 2006, Royal Dutch Shell ("RDS") announced its intention to offer to acquire the 22% of the shares of SHC it did not already own at a price of Cdn\$40 per share. SHC holds a 60% interest in, and is the operator of, the AOSP. This initiative by RDS led to the acquisition of all of the SHC shares by RDS at a price of \$45 per share in April 2007. Western closely monitored the progress and timing of this process and considered its implications on Western and its review of alternatives.

On November 6, 2006, Marathon announced plans to request proposals to engage interested parties in a process that could lead to a Canadian oil sands venture that would integrate Marathon's downstream refining capacity with upstream oil sands assets. The two companies had previously held exploratory discussions regarding possible integration transactions as Western had identified Marathon as a possible integration transaction counterparty, due to its refining and upgrading capabilities. On November 8, 2006, Western entered into the Confidentiality Agreement and the parties began to exchange confidential information with respect to their businesses and held discussions regarding various downstream integration alternatives.

On November 29, 2006, at the request of Regulation Services of the TSX, Western publicly announced that a variety of consultants and advisors had been engaged to assist in the evaluation of various initiatives and options, including downstream integration of Western's oil sands resources. Western also disclosed that it had not received an offer to acquire the company and that it was not in discussions with respect to any such transaction at that time.

At meetings of the Western Board of Directors held on December 18, 2006, January 24, 2007 and February 8, 2007, the Western Board of Directors received updates from the Ad Hoc Committee, the Financial Advisors and legal counsel on the work performed and the merits of the various alternative courses of action under consideration. On February 8, 2007, following the report and the recommendation of the Ad Hoc Committee, the Western Board of Directors resolved that, in addition to pursuing downstream integration opportunities, it would explore and pursue alternatives to realize the full value of Western's assets and future growth potential, including an acquisition or sale of assets, merger or other corporate transaction, which included contacting third parties and responding to inquiries. The Western Board of Director's decision was communicated to the market in a press release on February 8, 2007.

Following that announcement, Western and the Financial Advisors identified those third parties that Western and the Financial Advisors believed would be interested in pursuing a merger with, or acquisition of, Western or other transaction under consideration by Western. Western also continued to develop the analysis of its business plan and the preparation and gathering of information pertaining to Western and its business for inclusion in a data room. Subsequent to the February 8, 2007 announcement, Western or its Financial Advisors had direct contact with 23 parties from various regions of the world and segments of the oil and gas business that could reasonably be expected to have a bona fide interest and ability to pursue a transaction with Western. One unsolicited inquiry regarding Western's oil sands assets was received, and that party was also included in Western's process. Western entered into confidentiality agreements, conducted management presentations, granted staged access to its data room and held preliminary

discussions with a number of these parties. Beginning in late May 2007, Western held more detailed discussions with a smaller number of these parties which included discussion of potential transaction structures and value levels. Western also explored various alternatives with respect to its Kurdistan interest, including entering into strategic partnerships.

Beginning in mid July 2007, Western and Marathon began to discuss in more detail the parameters of a possible corporate transaction which contemplated the “spin-off” of WesternZagros. On July 20, 2007, the parties entered into an agreement to negotiate exclusively with each other regarding a possible transaction. These discussions led to the negotiation of the terms of the Arrangement Agreement. At a meeting of the Western Board of Directors held immediately following a meeting of the Ad Hoc Committee on July 25, 2007, the Western Board of Directors received an update from management, the Ad Hoc Committee, the Financial Advisors and legal counsel and thoroughly reviewed the status and merits of a possible transaction with Marathon, the status of other initiatives arising out of the lengthy process conducted by Western and the merits and challenges associated with Western’s business plan. The Western Board of Directors authorized management to continue negotiations with Marathon to see if terms of an acceptable transaction could be reached.

The parties, together with their respective financial and legal advisors, continued negotiations on the terms of a possible transaction and the Arrangement Agreement. The Western Board of Directors met again on July 30, 2007 and considered the specific transaction terms that had been negotiated and reviewed the proposed Arrangement Agreement, which included the spin-off of Western’s Kurdistan interests to Western Shareholders. The Financial Advisors provided their respective opinions to the Western Board of Directors that, as of the date of their respective opinions and subject to and based on the various considerations referred to in their opinions, which are attached to this Information Circular as Appendix E and Appendix F respectively, the Cash Consideration, the Marathon Share Consideration and the Exchangeable Share Consideration, in the case of the opinion of Goldman, Sachs & Co., and the Cash Consideration and Share Consideration, in the case of the opinion of TD Securities Inc., to be received by Western Shareholders pursuant to the Arrangement was fair, from a financial point of view, to Western Shareholders. In addition, independent members of the Western Board of Directors held an in camera session during which management was not present and during which the merits of the Arrangement were further discussed. After a detailed review, the Western Board of Directors approved the Arrangement and the entering into of the Arrangement Agreement. Following that meeting, Western, Marathon and their advisors completed the negotiation of the Arrangement Agreement, which was signed by the parties later that evening. Western and Marathon issued press releases announcing the Arrangement prior to the opening of the markets on the morning of July 31, 2007.

Reasons for the Arrangement

Following receipt of advice and assistance of the Ad Hoc Committee, the Financial Advisors and legal counsel, the Western Board of Directors carefully evaluated the terms of the proposed Arrangement and unanimously: (i) determined that the Arrangement is in the best interests of Western and the Western Shareholders; (ii) determined that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western Shareholders; (iii) approved the Arrangement and the entering into of the Arrangement Agreement; and (iv) resolved to recommend that Western Shareholders vote in favour of the Arrangement. In reaching these determinations and approvals the Western Board of Directors considered, among other things, the following factors and potential benefits and risks of the Arrangement:

- The Western Board of Directors concluded that the value offered to Western Shareholders under the Arrangement is more favourable than the value that might have been realized through pursuing Western’s current business plan given the challenges and risks associated with executing Western’s business plan and the significant amount of additional capital that would be required.

- The Arrangement was the preferred transaction available to Western and the Western Shareholders following an extensive and thorough strategic review process conducted by Western, which included advice from its Financial Advisors and legal counsel and extensive contacts and discussions with third parties.
- The value of the consideration offered under the Arrangement represented a premium to the market price of Western Shares on the date of the announcement of the Arrangement and a significant premium to the market price of Western Shares prior to the increased trading activity that occurred in the second half of 2006 due to a variety of factors, including the RDS offer for the shares of SHC.
- The ability to receive, at the election of Western Shareholders, and subject to pro-rationing, Marathon Shares or Exchangeable Shares gives Western Shareholders the opportunity to continue to participate in the future growth of the AOSP through an entity with sufficient balance sheet strength to fund the considerable capital requirements associated with its development and with upgrading assets that are well-situated to process future volumes of bitumen associated with further expansions of the AOSP.
- The trading and transaction multiples implied by the value of consideration to be received from Marathon pursuant to the Arrangement compare favourably to the trading and transaction multiples of other relevant companies and transactions.
- The Financial Advisors provided opinions that, as of the date of their respective opinions and subject to and based upon the various considerations referred to in their respective opinions, the Cash Consideration, the Marathon Share Consideration and the Exchangeable Share Consideration, in the case of the opinion of Goldman, Sachs & Co., and the Cash Consideration and Share Consideration, in the case of the opinion of TD Securities Inc., to be received by Western Shareholders pursuant to the Arrangement was fair, from a financial point of view, to Western Shareholders.
- Western Shareholders will be able to continue to participate in the opportunities associated with New WesternZagros.
- The Marathon Shares, including the Marathon Shares issuable upon the exchange of the Exchangeable Shares, should provide Western Shareholders with increased liquidity due to the larger market capitalization of Marathon and the listing and historical trading volumes of the Marathon Shares on the NYSE.
- The Exchangeable Shares offer certain Western Shareholders who are residents of Canada for the purposes of the ITA the opportunity to obtain a full or partial deferral of taxable capital gains for Canadian federal income tax purposes in certain circumstances.
- Under the Arrangement Agreement, the Western Board of Directors retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement.

Recommendation of the Western Board of Directors

The Western Board of Directors has unanimously determined that the Arrangement is in the best interests of Western and the Western Shareholders and has, based upon, among other things, the opinions of the Financial Advisors, unanimously determined that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western Shareholders. Accordingly, the Western Board of Directors has unanimously approved the Arrangement and unanimously recommends that Western Shareholders vote FOR the Arrangement Resolution.

Opinions of Financial Advisors

In deciding to approve the Arrangement, the Western Board of Directors considered, among other things, the opinions of the Financial Advisors. The Western Board of Directors received opinions from Goldman, Sachs & Co. and TD Securities Inc. that, as of the date of their respective opinions and subject to and based on the various considerations referred to in their respective opinions, the Cash Consideration, the Marathon Share Consideration and the Exchangeable Share Consideration, in the case of the opinion of Goldman, Sachs & Co., and the Cash Consideration and Share Consideration, in the case of the opinion of TD Securities Inc., to be received by Western Shareholders pursuant to the Arrangement was fair, from a financial point of view, to Western Shareholders. The fairness opinions are attached to this Information Circular as Appendices E and F, respectively. **This summary is qualified in its entirety by reference to the full text of the fairness opinions.**

Pursuant to letter agreements dated September 20, 2006 between Western and Goldman, Sachs & Co. and TD Securities Inc., respectively, Goldman, Sachs & Co. and TD Securities Inc. were retained to act as financial advisors to the Western Board of Directors in connection with the Arrangement.

The full text of the written opinions of Goldman, Sachs & Co. and TD Securities Inc., dated July 30, 2007, which set forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinions, are attached as Appendices E and F, respectively. Goldman, Sachs & Co. and TD Securities Inc. provided their opinions for the information and assistance of the Western Board of Directors in connection with its consideration of the Arrangement. The Goldman, Sachs & Co. and TD Securities Inc. opinions are not recommendations as to how any Western Shareholder should vote with respect to the Arrangement or any other matter.

Goldman, Sachs & Co. is familiar with Marathon, having acted as its financial advisor from time to time. Goldman, Sachs & Co. also may provide investment banking and other financial services to Western, Marathon and their respective affiliates in the future. The Western Board of Directors selected Goldman, Sachs & Co. as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the Arrangement.

Goldman, Sachs & Co. provides a full range of financial, advisory and securities services and, in the course of these activities and services, may from time to time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of Western, Marathon and any of their respective affiliates or any currency or commodity that may be involved in the transaction for their own account and for the accounts of their customers.

In November, 2006, Marathon engaged TD Securities Inc. to advise it with respect to entering into arrangements with Canadian bitumen suppliers with respect to possible joint ventures or other crude oil supply arrangements. At that time, TD Securities Inc. advised Marathon that TD Securities Inc. had a relationship with Western. Marathon and TD Securities Inc. agreed that TD Securities Inc. would not provide advice to Marathon with respect to any potential joint venture or other crude oil supply arrangement in regards to Western and would not receive any fee from Marathon if Marathon entered into such an arrangement with Western.

TD Securities Inc. and its affiliates have not been engaged to provide any financial advisory services, have not acted as lead or co-lead manager on any offering of securities of Western, or had a material financial interest in any transaction involving Western during the 24 months preceding the date on which TD Securities Inc. was first contacted in respect of its engagement, other than as described herein. TD Securities Inc. acted as financial advisor to Western in September 2005 with respect to takeover defence preparedness planning and strategic planning initiatives, and in June 2006 with respect to a potential strategic investment. There are no understandings or agreements between TD Securities Inc. and Western or Marathon or their respective associates or affiliates with respect to future financial advisory or

investment banking business. The Toronto-Dominion Bank, the parent company of TD Securities Inc., provides credit facilities and other banking services to Western and may provide such services to other interested parties from time to time in the ordinary course of its business.

TD Securities Inc. and its affiliates act as a trader and dealer, both as principal and as agent, in major financial markets and, as such, may have and may in the future have positions in the securities of Western and Marathon or their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of clients for which it may have received or may receive compensation.

Pursuant to its letter agreements with each of Goldman, Sachs & Co. and TD Securities Inc., Western has agreed to pay each of Goldman, Sachs & Co. and TD Securities Inc. a fee for rendering financial advisory services, a significant portion of which is contingent upon consummation of the Arrangement. Western has also agreed to indemnify Goldman, Sachs & Co. and TD Securities Inc. and certain related persons against certain liabilities in connection with their engagements, including certain liabilities under securities legislation.

Arrangement Mechanics

The Arrangement

The Arrangement Agreement provides for the acquisition of Western by AcquisitionCo, an indirect subsidiary of Marathon, by way of a court approved plan of arrangement under Section 193 of the ABCA. Under the Arrangement, a Western Shareholder (other than a Western Shareholder who exercises his or her Dissent Rights and other than Marathon and its affiliates) may elect, subject to certain pro-ration provisions described below, to receive for each Western Share:

- (a) Cdn\$35.50 in cash;
- (b) 0.5932 of a Marathon Share;
- (c) 0.5932 of an Exchangeable Share (other than Western Shareholders who are Non-Residents and Western Shareholders that are exempt from tax under Part I of the ITA, who are not entitled to elect to receive Exchangeable Shares); or
- (d) a combination thereof,

in exchange for the aggregate number of Western Shares in respect of which such an election is made.

In addition, a Western Shareholder will receive, for each Western Share, one New WesternZagros Share and one-tenth of a New WesternZagros Warrant. Each whole New WesternZagros Warrant will entitle the holder thereof to purchase one New WesternZagros Share at a price of Cdn\$2.50 until the date which is three months from the Effective Date. As a result, Western Shareholders will receive, in aggregate, cash in respect of approximately 65% of the outstanding Western Shares and Marathon Shares and Exchangeable Shares in respect of approximately 35% of the outstanding Western Shares.

Each Exchangeable Share will initially be exchangeable at any time for one Marathon Share. The Exchangeable Shares will have economic and voting rights that are, as nearly as practicable, the same as the rights of Marathon Shares, including the right to vote at meetings of holders of Marathon Shares. In addition, the exchange ratio for the Exchangeable Shares will be adjusted from time to time to account for cash dividends paid by Marathon on the Marathon Shares. The Exchangeable Shares may offer Eligible Holders the opportunity to achieve a Canadian tax deferral in certain circumstances. See “Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations — Western Shareholders Resident in Canada”.

It is a condition of the Arrangement that the Marathon Shares issued pursuant to the Arrangement and upon an exchange of Exchangeable Shares are listed on the NYSE. There is currently no intention to list the Exchangeable Shares on any stock exchange. See “The Arrangement — Stock Exchange Listings”.

Only Eligible Holders may elect to receive Exchangeable Shares. Any election to receive Exchangeable Shares by a Western Shareholder who is not an Eligible Holder will be deemed to be an election to receive Marathon Shares.

The Arrangement Agreement requires all Western Options, Western PSUs and Western DSUs to be exercised, terminated or surrendered such that no options to purchase or receive Western Shares remain outstanding as of the Effective Date. See “The Arrangement — Western Options, PSUs and DSUs”.

Arrangement Steps

The following summarizes the steps which will occur under the Plan of Arrangement on the Effective Date, if all conditions to the implementation of the Arrangement have been satisfied or waived. The following description of steps is qualified in its entirety by reference to the full text of the Plan of Arrangement set forth as Schedule A to the Arrangement Agreement which is attached as Appendix C to this Information Circular:

- (a) the Western Rights Plan shall be terminated and all rights issued thereunder shall be extinguished;
- (b) each issued and outstanding Common Share held by a Non-Resident (other than Western Shares held by Dissenting Shareholders) shall be exchanged with AcquisitionCo for either Cash Consideration or Marathon Share Consideration in accordance with the election of such Non-Resident and subject, in either case, to pro-rationing in accordance with the Plan of Arrangement, as additional consideration for such Common Share, AcquisitionCo shall deliver to such shareholder, the New WesternZagros Share Consideration and New WesternZagros Warrant Consideration pursuant to (g) below;
- (c) the articles of Western shall be amended to cancel the Non-Voting Convertible Class B Equity Shares, the Class C Preferred Shares and the Class D Preferred Shares, none of which are issued or outstanding and to change its authorized capital by the addition of Class A Shares, Class B Shares and Class C Shares;
- (d) the share capital of Western shall be reorganized such that each of the issued and outstanding Western Shares (other than Western Shares held by Dissenting Shareholders) shall be exchanged for one Class A Share, one Class B Share and one Class C Share and following such exchange the articles of Western shall be amended to cancel the Western Shares;
- (e) each issued and outstanding Class B Share shall be transferred to New WesternZagros in exchange for the issuance of the New WesternZagros Share Consideration;
- (f) each issued and outstanding Class C Share shall be transferred to New WesternZagros in exchange for the issuance of the New WesternZagros Warrant Consideration;
- (g) AcquisitionCo shall deliver to each Non-Resident such number of New WesternZagros Shares and New WesternZagros Warrants as are deliverable to such Non-Resident pursuant to (b) above; and
- (h) each issued and outstanding Class A Share (other than those held by AcquisitionCo and Dissenting Shareholders) shall be exchanged with AcquisitionCo in accordance with the election or deemed election of the holder of such Class A Share, for:
 - (i) Cash Consideration;

- (ii) Marathon Share Consideration;
 - (iii) Exchangeable Share Consideration; or
 - (iv) a combination thereof,
- in each case subject to pro-ration.

A Western Shareholder may elect to receive a combination of the available types of consideration which may be elected in exchange for the aggregate number of Western Shares in respect of which such an election is made; provided, however, for calculation purposes only, each individual Common Share may be only exchanged pursuant to step (b) above for either Cash Consideration or Marathon Share Consideration and each individual Western Share may only be exchanged pursuant to step (h) above for any one of the Cash Consideration, the Marathon Share Consideration or the Exchangeable Share Consideration.

Subsequent Transactions

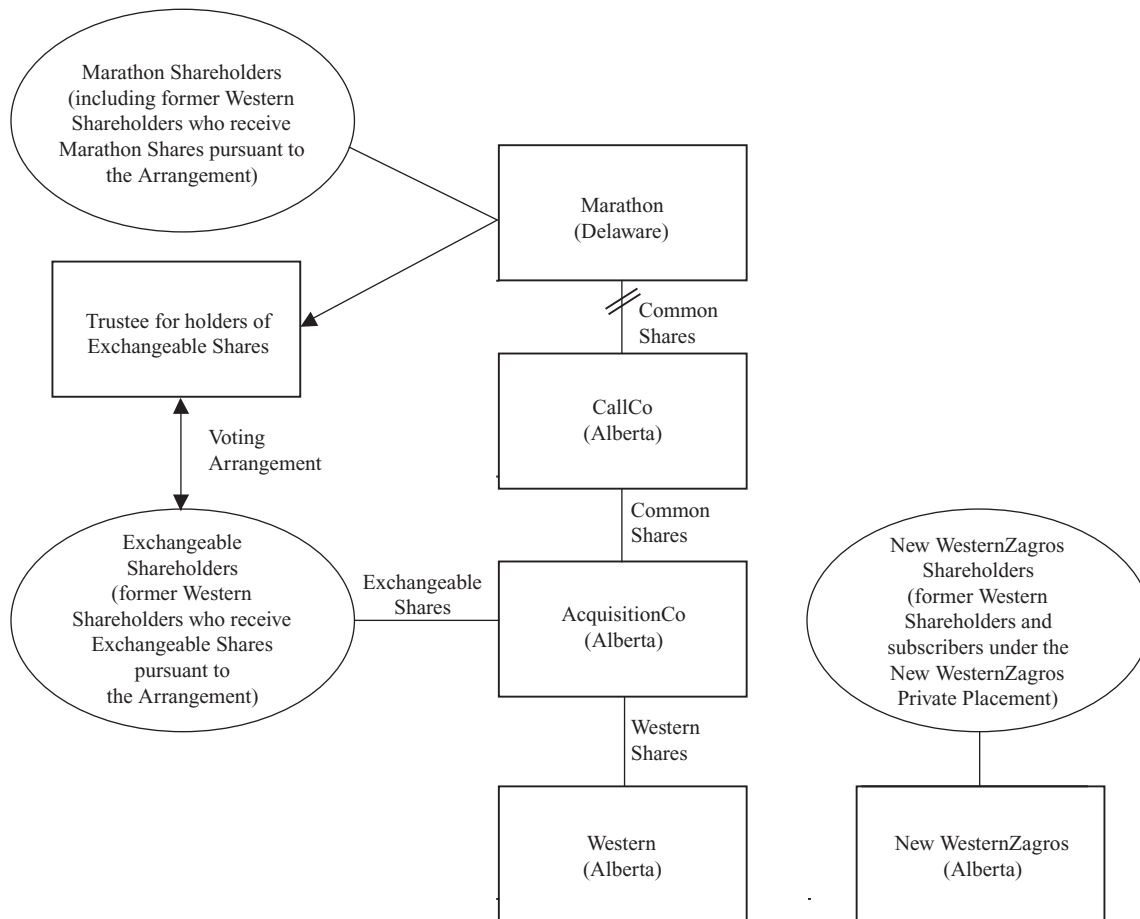
Immediately following the Effective Time, the Subsequent Transactions will be effected whereby: (i) additional WesternZagros Shares will be issued to Western for cash subscription proceeds of Cdn\$81,533,877; (ii) all of the issued and outstanding WesternZagros Shares will be transferred to New WesternZagros in consideration for the issuance by New WesternZagros of New WesternZagros Preferred Shares; (iii) the New WesternZagros Preferred Shares will be redeemed or purchased for cancellation in consideration of the issuance of a demand non-interest bearing promissory note of New WesternZagros; (iv) the Class B Shares held by New WesternZagros at that time will be redeemed or purchased for cancellation in consideration of the cancellation of such New WesternZagros promissory note; and (v) the Class C Shares held by New WesternZagros at the time will be redeemed or purchased for cancellation in consideration of the payment by Western to New WesternZagros of Cdn\$1,000,000. Subsequently, and subject to the approval of Western Shareholders at the Meeting, New WesternZagros will complete the New WesternZagros Private Placement of up to 5 million New WesternZagros Shares at a price of Cdn\$2.50 per share for gross proceeds of up to Cdn\$12.5 million.

Following completion of the Subsequent Transactions, New WesternZagros and its subsidiaries will carry on the business currently carried on by WesternZagros and its subsidiaries.

See “Information Concerning New WesternZagros” and Appendix G — Information Concerning New WesternZagros.

The Structure

The following chart shows, in a simplified manner, the relationship between Western, New WesternZagros, AcquisitionCo, CallCo and Marathon and the former Western Shareholders following completion of the Arrangement and the Subsequent Transactions.



Pro-Ration Provisions

The Plan of Arrangement provides that the maximum amount of cash to be paid to Western Shareholders is Cdn\$3,807,847,771, the maximum number of Exchangeable Shares that may be elected by Western Shareholders is 29.4 million and the maximum aggregate number of Marathon Shares and Exchangeable Shares that may be issued to Western Shareholders is 34.3 million. If Western Shareholders elect to receive either cash, Exchangeable Shares or Marathon Shares in excess of these amounts, the actual amount of cash paid and the actual number of Exchangeable Shares and Marathon Shares issued to Western Shareholders pursuant to the Arrangement will be subject to pro-ration as follows. As a result, Western Shareholders will receive, in aggregate, cash in respect of approximately 65% of the outstanding Western Shares and Marathon Shares and Exchangeable Shares in respect of approximately 35% of the outstanding Western Shares.

Elections for Cash

If the aggregate amount of Cash Consideration that would, but for pro-rationing pursuant to the Plan of Arrangement, be paid to Western Shareholders pursuant to the Plan of Arrangement exceeds Cdn\$3,807,847,771, then the Cash Consideration to be paid to any Western Shareholder shall be determined by multiplying the total amount of Cash Consideration otherwise payable to such holder by a fraction, rounded to six decimal places, the numerator of which is Cdn\$3,807,847,771 and the denominator of which is the aggregate amount of the Cash Consideration otherwise payable to all Western Shareholders; and such Western Shareholder shall be deemed to have elected to receive Marathon Share

Consideration for the remainder of their Western Shares for which, but for such pro-rationing, such Western Shareholder would otherwise have received Cash Consideration.

Elections for Exchangeable Shares and/or Marathon Shares

If the aggregate number of Exchangeable Shares that would, but for pro-rationing pursuant to the Plan of Arrangement, be issued to Western Shareholders pursuant to the Plan of Arrangement exceeds 29.4 million Exchangeable Shares, then the number of Exchangeable Shares to be issued to any Western Shareholder, subject to rounding in accordance with the Plan of Arrangement, shall be determined by multiplying the total number of Exchangeable Shares otherwise issuable to such Western Shareholder by a fraction, rounded to six decimal places, the numerator of which is 29.4 million and the denominator of which is the aggregate number of Exchangeable Shares otherwise issuable to all Western Shareholders; and such Western Shareholder shall be deemed to have elected to receive Marathon Share Consideration for the remainder of their Western Shares for which, but for such pro-rationing, such Western Shareholder would otherwise have received Exchangeable Shares.

If the aggregate number of Marathon Shares and Exchangeable Shares that would, but for pro-rationing pursuant to the Plan of Arrangement, be issued to Western Shareholders pursuant to the Plan of Arrangement (including those Marathon Shares which Western Shareholders are deemed to have elected to receive pursuant to the pro-rationing of Exchangeable Shares described above) exceeds 34.3 million Marathon Shares and Exchangeable Shares collectively, then the number of Marathon Shares and Exchangeable Shares to be issued to any Western Shareholder, subject to rounding in accordance with the Plan of Arrangement, shall be determined by multiplying the total number of Marathon Shares and Exchangeable Shares otherwise issuable to such Western Shareholder by a fraction, rounded to six decimal places, the numerator of which is 34.3 million and the denominator of which is the aggregate number of Marathon Shares and Exchangeable Shares otherwise issuable to all Western Shareholders; and such Western Shareholder shall be deemed to have elected to receive cash consideration for the remainder of their Western Shares for which, but for such pro-rationing, such Western Shareholder would otherwise have received Marathon Shares and Exchangeable Shares.

What Happens if a Western Shareholder Fails to Make a Valid Election

Any Western Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, or otherwise fails to comply with the requirements of the Plan of Arrangement and the Letter of Transmittal and Election Form with respect to elections to receive the Cash Consideration, Marathon Share Consideration, the Exchangeable Share Consideration or a combination thereof, shall be deemed to have elected to receive, in aggregate, Cash Consideration in respect of 65% of the outstanding Western Shares and Marathon Share Consideration and Exchangeable Share Consideration in respect of 35% of the outstanding Western Shares.

Fractional Shares

No certificates representing fractional Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants shall be issued upon the exchange of the Western Shares for Marathon Shares or Exchangeable Shares or the distribution of New WesternZagros Shares and New WesternZagros Warrants. In lieu of any fractional Marathon Share, Exchangeable Share, New WesternZagros Share or New WesternZagros Warrant, each registered Western Shareholder otherwise entitled to a fractional interest in a Marathon Share, Exchangeable Share, New WesternZagros Share or New WesternZagros Warrant will receive the nearest whole number of Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants, as the case may be.

For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of Marathon Shares, Exchangeable Shares, New WesternZagros Shares or New WesternZagros Warrants, as applicable, to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Marathon Shares, Exchangeable Shares, New WesternZagros Shares or

New WesternZagros Warrants, as applicable, to be issued will be rounded down to the nearest whole number.

Western Options, Western PSUs and Western DSUs

Upon approval of the Arrangement by the Western Shareholders, and pursuant to the Arrangement Agreement, all outstanding Western Options granted pursuant to the Western Option Plan and all Western PSUs and Western DSUs granted pursuant to the Western PSU Plan and the Western DSU Plan, respectively, shall be vested and shall be exercised, terminated or surrendered such that no rights to purchase or receive Western Shares remain outstanding as at the Effective Date. It is anticipated that holders of any “out-of-the-money” Western Options will receive a nominal payment for the termination of such Western Options.

Pursuant to the Western Option Plan, a holder of Western Options may, conditional upon approval of the Arrangement, prior to the Effective Time, elect to exercise all of the Western Options held by such holder, whether previously vested or unvested, upon payment to Western of the exercise price therefor and receive Western Shares in respect of the number of Western Options so exercised pursuant to the terms of the Western Option Plan. Western may provide financing to the holders of Western Options to facilitate the exercise of Western Options prior to the Effective Date on terms, conditions and documentation satisfactory to Marathon, acting reasonably, provided that Western will retain a security interest in any such shares and any proceeds therefrom (including any proceeds received pursuant to the Arrangement) until such financing is repaid.

Pursuant to the Arrangement Agreement, Western has agreed to use its reasonable commercial efforts to cause all Western Shares issued upon the exercise of Western Options or payment of Western PSUs or Western DSUs granted pursuant to the Western DSU Plan on or prior to the record date for the Meeting to be voted in favour of the Arrangement Resolution by those persons who continue to hold such Western Shares as of the record date.

Description of Exchangeable Shares

The Exchangeable Shares will be issued by AcquisitionCo and will, at the option of the holder, be exchangeable at any time on a one-for-one basis for Marathon Shares, subject to adjustment on the basis of the Exchange Ratio in effect at the time of the exchange. An Exchangeable Share, together with Ancillary Rights, will provide a holder with economic terms (including the right to have the Exchange Ratio adjusted to account for dividends declared on the Marathon Shares) and voting rights which are, as nearly as practicable, equivalent to those of a Marathon Share. Fractional Marathon Shares will not be delivered on any exchange of Exchangeable Shares. In the event the Exchange Ratio in effect at the time of an exchange would otherwise entitle a holder of Exchangeable Shares to a fractional Marathon Share, the number of Marathon Shares to be delivered will be rounded to the nearest whole number of Marathon Shares. The Marathon Shares issued as part of the Arrangement or as a result of the exchange of the Exchangeable Shares are expected to be listed on the NYSE. The Exchangeable Shares will not be listed on any stock exchange. Western Shareholders who: (i) are residents of Canada; (ii) are subject to tax under Part I of the ITA; and (iii) receive Exchangeable Shares under the Arrangement may, upon filing the necessary joint tax elections with AcquisitionCo, obtain a full or partial deferral of taxable capital gains for Canadian federal income tax purposes in certain circumstances. See “Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations”. Western Shareholders wishing to avail themselves of such tax deferral should consult their own tax advisors.

On the Effective Date, Marathon, AcquisitionCo and the Trustee will enter into the Voting and Exchange Trust Agreement. By furnishing instructions to the Trustee under the Voting and Exchange Trust Agreement, holders of the Exchangeable Shares will be able to exercise essentially the same voting rights with respect to Marathon as they would have if they were Marathon Shareholders. The Exchangeable Shares are subject to adjustment or modification in the event of a stock split or other change to the capital structure of Marathon.

Western Shareholders who receive Exchangeable Shares under the Arrangement will also receive the Ancillary Rights that are connected to such Exchangeable Shares.

The Exchangeable Share Provisions are attached to this Information Circular as Appendix D. Western encourages you to read the Exchangeable Share Provisions.

Retraction, Redemption and Call Rights Applicable to Exchangeable Shares

Retraction of Exchangeable Shares

Subject to the exercise by Marathon and/or CallCo of the Retraction Call Right described below, a holder of Exchangeable Shares will be entitled at any time following the Effective Time to retract any or all of the Exchangeable Shares owned by the holder and to receive an amount per share equal to the Retraction Price, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio. A holder of Exchangeable Shares may retract the holder's Exchangeable Shares by presenting to AcquisitionCo or its transfer agent (i) certificates representing the number of Exchangeable Shares the holder desires to retract, (ii) such other documents as may be required to effect the retraction of such Exchangeable Shares and (iii) a duly executed Retraction Request:

- specifying the number of Exchangeable Shares the holder desires to retract;
- acknowledging the Retraction Call Right;
- acknowledging that the liquidity and solvency provisions of the Exchangeable Shares or Applicable Laws may preclude AcquisitionCo from redeeming the Retracted Shares and, in such event, the holder will be deemed to have exercised the Exchange Rights; and
- providing a representation as to its residency.

When a holder of Exchangeable Shares makes a Retraction Request, Marathon and CallCo will have an overriding Retraction Call Right to purchase all but not less than all of the Exchangeable Shares subject to the Retraction Request. In order to exercise the Retraction Call Right, Marathon and/or CallCo must notify AcquisitionCo of its determination to do so by 4:30 p.m. (Calgary time) on the third day following the date of notification given by AcquisitionCo to Marathon and/or CallCo of receipt of the Retraction Request. If Marathon and/or CallCo so notifies AcquisitionCo, and provided that the Retraction Request is not revoked by the holder in the manner described below, Marathon and/or CallCo will acquire the Retracted Shares in exchange for the Retraction Price, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio. CallCo shall only be entitled to exercise its Retraction Call Right with respect to those Exchangeable Shares, if any, in respect of which Marathon has not exercised its Retraction Call Right. In the event Marathon and/or CallCo does not so notify AcquisitionCo, and provided the Retraction Request is not revoked by the holder in the manner described below, AcquisitionCo will redeem the Retracted Shares on the Retraction Date.

A holder may revoke a Retraction Request by giving notice in writing to AcquisitionCo at any time prior to the close of business on the Business Day immediately preceding the Retraction Date, in which case the Retracted Shares will neither be purchased by Marathon or CallCo nor be redeemed by AcquisitionCo. If the Retraction Request is not revoked on or prior to the close of business on the Business Day immediately preceding the Retraction Date, the Retracted Shares will either be purchased by Marathon and/or CallCo or redeemed by AcquisitionCo. Marathon, CallCo or AcquisitionCo, as the case may be, will then deliver, or cause AcquisitionCo's transfer agent to deliver, the Retraction Price to such holder by mailing certificates representing the number of Marathon Shares equal to the number of Exchangeable Shares purchased or redeemed (as adjusted on the basis of the Exchange Ratio then in effect) registered in the name of the holder or such other name as the holder may request, to the address recorded in the securities register of AcquisitionCo or to the address specified in the holder's Retraction Request or by holding the same for the holder to pick up at the registered office of AcquisitionCo or the

office of the transfer agent as specified by AcquisitionCo, in each case less any amounts required to be withheld because of applicable taxes.

If, as a result of liquidity or solvency provisions of the Exchangeable Shares or Applicable Laws, AcquisitionCo is not permitted to redeem all of the Retracted Shares tendered by a retracting holder, and provided neither Marathon nor CallCo have exercised their Retraction Call Right with respect to such Retracted Shares, AcquisitionCo will redeem only those Retracted Shares tendered by the holder (rounded down to a whole number of shares) as would not be contrary to provisions of such laws. The Trustee, on behalf of the holder of any Retracted Shares not so redeemed by AcquisitionCo or purchased by Marathon and/or CallCo, will require Marathon or CallCo to purchase the Retracted Shares not redeemed on the Retraction Date or as soon as reasonably practicable thereafter, pursuant to the Exchange Rights.

Redemption of Exchangeable Shares

Subject to Applicable Laws and the Redemption Call Right, on the fourth anniversary of the Effective Date, AcquisitionCo will, and in the event of certain circumstances described below under “Early Redemption” arising prior to that date, may, redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per share equal to the Redemption Price, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio. In certain circumstances, the Redemption Price may be paid in cash. AcquisitionCo will, at least 30 days prior to the Redemption Date, provide the registered holders of the Exchangeable Shares with written notice of the proposed redemption of the Exchangeable Shares by AcquisitionCo or the purchase of the Exchangeable Shares by Marathon and/or CallCo pursuant to the Redemption Call Right described below. On or after the Redemption Date and provided Marathon and CallCo have not exercised their Redemption Call Right, upon the holder’s presentation and surrender of the certificates representing the Exchangeable Shares and other documents as may be required by AcquisitionCo at the office of AcquisitionCo’s transfer agent or the registered office of AcquisitionCo, AcquisitionCo will deliver the Redemption Price to such holder by mailing certificates representing the aggregate number of Marathon Shares equal to the number of Exchangeable Shares purchased or redeemed (as adjusted on the basis of the Exchange Ratio then in effect), registered in the name of the holder or such other name as the holder may request, to the address recorded in the securities register of AcquisitionCo or by holding the same for the holder to pick up at the registered office of AcquisitionCo or the office of AcquisitionCo’s transfer agent as specified in the written notice of redemption, in each case less any amounts required to be withheld because of applicable taxes.

Marathon and CallCo will have an overriding Redemption Call Right to purchase on the Redemption Date all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by Marathon and its affiliates) for a purchase price per share equal to the Redemption Price, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio. In certain circumstances, Marathon and CallCo may pay the purchase price in cash. Upon the exercise of the Redemption Call Right, holders will be obligated to sell their Exchangeable Shares to Marathon and/or CallCo. CallCo shall only be entitled to exercise its Redemption Call Right with respect to those Exchangeable Shares, if any, in respect of which Marathon has not exercised its Redemption Call Right. If Marathon and/or CallCo exercises the Redemption Call Right, AcquisitionCo’s right and obligation to redeem the Exchangeable Shares on the Redemption Date will terminate.

Early Redemption

In certain circumstances, all, but not less than all, of the Exchangeable Shares may be redeemed at AcquisitionCo's option prior to the fourth anniversary of the Effective Date. Early redemption may occur upon:

1. the date that there are outstanding (excluding those Exchangeable Shares held by Marathon and its affiliates) less than 20% of the number of Exchangeable Shares issued on the Effective Date and the AcquisitionCo Board of Directors decides to accelerate the redemption of the Exchangeable Shares prior to the fourth anniversary of the Effective Date;
2. the occurrence of a Control Transaction, provided that the AcquisitionCo Board of Directors determines (A) that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with the Control Transaction and (B) that the redemption of the Exchangeable Shares is necessary to enable the completion of the Control Transaction;
3. the occurrence of a Change of Law;
4. a proposal being made for an Exchangeable Share Voting Event, provided that the AcquisitionCo Board of Directors determines that it is not reasonably practicable to accomplish the business purpose intended by the Exchangeable Share Voting Event (which business purpose must be bona fide and not for the primary purpose of causing the occurrence of a Redemption Date) in any other commercially reasonable manner that does not result in an Exchangeable Share Voting Event; or
5. the failure by the holders of the Exchangeable Shares to approve or disapprove, as applicable, an Exempt Exchangeable Share Voting Event.

Purchase for Cancellation

Subject to Applicable Laws, AcquisitionCo may at any time and from time to time purchase for cancellation all or any part of the outstanding Exchangeable Shares, by tender offer to all holders of record of Exchangeable Shares then outstanding at any price per share acceptable to such holders, together with an amount equal to all declared and unpaid dividends for which the record date has occurred prior to the date of purchase. If, in response to such a tender offer, more Exchangeable Shares are tendered at a price or prices acceptable to AcquisitionCo than AcquisitionCo is prepared to purchase, then AcquisitionCo shall first purchase Exchangeable Shares tendered at lower prices, while those Exchangeable Shares tendered at higher prices that are acceptable to AcquisitionCo will be purchased on a pro rata basis, if necessary.

In addition, subject to Applicable Laws, AcquisitionCo may at any time and from time to time purchase for cancellation Exchangeable Shares by private agreement with any holder of Exchangeable Shares.

Voting, Dividend and Liquidation Rights of Holders of Exchangeable Shares

On the Effective Date, Marathon, AcquisitionCo, CallCo and the Trustee will enter into the Voting and Exchange Trust Agreement.

Voting Rights with Respect to AcquisitionCo

Except as required by law or under the Support Agreement, the terms of the Exchangeable Share Provisions or the Voting and Exchange Trust Agreement, the holders of Exchangeable Shares are not entitled to receive notice of, attend or vote at any meeting of shareholders of AcquisitionCo. See "Certain Restrictions" and "Amendment and Approval" below.

Voting Rights with Respect to Marathon

Under the Voting and Exchange Trust Agreement, Marathon will issue to the Trustee a special voting share that will be held by the Trustee and to which voting rights will attach for the benefit of the holders of Exchangeable Shares, so as to enable such holders to have voting rights that are equivalent to those of

Marathon Shareholders. See “Information Concerning Marathon — Marathon Capital Stock — Preferred Stock — Special Preferred Stock”.

Each Beneficiary on the record date for any meeting at which Marathon Shareholders are entitled to vote will be entitled to instruct the Trustee to vote the voting rights held by the Trustee for each Exchangeable Share held by the Beneficiary. The number of votes which each Beneficiary will be entitled to instruct the Trustee to vote will be equal to the number of Marathon Shares into which such Beneficiary’s Exchangeable Shares would be exchangeable based on the Exchange Ratio in effect as of such record date; provided, however, that no voting rights will be exercisable in respect of fractional entitlements to Marathon Shares. The Trustee will exercise (either by proxy or in person) the voting rights only as directed by the relevant Beneficiary and, in the absence of voting instructions from a Beneficiary, will not exercise such votes.

The Trustee will send, or cause to be sent, to each Beneficiary the notice of each meeting at which Marathon Shareholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the Beneficiary may instruct the Trustee to exercise the voting rights to which the Beneficiary is entitled. Such mailing by or on behalf of the Trustee will commence on the same day as Marathon sends such notice and materials to Marathon Shareholders. The Trustee will also send, or cause to be sent, to each Beneficiary copies of all materials sent by Marathon to Marathon Shareholders at the same time as these materials are sent to Marathon Shareholders generally. To the extent that such materials are provided to the Trustee by Marathon, the Trustee will also send to each Beneficiary all materials sent by third parties to Marathon Shareholders, including dissident proxy circulars and tender and exchange offer circulars, as soon as reasonably practicable after such materials are delivered to the Trustee.

All rights of a holder of Exchangeable Shares to instruct the Trustee to exercise voting rights will cease immediately upon the exchange (whether by redemption, retraction, or through the exercise of the Call Rights) of all of such holder’s Exchangeable Shares for Marathon Shares and upon the liquidation, dissolution or winding-up of AcquisitionCo or Marathon.

Exchange Ratio Adjustment

Holders of Exchangeable Shares will not receive cash dividends from AcquisitionCo to match cash dividends paid on any Marathon Shares. In lieu of cash dividends, the Exchange Ratio will be adjusted to account for dividends paid to Marathon Shareholders. Upon the declaration and payment by Marathon from time to time of dividends on the Marathon Shares, the number of Marathon Shares into which one Exchangeable Share is exchangeable shall be increased on a cumulative basis in respect of such dividends. Similarly, in the unlikely event that AcquisitionCo declares any dividends on the Exchangeable Shares (see “The Arrangement — Description of Exchangeable Shares — Dividends”), the number of Marathon Shares into which one Exchangeable Share is exchangeable shall be decreased on a cumulative basis in respect of such dividends.

Liquidation Rights with Respect to AcquisitionCo

On the liquidation, dissolution or winding-up of AcquisitionCo or any other distribution of the assets of AcquisitionCo among its shareholders for the purpose of winding-up its affairs, holders of the Exchangeable Shares will have, subject to Applicable Laws, preferential rights to receive from AcquisitionCo the Liquidation Amount for each Exchangeable Share held, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio. When a liquidation, dissolution or winding-up of AcquisitionCo occurs, Marathon and CallCo will have an overriding Liquidation Call Right to purchase all of the outstanding Exchangeable Shares (other than Exchangeable Shares held by Marathon and its affiliates) from the holders of Exchangeable Shares on the Liquidation Date for a purchase price per share equal to the Liquidation Amount, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio.

When an Insolvency Event occurs, and while it continues, each holder of Exchangeable Shares (other than Marathon and its affiliates) will be entitled to instruct the Trustee to exercise the Exchange Rights with respect to Exchangeable Shares held by such holder, thereby requiring Marathon or CallCo to purchase such Exchangeable Shares from the holder. As soon as practicable after the occurrence of an Insolvency Event or any event which may, with the passage of time and/or the giving of notice, become an Insolvency Event, AcquisitionCo or Marathon will give written notice of the event to the Trustee. As soon as practicable after receiving the notice, the Trustee will notify each holder of Exchangeable Shares of the event or potential event and advise the holder of its Exchange Rights. The purchase price payable by Marathon for each Exchangeable Share purchased under the Exchange Rights will be equal to the Exchangeable Share Price on the last Business Day prior to the day of closing of the purchase and sale of the Exchangeable Share under the Exchange Rights, which will be fully paid and satisfied by the delivery for each Exchangeable Share of a number of Marathon Shares equal to the Exchange Ratio.

Liquidation Rights with Respect to Marathon

In order for the holders of the Exchangeable Shares to participate on a pro rata basis with the holders of Marathon Shares upon the occurrence of a Liquidation Event, immediately prior to the effective time of such event, each Exchangeable Share will, pursuant to the Automatic Exchange Rights, automatically be exchanged for a number of Marathon Shares equal to the Exchange Ratio. Upon a holder's request and surrender of Exchangeable Share certificates, duly endorsed in blank and accompanied by such instruments of transfer as Marathon may reasonably require, Marathon will deliver to the holder certificates representing an equivalent number of Marathon Shares. For a description of Marathon's obligations relating to the dividend and liquidation rights of the holders of Exchangeable Shares, see "Certain Restrictions" and "Marathon Support Obligations" below.

Ranking

The Exchangeable Shares will have a preference over the common shares of AcquisitionCo and any other shares ranking junior to the Exchangeable Shares with respect to the distribution of assets in the event of a liquidation, dissolution or winding-up of AcquisitionCo, whether voluntary or involuntary, or any other distribution of the assets of AcquisitionCo among its shareholders for the purpose of winding-up its affairs. The Exchangeable Shares will rank junior to the preferred share, special series 1 and any other subsequent series of preferred shares issued by AcquisitionCo. See "Information Concerning Marathon — AcquisitionCo — AcquisitionCo Share Capital".

Dividends

Although it is not anticipated that cash dividends will be paid to the holders of Exchangeable Shares, such holders may receive dividends, in priority to any class of shares of AcquisitionCo ranking junior to the Exchangeable Shares with respect to the payment of dividends, if, as and when declared by the AcquisitionCo Board of Directors in its sole discretion from time to time out of the money, assets or property of AcquisitionCo properly applicable to the payment of dividends (which may include Marathon Shares).

Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, AcquisitionCo will not, without the approval of the holders of the Exchangeable Shares as described below under "Amendment and Approval":

1. in the event Marathon or CallCo is in default of its obligations under the Support Agreement or the Voting and Exchange Trust Agreement, pay any dividends on the common shares of AcquisitionCo or any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends,

other than stock dividends payable in common shares of AcquisitionCo or any other shares ranking junior to the Exchangeable Shares;

2. redeem, purchase or make any capital distribution in respect of common shares of AcquisitionCo or any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends or on any liquidation, dissolution or winding-up of AcquisitionCo or any other distribution of assets of AcquisitionCo;
3. redeem or purchase any other shares of AcquisitionCo ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation, dissolution or winding-up of AcquisitionCo or any other distribution of assets of AcquisitionCo; or
4. issue any class or series of shares of AcquisitionCo ranking equally with, or superior to, the Exchangeable Shares with respect to any liquidation or distribution other than in respect of the issuance of the preferred share, special series 1 and the Exchangeable Shares.

The restrictions in 1, 2 and 3 above are applicable only while dividends declared on the Exchangeable Shares have not been paid as provided in the Exchangeable Share Provisions.

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed only with the approval of the holders of the Exchangeable Shares. Any such approval or any other approval or consent to be given by the holders of the Exchangeable Shares will be deemed to have been sufficiently given if given in accordance with Applicable Laws subject to a minimum requirement that approval or consent be evidenced by a resolution passed by not less than 66 $\frac{2}{3}$ % of the votes cast on the resolution (other than Exchangeable Shares held by Marathon and its affiliates) at a meeting of the holders of Exchangeable Shares duly called and held at which holders of at least 10% of the outstanding Exchangeable Shares are present in person or represented by proxy. In the event that no quorum is present at such meeting within one-half hour after the time appointed for the meeting, the meeting will be adjourned to a place and time (not less than 10 days later) designated by the chair of the meeting. At the adjourned meeting, the holders of Exchangeable Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed at the adjourned meeting by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast on the resolution (other than Exchangeable Shares held by Marathon and its affiliates) will constitute the approval or consent of the holders of the Exchangeable Shares.

Marathon Support Obligations

On the Effective Date, Marathon, CallCo and AcquisitionCo will enter into the Support Agreement. Pursuant to the Support Agreement, Marathon and CallCo will make the following covenants for so long as any Exchangeable Shares (other than Exchangeable Shares owned by Marathon or its affiliates) remain outstanding:

1. Marathon will, as soon as practicable following the declaration of any dividend on the Marathon Shares, issue a press release as to the resulting change in the Exchange Ratio.
2. Marathon and CallCo will take all such actions and do all such things as are necessary or desirable to enable and permit AcquisitionCo, in accordance with Applicable Law, to pay and otherwise perform its obligations with respect to the satisfaction of the Liquidation Amount in respect of each issued and outstanding Exchangeable Share upon the liquidation, dissolution or winding-up of AcquisitionCo or any other distribution of the assets of AcquisitionCo for the purpose of winding-up its affairs, including without limitation all such actions and all such things as are necessary or desirable to enable and permit AcquisitionCo to cause to be delivered Marathon Shares to holders of Exchangeable Shares.

3. Marathon will take all such actions and do all such things as are necessary or desirable to enable and permit CallCo, in accordance with Applicable Law, to pay and otherwise perform its obligations with respect to the exercise by it of any of the Call Rights, including, without limitation, all such actions and all such things as are necessary or desirable to enable and permit CallCo to deliver or cause to be delivered Marathon Shares to a holder, upon the exercise of any Call Rights by CallCo pursuant to the Exchangeable Share Provisions.
4. Marathon and CallCo will take all such actions and do all such things as are necessary or desirable to enable and permit AcquisitionCo, in accordance with Applicable Laws, to pay and otherwise perform its obligations with respect to the satisfaction of a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by AcquisitionCo, including without limitation all such actions and all such things as are necessary or desirable to enable and permit AcquisitionCo to cause to be delivered Marathon Shares to such holder, upon the retraction or redemption of the Exchangeable Shares.
5. Marathon will not (and will ensure that CallCo or any of its affiliates does not) exercise its vote as a shareholder to initiate the voluntary liquidation, dissolution or winding-up of AcquisitionCo or any other distribution of the assets of AcquisitionCo among its shareholders for the purpose of winding-up its affairs nor take any action or omit to take any action (and Marathon will not permit CallCo or any of its affiliates to take any action or omit to take any action) that is designed to result in the liquidation, dissolution or winding-up of AcquisitionCo or any other distribution of the assets of AcquisitionCo among its shareholders for the purpose of winding-up its affairs.

The Support Agreement and the Exchangeable Share Provisions will provide that so long as any Exchangeable Shares not owned by Marathon or its affiliates are outstanding, Marathon will not, without the prior approval of AcquisitionCo and the holders of the Exchangeable Shares given in the manner described above under “Amendment and Approval”, and subject to certain exceptions, issue or distribute Marathon Shares, securities exchangeable for or convertible into or carrying rights to acquire Marathon Shares, rights, options or warrants to subscribe for or to purchase Marathon Shares, securities of Marathon of any other class, evidences of indebtedness or other assets of Marathon, to all or substantially all of the then outstanding holders of Marathon Shares, nor will Marathon subdivide, redivide, reduce, combine, consolidate or change the Marathon Shares, or reclassify or otherwise change the rights, privileges or other terms of the Marathon Shares, or effect an amalgamation, combination, merger, reorganization or other transaction involving or affecting Marathon Shares, unless the same or an economically equivalent distribution or change is simultaneously made to the Exchangeable Shares (or in the rights of the holders thereof). The AcquisitionCo Board of Directors is conclusively empowered to determine in good faith and in its sole discretion whether any corresponding distribution on or change to the Exchangeable Shares is the same as, or economically equivalent to, any proposed distribution on or change to the Marathon Shares. In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to the Marathon Shares which is recommended by the Marathon Board of Directors and in connection with which the Exchangeable Shares are not redeemed by AcquisitionCo or purchased by CallCo under the Redemption Call Right, Marathon will use reasonable best efforts to take all actions necessary or desirable to enable holders of Exchangeable Shares to participate in the transaction to the same extent and on an economically equivalent basis as the holders of Marathon Shares.

In order to assist Marathon in complying with its obligations under the Support Agreement and to permit Marathon and CallCo to exercise the Call Rights, AcquisitionCo will be required to notify Marathon and CallCo if certain events occur, such as the liquidation, dissolution or winding-up of AcquisitionCo, AcquisitionCo’s receipt of a Retraction Request from a holder of Exchangeable Shares, the determination of a Redemption Date and the issuance by AcquisitionCo of any Exchangeable Shares or rights to acquire Exchangeable Shares.

Under the Support Agreement, Marathon and CallCo will agree not to exercise any voting rights attached to the Exchangeable Shares owned by them or any of their affiliates on any matter considered at

meetings of holders of Exchangeable Shares, although they will appoint proxyholders with respect to such Exchangeable Shares for the sole purpose of attending meetings of the holders of Exchangeable Shares in order to be counted as part of the quorum for such meetings.

With the exception of administrative changes for the purpose of adding covenants, making certain necessary amendments or curing ambiguities or clerical errors (in each case provided that the board of directors of each of Marathon, AcquisitionCo and CallCo are of the opinion that such amendments are not prejudicial to the rights and interests of the holders of the Exchangeable Shares), the Support Agreement may not be amended without the approval of the holders of the Exchangeable Shares given in the manner described above under "Amendment and Approval".

The Arrangement Agreement

The following is a summary of the material terms of the Arrangement Agreement and the Plan of Arrangement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement and the Plan of Arrangement which are attached to this Information Circular as Appendix C and Schedule A thereto, respectively. Western Shareholders are urged to read the Arrangement Agreement and the Plan of Arrangement in their entirety.

Effective Date of the Arrangement

After obtaining the approval of the Western Shareholders, upon the other conditions in the Arrangement Agreement, including receipt of the appropriate regulatory approvals, being satisfied or waived (if permitted) and upon the Final Order being granted, Western will file the Articles of Arrangement with the Registrar. Pursuant to Section 193(12) of the ABCA, the Arrangement becomes effective on the date shown on the certificate of arrangement issued by the Registrar or, if no certificate is issued, on the date the Articles of Arrangement are filed.

Covenants

Covenants of Marathon and AcquisitionCo

Marathon and AcquisitionCo have each agreed in the Arrangement Agreement that during the period from July 30, 2007 through the earlier of the Effective Date or the termination of the Arrangement Agreement in accordance with its terms (the "Pre-Closing Period"), except with the prior written consent of Western, not to be unreasonably withheld or delayed, and except as otherwise expressly permitted as specifically contemplated by the Arrangement Agreement (including the Plan of Arrangement), or required by Applicable Laws, they, or any one of them, as specified in the Arrangement Agreement, shall:

- (a) conduct their business in the usual and ordinary course consistent with past practices;
- (b) not directly or indirectly do or permit to occur any of the following: (i) amend their constating documents except as required in connection with the Arrangement and, in the case of AcquisitionCo, to facilitate the issuance of preferred shares with a value of approximately Cdn\$65,000; (ii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Marathon or AcquisitionCo; or (iii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing except as disclosed in writing to Western;
- (c) use their reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth below, to the extent the fulfillment of the same is within the control of Marathon or AcquisitionCo, as the case may be;
- (d) carry out the terms of the Interim Order and the Final Order to the extent applicable to it and use its reasonable commercial efforts to assist Western in obtaining such orders and to carry out the intent or effect of the Arrangement Agreement and the Arrangement;

- (e) use reasonable commercial efforts to obtain approval of the listing of Marathon Shares issuable under the Arrangement and in exchange for the Exchangeable Shares on the NYSE prior to the mailing of this Circular;
- (f) make all other necessary filings and applications under Applicable Laws required on the part of Marathon or AcquisitionCo, as the case may be, in connection with the Arrangement and related transactions;
- (g) not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with the Arrangement Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement in accordance with the terms and conditions of the Arrangement Agreement;
- (h) jointly and severally indemnify Western, its subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Western, its subsidiaries and their respective directors, officers, employees, advisors or agents may be subject or which Western, its subsidiaries and their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Marathon Information;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in any material filed by or on behalf of Marathon or AcquisitionCo in compliance or intended compliance with Applicable Laws, which prevents or restricts the trading in the Marathon Shares or the Exchangeable Shares; and
 - (iii) Marathon or AcquisitionCo not complying with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement;

except that neither Marathon nor AcquisitionCo shall be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation of a material fact based on the Western Information, the negligence of Western or the non-compliance by Western with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement;

- (i) except as otherwise contemplated in the Arrangement Agreement, furnish promptly to Western:
 - (i) a copy of each notice, report, schedule or other document delivered, filed or received by Marathon or AcquisitionCo in connection with the Arrangement from any Governmental Authority;
 - (ii) any filings under Applicable Laws in connection with the Arrangement; and
 - (iii) any documents related to dealings with Governmental Authorities in connection with the transactions contemplated in the Arrangement Agreement;
- (j) except as otherwise contemplated in the Arrangement Agreement, not take any action that would render, or may reasonably be expected to render, any representation or warranty made by Marathon or AcquisitionCo, as the case may be, in the Arrangement Agreement untrue in any material respect;
- (k) promptly notify Western in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Marathon or AcquisitionCo threatened) in the business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities of Marathon or AcquisitionCo, whether contractual or otherwise;

- (l) use their reasonable commercial efforts to obtain the consent of any third parties required by Marathon or AcquisitionCo for the transactions contemplated by the Arrangement Agreement and provide the same to Western on or prior to the Effective Date; and
- (m) take all commercially reasonable actions to give effect to the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement.

Marathon and AcquisitionCo (as applicable) have further covenanted and agreed that:

- (a) prior to the Effective Time, AcquisitionCo shall not: (i) issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities except for the issuance of a nominal number of common shares and preferred shares; or (ii) carry on any business, enter into any transaction or effect any corporate act whatsoever, other than as contemplated by the Arrangement Agreement or as reasonably necessary to carry out the transactions contemplated by the Plan of Arrangement;
- (b) all rights to indemnification existing in favour of present and former directors and officers of (i) Western or (ii) any corporation of which Western is or was a shareholder or creditor and who are serving or did serve at Western's request, as provided by contract, in Western's articles or by-laws or in similar documents of any of Western's subsidiaries in effect as of July 30, 2007 with respect to matters occurring prior to the Effective Date, shall survive and shall continue in full force and effect without modification for a period of not less than the later of their terms, if any, or the statutes of limitations applicable to such matters, and Marathon further unconditionally and irrevocably covenants and agrees to be jointly and severally liable with Western for the performance of this covenant following the Effective Date; and
- (c) Western shall be permitted to secure "run off" directors' and officers' liability insurance for Western's current and former directors and officers, covering claims made prior to or within six years after the Effective Date which has a scope and coverage substantially equivalent in scope and coverage to that provided pursuant to Western's current directors' and officers' insurance policy and Marathon agrees to not take any action to terminate or otherwise adversely affect such directors' and officers' insurance.

Covenants of Western and WesternZagros

Western and WesternZagros have each agreed that during the Pre-Closing Period, except with the prior written consent of Marathon, not to be unreasonably withheld, and except as otherwise expressly permitted or specifically contemplated by the Arrangement Agreement (including the Plan of Arrangement) or required by Applicable Laws, they, or any one of them, as specified in the Arrangement Agreement, shall:

- (a) use their reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in the Arrangement Agreement as soon as practicable, to the extent the fulfillment of the same is within the control of Western and WesternZagros, as applicable;
- (b) carry out the terms of the Interim Order and the Final Order to the extent applicable to each of them;
- (c) make all necessary filings and applications under Applicable Laws, including U.S. Securities Laws, if applicable, reasonably required to be made on the part of Western and WesternZagros in connection with the transactions contemplated by the Arrangement Agreement and shall take all reasonable action necessary to be in compliance with such Applicable Laws;
- (d) not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with the Arrangement Agreement, which might directly or indirectly interfere with

or affect the consummation of the Arrangement in accordance with the terms and conditions contained in the Arrangement Agreement;

- (e) conduct the business of Western and of its subsidiaries in the usual and ordinary course consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use all commercially reasonable efforts to maintain and preserve its business, assets and advantageous business relationships, provided that it shall be entitled and authorized to comply with all pre-emptive rights, first purchase rights or rights of first refusal set forth in the Disclosure Letter provided by Western to Marathon that are applicable to its assets and become operative by virtue of the Arrangement Agreement or any of the transactions contemplated by the Arrangement Agreement;
- (f) not (i) amend its constating documents; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of outstanding Western Shares; (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any Western Shares or other securities of Western or any of its subsidiaries (other than the issuance of any securities of WesternZagros), including, without limitation, securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Western Shares (other than on exercise of Western Options or pursuant to the Western PSU Plan); (iv) redeem, purchase or otherwise acquire any of the outstanding Western Shares or other securities, other than to satisfy the obligations of Western pursuant to the Western DSU Plan or the Western PSU Plan; (v) split, combine or reclassify any of the outstanding Western Shares; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Western; or (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (g) other than pursuant to commitments, expenditures or indebtedness which are set forth in the Disclosure Letter or which have been set forth in Western's annual budget of capital expenditures, operating expenses and general and administrative expenses as amended and supplemented by the Western Board of Directors (the "Western Budget") which for certainty includes expenditures made prior to the date of the Arrangement Agreement as well as expenditures to be made after the date of the Arrangement Agreement relating to the business and operations of WesternZagros, and previously provided to Marathon in writing, Western shall not directly or indirectly: (i) sell, pledge, dispose of or encumber any assets except for the sale of petroleum substances in the ordinary course of business and consistent with Western's current marketing practices; (ii) expend or commit to expend any funds in excess of the Western Budget except in emergency situations; (iii) expend or commit to expend any amounts with respect to any operating expenses other than in the ordinary course of business or pursuant to the Arrangement; (iv) other than as set forth in the Plan of Arrangement in respect of the distribution of WesternZagros Shares to Western Shareholders, reorganize, amalgamate, merge or otherwise continue Western or any of its subsidiaries with any other Person or other business organization whatsoever; (v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets or otherwise) any corporation, trust, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (vi) except as provided by the Arrangement Agreement, acquire any assets (other than purchases of inventories in the ordinary course of business); (vii) incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances (except to a subsidiary of Western other than WesternZagros), or amend the terms of any of its office leases or existing credit facilities; (viii) except for Employee Obligations, pay, discharge or satisfy any material claims,

liabilities or obligations other than the payment, discharge or satisfaction in the ordinary course of business, consistent with past practice, of liabilities reflected or reserved against in the Western Financial Statements or incurred in the ordinary course of business consistent with past practice; (ix) authorize, recommend or propose any release or relinquishment of any material Contracts; (x) except the distribution of the WesternZagros Shares to Western Shareholders pursuant to the Arrangement and obtaining all necessary consents to such transactions pursuant to Western's existing debt agreements, waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document; (xi) enter into or terminate any strategic hedges, swaps or other financial instruments or like transactions; (xii) advance funds, transfer assets, or commit to advancing funds or transferring assets, directly or indirectly, to or for the benefit of WesternZagros; or (xiii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

- (h) except as permitted by the Arrangement Agreement, not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided, except to the extent that any such entitlement to payment to a former employee or officer has accrued prior to the date hereof;
- (i) except as permitted by the Arrangement Agreement, not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, share incentive or purchase plan, trust fund or arrangements for the benefit of employees, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
- (j) except as permitted by the Arrangement Agreement, not (i) grant any officer, director, employee or consultant an increase in compensation in any form; (ii) grant any general salary increase; (iii) take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements for any directors, officers, employees or consultants; (iv) adopt or amend or make any contribution to any bonus, profit-sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan (or amend any outstanding rights thereunder) from a trust fund or arrangement for the benefit of directors, officers, employees or consultants, except to permit accelerated vesting of currently outstanding Western Options, Western PSUs or as is necessary to comply with Applicable Laws or with the existing provisions of any such plans, programs, arrangements or agreements; or (v) advance any loan to any officer or director of Western or any of its subsidiaries or any other party not at arm's length to Western or any of its subsidiaries;
- (k) except as set forth in the Disclosure Letter provided by Western to Marathon in connection with the Arrangement Agreement, use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies for Western and any of its subsidiaries not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing satisfactory to Marathon providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (l) refrain from any amendments to outstanding Western options or awards pursuant to the Western PSU Plan or the Western DSU Plan except as are required or permitted by the Arrangement Agreement;

- (m) subject to the Arrangement Agreement, use its commercially reasonable efforts to cause the resignation and the entering in to of mutual releases of all of the directors of Western and Western's subsidiaries as of the Effective Time;
- (n) use its commercially reasonable efforts to ensure that all outstanding Western Options, Western PSUs and Western DSUs are either exercised, terminated, expired or surrendered prior to the Effective Time, provided that Western shall not pay the holders any amount of consideration therefor other than as set out in the Arrangement Agreement, nor shall Western make any amendment to outstanding Western Options without the prior written consent of Marathon, except: (i) to permit the early vesting of Western Options; and (ii) to permit the optionee to exercise Western Options in accordance with the Arrangement Agreement;
- (o) not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in the Arrangement Agreement untrue in any material respect at any time prior to the Effective Date or termination of the Arrangement Agreement, whichever first occurs;
- (p) promptly notify Marathon in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Western, threatened, financial or otherwise) in the business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of Western or any of its subsidiaries or of any change in any representation or warranty provided by Western or WesternZagros in the Arrangement Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Western shall in good faith discuss with Marathon any such change in circumstances which is of such a nature that there may be a reasonable question as to whether notice need be given to Marathon pursuant to this provision;
- (q) ensure that it has available funds to permit the payment of the Termination Fee (as defined below) having regard to its other liabilities and obligations, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (r) use its reasonable commercial efforts to obtain the consent of its bankers and any other third party consents required for the transactions contemplated in the Arrangement Agreement and provide the same to Marathon on or prior to the Effective Date;
- (s) provide notice to Marathon of the Meeting and allow Marathon's representatives and legal counsel to attend such Meeting;
- (t) indemnify and save harmless Marathon, its subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Marathon, its subsidiaries or their respective directors, officers, employees, advisors or agents may be subject or which Marathon, its subsidiaries or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Western Information;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation or in any material filed by or on behalf of Western in compliance or intended compliance with Applicable Canadian Securities Laws; and

- (iii) Western or WesternZagros, as applicable, not complying with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement;
- except that Western or WesternZagros, as applicable, shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation of a material fact based on the Marathon Information, the negligence of Marathon or the non-compliance by Marathon with any requirement of Applicable Laws in connection with the transactions contemplated by the Arrangement Agreement;
- (u) except as permitted by the Arrangement Agreement, furnish promptly to Marathon or Marathon's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Western and WesternZagros in connection with: (i) the Arrangement; (ii) the Meeting; (iii) any filings under Applicable Laws; and (iv) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (v) solicit proxies to be voted at the Meeting in favour of matters to be considered at the Meeting, including the Arrangement Resolution;
- (w) conduct the Meeting in accordance with the by-laws of Western, the ABCA, Applicable Canadian Securities Laws and any instrument governing the Meeting (including, without limitation, the Interim Order), as applicable, and as otherwise required by Applicable Laws;
- (x) agree to defer (or postpone) the separation time of the rights under the Western Rights Plan in respect of the transactions contemplated by the Arrangement Agreement and to waive the application of the Western Rights Plan to the Arrangement immediately prior to the Effective Time;
- (y) take all commercially reasonable actions to give effect to the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement;
- (z) promptly advise Marathon of the number of Western Common Shares for which Western receives notices of dissent or written objections to the Arrangement and provide Marathon with copies of such notices and written objections;
- (aa) use its reasonable commercial efforts to elect to participate in the Expansion 2 Feasibility Study set forth in the Feasibility Notification dated July 5, 2007 prior to the expiry of the 60 day election period therefor;
- (bb) in the event that Western becomes entitled to participate in the acquisition of any lease in accordance with any area of mutual interest agreement (including without limitation, the Athabasca Oil Sands Project Participation and AMI Agreement dated December 6, 1999, as amended), Western shall promptly notify Marathon upon receipt by Western of notice in respect thereof and consult with Marathon regarding such acquisition opportunity. If requested by Marathon, Western shall exercise its right to participate in such acquisition in accordance with the terms and conditions of such area of mutual interest agreement;
- (cc) duly and on a timely basis file all Tax Returns required and timely pay all Taxes shown on such Tax Returns and maintain proper books and records in relation thereto;
- (dd) not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation, without the consent of Marathon, such consent not to be unreasonably withheld;

- (ee) agree to cooperate, and to cause the other members of the Western Group to cooperate, with Marathon and its tax advisors in planning and implementing transactions:
- (i) subject to the terms of Western's existing credit facilities, to restructure and refinance the outstanding indebtedness of the Western Group in a manner that is tax effective, including the possible liquidation of Western Oil Sands Finance Inc.;
 - (ii) in preparation for the ultimate sale of the WesternZagros Shares by a member of the Western Group including, without limitation, a possible sale of the WesternZagros Shares within the Western Group;
 - (iii) to address certain tax issues arising from Western Oil Sands L.P., including the possible liquidation of Western Oil Sands L.P.; and
 - (iv) to the extent possible, to ensure that there is tax shelter available in the relevant taxation year to the relevant member of the Western Group that is sufficient to offset gains incurred by such member of the Western Group as a result of the realization of foreign currency exchange gains upon the restructuring and refinancing of outstanding indebtedness of the Western Group and on the disposition of WesternZagros Shares,
- such transactions to be implemented in a manner satisfactory to Marathon, acting reasonably;
- (ff) use their reasonable commercial efforts to, prior to the Closing Time, assign and novate or terminate those Contracts set forth in the Disclosure Letter (other than those Contracts which have expired and are no longer in effect); and
- (gg) deliver to Marathon executed support agreements from all of the directors and officers of Western.

Mutual Covenants Regarding the Arrangement

During the Pre-Closing Period, each of Marathon and Western will use its reasonable commercial efforts to:

- (a) satisfy (or cause the satisfaction of) the conditions precedent to its obligations (and those of any of its subsidiaries) under the Arrangement Agreement;
- (b) not take, or cause to be taken, any action or cause anything to be done that would cause such obligations not to be fulfilled in a timely manner; and
- (c) take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:
 - (i) to ensure that the Information Circular provides Western Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them;
 - (ii) to, on or before the Effective Date, cause confirmations of employment to be made to the Continuing Employees (as defined in the Arrangement Agreement);
 - (iii) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any agreements and take such measures as may be appropriate to fulfill its obligations and to carry out the transactions contemplated by the Arrangement Agreement;
 - (iv) to effect all necessary registrations, filings and submissions of information requested by Governmental Authorities required to be effected by it in connection with the Arrangement;
 - (v) reasonably cooperate with the other party and its tax advisors in structuring the Arrangement and other transactions contemplated to occur in conjunction with the

Arrangement in a tax effective manner and making such amendments to the Arrangement Agreement or the Plan of Arrangement, as the other party and its tax advisors shall consider necessary acting reasonably, provided that Western shall not be obligated to consent or agree to any structuring contemplated by the Arrangement Agreement that has the effect of reducing the consideration to be received under the Arrangement by the Western Shareholders or the tax deferred treatment to such shareholders in respect of the Exchangeable Shares to be received by Western Shareholders under the ITA; and

- (vi) to cause the Effective Date to occur on or before the Outside Date and to cause the mailing of the Information Circular to Western Shareholders to occur as soon as reasonably practicable and in any event by October 1, 2007.

Representations and Warranties

The Arrangement Agreement contains certain representations and warranties of Western relating to the following: organization and qualification; authority relative to the Arrangement Agreement; subsidiaries; no violations; litigation; taxes; pensions; reporting issuer status; capitalization; equity monetization plans; no orders; reports; books and records; absence of certain changes or events; registration, exemption orders, licenses, etc.; compliance with laws; restrictions on business activities; non-arm's length transactions; title; GLJ report; environmental; public record; absence of undisclosed liabilities; employee benefit plans; brokers and finders; employment and officer obligations; fairness opinions; insurance; board approval; Western Rights Plan; Disclosure Letter; proceeds of crime; material contracts; no guarantees; and WesternZagros contracts.

In addition, the Arrangement Agreement contains certain representations and warranties of WesternZagros relating to the following: parent and subsidiaries; capitalization; organization and qualification; authority relative to the Arrangement Agreement; proceeds of crime; guarantees outstanding; and WesternZagros contracts.

The Arrangement Agreement contains certain representations and warranties of Marathon relating to the following: organization and qualification; authority relative to the Arrangement Agreement; no violations; financing; litigation; U.S. Securities Laws; capitalization; Exchangeable Shares; financial statements; public record; absence of certain changes or events; registration, exemption orders, licenses, etc.; compliance with laws; restrictions on business activities; non-arm's length transactions; taxes; pensions; no orders; books and records; absence of undisclosed liabilities; environmental; and board approval.

Conditions to Closing

Mutual Conditions

The respective obligations of Marathon, AcquisitionCo, Western and WesternZagros to consummate the transactions contemplated under the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of Marathon, AcquisitionCo, Western and WesternZagros without prejudice to their right to rely on any other of such conditions:

- (a) on or prior to September 28, 2007, the Interim Order shall have been granted in form and substance satisfactory to each of Marathon and Western, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Marathon and Western, acting reasonably, on appeal or otherwise;
- (b) the Mailing Date shall occur not later than October 1, 2007;

- (c) the Arrangement Resolution shall have been passed by the Western Shareholders, on or prior to November 23, 2007 in accordance with the Interim Order and in form and substance satisfactory to each of Marathon and Western, acting reasonably;
- (d) on or prior to November 30, 2007, the Final Order shall have been granted in form and substance satisfactory to Marathon and Western, acting reasonably and such order shall not have been set aside or modified in a manner unacceptable to Marathon and Western, acting reasonably, on appeal or otherwise;
- (e) the Articles of Arrangement to be filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Marathon and Western, acting reasonably;
- (f) the Effective Date shall have occurred not later than the Outside Date;
- (g) Marathon and Western shall have obtained all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant Governmental Authorities, on terms and conditions satisfactory to the parties to the Arrangement Agreement, acting reasonably, including without limitation:
 - (i) the approval of the Western Shareholders required for the Arrangement pursuant to the ABCA or as required by the Court and other matters relating to the Arrangement;
 - (ii) the approval of the Court and, if applicable, the required approvals from the Minister of Industry under the Investment Canada Act;
 - (iii) either a notification or a request for an advance ruling certificate under the Competition Act in respect of the Arrangement shall have been made and (i) any waiting periods prescribed under the Competition Act shall have expired and the parties to the Arrangement Agreement shall have received a no-action letter from the Commissioner of Competition satisfactory to Marathon, acting reasonably; or (ii) the parties to the Arrangement Agreement shall have received an advance ruling certificate from the Competition Bureau in respect of the transactions contemplated in the Arrangement Agreement; or (iii) the Commissioner of Competition shall have waived the obligation to file under Section 114 of the Competition Act and the parties to the Arrangement Agreement shall have received a no-action letter from the Commissioner of Competition satisfactory to Marathon, acting reasonably;
 - (iv) the approval of the NYSE with respect to the additional listing of the Marathon Shares and the Marathon Shares issuable on exchange of the Exchangeable Shares issuable under the terms of the Arrangement; and
 - (v) the waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, if applicable to the transactions contemplated under the Arrangement, shall have expired or been terminated, and no objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period and remain unresolved,
 (collectively, the “Third Party Approvals”);
- (h) all domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period;
- (i) there shall be no action taken under any existing Applicable Law, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or

- (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (j) the Form S-3 shall have become effective under the U.S. Securities Act and no stop order suspending the effectiveness of the Form S-3 shall be in effect and no proceedings for such purpose shall be pending before the SEC; and
- (k) Marathon and Western shall be satisfied that the Subsequent Transactions (as defined in the Plan of Arrangement) will be completed immediately following the Effective Time on terms and conditions mutually acceptable to Western and Marathon.

Conditions in Favour of Marathon and AcquisitionCo

The obligation of Marathon and AcquisitionCo to consummate the transactions contemplated under the Arrangement Agreement, and in particular the Arrangement, is subject to the following conditions:

- (a) the representations and warranties of Western and WesternZagros set forth in the Arrangement Agreement (i) that are qualified by a reference to Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date, and (ii) that are not qualified by a reference to a Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date unless the failure to be true or correct has not had or would not reasonably be expected to have, a Material Adverse Effect (disregarding for this purpose any reference to “material” or other concepts of materiality in such representations and warranties) except, in each case (i) to the extent such representations and warranties speak as of an earlier date (in which case such representations and warranties shall be true and correct in all respects as of such date) or (ii) as affected by transactions contemplated or permitted by the Arrangement Agreement;
- (b) Western and WesternZagros shall have complied in all material respects with their respective covenants set forth in the Arrangement Agreement, except where the failure to comply with such covenants would not reasonably be expected to have a Material Adverse Effect on the affairs, operations or business of Western or materially impede the completion of the Arrangement;
- (c) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Marathon, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Western or would have a material adverse effect on the ability of Marathon, AcquisitionCo, Western or WesternZagros to complete the Arrangement;
- (d) Western and WesternZagros shall have furnished Marathon and AcquisitionCo with:
 - (i) certified copies of the resolutions duly passed by the Western Board of Directors and the WesternZagros Board of Directors approving the Arrangement Agreement and the consummation of the transactions contemplated thereby; and
 - (ii) certified copies of the resolutions of Western Shareholders, duly passed at the Meeting, approving the Arrangement Resolution;
- (e) any director, officer, insider or other non-arm’s length party that is indebted to Western shall have repaid such indebtedness on or prior to completion of the Arrangement;
- (f) the Meeting shall have been held on or before the Outside Date;

- (g) between the date of the Arrangement Agreement and the Effective Time, there shall not have occurred or have been disclosed to Marathon or the public, if not previously disclosed to Marathon or the public, any Material Adverse Change with respect to Western;
- (h) holders of Western Shares representing not more than 15% of the Western Shares then outstanding shall have validly exercised, and not withdrawn, Dissent Rights;
- (i) all Western Options, Western PSUs and Western DSUs shall have been exercised or terminated;
- (j) the Western Board of Directors shall not have: (i) amended its affirmative recommendation to the Western Shareholders in a manner adverse to Marathon; or (ii) withdrawn its affirmative recommendation to the Western Shareholders to vote in favour of the Arrangement Resolution;
- (k) executed releases in a form acceptable to Marathon shall have been received by Marathon on or prior to the Effective Date from each Person entitled to receive a severance amount or payment of an Employee Obligation as a consequence of the Arrangement, each as set forth in the Arrangement Agreement; provided, however, that such releases shall only be required from each such individual who, as a consequence of the Arrangement, is no longer a director, officer or employee of any of Western or WesternZagros; and
- (l) Western, WesternZagros and WesternZagros Limited shall have signed an agreement among Marathon, Western, WesternZagros and WesternZagros Limited dated effective as of the Effective Date providing for certain post-closing matters contemplated by the Arrangement Agreement.

Conditions in Favour of Western

The obligation of Western to consummate the transactions contemplated under the Arrangement Agreement, and in particular the Arrangement, is subject to the following conditions:

- (a) the representations and warranties of Marathon set forth in the Arrangement Agreement (i) that are qualified by a reference to Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date, and (ii) that are not qualified by a reference to a Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date unless the failure to be true or correct has not had or would not reasonably be expected to have, a Material Adverse Effect (disregarding for this purpose any reference to “material” or other concepts of materiality in such representations and warranties), except in each case (i) to the extent such representations and warranties speak as of an earlier date (in which case such representations and warranties shall be true and correct in all respects as of such date), or (ii) as affected by transactions contemplated or permitted by the Arrangement Agreement;
- (b) Marathon and AcquisitionCo shall have complied in all material respects with their respective covenants set forth in the Arrangement Agreement, except where the failure to comply with such covenants would not reasonably be expected to have a Material Adverse Effect on Marathon or materially impede the Effective Date;
- (c) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Western, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Marathon or would have a material adverse effect

on the ability of Marathon, AcquisitionCo, Western or WesternZagros to complete the Arrangement;

- (d) Marathon and AcquisitionCo shall have each furnished Western with certified copies of the resolutions duly passed by the Marathon Board of Directors and the AcquisitionCo Board of Directors approving the Arrangement Agreement and the consummation of the transactions contemplated thereby;
- (e) the Marathon Shares issuable upon completion of the Arrangement and issuable upon exchange of the Exchangeable Shares issuable upon completion of the Arrangement shall be listed on the NYSE, subject to notice of issuance, and each shall be freely tradable (other than as a result of any control person or affiliate restrictions which may arise by virtue of the ownership thereof) under applicable securities Laws;
- (f) the Support Agreement and the Voting and Exchange Trust Agreement shall have been executed and delivered by the Marathon and AcquisitionCo; and
- (g) Western and WesternZagros shall have signed the transition services agreement in the form agreed to by Western and Marathon as of the date of the Arrangement Agreement.

The conditions to closing are for the benefit of Marathon, AcquisitionCo, Western and WesternZagros, as applicable, and may be asserted by any such party regardless of the circumstances and may be waived by any such party (with respect to such party) in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which such party may have. If any of the foregoing conditions are not satisfied or waived, Marathon or Western, as the case may be, may terminate the Arrangement Agreement (save and except for certain provisions of the Arrangement Agreement which shall survive such termination and remain in full force and effect), provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent.

Non-Solicitation

Western agreed pursuant to the Arrangement Agreement that it shall and shall cause the officers, directors, employees, representatives and agents of Western and its subsidiaries to immediately cease any existing discussions or negotiations with any Person (other than Marathon) with respect to any proposal that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal and to request, in accordance with the terms of any applicable confidentiality agreement, the return or destruction of all confidential information provided in connection therewith.

Western also agreed that, except in certain circumstances as outlined in the Arrangement Agreement, it shall not, directly or indirectly, through any of its subsidiaries or through any officer, director, employee, investment banker, attorney or other representative or agent of it or any of its subsidiaries:

- (a) solicit, initiate, knowingly facilitate or knowingly encourage (including by way of furnishing information) the initiation of any inquiries or proposals regarding an Acquisition Proposal;
- (b) participate in any discussions or negotiations regarding an Acquisition Proposal;
- (c) withdraw or modify or propose publicly to withdraw or modify, in any manner adverse to Marathon, the approval of the Western Board of Directors of the Arrangement or the recommendation of the Western Board of Directors to vote in favour of the Arrangement;

- (d) furnish or provide access to any information concerning Western, its subsidiaries or their respective businesses, properties or assets to any Person in connection with, or that could reasonably be expected to lead to or facilitate, an Acquisition Proposal;
- (e) waive any provisions of or release or terminate any confidentiality or standstill agreement between Western and any Person relating to an actual or potential Acquisition Proposal, or amend any such agreement or consent to the making of an Acquisition Proposal in accordance with the terms of such agreement; or
- (f) accept, recommend, approve or enter into or propose publicly to accept, recommend, approve or enter into any agreement, arrangement or understanding (other than a confidentiality agreement as permitted hereunder) related to any Acquisition Proposal.

Prior to the Effective Date, Western and its officers, directors, employees, advisors or other representatives or agents may enter into, or participate in, any discussions or negotiations with a Person who seeks to initiate such discussions or negotiations and, subject to the entering into by such Person of a confidentiality agreement substantially similar to the Confidentiality Agreement, may furnish to such Person information concerning Western and its business, properties and assets, in each case if, and only to the extent that:

- (a) such Person has first made an unsolicited bona fide Acquisition Proposal which the Western Board of Directors determines in good faith (after consultation with its financial advisors) would, if consummated in accordance with its terms, be reasonably likely to result in, a Superior Proposal;
- (b) the Western Board of Directors, after receiving the advice of outside legal counsel, has determined in good faith that the failure to take such action would be inconsistent with the fiduciary duties of the Western Board of Directors to the Western Shareholders; and
- (c) Western has provided to Marathon the information required to be provided under the Arrangement Agreement in respect of such Acquisition Proposal and has promptly notified Marathon in writing of the determinations in paragraphs (a) and (b) above.

If, prior to the Effective Time, Western receives a request from a Person who is subject to a standstill obligation to waive or release such Person from its standstill obligation in order to make an unsolicited bona fide Acquisition Proposal, Western may release such Person from its standstill obligation only to the extent required to allow such Person to provide the Acquisition Proposal for consideration by the Western Board of Directors in accordance with the non-solicitation provisions of the Arrangement Agreement and to enter into, or participate in, any discussions or negotiations with Western and be furnished with information concerning Western, to the extent permitted pursuant to the Arrangement Agreement.

Under the Arrangement Agreement Western is obligated to promptly notify Marathon, at first orally and then in writing, of any Acquisition Proposal received after the date of the Arrangement Agreement, of any confidentiality agreement entered into in respect of any such Acquisition Proposal and any inquiry or contact received after the date of the Arrangement Agreement that could reasonably be expected to lead to an Acquisition Proposal, or any request for non-public information relating to Western received after the date of the Arrangement Agreement or for access to the properties, books or records of Western by any Person that informs Western that it is considering making, or has made, an Acquisition Proposal after the date of the Arrangement Agreement; which notice will include any known material terms and conditions of such Acquisition Proposal (including any form of agreement proposed to be entered into) and shall indicate such details, to the extent known, of the Acquisition Proposal, inquiry or contact as Marathon may reasonably request, including the identity of the Person making such proposal, inquiry or contact. Western shall keep Marathon informed of the status, including any change to the material terms, of any such Acquisition Proposal or inquiry. In addition, Western shall provide Marathon with a list of or copies of the information provided to any Person in respect of which a confidentiality agreement is entered

into in respect of any Acquisition Proposal and shall provide Marathon with access to any information provided to any such Person.

In addition, Western is obligated under the Arrangement Agreement to give Marathon, orally and in writing, at least three Business Days advance notice of any decision by the Western Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Western Board of Directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the Person making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such three Business Day period, Western has agreed not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, modify or change its recommendation in respect of the Arrangement or waive any provision of any standstill obligation with respect thereto except as permitted under the Arrangement Agreement. In addition, during such three Business Day period Western shall, and shall cause its financial and legal advisors to, negotiate in good faith with Marathon and its financial and legal advisors, to make such adjustments in the terms and conditions of to the Arrangement Agreement and the Arrangement as would enable Western to proceed with the Arrangement as amended rather than the Superior Proposal. In the event Marathon proposes to amend the Arrangement Agreement and the Arrangement to provide that the Western Shareholders shall receive a value per Western Share equal to or having a value greater than the value per Western Share provided in the Superior Proposal and so advises the Western Board of Directors prior to the expiry of such three Business Day period, the Western Board of Directors shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any standstill provisions and shall not withdraw, modify or change its recommendation in respect of the Arrangement. If the Western Board of Directors continues to believe that such Superior Proposal remains a Superior Proposal and therefore rejects Marathon's amended proposal, Western may terminate the Arrangement Agreement, provided however, that Western must pay to the Marathon the Termination Fee concurrently with such termination. In the event that Western provides Marathon with notice on a date that is less than three Business Days prior to the Western Meeting, Western shall adjourn the Meeting to a date that is not less than three Business Days and not more than 10 Business Days after the date of the notice.

The non-solicitation provisions contained in the Arrangement Agreement do not prohibit the Western Board of Directors from: (i) making any disclosure of an Acquisition Proposal to the Western Shareholders prior to the Effective Time if, in the good faith judgment of the Western Board of Directors after receiving the advice of outside counsel, such disclosure is necessary for the Western Board of Directors to act in a manner consistent with its fiduciary duties or is otherwise required under Applicable Law; (ii) taking any other action with regard to an Acquisition Proposal to the extent ordered or otherwise mandated by any court of competent jurisdiction; (iii) responding to a bona fide request for information that could reasonably be expected to lead to an Acquisition Proposal solely by advising that no information can be provided unless a bona fide written Acquisition Proposal is made and then only in compliance with the provisions of the Arrangement Agreement; (iv) complying with Section 172 of the Securities Act and similar provisions under Applicable Laws relating to the provision of directors' circulars and making appropriate disclosure with respect thereto to Western Shareholders; and (v) waiving the application of the Western Rights Plan in respect of any Superior Proposal but only following Western's compliance with the applicable provisions of the Arrangement Agreement.

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of Marathon and Western;
- (b) by Marathon or Western if any of conditions to the Arrangement Agreement are not satisfied or waived;

- (c) by Marathon upon the occurrence of a Marathon Damages Event (as defined below);
- (d) by Western upon the occurrence of a Marathon Damages Event, provided that Western has paid to Marathon the Termination Fee;
- (e) by Western if:
 - (i) Marathon is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to have a Material Adverse Effect on the affairs, operations or business of any of Marathon or AcquisitionCo or materially impedes the completion of the Arrangement and the transactions contemplated in the Arrangement Agreement, and Marathon fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Western (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
 - (ii) Marathon is in breach of any of its representations or warranties made in the Arrangement Agreement (i) that are qualified by a reference to Material Adverse Effect or (ii) that are not qualified by a reference to a Material Adverse Effect and the breach thereof has or would reasonably be expected to have, a Material Adverse Effect (disregarding for this purpose any reference to “material” or other concepts of materiality in such representations and warranties) on Marathon or, in either case, such breach materially impedes the completion of the Arrangement, and Marathon fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Western (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
- (f) by Marathon if:
 - (i) Western is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to have a Material Adverse Effect on the affairs, operations or business of any of Western or WesternZagros or materially impedes the completion of the Arrangement and the transactions contemplated in the Arrangement Agreement, and Western fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Marathon (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
 - (ii) Western is in breach of any of its representations or warranties made in the Arrangement Agreement (i) that are qualified by a reference to Material Adverse Effect or (ii) that are not qualified by a reference to a Material Adverse Effect and the breach thereof has or would reasonably be expected to have, a Material Adverse Effect (disregarding for this purpose any reference to “material” or other concepts of materiality in such representations and warranties) on Western or AcquisitionCo or, in either case, such breach materially impedes the completion of the Arrangement, and Western fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Marathon (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).

If the Arrangement Agreement is terminated in accordance with the foregoing provisions, the Arrangement Agreement shall forthwith become void and no party to the Arrangement Agreement shall have any further liability to perform its obligations hereunder except as provided in the Arrangement Agreement and each such party's obligations under the Confidentiality Agreement, which shall survive

such termination, and provided that the termination of the Arrangement Agreement shall relieve any party to the Arrangement Agreement from any liability for any breach by it of to the Arrangement Agreement, including from any inaccuracy in any of its representations and warranties and any non-performance by it of its covenants made therein, prior to the date of such termination.

Termination Fee

Western will be required to pay a termination fee of Cdn\$200 million (the “Termination Fee”) in connection with a termination of the Arrangement Agreement as a result of any of the following:

- (a) the Western Board of Directors fails to make or has withdrawn, modified or publicly proposes to withdraw or modify: (i) its unanimous approval of the Arrangement and the entering into of the Arrangement Agreement; (ii) its unanimous recommendation that Western Shareholders vote in favour of the Arrangement; or (iii) its unanimous determinations that the Arrangement is in the best interests of Western and the Western Shareholders, and, based upon, among other things, the opinions of Western’s financial advisors, that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western Shareholders, in a manner adverse to Marathon or shall have resolved to do so prior to the Effective Date;
- (b) an Acquisition Proposal is publicly announced, proposed, offered or made to the Western Shareholders and the Western Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval prior to the Outside Date and any Acquisition Proposal is consummated within twelve months from the termination of this Agreement;
- (c) Western accepts, recommends, approves or enters into or publicly proposes to accept, recommend or approve an agreement to implement a Superior Proposal subject to compliance with the covenants regarding non-solicitation set forth in the Arrangement Agreement; or
- (d) Western breaches any of the covenants regarding non-solicitation set forth in the Arrangement Agreement in any material respect, and Marathon is not successful in completing the Arrangement,

(each, a “Marathon Damages Event”).

Under the Arrangement Agreement Western is obligated to pay to Marathon the Termination Fee as liquidated damages in respect of a Marathon Damages Event in immediately available funds to an account designated by Marathon within one Business Day after the first to occur of the events described above. Following a Marathon Damages Event, but prior to payment of the Termination Fee, Western shall be deemed to hold such applicable payment in trust for Marathon. Western shall only be obligated to pay one Termination Fee pursuant to the Arrangement Agreement.

Amendments and Waivers

The Arrangement Agreement may, at any time and from time to time before or after the holding of the Meeting, be amended by mutual written agreement of the parties, and subject to Applicable Law, further notice to or authorization on the part of the securityholders, any such amendment may, without limitation: (A) change the time for performance of any of the obligations or acts of the parties, (B) waive any inaccuracies or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant thereto, (C) waive compliance with or modify any of the covenants or obligations of the parties contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the parties, or (D) waive compliance with or modify any conditions precedent contained in the Arrangement Agreement, provided that no such amendment reduces or materially adversely affects the consideration to be received by a Western Shareholder without the approval of the Western Shareholders.

Governing Law

The Arrangement Agreement is interpreted, construed and governed by and in accordance with, and any disputes arising out of or related to the Arrangement Agreement will be interpreted, construed and governed by and in accordance with, the laws of the Province of Alberta.

Shareholder Approval of the Arrangement

At the meeting, Western Shareholders will be asked to consider, and if deemed advisable, approve the Arrangement Resolution. Approval of the Arrangement Resolution requires the affirmative vote of not less than two thirds (66⅔%) of the votes validly cast at the Meeting by Western Shareholders. See “Information Concerning the Meeting”.

Support Agreements

Concurrent with entering into the Arrangement Agreement, the directors and officers of Western, who in the aggregate beneficially own, directly or indirectly, or exercise control or direction over, approximately 4.0% of the issued and outstanding Western Shares and 54.5% of the Western Options, 37.6% of the Western PSUs and 65.4% of the Western DSUs outstanding on July 30, 2007, entered into separate support agreements with Marathon whereby they agreed to vote in favour of the Arrangement all Western Shares held by them on the Meeting Date.

Court Approval of the Arrangement and Completion of the Arrangement

The Arrangement requires approval by the Court under Section 193 of the ABCA. Prior to the mailing of this Information Circular, Western obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix B to this Information Circular.

The hearing in respect of the Final Order will be held on October 16, 2007 subject to approval of the Arrangement Resolution by the Western Shareholders. In accordance with the Interim Order, should the Court adjourn the hearing to a later date, notice of the later date will be given to those who have filed and delivered an appearance in accordance with the Interim Order. Any Western Shareholder who wishes to appear or be represented and to present evidence or arguments must serve and file an appearance as set out in the Notice of Petition and satisfy any other requirements of the Court. The Court will consider, among other things, the fairness and reasonableness of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Assuming the Final Order is granted and the other conditions in the Arrangement Agreement are satisfied or waived, the Articles of Arrangement will be filed with the Registrar under the ABCA to give effect to the Arrangement, the Voting and Exchange Trust Agreement and the Support Agreement will be executed and delivered and the various other documents necessary to consummate the transactions contemplated under the Arrangement Agreement will be executed and delivered.

The Final Order will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act, with respect to the Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants to be issued to Western Shareholders pursuant to the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. The Final Order will not constitute an exemption from the registration requirements of the U.S. Securities Act with respect to the New WesternZagros Shares issuable on the exercise of the NewWesternZagros Warrants. See “The Arrangement — United States Securities Law Matters”.

Pursuant to Section 193(12) of the ABCA, the Arrangement becomes effective on the date shown on the certificate of arrangement issued by the Registrar or, if no certificate is issued, on the date the Articles of Arrangement are filed.

Regulatory Matters

Neither Marathon nor Western is aware of any material approval or other action by any Governmental Authority that would be required to be obtained prior to the Effective Date, except as described below. If any additional filings or consents are required, such filings or consents will be sought but these additional requirements could delay the Effective Date or prevent the completion of the Arrangement.

Competition Act (Canada)

Under the Competition Act, the Arrangement is a notifiable transaction and may not be completed before the expiration or earlier termination of the applicable waiting period after notice of the Arrangement, together with certain prescribed information, has been provided to the Commissioner of Competition or unless the Commissioner of Competition has, upon application, issued an Advanced Ruling Certificate (“ARC”) or waived the obligation to make such notification filing.

Notification must be made either on the basis of a short-form filing (in respect of which there is a 14 day statutory waiting period from the time a complete notification is made unless, prior to the expiration of that period, the Commissioner of Competition requires prescribed long form information to be provided) or a long-form filing (in respect of which there is a maximum 42 day waiting period from the time a complete notification is made).

The Commissioner of Competition’s review of a notifiable transaction may take longer than the statutory waiting period. Upon completion of the Commissioner of Competition’s review, the Commissioner of Competition may decide to: (i) challenge the notifiable transaction, if the Commissioner of Competition concludes that it is likely to substantially lessen or prevent competition; (ii) issue a notice (a “Competition Act Notice”) stating that the Commissioner of Competition does not intend to challenge the notifiable transaction at that time, but retains the authority to do so for three years after completion of the notifiable transaction; or (iii) issue an ARC. Where an ARC is issued and the notifiable transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner of Competition cannot seek an order of the Competition Tribunal in respect of the notifiable transaction solely on the basis of information that is the same or substantially the same as the information on the basis on which the ARC was issued.

Marathon and Western filed an application for an ARC in respect of the Arrangement with the Commissioner of Competition on August 23, 2007. The Commissioner of Competition issued an ARC in respect of the Arrangement on August 29, 2007.

Investment Canada Act (Canada)

Under the Investment Canada Act, the acquisition by a non-Canadian of control of a Canadian business the value of which exceeds certain monetary thresholds is reviewable and subject to approval by the federal Minister responsible for the Investment Canada Act (the “Minister”). Approval of the Arrangement is to be granted where the Minister is satisfied that the acquisition is likely to be of net benefit to Canada. The Arrangement is an acquisition by a non-Canadian of control of Western and is subject to review of the Arrangement under the Investment Canada Act and cannot be completed until the Minister has approved the Arrangement. On August 16, 2007, Marathon filed an application for review of the Arrangement under the Investment Canada Act. The Minister has 45 days from the date of receipt by the Investment Review Division of a completed application to decide whether the Arrangement is likely to be of net benefit to Canada. The 45-day period may be extended by the Minister for a further 30 days, or

may be extended for such longer period as may be agreed upon between the applicant, in this case Marathon, and the Minister. If no notice is sent by the Minister to the applicant within the 45-day period or the extended period, as the case may be, that the Minister is satisfied the investment is likely to be of net benefit to Canada, then the Arrangement is deemed to be approved.

The obligations of the Parties to consummate the Arrangement are subject to the condition that the Minister has approved the Arrangement.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Western Board of Directors with respect to the Arrangement, Western Shareholders should be aware that certain members of Western's management and the Western Board of Directors have certain interests in connection with the Arrangement, including those referred to below, that may present them with actual or potential conflicts of interest in connection with the Arrangement. The Western Board of Directors is aware of these interests and considered them along with the other matters described above in "The Arrangement — Background and Reasons for the Arrangement".

Compensation Arrangements

Western has agreements with 11 officers to pay those officers between 18 and 24 months annual salary, plus a discretionary bonus for an equivalent period (which will be between 37.5% and 100% of annual salary), plus an additional 19.5% to 26% of annual salary for loss of benefits and perquisites (less applicable withholdings) if the officer is terminated following a change of control of Western. The completion of the Arrangement would constitute a "change of control" within the meaning of the executive contracts. The aggregate payments under the executive contracts are Cdn\$7.4 million.

Western is also providing a retention package to approximately 58 of its current officers and employees. The aggregate possible payments under this retention package are Cdn\$1.7 million.

Prior to the Effective Time, the vesting provisions of outstanding Western Options and Western PSUs will accelerate to permit holders to exercise their Western Options and tender Western Shares received upon such exercise or pursuant to the Western PSUs in accordance with the Arrangement. In addition, payment of Western Shares under the Western PSU Plan will be accelerated due to the Arrangement. In connection with the exercise of Western Options, Western intends to lend to approximately 68 directors, officers and employees approximately Cdn\$57 million to enable such directors, officers and employees to exercise their Western Options in connection with the Arrangement. These loans will be repaid from the consideration to be received in connection with the Arrangement. With respect to Western Options that are "out-of-the-money", it is anticipated that Western will pay to the holders of such Western Options a nominal amount per option in exchange for the termination of such Western Options.

Indemnification of Directors and Officers of Western

The Arrangement Agreement provides that all rights to indemnification existing in favour of present and former directors and officers of Western or any corporation of which Western is or was a shareholder or creditor and who are serving or did serve at Western's request, as provided by contract, in Western's articles or by-laws or in similar documents of any of Western's subsidiaries in effect as of the date of the Arrangement Agreement with respect to matters occurring prior to the Effective Date, shall survive and shall continue in full force and effect without modification for a period of not less than the later of their terms, if any, or the statutes of limitations applicable to such matters.

The Arrangement Agreement also provides that Western shall be permitted to secure "run off" directors' and officers' liability insurance for Western's current and former directors and officers, covering claims made prior to or within six years after the Effective Date which has a scope and coverage substantially equivalent in scope and coverage to that provided pursuant to Western's current directors'

and officers' insurance policy and Marathon has agreed to not take any action to terminate or otherwise adversely affect such directors' and officers' insurance.

Procedure for Exchange of Share Certificates by Western Shareholders

Enclosed with this Information Circular is a Letter of Transmittal and Election Form which, when properly completed and duly executed and returned together with a certificate or certificates representing Western Shares and all other required documents, will enable each Western Shareholder (other than Dissenting Shareholders and Marathon and its affiliates) to obtain the Cash Consideration, the Marathon Share Consideration, the Exchangeable Share Consideration or a combination thereof, as well as the New WesternZagros Shares and the New WesternZagros Warrants that such holder is entitled to receive under the Arrangement. See "The Arrangement — Arrangement Mechanics". The Letter of Transmittal and Election Form must be submitted by the Election Deadline.

On and after the Effective Time, all certificates that represented Western Shares immediately prior to the Effective Time will cease to represent any rights with respect to Western Shares and will only represent the right to receive the consideration under the Arrangement. No dividends or other distributions, if any, in respect of Marathon Shares, Exchangeable Shares or New WesternZagros Shares declared after the Effective Time and payable to holders of record after the Effective Time, will be paid to the holders of any unsurrendered certificates formerly representing Western Shares until the certificates representing Western Shares are surrendered and delivered as provided in the Plan of Arrangement. Subject to Applicable Law, after a former Western Shareholder of record surrenders and exchanges the certificates representing Western Shares, that holder will be entitled to receive any such dividends or distributions declared after the Effective Time and prior to the exchange of the certificates representing Western Shares, without interest, which will have become payable with respect to the number of Marathon Shares, Exchangeable Shares or New WesternZagros Shares to which the holder is entitled.

Any use of mail to transmit certificate(s) for Western Shares and the related Letter of Transmittal and Election Form is at the risk of the holder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

A cheque in the amount payable to the former Western Shareholder and/or certificates representing the appropriate number of Exchangeable Shares and/or Marathon Shares along with certificates representing the New WesternZagros Shares and the New WesternZagros Warrants issuable to a former Western Shareholder who has complied with the procedures set forth above will, as soon as practicable after the Effective Date: (i) be forwarded to the holder at the address specified in the Letter of Transmittal and Election Form by insured first class mail; or (ii) be made available at the offices of the Depositary for pick up by the holder as requested by the holder in the Letter of Transmittal and Election Form.

Where a certificate for Western Shares has been destroyed, lost or stolen, the registered holder of that certificate should immediately contact the Depositary at inquiries@valianttrust.com or toll free at 1-866-313-1872 regarding the issuance of a replacement certificate upon the holder satisfying the requirements of Western relating to replacement certificates. See Instruction 7 to the Letter of Transmittal and Election Form.

Stock Exchange Listings

Western Shares

The Western Shares will be delisted from the TSX on or after the Effective Date.

Exchangeable Shares

There is no current intention to list the Exchangeable Shares on any stock exchange.

Marathon Shares

Shares of Marathon Common Stock are listed on the NYSE and the Chicago Stock Exchange and trade under the symbol "MRO". Marathon will apply to the NYSE to list Marathon Shares to be issued pursuant to the Arrangement and issuable in exchange for the Exchangeable Shares. It is a condition to the closing of the Arrangement that the approval of the NYSE with respect to the additional listing of Marathon Shares and Marathon Shares issuable on exchange of the Exchangeable Shares issuable under the terms of the Arrangement be obtained.

New WesternZagros Shares and New WesternZagros Warrants

The TSX-V has conditionally approved the listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V. Listing will be subject to New WesternZagros fulfilling all of the listing requirements of the TSX-V. Trading in both the New WesternZagros Shares and the New WesternZagros Warrants is expected to commence concurrently with the delisting of the Western Shares on the TSX.

Eligibility for Investment in Canada

Marathon Shares and Exchangeable Shares

Marathon Shares will be qualified investments under the ITA for trusts governed by RRSPs, RRIFs, DPSPs and RESPs, provided such shares are listed on the NYSE or another prescribed stock exchange.

The Exchangeable Shares will not be qualified investments under the ITA for trusts governed by RRSPs, RRIFs, DPSPs and RESPs, since such shares will not be listed on a prescribed stock exchange.

New WesternZagros Securities

Provided the New WesternZagros Shares are listed on a prescribed stock exchange (which currently includes the TSX-V), the New WesternZagros Shares and New WesternZagros Warrants will be qualified investments under the ITA for trusts governed by RRSPs, RRIFs, DPSPs and RESPs.

Canadian Securities Law Matters

Resale of Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants Received in the Arrangement

The Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants to be issued to Western Shareholders pursuant to the Arrangement together with the Marathon Shares issuable on the exchange of the Exchangeable Shares will all be issued pursuant to an exemption from the prospectus and registration requirements of Applicable Canadian Securities Laws under Section 2.11 of National Instrument 45-106, *Prospectus and Registration Exemptions* and will generally not be subject to any resale restrictions under Applicable Canadian Securities Laws (provided the conditions set out in Subsection 2.6(3) of National Instrument 45-102, *Resale Restrictions* are satisfied). Shareholders should consult with their own financial and legal advisors with respect to the tradability of Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants received on completion of the Arrangement as well as in respect of the exchange of the Exchangeable Shares for Marathon Shares.

Ongoing Canadian Reporting Obligations

Upon completion of the Arrangement, each of Marathon, AcquisitionCo and New WesternZagros will become a reporting issuer in certain of the provincial jurisdictions in which Western is a reporting issuer, by virtue of the completion of the Arrangement with Western. Pursuant to Section 2.9 of National Instrument 45-102, each of Marathon, AcquisitionCo and New WesternZagros will be deemed to have been a reporting issuer from the time that Western was a reporting issuer.

Pursuant to National Instrument 71-102, *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, Marathon will generally be exempt from Canadian statutory financial and other continuous and timely reporting requirements, including the requirement for insiders of Marathon to file reports with respect to trades of Marathon securities, provided Marathon complies with the requirements of U.S. Securities Laws and U.S. market requirements in respect of all financial and other continuous and timely reporting matters and Marathon files with the relevant provincial and territorial securities regulatory authorities copies of its documents filed with or furnished to the SEC under the U.S. Exchange Act. As AcquisitionCo will not be able to rely on the exemption provided in Section 13.3 of National Instrument 51-102, *Continuous Disclosure Obligations*, to provide holders of Exchangeable Shares all financial and other continuous and timely disclosure documents that are sent to the holders of Marathon Shares (provided Marathon complies with all of its continuous and timely disclosure obligations under applicable U.S. Securities Laws and the requirements of any United States marketplace on which securities of Marathon are listed), AcquisitionCo will apply to the applicable Canadian Securities Authorities for exemptive relief from the continuous disclosure obligations imposed by National Instrument 51-102 similar to that provided by Section 13.3 of National Instrument 51-102.

Collateral Benefits

Ontario Securities Commission Rule 61-501, *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions* (“OSC Rule 61-501”) and AMF Policy Q-27, *Respecting Protection of Minority Securityholders in the Course of Certain Transactions* (“AMF Policy Q-27”) of the Autorité des marchés financiers du Québec are intended to regulate insider bids, issuer bids, business combinations, going private transactions and related party transactions to ensure that all securityholders are treated in a manner that is fair.

The Arrangement does not constitute a “business combination” for the purposes of OSC Rule 61-501, as directors or senior officers of Western will not receive a “collateral benefit” pursuant to the Arrangement. In that regard, OSC Rule 61-501 excludes from the meaning of “collateral benefit” a benefit to a director or senior officer where: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the director or senior officer for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the director or senior officer supporting the transaction in any manner; (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (iv) either (A) at the time the transaction is agreed to, the director or senior officer and his or her associated entities beneficially owns, or exercises control or direction over, less than 1% of each class of the outstanding securities of the issuer outstanding or (B) the director or senior officer discloses to an independent committee of the issuer the amount of consideration that he or she expects to be beneficially entitled to receive, under the terms of the transaction, in exchange for the equity securities he or she beneficially owns; an independent committee acting in good faith determines that the value of the benefit, net of any offsetting costs to the director or senior officer, is less than 5% of the value of the consideration the director or senior officer will receive pursuant to the terms of the transaction for the equity securities he or she beneficially owns, and the independent committee’s determination is disclosed in the disclosure document for the transaction.

To the knowledge of Western, as at July 30, 2007, each of the directors and senior officers of Western who are entitled to receive payments and benefits in connection with the Arrangement, and their respective associated entities, held less than 1% of the issued and outstanding Western Shares except Mr. Guy Turcotte. A committee (the “Independent Committee”) of independent directors of the Western Board of Directors reviewed in accordance with OSC Rule 61-501 the benefits to be received by Mr. Turcotte pursuant to the Arrangement. In accordance with OSC Rule 61-501, Mr. Turcotte disclosed to the Independent Committee the aggregate consideration that will be received pursuant to the Arrangement for the Western Shares beneficially owned, or over which control or discretion is exercised, by him and the Independent Committee determined that the value of the benefits provided to Mr. Turcotte in connection with the Arrangement, net of respective offsetting costs, is less than 5% of the aggregate consideration that will be received pursuant to the Arrangement for the Western Shares beneficially owned, or over which control or discretion is exercised, by him. Consequently, these benefits are not “collateral benefits” within the meaning of OSC Rule 61-501.

The Arrangement may constitute a “going-private transaction” for the purposes of AMF Policy Q-27. Western intends to apply to the Autorité des marchés financiers du Québec for an exemption from the applicable provisions of AMF Policy Q-27.

United States Securities Law Matters

The issuance of the Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants to be issued to Western Shareholders in the Arrangement and from time to time thereafter pursuant to the Arrangement will not be registered under the U.S. Securities Act. Such securities will instead be issued in reliance upon the exemption provided by Section 3(a)(10) of the U.S. Securities Act. Section 3(a)(10) exempts any securities issued in exchange for one or more bona fide outstanding securities or partly in such exchange and partly for cash from the general requirement of registration where the terms and conditions of the issuance and exchange of the securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear. The Court will conduct a hearing to determine the fairness of the terms and conditions of the Arrangement, including the proposed issuance of securities in exchange for the outstanding Western Shares. The Court entered the Interim Order on September 14, 2007 and, subject to the approval of the Arrangement by the Western Shareholders, a hearing on the fairness of the Arrangement will be held by the Court on October 16, 2007. See “Court Approval of the Arrangement and Completion of the Arrangement” above.

The Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants (but not the New WesternZagros Shares issuable upon the exercise thereof) issued in the Arrangement will be freely transferable under U.S. Securities Laws, except for Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants held by persons who are deemed to be “affiliates” (for purposes of U.S. Securities Laws) of Western or Marathon prior to or after the Arrangement, which may be resold by them only in transactions permitted by the resale provisions of Rule 145 under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act. An “affiliate” of a corporation for purposes of U.S. Securities Laws is a person who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such corporation.

Marathon has agreed to file a registration statement on Form S-3 prior to the Effective Time in order to register under the U.S. Securities Act the issuance from time to time of Marathon Shares in exchange for the Exchangeable Shares. It is a condition to Western’s obligation to complete the Arrangement that the registration statement will have become effective under the U.S. Securities Act prior to the Effective Time. See “The Arrangement Agreement — Conditions to Closing”.

The enforcement by investors of civil liabilities under the U.S. Securities Laws may be affected adversely by the fact that Western, AcquisitionCo and New WesternZagros are organized under the laws of the Province of Alberta, that their officers and directors are, or will be, primarily residents of countries other than the United States, that certain experts named in this Information Circular are residents of countries other than the United States, and that all or substantial portions of the assets of Western, AcquisitionCo, New WesternZagros and such other persons are, or will be, located outside the United States.

The New WesternZagros Warrants may be exercised only by a holder who represents that at the time of exercise the holder is not then located in the United States, unless the holder provides a legal opinion or other evidence reasonably satisfactory to New WesternZagros to the effect that the exercise of the New WesternZagros Warrants does not require registration under the U.S. Securities Act or state securities laws. It is anticipated that only a few U.S. Warrantholders will be able to provide a satisfactory legal opinion

to permit such U.S. Warrantholders to exercise their New WesternZagros Warrants. Consequently, most U.S. Warrantholders will be unable to exercise their New WesternZagros Warrants.

Any New WesternZagros Shares issuable upon the exercise of the New WesternZagros Warrants in the United States will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, certificates representing such New WesternZagros Shares will bear a legend to that effect, and such New WesternZagros Shares may be resold only pursuant to an exemption from the registration requirements of the U.S. Securities Act and state securities laws.

Notwithstanding the foregoing, subject to certain limitations, the New WesternZagros Warrants and any new WesternZagros Shares issuable upon the exercise of New WesternZagros Warrants may be resold outside the United States without registration under the U.S. Securities Act pursuant to Regulation S, including in transactions over the TSX-V (if the applicable New WesternZagros Warrants and New WesternZagros Shares as the case may be, are so listed).

Arrangements Respecting Western Options, Western PSUs and Western DSUs

Under the Arrangement, all Western Options, Western PSUs and Western DSUs shall have been exercised, terminated or surrendered such that no options to purchase or receive Western Shares remain outstanding as of the Effective Date. See “The Arrangement — Arrangement Mechanics — Western Options, PSUs and DSUs”.

Future Issuances of Shares by AcquisitionCo

The AcquisitionCo articles of incorporation authorize the issuance of an unlimited number of Exchangeable Shares. The authorized but unissued Exchangeable Shares may be issued, without the approval of holders of Exchangeable Shares, at such time or times, to such persons and for such consideration as AcquisitionCo may determine, except as may otherwise be required by Applicable Laws. Other than with respect to the issuance of Exchangeable Shares pursuant to the Arrangement, it is not presently expected that AcquisitionCo will issue any additional Exchangeable Shares in the future.

Expenses

The combined estimated fees, costs and expenses of Marathon and Western in connection with the Arrangement including, without limitation, Financial Advisors’ fees, filing fees, legal and accounting fees, soliciting dealer fees and printing and mailing costs are anticipated to be approximately Cdn\$71.4 million.

RISK FACTORS

Western Shareholders should understand that if the Arrangement is approved at the Meeting, Western Shareholders who so elect will receive Marathon Shares or Exchangeable Shares which are the economic equivalent of Marathon Shares and all Western Shareholders will receive New WesternZagros Shares and New WesternZagros Warrants. Accordingly, a former Western Shareholder will become a shareholder of New WesternZagros and, upon receipt of Marathon Shares or the exchange of Exchangeable Shares, will become a shareholder of Marathon and will be subject to all of the risks associated with the operations of New WesternZagros and Marathon and the industry in which such corporations operate. Those risks include the factors affecting forward-looking statements described in this Information Circular, including the risk factors set forth on pages 35 to 49 of Western's annual information form for the year ended December 31, 2006 under the heading "Risks and Uncertainties", the risk factors set forth on pages 22 to 27 of Marathon's annual report on Form 10-K for the year ended December 31, 2006 under the heading "Risk Factors" and the risk factors relating to New WesternZagros set forth in Appendix G — Information Concerning New WesternZagros, under the headings "Forward-Looking Statements" and "Risk Factors".

TAX CONSIDERATIONS TO WESTERN SHAREHOLDERS

Certain Canadian Federal Income Tax Considerations

In the opinion of Macleod Dixon LLP, Canadian counsel for Western, the following is a summary of the principal Canadian federal income tax considerations relating to the Arrangement under the ITA generally applicable to Western Shareholders who, for purposes of the ITA, and at all relevant times, hold their Western Shares, and will hold their Class A Shares, Class B Shares, Class C Shares, Marathon Shares, Exchangeable Shares and New WesternZagros Securities, as capital property and deal at arm's length with, and are not affiliated with, Western, Marathon, New WesternZagros, CallCo or AcquisitionCo. This summary does not apply to: (i) a Western Shareholder with respect to whom Marathon is or will be a "foreign affiliate" within the meaning of the ITA, (ii) a Western Shareholder that is a "financial institution", for the purposes of the mark-to-market rules in the ITA, (iii) a Western Shareholder an interest in which is a "tax shelter investment" as defined in the ITA, or (iv) a Western Shareholder that is a "specified financial institution" as defined in the ITA. Any such Western Shareholder should consult its own tax advisor with respect to the Arrangement.

Western Shares, Class A Shares, Class B Shares, Class C Shares, Marathon Shares, Exchangeable Shares and New WesternZagros Securities will generally be considered to be capital property unless such securities are held in the course of carrying on a business of trading or dealing in securities, or were acquired in one or more transactions considered to be an adventure in the nature of trade. Certain Western Shareholders who are residents of Canada for purposes of the ITA and whose Western Shares and New WesternZagros Shares might not otherwise qualify as capital property, may be entitled to make an irrevocable election in accordance with Subsection 39(4) of the ITA to have their Western Shares, New WesternZagros Shares and every "Canadian security" (as defined in the ITA) owned by such Western Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. This election is not available for any Western Shares that were acquired by a Western Shareholder as a "flow-through share" for the purposes of the ITA. Where a Western Shareholder makes an election with AcquisitionCo under Section 85 of the ITA in respect of their Western Shares as described below, the Exchangeable Shares received under the Arrangement in exchange for such Western Shares will not be Canadian securities to such holder for this purpose and therefore will not be deemed to be capital property under Subsection 39(4) of the ITA. Western Shareholders who do not hold their Western Shares as capital property or who will not hold their Class A Shares, Class B Shares, Class C Shares, Marathon Shares, Exchangeable Shares, and/or New WesternZagros Securities as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is based on the facts set out in this document, the current provisions of the ITA and Macleod Dixon LLP's understanding of the published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date of this document. This summary takes into account all proposed amendments to the ITA that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("Proposed Amendments") and assumes that such Proposed Amendments will be enacted substantially as proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and/or the holding of Marathon Shares, Exchangeable Shares or New WesternZagros Securities. Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

This summary assumes that (i) the New WesternZagros Shares will be listed on a prescribed stock exchange for the purposes of the ITA; and (ii) New WesternZagros will be able to elect, and will elect, in accordance with the ITA to be a public corporation from the beginning of its taxation year which includes the Effective Time.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Western Shareholder. Western Shareholders should consult their own tax advisors as to the tax consequences to them of the Arrangement and the holding of Marathon Shares, Exchangeable Shares and/or New WesternZagros Securities.

For purposes of the ITA, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in U.S. dollars must be converted into Canadian dollars based on the prevailing U.S. dollar exchange rate generally at the time such amounts arise.

Western Shareholders Resident in Canada

The following section of the summary is applicable to a Western Shareholder who, for purpose of the ITA and any applicable income tax treaty, is or is deemed to be a resident of Canada at all relevant times.

Exchange of Western Shares for Class A Shares, Class B Shares and Class C Shares

A Western Shareholder will not realize a capital gain (or a capital loss) as a result of the exchange of a Western Share for a Class A Share, a Class B Share and a Class C Share. The adjusted cost base of the Western Shares held by the Western Shareholder will be apportioned between the Class A Share, the Class B Share and the Class C Share received upon the exchange in proportion to the fair market value of such shares immediately after the exchange. Western is of the view that the Class B Shares will have a fair market value equal to the fair market value of the New WesternZagros Shares and the Class C Shares will have nominal fair market value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Macleod Dixon LLP expresses no opinion on such matters of factual determination.

Transfer of Class B Shares to New WesternZagros for New WesternZagros Share Consideration

Upon the transfer by a Western Shareholder of a Class B Share to New WesternZagros for a New WesternZagros Share, the Western Shareholder will, unless the Western Shareholder chooses to recognize a capital gain or a capital loss on the exchange as described in the following paragraph, be

deemed to have disposed of such Class B Share for proceeds of disposition equal to the Western Shareholder's adjusted cost base thereof (with such adjusted cost base being computed as described above under the heading "Exchange of Common Shares for Class A Shares, Class B Shares and Class C Shares"). Such Western Shareholder would therefore neither recognize a capital gain nor a capital loss in respect of the disposition and would be deemed to acquire their New WesternZagros Shares at an aggregate cost which is equal to the aggregate adjusted cost base of their Class B Shares.

Notwithstanding the foregoing, upon a transfer of a Class B Share to New WesternZagros for a New WesternZagros Share a Western Shareholder may, if such Western Shareholder so chooses, recognize a capital gain (or a capital loss) in respect of such disposition by reporting the same in the Western Shareholder's income tax return for the taxation year during which the disposition occurred. Such capital gain (or a capital loss) will be equal to the amount by which the fair market value of the New WesternZagros Shares received exceeds (or is exceeded by) the aggregate of the adjusted cost base of the Class B Shares exchanged and any reasonable costs of making the disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gains or Capital Losses" below. In such circumstances, the cost of the New WesternZagros Shares acquired will be equal to the fair market value thereof.

Transfer of Class C Shares to New WesternZagros for New WesternZagros Warrant Consideration

Upon the transfer by a Western Shareholder of a Class C Share to New WesternZagros for the New WesternZagros Warrant Consideration, the Western Shareholder will be considered to have disposed of such Class C Share for proceeds of disposition equal to the fair market value of the New WesternZagros Warrants received on the exchange. As a result, a Western Shareholder will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Western Shareholder of such Class C Shares (with such adjusted cost base being computed as described above under the heading "Exchange of Common Shares for Class A Shares, Class B Shares and Class C Shares"). For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gains or Capital Losses" below. The cost of the New WesternZagros Warrants acquired will be equal to the fair market value thereof.

Western is of the view that the New WesternZagros Warrants will have nominal fair market value on a per warrant basis. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Macleod Dixon LLP expresses no opinion on such matters of factual determination. Provided that this view with respect to the fair market value of such New WesternZagros Warrants is correct, the exchange of a Class C Share for the New WesternZagros Warrant Consideration should not result in any material adverse income tax consequences to a holder of the Class C Share. Should the CRA challenge this view and ultimately succeed in establishing that the New WesternZagros Warrants have a fair market value in excess of a nominal amount, holders of Class C Shares will generally realize a capital gain (or a capital loss) as described in the preceding paragraph.

Exchange of Class A Shares for Cash Consideration, Marathon Shares or a Combination of Cash Consideration and Marathon Shares

A Western Shareholder who exchanges Class A Shares for Cash Consideration, Marathon Shares or any combination of Cash Consideration and Marathon Shares will be considered to have disposed of such Class A Shares for proceeds of disposition equal to the sum of (i) any Cash Consideration received on the exchange and (ii) the fair market value at the Effective Time of any Marathon Shares acquired by such Western Shareholder on the exchange. As a result, the Western Shareholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Western Shareholder of such Class A Shares (with such adjusted cost base being computed as described above under the heading "Exchange of

Western Shares for Class A Shares, Class B Shares and Class C Shares”). For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below.

The cost to a Western Shareholder of Marathon Shares acquired on the exchange will be equal to the fair market value of the Marathon Shares at the Effective Time, and will generally be averaged with the adjusted cost base of any other Marathon Shares held at that time by the Western Shareholder as capital property for the purposes of determining the holder’s adjusted cost base of such Marathon Shares.

Exchange of Class A Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Non-Rollover Transaction

A Western Shareholder who exchanges Class A Shares for consideration including Exchangeable Shares and Ancillary Rights will, unless such Western Shareholder makes a joint election under Subsection 85(1) or 85(2) of the ITA as discussed below, be considered to have disposed of such Class A Shares for proceeds of disposition equal to the sum of (i) any Cash Consideration received on the exchange, (ii) the aggregate fair market value at the Effective Time of any Exchangeable Shares and any Marathon Shares received by the Western Shareholder on the exchange and (iii) the fair market value at the Effective Time of the Ancillary Rights received by the Western Shareholder on the exchange.

As a result, the Western Shareholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Western Shareholder of the Class A Shares (with such adjusted cost base being computed as described above under the heading “Exchange of Western Shares for Class A Shares, Class B Shares and Class C Shares”). For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below. In such circumstances, the cost to a holder of Exchangeable Shares, Ancillary Rights and any Marathon Shares acquired on the exchange will be equal to the fair market value of such shares and rights at the Effective Time and, with respect to any Marathon Shares so acquired, will generally be averaged with the adjusted cost base of any other Marathon Shares held at that time by the Western Shareholder as capital property for purposes of determining the holder’s adjusted cost base of such Marathon Shares.

Exchange of Class A Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Rollover Transaction

Joint Tax Elections

A Western Shareholder who is an Eligible Holder and who exchanges Class A Shares for consideration including Exchangeable Shares and Ancillary Rights may make a valid joint election with AcquisitionCo pursuant to Subsection 85(1) of the ITA (or, in the case of a Western Shareholder that is a partnership, pursuant to Subsection 85(2) of the ITA) (a “Joint Tax Election”) and thereby obtain a full or partial tax deferral of a capital gain otherwise arising on the exchange of such Class A Shares as described above under “Exchange of Class A Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Non-Rollover Transaction”, depending on the Elected Amount (as defined below) and the adjusted cost base to the holder of the Class A Shares at the time of the exchange. **AcquisitionCo will only make a Joint Tax Election with an Eligible Holder.**

Eligible Holders who wish to make a Joint Tax Election with AcquisitionCo should give their immediate attention to this matter following the Effective Time. For further information respecting the Joint Tax Elections, see Interpretation Bulletin IT-291R3 “*Transfer of Property to a Corporation under Subsection 85(1)*” (January 12, 2004) and Information Circular IC 76-19R3 “*Transfer of Property to a Corporation under Section 85*” (June 17, 1996) issued by the CRA. **The comments made herein with respect to such elections are provided for general information only. The law in this area is complex and contains**

numerous technical requirements. Eligible Holders wishing to make a Joint Tax Election should consult their own tax advisors.

Elected Amount

An Eligible Holder may elect an amount which, subject to certain limitations contained in the ITA, will be treated as the proceeds of disposition of such Eligible Holder's Class A Shares (the "Elected Amount"). The limitations imposed by the ITA in respect of the Elected Amount are that the Elected Amount may not:

- (a) be less than the sum of (i) any Cash Consideration received and (ii) the fair market value at the Effective Time of any Marathon Shares and/or Ancillary Rights acquired on the exchange;
- (b) be less than the lesser of (i) the adjusted cost base to the holder of the holder's Class A Shares exchanged, determined immediately before the Effective Time (with such adjusted cost base being compiled as described above under the heading "Exchange of Western Shares for Class A Shares, Class B Shares and Class C Shares"), and (ii) the fair market value of the Class A Shares at that time; and
- (c) exceed the fair market value of the Class A Shares at the Effective Time.

Tax Treatment to Western Shareholders

Where an Eligible Holder and AcquisitionCo make a valid Joint Tax Election in respect of the Eligible Holder's Class A Shares, the tax treatment to such holder will generally be as follows:

- (a) the Eligible Holder will be deemed to have disposed of the Class A Shares for proceeds of disposition equal to the Elected Amount;
- (b) the Eligible Holder will not realize a capital gain (or a capital loss), provided that the Elected Amount is equal to the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Class A Shares immediately before the Effective Time and (ii) any reasonable costs of disposition;
- (c) the Eligible Holder will realize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Class A Shares immediately before the Effective Time and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gains or Capital Losses" below;
- (d) the cost to the Eligible Holder of any Marathon Shares or Ancillary Rights received on the exchange will be equal to the fair market value thereof at the Effective Time; and
- (e) the cost to the Eligible Holder of the Exchangeable Shares received on the exchange will be equal to the amount by which the Elected Amount exceeds the aggregate of (i) the amount of any Cash Consideration and (ii) the fair market value at the Effective Time of any Marathon Shares and Ancillary Rights received on the exchange.

Procedure for Making an Election

To make a Joint Tax Election, the Eligible Holder must provide two signed copies of the applicable tax election forms to Western (on behalf of AcquisitionCo) within 90 days following the Effective Date, duly completed and including (i) the required information concerning the Eligible Holder, (ii) the details of the number of Class A Shares transferred in respect of which the Eligible Holder is making a Joint Tax Election, and (iii) the applicable Elected Amounts for such Class A Shares. An Eligible Holder interested in making the Joint Tax Election in respect of the Exchangeable Shares it receives in the Arrangement

should so indicate on the Letter of Transmittal and Election Form. A tax election package, consisting of the relevant federal tax election forms and a letter of instructions, may be sent by mail to such holder. A tax election package may also be obtained by mail from the Depository or via the internet on Western's website at www.westernoilsands.com. The relevant federal tax election form is form T2057 (or, in the event that the Class A Shares are held as partnership property, form T2058).

Joint Ownership

Where the Class A Shares are held in joint ownership and two or more of the co-owners wish to make a Joint Tax Election, a co-owner designated for such purpose should file a copy of the federal election form T2057 (and any other relevant provincial or territorial forms) for each co-owner. Such election forms must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the co-owners, along with a letter signed by each of the co-owners authorizing the designated co-owner to complete, sign and file the forms.

Partnerships

Where the Class A Shares are held as partnership property and the partnership wishes to make a Joint Tax Election, a partner designated by the partnership must file a copy of the federal election form T2058 (and any other relevant provincial or territorial forms) on behalf of all members of the partnership. Such election forms must be accompanied by a list of the names, addresses, social insurance numbers or tax account numbers of each of the partners, along with a letter signed by each partner authorizing the designated partner to complete, sign and file the forms.

Additional Provincial or Territorial Election Forms

Certain provinces or territories may require that a separate joint tax election be filed for provincial or territorial income tax purposes. AcquisitionCo will also make a joint tax election with an Eligible Holder under the provisions of any relevant provincial or territorial income tax law having similar effect to Section 85 of the ITA, subject to the same limitations as described herein. Eligible Holders should consult their own tax advisors to determine whether separate election forms must be filed with any provincial or territorial taxing authority and to determine the procedure for filing any such separate election form. It will be the sole responsibility of each Eligible Holder who wishes to make such an election to obtain the appropriate provincial or territorial election forms and to duly complete and submit such forms to AcquisitionCo for its execution at the same time as the federal election forms.

Execution by AcquisitionCo of Election Form

Subject to the election forms complying with the provisions of the applicable income tax law and the Arrangement, AcquisitionCo will sign the tax election forms received from an Eligible Holder within 90 days following the Effective Date of the Arrangement that appear correct and complete, and return them to the Eligible Holder within 30 days of receipt by Western (on behalf of AcquisitionCo). AcquisitionCo, in its sole discretion, may choose to sign and return an election form even if such form is received more than 90 days following the Effective Date of the Arrangement, but AcquisitionCo will have no obligation to do so. With the exception of signing and returning completed election forms it receives, AcquisitionCo, Marathon and Western assume no responsibility for making any tax election, and compliance with the requirements for a valid Joint Tax Election and the tax implications thereof will be the sole responsibility of the Eligible Holder making the Joint Tax Election. AcquisitionCo, Marathon and Western will not be responsible for the proper completion or filing of any election form. Neither Western, Marathon nor AcquisitionCo will be responsible or liable for any taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete or file an election form in the form and manner and within the time prescribed by the ITA (or the corresponding provisions of any applicable provincial or territorial tax legislation).

Filing of Election Forms

For the CRA or any provincial or territorial tax authority to accept a tax election form without a late filing penalty being paid by an Eligible Holder, the election forms, duly completed and executed by both the Eligible Holder and AcquisitionCo must be received by the appropriate tax authorities on or before the earliest due date for the filing of either AcquisitionCo's or the Eligible Holder's income tax return for the taxation year in which the exchange takes place.

In the absence of a transaction subsequent to the Effective Date but prior to January 1, 2008 that results in a taxation year end for AcquisitionCo, the taxation year of AcquisitionCo is expected to end on December 31, 2007. In such circumstances, the Joint Tax Election generally must, in the case of an Eligible Holder who is an individual (other than a trust), be received by the tax authorities by April 30, 2008 (being generally the deadline when such individuals are required to file tax returns for the 2007 taxation year). Information concerning the filing deadline will be included in the tax election package that will be available on Western's website at www.westernoilsands.com and may be mailed to Eligible Holders. Eligible Holders are strongly advised to consult their own tax advisors as soon as possible respecting the deadlines applicable to their own particular circumstances, including any similar deadlines required under any provincial or territorial tax legislation for provincial or territorial tax elections. However, regardless of such deadlines, properly completed tax election forms must be received by Western at the address set out in the tax election package (which may be obtained by mail from Western or the Depository and will also be available via the internet on Western's website at www.westernoilsands.com) within 90 days following the Effective Date of the Arrangement. Any Eligible Holder who does not ensure that Western has received the properly completed tax election forms within 90 days following the Effective Date of the Arrangement may not be able to benefit from the rollover provisions of the ITA and any applicable provincial or territorial tax legislation.

Receipt of Ancillary Rights

A holder of Class A Shares who receives Exchangeable Shares under the Arrangement will also receive the Ancillary Rights. A Western Shareholder will be required to account for these Ancillary Rights in determining the proceeds of disposition of such holder's Western Shares and the cost of Exchangeable Shares received in consideration therefor. Western is of the view that the Ancillary Rights have nominal fair market value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Macleod Dixon LLP expresses no opinion on such matters of factual determination.

Macleod Dixon LLP has been advised that the Joint Tax Elections will be executed by AcquisitionCo on the basis that the fair market value of the Ancillary Rights is a nominal amount per Exchangeable Share issued on the exchange. This amount will be provided to Western Shareholders in the letter of instructions included in the tax election package.

Failure to File Valid Joint Tax Election

An Eligible Holder of Class A Shares who has elected to receive Exchangeable Shares but does not file a valid Joint Tax Election (as described above) will be considered to have disposed of their Class A Shares for proceeds of disposition equal to the fair market value of the consideration received therefor (whether received as Cash Consideration, Marathon Shares, Exchangeable Shares and Ancillary Rights or any combination thereof). The holder will realize a capital gain (or a capital loss) to the extent the fair market value at that time of the consideration received for the Class A Shares (whether received as Cash Consideration, Marathon Shares, Exchangeable Shares and Ancillary Rights or any combination thereof), net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base of such Class A Shares.

The cost to the holder of the Exchangeable Shares acquired in these circumstances will be equal to the fair market value at the time of the exchange of such Exchangeable Shares. For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below.

Dividends on Marathon Shares

Dividends on Marathon Shares will be included in the recipient’s income for the purposes of the ITA. Such dividends received by a Western Shareholder who is an individual will not be subject to the gross-up and dividend tax credit rules in the ITA. A Western Shareholder that is a corporation must include such dividends in computing its income and will not be entitled to deduct the amount of the dividends in computing its taxable income.

A Western Shareholder that, throughout the relevant taxation year, is a “Canadian-controlled private corporation” (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its “aggregate investment income” (as defined in the ITA), including dividends received on Marathon Shares that are not deductible in computing taxable income.

Any United States non-resident withholding tax on these dividends generally will be eligible for foreign tax credit or deduction treatment to the extent and under the circumstances provided in the ITA.

Redemption, Exchange and Disposition of Exchangeable Shares

A holder will be considered to have disposed of Exchangeable Shares: (i) on a redemption (including pursuant to a Retraction Request) of such Exchangeable Shares by AcquisitionCo and (ii) on an acquisition of such Exchangeable Shares by Marathon or CallCo. However, as discussed below, the Canadian federal income tax consequences of the disposition for the holder will be different depending on whether the event giving rise to the disposition is a redemption or retraction by AcquisitionCo or an acquisition by Marathon or CallCo. **A holder who exercises the right to require the redemption of an Exchangeable Share by giving a Retraction Request cannot control whether the Exchangeable Share will be acquired by Marathon or CallCo under the Retraction Call Right or redeemed by AcquisitionCo, however, Macleod Dixon LLP has been advised that Marathon or CallCo intend to acquire the Exchangeable Shares pursuant to the Retraction Call Right.**

Redemption or Retraction of Exchangeable Shares

On a redemption (including a retraction) of an Exchangeable Share by AcquisitionCo, the holder of that Exchangeable Share will be deemed to have received a dividend equal to the amount, if any, by which the “redemption proceeds” exceeds the paid-up capital (for purposes of the ITA) of the Exchangeable Share at the time of redemption. On the redemption, the holder of an Exchangeable Share will also be considered to have disposed of the Exchangeable Share for proceeds of disposition equal to the “redemption proceeds” less the amount of such deemed dividend. The holder will in general realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition, net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base to the holder of the Exchangeable Shares. For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below.

In the case of a Western Shareholder who is an individual, dividends deemed to be received on the Exchangeable Shares will be included in computing the Western Shareholder’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by AcquisitionCo at the time the deemed dividend is paid, such deemed dividend will be treated as an eligible dividend for the purposes of the ITA and a holder who is an individual resident in Canada will be entitled to an enhanced dividend tax credit in respect of such deemed dividend. Should the enhanced dividend tax credit be available in respect of a particular deemed dividend, holders will be so advised by AcquisitionCo.

In the case of a Western Shareholder that is a corporation, dividends deemed to be received on the Exchangeable Shares will be required to be included in computing the corporation's income for the taxation year in which such deemed dividends are received and, subject to the special rules and limitations described below, such deemed dividends will generally be deductible in computing the corporation's taxable income. In the case of a holder of Exchangeable Shares that is a corporation, in some circumstances the amount of any deemed dividend arising on the redemption of Exchangeable Shares may be treated as proceeds of disposition and not as a dividend in accordance with specific rules in the ITA. **Corporate shareholders should consult their own tax advisors for advice with respect to the potential application of these provisions.**

A Western Shareholder that is a "private corporation" (as defined in the ITA) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the ITA to pay a refundable tax of 33 $\frac{1}{3}$ % on dividends deemed to be received on the Exchangeable Shares to the extent that such dividends are deductible in computing the Western Shareholder's taxable income. A Western Shareholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the ITA), including any deemed dividends that are not deductible in computing taxable income.

If Marathon, AcquisitionCo or any other person with whom Marathon does not deal at arm's length is a "specified financial institution" for purposes of the ITA at the time that a deemed dividend is paid on an Exchangeable Share, dividends deemed to be received by a holder of Exchangeable Shares that is a corporation will not be deductible in computing such holder's taxable income but will be fully includable in taxable income under Part I of the ITA. Marathon has advised counsel that immediately after the Effective Time it will be a specified financial institution for purposes of the ITA.

The Exchangeable Shares will be taxable preferred shares and short-term preferred shares for the purpose of the ITA. A holder of Exchangeable Shares who is deemed to receive dividends on such shares will not be subject to the 10% tax under Part IV.1 of the ITA.

Exchange of Exchangeable Shares with Marathon or CallCo

On the exchange of an Exchangeable Share by the holder with Marathon or CallCo for Marathon Shares, the holder will generally realize a capital gain (or a capital loss) to the extent the proceeds of disposition of the Exchangeable Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Exchangeable Share. For these purposes, the proceeds of disposition will be the fair market value of the Marathon Shares received upon exchange less any amount paid in satisfaction of declared and unpaid dividends owed to the holder by AcquisitionCo. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gains or Capital Losses" below. The acquisition by Marathon or CallCo of an Exchangeable Share from the holder thereof will not result in a deemed dividend to the holder.

On October 18, 2000, the Minister of Finance (Canada) announced that the Department of Finance would consider future amendments to the ITA to allow holders of shares of a Canadian corporation to exchange such shares for shares of a non-Canadian corporation on a tax-deferred basis. It is possible that, in certain circumstances, these contemplated amendments, if enacted into law, could in the future allow a holder of Exchangeable Shares to exchange such shares for Marathon Shares on a tax-deferred basis. No specifics have been announced regarding these contemplated amendments and in particular with respect to the various requirements that would have to be satisfied in order to permit a holder of Exchangeable Shares to exchange such shares on a tax deferred basis or whether these requirements could be satisfied in the circumstances.

Disposition of Exchangeable Shares other than on Redemption, Retraction or Exchange

A disposition or deemed disposition of Exchangeable Shares by a holder, other than on the redemption, retraction or exchange of the shares, will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those Exchangeable Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below.

Disposition of New WesternZagros Shares

A disposition or deemed disposition of New WesternZagros Shares by a holder (other than a disposition to New WesternZagros in other than a sale in the open market), will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those New WesternZagros Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below.

Exercise, Expiry or Disposition of New WesternZagros Warrants

The exercise of a New WesternZagros Warrant in exchange for a New WesternZagros Share will not be considered to be a disposition of property for tax purposes. As a result, no gain or loss will be realized by the holder of the New WesternZagros Warrant upon the exercise of the New WesternZagros Warrant. When a holder exercises a New WesternZagros Warrant, the adjusted cost base to the holder of the New WesternZagros Share acquired thereby will be equal to the adjusted cost base to the holder of the New WesternZagros Warrant so exercised plus the amount paid on the exercise of the New WesternZagros Warrant, and will be averaged with the adjusted cost base of any other New WesternZagros Shares held as capital property at that time.

The expiry of an unexercised New WesternZagros Warrant will generally result in a capital loss to the holder equal to the adjusted cost base of the New WesternZagros Warrant. Such capital loss will be subject to the tax treatment described below under “Taxation of Capital Gains and Capital Losses”.

Any disposition or deemed disposition of a New WesternZagros Warrant (which does not include the exercise thereof) by a holder will result in the realization of a capital gain (or a capital loss) in the taxation year of the disposition to the extent the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the disposed property and any reasonable costs of disposition. Such capital gain or capital loss will be subject to the tax treatment described below under “Taxation of Capital Gains and Capital Losses”.

Acquisition and Disposition of Marathon Shares

The cost of Marathon Shares received on the retraction, redemption or exchange of an Exchangeable Share will be equal to the fair market value of such Marathon Shares at the time of such event and will generally be averaged with the adjusted cost base of any other Marathon Shares held at that time by the holder as capital property for the purpose of determining the holder’s adjusted cost base of such Marathon Shares.

A disposition or deemed disposition of Marathon Shares by a holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Marathon Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see “Taxation of Capital Gains or Capital Losses” below.

Taxation of Capital Gains or Capital Losses

Generally, one-half of any capital gain (a “taxable capital gain”) realized by a holder in a taxation year must be included in the holder’s income for the year, and one-half of any capital loss (an “allowable capital loss”) realized by a holder in a taxation year must be deducted from taxable capital gains realized by the holder in that year (subject to and in accordance with rules contained in the ITA). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the ITA.

A holder that, throughout the relevant taxation year, is a “Canadian-controlled private corporation” (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its “aggregate investment income” (as defined in the ITA), including any taxable capital gains.

If the holder of a Western Share, a New WesternZagros Share or an Exchangeable Share is a corporation, the amount of any capital loss realized on a disposition or deemed disposition of such share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances prescribed by the ITA. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares. Holders to whom these rules may be relevant should consult their own tax advisors.

Foreign Property Information Reporting

In general, a “specified Canadian entity” for a taxation year or fiscal period whose total cost amount of “specified foreign property” (both as defined in the ITA) at any time in the year or fiscal period exceeds Cdn\$100,000, is required to file an information return for the year or period disclosing prescribed information, including the cost amount, any dividends received in the year, and any gains or losses realized in the year in respect of such property. With some exceptions, a Western Shareholder resident in Canada in the year will be a specified Canadian entity. Exchangeable Shares, Ancillary Rights, Marathon Shares and options to acquire Marathon Shares will constitute specified foreign property to a holder. **Accordingly, holders of Exchangeable Shares, Marathon Shares and such options should consult their own tax advisors regarding compliance with these rules.**

Foreign Investment Entity Draft Legislation

Proposed Amendments regarding the taxation of “participating interests” in “foreign investment entities” were released by the Minister of Finance (Canada) on November 9, 2006 (these proposals replaced previous Proposed Amendments). In general, where the Proposed Amendments apply, a holder of a participating interest in a foreign investment entity will generally be required to include in income annually, an imputed return at the prescribed rate on the “designated cost” of such interest unless such holder can qualify for and elects on a timely basis to use certain alternative methods of taxation. A corporation is not a foreign investment entity if: (i) at the end of the corporation’s taxation year the “carrying value” of all of its “investment property” is not greater than one-half of the “carrying value” of all of its property or (ii) if, throughout the corporation’s taxation year, its principal undertaking is not an “investment business” within the meaning of those terms in the Proposed Amendments.

The determination of whether or not Marathon is a foreign investment entity must be made on an annual basis at the end of each taxation year of Marathon, and no assurances can be given that Marathon will not be a foreign investment entity at the end of any of its taxation years. In any event, in general, these Proposed Amendments will not apply to a holder in respect of Marathon Shares so long as: (i) such shares qualify as an “arm’s length interest” to the holder under the Proposed Amendments; (ii) the Marathon

Shares are listed on a prescribed stock exchange (which includes the NYSE); (iii) Marathon remains resident in the U.S. for the purposes of the ITA; and (iv) it is reasonable to conclude that the holder has no tax avoidance motive in respect of the Marathon Shares. The determination of whether a holder of Marathon Shares will have a tax avoidance motive in respect of the Marathon Shares within the meaning of these Proposed Amendments will depend upon the particular circumstances of the holder. Holders of Marathon Shares should consult their own tax advisors regarding the determination of whether they have such a tax avoidance motive. The Marathon Shares will generally qualify as an “arm’s length interest” at any time in respect of a holder for purposes of these Proposed Amendments provided: (i) it is reasonable to conclude that there are at least 150 persons each of which holds at that time Marathon Shares having a total fair market value of at least \$500; (ii) it is reasonable to conclude that the Marathon Shares can normally be acquired and sold by members of the public in the open market; and (iii) the aggregate fair market value at that time of the Marathon Shares that are held by the holder, or an entity or individual with whom the holder does not deal at arm’s length for purposes of the ITA, does not exceed 10% of the aggregate fair market value of all the shares of Marathon Shares at that time.

Provided that the Proposed Amendments do not apply to a holder of Marathon Shares, they will generally not apply to a holder of Exchangeable Shares.

No assurance can be given that the Marathon Shares or the Exchangeable Shares will qualify for these exemptions. The Proposed Amendments relating to foreign investment entities are complex. No assurances can be given that the Proposed Amendments will be enacted in the form currently proposed. **Holders should consult their own tax advisors regarding the application of these Proposed Amendments in their particular circumstances.**

Dissenting Shareholders

A Dissenting Shareholder will be entitled, if the Arrangement becomes effective, to be paid by Western the fair value of the Western Shares held by such Dissenting Shareholder.

A Dissenting Shareholder who receives a cash payment from Western in respect of the fair value of the Dissenting Shareholder’s Western Shares will be deemed to have received a taxable dividend equal to the amount by which the cash payment received (other than in respect of interest awarded by a court) exceeds the paid-up capital of such Western Shares. For a general description of the tax treatment of deemed dividends, see “Redemption or Retraction of Exchangeable Shares” above. In certain cases all or part of a deemed dividend received by a corporation may be treated as proceeds of disposition, and not as a deemed dividend, in respect of the Western Shares. **Corporate shareholders should consult their own tax advisors for advice with respect to the potential application of these provisions.**

A Dissenting Shareholder would also be considered to have disposed of the Western Shares for proceeds of disposition equal to the amount received by the Dissenting Shareholder less the amount of any deemed dividend referred to above (other than any deemed dividends which are treated as proceeds of disposition) and any interest awarded by a court. As a result, such Dissenting Shareholder will also realize a capital loss (or a capital gain) equal to the amount by which the sum of (i) the adjusted cost base to the Dissenting Shareholder of the Western Shares; and (ii) any reasonable costs of disposition, exceeds (or is less than) such proceeds of disposition.

Interest awarded to a Dissenting Shareholder by a court will be included in the Dissenting Shareholder’s income for the purposes of the ITA. In addition, a Dissenting Shareholder that, throughout the relevant taxation year, is a “Canadian-controlled private corporation” (as defined in the ITA) may be liable to pay a refundable tax of 6½% on its “aggregate investment income” (as defined in the ITA), including interest income.

Additional income tax considerations may be relevant to Dissenting Shareholders who fail to perfect or withdraw their claims pursuant to the right of dissent. Dissenting Shareholders should consult their own tax advisors.

Western Shareholders Not Resident in Canada

The following section of the summary is applicable to a holder of Western Shares who, for the purposes of the ITA and any applicable income tax treaty and at all relevant times, is not, and is not deemed to be, a resident of Canada and does not, and is not deemed to, use or hold Western Shares and Marathon Shares received pursuant to the Arrangement in or in the course of, carrying on a business in Canada and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere (in this section, a “Non-Resident Shareholder”).

Disposition of Common Shares

A Non-Resident Shareholder who holds Western Shares that are not “taxable Canadian property” will not be subject to tax under the ITA on the disposition of such Western Shares. Generally, Western Shares will not be taxable Canadian property of a Non-Resident Shareholder at a particular time provided that the Western Shares are listed on a prescribed stock exchange (which includes the TSX) at that time, unless: (i) at any time during the sixty month period immediately preceding the disposition of the Western Shares by such Non-Resident Shareholder, the Non-Resident Shareholder, persons not dealing at arm’s length with such Non-Resident Shareholder, or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of Western; or (ii) the Non-Resident Shareholder’s Western Shares were acquired in certain types of tax deferred exchanges in consideration for property that was itself taxable Canadian property.

Disposition of New WesternZagros Shares

A Non-Resident Shareholder who holds New WesternZagros Shares that are not “taxable Canadian property” will not be subject to tax under the ITA on the disposition of such New WesternZagros Shares. Generally, New WesternZagros Shares will not be taxable Canadian property of a Non-Resident Shareholder at a particular time provided that the New WesternZagros Shares are listed on a prescribed stock exchange (which includes the TSX-V) at that time, unless: (i) at any time during the sixty month period immediately preceding the disposition of the New WesternZagros Shares by such Non-Resident Shareholder, the Non-Resident Shareholder, persons not dealing at arm’s length with such Non-Resident Shareholder, or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of New WesternZagros; or (ii) the Non-Resident Shareholder’s New WesternZagros Shares were acquired in certain types of tax deferred exchanges in consideration for property that was itself taxable Canadian property.

Disposition of New WesternZagros Warrants

A Non-Resident Shareholder who holds New WesternZagros Warrants that are not “taxable Canadian property” will not be subject to tax under the ITA on the disposition of such New WesternZagros Warrants. Generally, New WesternZagros Warrants will not be taxable Canadian property of a Non-Resident Shareholder at any particular time provided that the New WesternZagros Shares are listed on a prescribed stock exchange (which includes the TSX-V) at that time, unless: (i) at any time during the sixty month period immediately preceding the disposition of the New WesternZagros Warrants by such Non-Resident Shareholder, the Non-Resident Shareholder, persons not dealing at arm’s length with such Non-Resident Shareholder, or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of New WesternZagros; or (ii) the Non-Resident Shareholder’s New WesternZagros Shares were acquired in certain types of tax deferred exchanges in consideration for property that was itself taxable Canadian property.

Dissenting Non-Resident Shareholders

A dissenting Non-Resident Shareholder may be entitled, if the Arrangement becomes effective, to be paid by Western the fair value of the Western Shares held by the dissenting Non-Resident Shareholder.

Upon the receipt of a payment by Western (other than in respect of interest awarded by the court), a dissenting Non-Resident Shareholder will be deemed to receive a dividend and to realize a capital gain (or capital loss) as described above under the heading “Shareholders Resident in Canada — Dissenting Shareholders” above. Any deemed dividends paid to such a Non-Resident Shareholder will be subject to Canadian withholding tax at the rate of 25%, unless the rate is reduced under the provisions of an applicable income tax treaty. For example, under the *Canada-United States Income Tax Convention, 1980* (the “Canada-U.S. Treaty”), the withholding tax rate is generally reduced to 15% in respect of a dividend paid to a person who is the beneficial owner of the dividend and who is resident in the United States for purposes of the Canada-U.S. Treaty.

An amount paid in respect of interest awarded by the court to a dissenting Non-Resident Shareholder will be subject to Canadian withholding tax at the rate of 25%, unless the rate is reduced under the provisions of an applicable income tax treaty. For example, under the Canada-U.S. Treaty, the withholding tax rate is generally reduced to 10% in respect of interest paid to a person who is the beneficial owner of the interest and who is resident in the United States for purposes of the Canada-U.S. Treaty.

Certain United States Federal Income Tax Considerations

The following is a summary of the anticipated material U.S. federal income tax consequences to U.S. Holders, as defined below, of Western Shares arising from and relating to the Arrangement and the ownership and disposition of New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder as a result of the Arrangement or the ownership and disposition of New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder of the Arrangement and the ownership and disposition of New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. U.S. Holders should consult their own tax advisors regarding the U.S. federal income, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement.

Scope of This Summary

Authorities

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), final and temporary Treasury Regulations promulgated thereunder, administrative pronouncements or practices, judicial decisions, and the Canada-U.S. Treaty, all as of the date hereof. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed herein. This summary is not binding on the Internal Revenue Service (the “IRS”) or the U.S. courts, and no assurance can be given that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. In addition, Western and Marathon have not requested, and do not intend to request, a ruling from the IRS regarding any of the U.S. federal income tax

consequences of either the Arrangement or the ownership and disposition of Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement.

U.S. Holders

For purposes of this summary, a “U.S. Holder” is a beneficial owner of Western Shares (or, following the completion of the Arrangement, a beneficial owner of Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement) that is (a) a citizen or an individual resident of the United States for U.S. federal income tax purposes, (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States or any political subdivision thereof, including the States and the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust which (i) is subject to the primary jurisdiction of a court within the United States and for which one or more U.S. persons have authority to control all substantial decisions, or (ii) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) beneficially owns Western Shares (or, following the completion of the Arrangement, Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants), the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that beneficially owns Western Shares (or, following the completion of the Arrangement, Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants) should consult their own tax advisors as to the U.S. federal income, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement.

Non-US. Holders

A “non-U.S. Holder” is a beneficial owner of Western Shares (or, following the completion of the Arrangement, a beneficial owner of Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement) other than a U.S. Holder.

Except as specifically provided immediately below and under “Other Considerations — Information Reporting; Backup Withholding Tax” below, this summary does not address the U.S. federal income tax consequences to non-U.S. Holders of the Arrangement or of their ownership and disposition of Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement. Accordingly, non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) of the Arrangement and the ownership and disposition of Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement.

At the current time, AcquisitionCo and its affiliates do not intend to withhold any amounts in respect of U.S. withholding tax as a result of an increase in the Exchange Ratio or from dividends, if any, on the Exchangeable Shares. However, no statutory, judicial or administrative authority exists that directly addresses the U.S. federal income tax treatment of the Exchangeable Shares and, therefore, such treatment is subject to significant uncertainty. If such an increase in the Exchange Ratio or dividend is determined to constitute income from U.S. sources, non-U.S. Holders of the Exchangeable Shares likely would be subject to U.S. withholding tax at a rate of 30%, or such lower rate as provided by an applicable income tax treaty between the United States and the country of residence of the non-U.S. Holder. Under the Canada-U.S. Treaty, dividends from U.S. sources distributed to persons that are residents of Canada

for purposes of the Canada-U.S. Treaty are currently subject to a maximum withholding rate of 15%. Holders of Exchangeable Shares would be required to provide proper certification to AcquisitionCo establishing eligibility for the 15% withholding rate applicable to dividends under the Canada-U.S. Treaty.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences to certain categories of U.S. Holders subject to special rules, including U.S. Holders that are (a) holders that acquire Exchangeable Shares pursuant to the Arrangement, (b) banks, financial institutions, or insurance companies, (c) regulated investment companies or real estate investment trusts, (d) brokers or dealers in securities or currencies or traders in securities or currencies that elect to apply a mark-to-market accounting method, (e) tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts, (f) holders that own Western Shares (or, following the completion of the Arrangement, holders that will own Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants) as part of a straddle, hedge, constructive sale, conversion transaction, or other integrated investment, (g) holders that acquired Western Shares (or, following the completion of the Arrangement, holders that acquire Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants) in connection with the exercise of employee stock options or otherwise as compensation for services, (h) holders that have a “functional currency” other than the U.S. dollar, (i) holders that are liable for the “alternative minimum tax” under the Code, (j) holders that hold Western Shares (or, following the completion of the Arrangement, holders that will hold Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants) other than as a capital asset within the meaning of Section 1221 of the Code, (k) holders that own or have owned directly, indirectly, or constructively 5% or more, by voting power or value, of the outstanding equity interests of Western (or, following the completion of the Arrangement, holders that will own directly, indirectly, or constructively 5% or more, by voting power or value, of the outstanding equity interests of Marathon), (l) holders that exercise Dissent Rights in connection with the Arrangement, or (m) U.S. expatriates. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of Marathon Shares, Exchangeable Shares, New WesternZagros Shares and New WesternZagros Warrants received pursuant to the Arrangement.

U.S. Federal Income Tax Consequences to U.S. Holders from the Arrangement

In General

The exchange of Western Shares for cash, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants will be a taxable transaction for U.S. federal income tax purposes. Accordingly, subject to the passive foreign investment company (“PFIC”) rules discussed below, the following U.S. federal income tax consequences would generally result to U.S. Holders:

- (a) a U.S. Holder would recognize gain or loss in an amount equal to the difference, if any, between (1) the amount of cash and the fair market value of any Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants received in exchange for Western Shares pursuant to the Arrangement and (2) the tax basis of such U.S. Holder in the Western Shares exchanged;
- (b) the tax basis of a U.S. Holder in the Marathon Shares, New WesternZagros Shares and the New WesternZagros Warrants received in exchange for Western Shares pursuant to the Arrangement would be equal to the fair market value of each such security on the Effective Date; and
- (c) the holding period of a U.S. Holder for the Marathon Shares, New WesternZagros Shares and the New WesternZagros Warrants received in exchange for Western Shares pursuant to the Arrangement would begin on the day after the Effective Date.

The gain or loss described in clause (a) immediately above generally will be capital gain or loss and will be long-term capital gain or loss if such Western Shares are held for more than one year at the time of the Exchange. Long-term capital gains of non-corporate U.S. Holders are currently subject to a maximum U.S. federal income tax rate of 15%. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code. Gains or losses, if any, realized by a U.S. Holder in connection with the Arrangement generally will be treated as having a source within the United States.

It is possible that the distribution of the New WesternZagros Shares and the New WesternZagros Warrants could be treated as a distribution under Section 301 of the Code, rather than as payment in exchange for Western Shares. In such a case, a U.S. Holder would include in its gross income the value of the New WesternZagros Shares and the New WesternZagros Warrants as a dividend to the extent that such payment is made out of Western's current or accumulated "earnings and profits", with any remaining amount being treated (a) first, as a tax-free return of capital to the extent of such U.S. Holder's tax basis in its Western Shares and (b) thereafter, as gain from the sale or exchange of its Western Shares.

U.S. Federal Income Tax Consequences to U.S. Holders Who Owned Western Shares When Western Was a Passive Foreign Investment Company

General Rules Applicable to Passive Foreign Investment Companies

The PFIC rules can have significant adverse tax effects on U.S. Holders that own shares of certain foreign corporations. Section 1297 of the Code generally defines a PFIC as a foreign corporation that, for any taxable year, either (i) 75% or more of its gross income in the taxable year is "passive income" or (ii) 50% or more of the fair market value, determined on the basis of a quarterly average, of its assets produce or are held for the production of "passive income". For this purpose, "passive income" includes dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Western believes that it was a PFIC for the years 1999 to 2002 and that it was not a PFIC for the years 2003 to 2006. Based on its current operations and taking into account the effect of the Arrangement and the elections to be made in connection therewith, Western does not expect to be a PFIC for the year ending on the Closing Date of the Arrangement, although such determination is ultimately factual and the IRS may successfully challenge certain positions that Western intends to take in connection with that determination. A corporation that is classified as a PFIC during any taxable year that is included in a U.S. Holder's holding period will continue to be treated as a PFIC with respect to such U.S. Holder even if the corporation ceases to satisfy the gross income and gross asset test described above, unless the U.S. Holder makes an election pursuant to the Code resulting in a deemed taxable disposition of the U.S. Holder's stock in the corporation (a "Deemed Sale Election"). For a general discussion of the rules regarding the tax consequences to U.S. Holders that have made a valid QEF election or Mark-to-Market Election with respect to shares of a PFIC, see the discussions titled "The QEF Election" and "The Mark-to-Market Election" under "The Ownership and Disposition of New WesternZagros Shares and the Exercise and Lapse of the New WesternZagros Warrants".

In general, if a timely QEF election or Mark-to-Market Election (these elections are described, respectively, in the discussions titled "The QEF Election" and "The Mark-to-Market Election" under "The Ownership and Disposition of New WesternZagros Shares and the Exercise and Lapse of the New WesternZagros Warrants") has not been made by a U.S. Holder with respect to its Western Shares (where Western is a PFIC as to such U.S. Holder), any gain on the disposition of Western Shares by the U.S. Holder in the Arrangement will be treated as ordinary income (and not eligible for the reduced rate for dividends), rather than capital gain, and will be subject to special rules intended to compensate for the deferral of income. Under these special rules, (a) the amount of any gain recognized in the Arrangement will be allocated rateably over the U.S. Holder's holding period for its Western Shares, (b) the amount of ordinary income allocated to years prior to the year of the Arrangement will be subject to U.S. federal income tax at the highest statutory rate applicable to such U.S. Holder for each such year (determined without regard to other income, losses or deductions of the U.S. Holder for such years), and (c) the tax for

such prior years will be subject to an interest charge, computed at the rate applicable to underpayments of tax.

If the U.S. Holder has made a valid QEF election for the first year of the shareholder's holding period with respect to its Western Shares while Western constituted a PFIC or made such an election in a subsequent period when Western was a PFIC and also made a Deemed Sale Election (a "Pedigreed QEF Election"), then the U.S. federal income tax consequences described above in the discussion titled "U.S. Federal Income Tax Consequences to U.S. Holders from the Arrangement — In General", rather than those described in preceding paragraph, should apply to the U.S. Holder. U.S. Holders whose holding period of Western Shares does not include any portion of the years 1999 to 2002 may wish to consider the advisability of making a protective QEF election for 2007 to avoid adverse consequences were Western ultimately determined to be a PFIC for 2007. If, however, the U.S. Holder has made a valid QEF election for a subsequent period when Western was a PFIC and did not also make a Deemed Sale Election (an "Unpedigreed QEF Election"), then such shareholder is required to include in income its share of Western's earnings, including earnings generated as a result of the structure of the Arrangement and associated elections, and any gain on the disposition of its Western Shares would be subject to the PFIC rules discussed above. If the U.S. Holder has made a valid Mark-to-Market Election with respect to its Western Shares, then the U.S. Holder will recognize any gain from the Arrangement as ordinary income and any loss as an ordinary loss to the extent such loss does not exceed previously unreversed inclusions of income attributable to the Western Shares.

Because the PFIC rules are extremely complex and because the impact of those rules on the U.S. federal income tax treatment of a disposition of Western Shares pursuant to the Arrangement is potentially significant, U.S. Holders are urged to consult their own tax advisors with respect to any U.S. federal, state, or local tax consequences to them.

The Ownership and Disposition of New WesternZagros Shares and the Exercise and Lapse of the New WesternZagros Warrants

Status as a PFIC and U.S. Federal Income Tax Consequences to U.S. Holders of New WesternZagros' Status as a PFIC

Western believes that New WesternZagros likely will be classified as a PFIC for 2007 and may also be classified as a PFIC in certain subsequent years. PFIC status, however, is fundamentally factual in nature, depends on the application of complex U.S. federal income tax rules (which are subject to differing interpretations), generally cannot be determined until after the close of the taxable year in question, and is determined annually.

For taxable years in which New WesternZagros is a PFIC, each U.S. Holder, in the absence of an election by such U.S. Holder to treat New WesternZagros as a QEF, or a Mark-to-Market Election by such U.S. Holder, will, upon certain distributions by New WesternZagros or upon disposition of New WesternZagros Shares at a gain, be liable to pay U.S. federal income tax at the highest tax rate on ordinary income in effect for each year to which the income is allocated plus interest on that tax (at the rates applicable to underpayment of tax for those periods), as if the distribution or gain had been recognized rateably over each day in the U.S. Holder's holding period for the New WesternZagros Shares while New WesternZagros is a PFIC. Additionally, the New WesternZagros Shares of a decedent U.S. Holder who failed to make a QEF election will generally be denied the normally available step-up of the tax basis for such shares to fair market value at the date of death and, instead, would have a tax basis equal to the decedent's tax basis, if lower, in the New WesternZagros Shares. A U.S. Holder who owns the New WesternZagros Shares during a period when New WesternZagros is a PFIC will be subject to the foregoing PFIC rules, even if New WesternZagros ceases to be a PFIC, unless such U.S. Holder makes a QEF election in the first year of the U.S. Holder's holding period for the New WesternZagros Shares and in which New WesternZagros is considered a PFIC.

The QEF Election

A U.S. Holder that elects (an “Electing U.S. Holder”) in a timely manner to treat New WesternZagros as a QEF would generally include in gross income (and be subject to current U.S. federal income tax on) the U.S. dollar value of both its pro rata share of New WesternZagros’ ordinary earnings, as ordinary income, and its pro rata share of New WesternZagros’ net capital gains, as long-term capital gain, during any taxable years of the U.S. Holder in which New WesternZagros is classified as a PFIC, regardless of whether such amounts are actually distributed. An Electing U.S. Holder’s tax basis in its New WesternZagros Shares will be increased by any such ordinary income or long-term capital gain recognized. An Electing U.S. Holder may further elect, in any given taxable year, to defer payment of the taxes owing as a result of including its New WesternZagros-derived ordinary earnings and net capital gains currently in income, subject to certain limitations. However, if deferred, the taxes will be subject to an interest charge, which will be non-deductible to U.S. Holders that are not corporations. Distributions paid out of earnings and profits that previously were taxed to the Electing U.S. Holder would not be subject to tax again upon distribution, but such distributions will reduce the Electing U.S. Holder’s tax basis in its New WesternZagros Shares.

Upon the sale or other disposition of New WesternZagros Shares (in a transaction that is treated as a sale or exchange for U.S. federal income tax purposes), an Electing U.S. Holder that makes a QEF election for the first taxable year in which it owns New WesternZagros Shares will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder’s adjusted tax basis in its New WesternZagros Shares. Such gain or loss will be capital gain or loss, which will be long-term capital gain or loss if the U.S. Holder’s holding period in its New WesternZagros Shares is more than one year and otherwise will be short-term capital gain or loss. The deductibility of capital losses is subject to certain limitations. If the U.S. Holder is a United States resident (as defined in section 865 of the Code), gains realized upon disposition of a New WesternZagros Share by such U.S. Holder generally will be U.S. source income, and disposition losses generally will be allocated to reduce U.S. source income.

The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS Form 8621, including a PFIC annual information statement, to a timely filed U.S. federal income tax return of a U.S. Holder for the first taxable year of the foreign corporation during which the corporation was at any time a PFIC. Although a QEF election may be made after the PFIC’s first taxable year that was included in the Electing U.S. Holder’s holding period, the Electing U.S. Holder would continue to be subject to the excess distribution rules described above unless the U.S. Holder makes a Deemed Sale Election. U.S. Holders should consult their U.S. tax advisors regarding the applicability of any such election to them in their particular circumstances as well as the appropriate time and manner of making any such election. Even if a QEF election is not made, a shareholder in a PFIC that is a U.S. person generally must file a completed IRS Form 8621 every year.

New WesternZagros intends to make available to U.S. Holders, upon their request, timely and accurate information as to its status as a PFIC and intends to use commercially reasonable efforts to provide to U.S. Holders acquiring New WesternZagros Shares pursuant to the Arrangement or pursuant to the exercise of the New WesternZagros Warrant all information that a U.S. Holder making a QEF election with respect to New WesternZagros is required to obtain for U.S. federal income tax purposes.

U.S. Holders are urged to consult their own tax advisors regarding the eligibility, manner and advisability of making a QEF election with respect to New WesternZagros.

Treasury Regulations provide that a holder of an option, warrant or other right to acquire stock of a PFIC, such as the New WesternZagros Warrants, may not make a QEF election that will apply to the option, warrant or other right or to the stock subject to the option, warrant or other right. Under Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant

or other right shall include the period that the option, warrant or other right was held. The general effect of these rules is that (a) under the adverse taxation rules for PFICs discussed above, “excess distributions” and gains realized on the disposition of shares in New WesternZagros received upon exercise of the New WesternZagros Warrants will be spread over the entire holding period for the New WesternZagros Shares acquired thereby and (b) if a U.S. Holder makes a QEF election upon exercise of the New WesternZagros Warrants, that election generally will not be a timely QEF election with respect to the New WesternZagros Shares received upon such exercise and thus adverse taxation rules with respect to PFICs discussed above will continue to apply. However, it appears that a U.S. Holder receiving shares of New WesternZagros upon exercise of the New WesternZagros Warrant should be able to avoid the adverse taxation rules for PFICs discussed above with respect to future excess distributions and gains if such U.S. Holder makes a QEF election effective as of the first day of the taxable year of such U.S. Holder beginning after the receipt of such New WesternZagros Shares and such U.S. Holder also makes a Deemed Sale Election.

The Mark-to-Market Election

As an alternative to the QEF election, a U.S. Holder may make a Mark-to-Market Election with respect to stock in a PFIC. This election requires that the PFIC stock in question be “publicly traded” stock as defined under the applicable PFIC rules. While the New WesternZagros Shares are expected to qualify as “publicly traded” stock for purposes of these rules, there can be no assurance that they will so qualify. If a U.S. Holder makes a Mark-to-Market Election, it must recognize ordinary income or loss each year in an amount equal to the difference as of the close of the taxable year (or actual disposition of New WesternZagros Shares) between the fair market value of the PFIC stock and the adjusted tax basis in its PFIC stock. Losses would be allowed only to the extent of net mark-to-market gain previously included in income by the U.S. Holder under the election for prior taxable years. A U.S. Holder’s tax basis in such PFIC stock will be increased by any gain recognized and decreased by any loss recognized. If a Mark-to-Market Election is in effect on the date of a U.S. Holder’s death, the otherwise available step-up in tax basis to fair market value will not be available. Instead, the tax basis of the New WesternZagros Shares in the hands of a person who acquires such New WesternZagros Shares from the decedent will be the lesser of the decedent’s tax basis or the fair market value of the New WesternZagros Shares. If the U.S. Holder makes the Mark-to-Market Election, distributions from New WesternZagros with respect to New WesternZagros Shares will be treated as if New WesternZagros Shares is not a PFIC, except that the lower tax rate on dividends for U.S. Holders that are individuals, discussed below, would not be applicable.

Certain Special Rules Regarding Subsidiaries of a PFIC

Special rules would apply to U.S. Holders of common shares for any taxable year in which New WesternZagros is a PFIC and has one or more subsidiaries that is also a PFIC as to such U.S. Holder (a “PFIC Subsidiary”). In such case, U.S. Holders of the New WesternZagros Shares generally would be deemed to own their proportionate interest in any PFIC Subsidiary and be subject to the PFIC rules with respect to such PFIC Subsidiary regardless of the percentage ownership of such U.S. Holders in the Company. If a subsidiary of New WesternZagros is a PFIC and a U.S. Holder does not make a QEF election as to such subsidiary, as described above, the U.S. Holder would be subject to tax at ordinary rates and could incur liability for the deferred tax and interest charge described above if the PFIC Subsidiary makes a distribution, or an interest in the PFIC Subsidiary is disposed of in whole or in part, or the U.S. Holder disposes of all or part of its New WesternZagros Shares. A QEF election must be made separately for each PFIC and thus a QEF election made with respect to New WesternZagros will not apply to any Subsidiary PFIC. Additionally, a U.S. Holder who has made a Mark-to-Market Election with respect to its New WesternZagros Shares could be subject to the PFIC rules with respect to the income of a PFIC Subsidiary even though the value of the Subsidiary PFIC has already been subject to tax as a result of the Mark-to-Market Election. A Mark-to-Market Election is not be permitted for a PFIC Subsidiary.

U.S. Holders are urged to consult their own tax advisor regarding the status of New WesternZagros and its subsidiaries as PFICs and the eligibility, manner and advisability of making a QEF election or a Mark-to-Market Election and how the PFIC rules may affect the U.S. federal income tax consequences of a U.S. holder's acquisition, ownership and disposition of the New WesternZagros Shares and the New WesternZagros Warrants.

U.S. Federal Income Tax Consequences to U.S. Holders if New WesternZagros Is Not a PFIC

If New WesternZagros is not a PFIC at any time during the period a U.S. Holder held, or is considered to have held, New WesternZagros Shares, such U.S. Holder will not be subject to the PFIC rules described in the section above and, instead, will be subject to the following discussion.

Distributions with respect to New WesternZagros Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to the New WesternZagros Shares generally will be required to include the amount of such distribution (including the amount of any Canadian income tax withheld) in gross income as a dividend to the extent of New WesternZagros' current or accumulated "earnings and profits" as determined under U.S. federal income tax principles. Any such dividend paid before January 1, 2011 generally may qualify for the reduced U.S. federal income tax rates applicable to "qualified dividend income" if (i) New WesternZagros is eligible for the benefits of the Canada-U.S. Treaty or the New WesternZagros Shares are readily tradable on an established securities market in the U.S., (ii) New WesternZagros is not a PFIC for the taxable year in which the dividend is paid or the preceding taxable year, as discussed above, (iii) the U.S. Holder is an individual, estate, or trust that satisfies certain holding period requirements with respect to the New WesternZagros Shares, and (iv) the U.S. Holder does not treat the dividend as "investment income" for purposes of the investment interest deduction rules. Any such dividend will not be eligible for the "dividends received deduction" generally allowed to a U.S. corporation on dividends received from a domestic corporation. A distribution in excess of New WesternZagros' current and accumulated "earnings and profits" will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the New WesternZagros Shares and, thereafter, (b) as gain from the sale or exchange of the New WesternZagros Shares. Generally, distributions with respect to the New WesternZagros Shares will be treated as foreign-source income for foreign tax credit purposes. As described below in "Other Considerations — Foreign Tax Credits", any tax withheld by Canadian tax authorities may be claimed as a foreign tax credit against a U.S. Holder's U.S. federal tax liability or as a deduction for U.S. federal income tax purposes, subject to a number of complicated requirements and limitations.

Dispositions of New WesternZagros Shares

Except in the case of certain redemption transactions, a U.S. Holder generally would recognize gain or loss on the sale or other taxable disposition of New WesternZagros Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the New WesternZagros Shares sold or otherwise disposed of. Such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if such New WesternZagros Shares are held for more than one year at the time of such sale, exchange, or other disposition. Any gain or loss recognized by a U.S. Holder will generally be treated as having a source within the United States.

Exercise and Lapse of the New WesternZagros Warrants

The exercise by a U.S. Holder of New WesternZagros Warrants received pursuant to the Arrangement is not a taxable event for U.S. federal income tax purposes. Such U.S. Holder's tax basis in the New WesternZagros Shares received will be the sum of its tax basis in the New WesternZagros Warrants plus the exercise price paid. A U.S. Holder's tax basis in the New WesternZagros Warrants is equal to the

fair market value of the New WesternZagros Warrants on the date received by such holder — as discussed above, Western believes that the New WesternZagros Warrants will have a nominal fair market value.

If the New WesternZagros Warrants received by a U.S. Holder pursuant to the Arrangement lapse, the U.S. Holder will recognize a loss for U.S. federal income tax purposes equal to its tax basis in the lapsed New WesternZagros Warrants.

Other Considerations

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of New WesternZagros Shares may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for U.S. federal income tax purposes for such Canadian income tax paid. U.S. federal income tax rules regarding credits and deductions for foreign taxes are complex and, accordingly, each U.S. Holder should consult its own tax advisor regarding the applicability of these rules to such U.S. Holder.

Information Reporting; Backup Withholding Tax

Payments made within the United States, or by a U.S. payor or U.S. middleman, of dividends on, or proceeds arising from the sale or other taxable disposition of Western Shares, Marathon Shares, New WesternZagros Shares or New WesternZagros Warrant, generally will be subject to information reporting and backup withholding tax, currently at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to report properly items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Non-U.S. Holders may also be exempt from backup withholding as long as such holders submit the appropriate Form W-8 (as discussed in the Letter of Transmittal), signed under penalties of perjury, certifying such holder's non-U.S. status. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against such Western Shareholder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such Western Shareholder furnishes required information to the IRS. A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Holder and non-U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding tax rules.

OTHER MATTERS OF SPECIAL BUSINESS RELATING TO NEW WESTERNZAGROS

The completion of the Arrangement is not conditional upon approval of the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan or the New WesternZagros Private Placement.

New WesternZagros Stock Option Plan

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, approve the adoption by New WesternZagros of the New WesternZagros Stock Option Plan which will authorize the New WesternZagros board of directors to issue stock options to directors, officers, employees or other service providers (collectively, "Service Providers") of New WesternZagros and its subsidiaries. Approval of the New WesternZagros Stock Option Plan is required by the TSX-V. A copy of the New WesternZagros Stock Option Plan is set out in Appendix H to this Information Circular.

The purpose of the stock option plan (the "Plan") is to provide Service Providers an incentive to achieve the longer-term objectives of New WesternZagros; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of New WesternZagros; and to attract and retain in the employ of New WesternZagros or any of its subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in New WesternZagros.

Description of the Plan

Eligibility

Pursuant to the Plan, the New WesternZagros board of directors may at any time and from time to time grant options to purchase New WesternZagros Shares ("Options") to any Service Provider. Persons who are eligible to receive Options are referred to as Optionees. No Option shall be granted to any Optionee except upon recommendation of the New WesternZagros board of directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by policies of the TSX-V ("Exchange Policies"), be granted an additional Option or Options if the New WesternZagros board of directors shall so determine.

Maximum Percentage of New WesternZagros Shares Reserved

The number of authorized but unissued New WesternZagros Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of New WesternZagros Shares reserved for issuance under outstanding incentive stock options otherwise granted by New WesternZagros shall not exceed 10% of the issued and outstanding New WesternZagros Shares on a non-diluted basis at any time, and such aggregate number of New WesternZagros Shares shall automatically increase or decrease as the number of issued and outstanding New WesternZagros Shares changes. Initially, this will be approximately 16.5 million New WesternZagros Shares, before giving effect to the New WesternZagros Private Placement or the exercise of any of the New WesternZagros Warrants. The Options granted under the Plan together with all of New WesternZagros' other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of New WesternZagros Shares reserved for issuance pursuant to Options granted to insiders exceeding 10% of the issued and outstanding New WesternZagros Shares;
- (b) the grant to insiders within a 12 month period of a number of Options exceeding 10% of the outstanding New WesternZagros Shares; or
- (c) the grant to any one Optionee within a 12 month period, of a number of Options exceeding 5% of the issued and outstanding New WesternZagros Shares.

Subject to Exchange Policies, the aggregate number of New WesternZagros Shares reserved for issuance to any one Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding New WesternZagros Shares determined at the date of grant (or 2% of the issued and outstanding New WesternZagros Shares in the case of an Optionee who is an Employee conducting Investor Relations Activities or who is a Consultant (as such terms are defined in Exchange Policies)).

Exercise Price and Expiry

The exercise price of each Option is determined by the New WesternZagros board of directors at the time of the granting of the Option, provided that the exercise price cannot be lower than the most recent closing price of the New WesternZagros Shares on the TSX-V on the last trading day preceding the date of grant of the Options, less any applicable discount permitted by the TSX-V.

The New WesternZagros board of directors has the discretion to determine the term of the Option, which shall not exceed 10 years (five years during any period during which New WesternZagros is a Tier 2 issuer on the TSX-V), and vesting provisions of the Options at the time of granting the Options.

Early Expiration

In the event that an Optionee under the Plan ceases to be a Service Provider for any reason other than death, the Optionee may, but only within 90 days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to its expiry date, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation.

In the event of the death of the Optionee, the Option previously granted shall be exercisable until the earlier of: (i) one year following the date of the death of the Optionee; and (ii) the expiry date.

Transferability

The Options are not assignable or transferable by an Optionee, except for a limited right of assignment in the event of the death of the Optionee or a transfer in accordance with the requirements of the TSX-V.

Voluntary Black-Out Periods

New WesternZagros intends to adopt a policy on trading in the securities of New WesternZagros which results in the imposition of self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants from exercising options. For example, these black-out periods would be imposed prior to the release of financial statements and when New WesternZagros is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of New WesternZagros' securities. This policy will be adopted as part of New WesternZagros' approach to responsible governance. However, the imposition of voluntary black-out periods can penalize New WesternZagros, and its insiders and employees where their Options have not been exercised prior to the voluntary black-out period and such Options would expire during such period.

Pursuant to the Plan, the expiration of the term of any Options that would fall during a voluntary black-out period or within 10 business days following the termination of a voluntary black-out period will be extended for a period of 10 business days following the expiry of such black-out period such that all Optionees will always have a maximum of 10 business days following a voluntary black-out period to exercise Options. This provision applies to all Optionees.

Amendments to Options

The New WesternZagros board of directors has the right to amend or terminate the terms and conditions of the Plan and to approve amendments relating to any Options granted pursuant thereto, subject to the prior consent of any applicable regulatory bodies, including the TSX-V. Amendments and termination will take effect only with respect to Options issued thereafter, provided that they may apply to any Options previously issued with the mutual consent of New WesternZagros and the Optionees holding the Options.

The New WesternZagros board of directors is permitted to make certain amendments under the Plan, without shareholder approval including, without limitation:

- (a) an amendment which is necessary to comply with applicable law or the requirements of any stock exchange on which the New WesternZagros Shares are listed;
- (b) any amendment for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (c) amendments relating to administration and eligibility for participation under the Plan;
- (d) amendments to alter, extend or accelerate the terms of vesting applicable to any Option; and
- (e) amendments of a “housekeeping nature”;

provided that in the case of any alteration, amendment or variance referred to in paragraph (a) or (b), the alteration, amendment or variance does not:

- (a) amend the number of New WesternZagros Shares issuable under the Plan;
- (b) add any form of financial assistance by New WesternZagros for the exercise of any Option;
- (c) result in a material or unreasonable dilution in the number of outstanding New WesternZagros Shares or any material benefit to an Optionee; or
- (d) change the class of Optionees which would have the potential of broadening or increasing participation by insiders of New WesternZagros.

Without limiting the generality of the foregoing, if the New WesternZagros board of directors proposes to increase the number of New WesternZagros Shares issuable under the Plan, reduce the exercise price for Options granted to insiders or extend the term of Options granted to insiders of New WesternZagros pursuant to the Plan (unless the extension is pursuant to any voluntary black-out extension that may be in effect or pursuant to an extension applicable in the case of death), such amendments will require shareholder approval. Extensions of the term of Options granted to Optionees (other than insiders) may be subject to approval of any regulatory authority or stock exchange but shall not require shareholder approval.

Approval Required

Western Shareholders will be asked at the Meeting to ratify and approve an ordinary resolution adopting the Plan which permits the issuance of up to 10% of the issued and outstanding New WesternZagros Shares from time to time.

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, to ratify and approve the following ordinary resolution to approve the New WesternZagros Stock Option Plan:

“BE IT RESOLVED as an ordinary resolution of the shareholders of Western Oil Sands Inc. (“Western”) that the adoption by WesternZagros Resources Ltd. (“New WesternZagros”) of the New WesternZagros Stock Option Plan, as described in the information circular of Western

accompanying the notice of this meeting (the “Information Circular”) and substantially in the form attached as Appendix H to the Information Circular, be and the same is hereby ratified and approved and New WesternZagros is authorized to reserve for issuance pursuant to the New WesternZagros Stock Option Plan up to 10% of the issued and outstanding common shares of New WesternZagros from time to time.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Western Shareholders who vote in person or by proxy at the Meeting. **The persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the approval of the New WesternZagros Stock Option Plan.**

New WesternZagros Shareholder Rights Plan

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, approve an ordinary resolution to approve the adoption of the New WesternZagros Shareholder Rights Plan. Approval of the New WesternZagros Shareholder Rights Plan by Western Shareholders is required by the TSX-V.

If approved by Western Shareholders, the New WesternZagros Shareholder Rights Plan will be implemented immediately following the Meeting by way of a Shareholder Rights Plan Agreement (the “Agreement”) between Western and Valiant Trust Company, as rights agent (the “Rights Agent”).

Purpose of the New WesternZagros Shareholder Rights Plan

The objective of the New WesternZagros Shareholder Rights Plan is to ensure, to the extent possible, that all shareholders are treated equally and fairly in connection with any takeover bid or similar offer for all or a portion of the outstanding New WesternZagros Shares. Takeover bids may be structured to be coercive or may be initiated at a time when the board of directors will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in shareholders receiving equal or fair treatment or full or maximum value for their investment. Under Applicable Canadian Securities Laws, a takeover bid is required to remain open for 35 days, a period of time which the board of directors of New WesternZagros believes may be insufficient for the directors to: (i) evaluate a takeover bid (particularly if it includes share consideration); (ii) explore, develop and pursue alternatives which are superior to the takeover bid and which could maximize shareholder value; and (iii) make reasoned recommendations to the shareholders.

The New WesternZagros Shareholder Rights Plan discourages discriminatory, coercive or unfair takeovers of New WesternZagros and gives the board of directors time if, in the circumstances, the board of directors determines it is appropriate to take such time, to pursue alternatives to maximize shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding New WesternZagros Shares. As well, the New WesternZagros Shareholder Rights Plan discourages coercive hostile takeover bids by creating the potential that any New WesternZagros Shares which may be acquired or held by such a bidder will be significantly diluted. The potential for significant dilution to the holdings of such a bidder can occur as the New WesternZagros Shareholder Rights Plan provides that all holders of New WesternZagros Shares who are not related to the bidder will be entitled to exercise rights issued to them under the New WesternZagros Shareholder Rights Plan and to acquire New WesternZagros Shares at a substantial discount to prevailing market prices. The bidder or the persons related to the bidder will not be entitled to exercise any Rights under the New WesternZagros Shareholder Rights Plan. Accordingly, the New WesternZagros Shareholder Rights Plan will encourage potential bidders to make takeover bids by means of a Permitted Bid (as defined below) or to approach the board of directors to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the New WesternZagros Shareholder Rights Plan are designed to ensure that, in any takeover bid for

outstanding New WesternZagros Shares, all shareholders of New WesternZagros are treated equally and are given adequate time to properly assess such takeover bid on a fully-informed basis.

The New WesternZagros Shareholder Rights Plan is not being proposed in response to, or in anticipation of, any pending, threatened or proposed acquisition or takeover bid. The adoption of the New WesternZagros Shareholder Rights Plan is not intended as a means to prevent a takeover of New WesternZagros, to secure the continuance of management or the directors in their respective offices or to deter fair offers for the New WesternZagros Shares.

Summary of the New WesternZagros Shareholder Rights Plan

The following is a summary of the proposed terms of the New WesternZagros Shareholder Rights Plan which will be set forth in the Shareholder Rights Plan Agreement (the "Agreement") to be entered into between New WesternZagros and Valiant Trust Company, as Rights Agent. A Western Shareholder or other interested party may obtain a draft copy of the Agreement by contacting Lauren Hill at Western by email at lhill@westernoilsands.com, by telephone at (403) 233-1372 or by fax at (403) 234-9156.

Term

If approved at the Meeting, the New WesternZagros Shareholder Rights Plan will be adopted immediately following the Meeting and (unless earlier terminated) will remain in effect until termination of the annual meeting of shareholders of New WesternZagros in 2010 unless the term of the Agreement is extended beyond such date by resolution of shareholders at such meeting.

Issue of Rights

One right (a "Right") will be issued by New WesternZagros pursuant to the Agreement in respect of each New WesternZagros Share outstanding at the close of business on the Effective Date of the Arrangement (the "Record Time"). One Right will also be issued for each additional New WesternZagros Share issued after the Record Time and prior to the earlier of the Separation Time (as defined below) or the Expiration Time (as defined below).

Rights Exercise Privilege

The Rights will separate from the New WesternZagros Shares to which they are attached and become exercisable at the time (the "Separation Time") which is 10 trading days following the date a person becomes an Acquiring Person or announces an intention to make a takeover bid that is not an acquisition pursuant to a takeover bid permitted by the New WesternZagros Shareholder Rights Plan (a "Permitted Bid").

Any transaction or event in which a person (an "Acquiring Person"), including associates and affiliates and others acting in concert, acquires (other than pursuant to an exemption available under the New WesternZagros Shareholder Rights Plan or a Permitted Bid) Beneficial Ownership (as defined in the New WesternZagros Shareholder Rights Plan) of 20% or more of the voting shares of New WesternZagros is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by New WesternZagros or an Acquiring Person that an Acquiring Person has become such, will become void and the Rights (other than those held by the Acquiring Person) will permit the holder to purchase New WesternZagros Shares at a substantial discount to their prevailing market price at the time.

The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per share until the Rights separate from the underlying New WesternZagros Shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which shareholders trade their New WesternZagros Shares.

Permitted Lock-Up Agreement

A person will not become an Acquiring Person by virtue of having entered into an agreement (a “Permitted Lock-Up Agreement”) with a shareholder whereby the shareholder agrees to deposit or tender voting shares to a takeover bid made by such person, provided that the agreement meets certain requirements including:

- (a) the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available;
- (b) the shareholder who has agreed to tender voting shares to the takeover bid (the “Lock-Up Bid”) made by the other party to the agreement is permitted to terminate its obligation under the agreement in order to tender voting shares to another takeover bid or transaction where: (i) the offer price or value of the consideration payable under the other takeover bid or transaction is greater than the price or value of the consideration per share at which the shareholder has agreed to deposit or tender voting shares to the Lock-Up Bid or is equal to or greater than a specified minimum which is not more than 7% higher than the offer price under the Lock-Up Bid; and (ii) if the number of voting shares offered to be purchased under the Lock-Up Bid is less than all of the voting shares held by shareholders (excluding shares held by the offeror), the number of voting shares offered to be purchased under the other takeover bid or transaction (at an offer price not lower than in the Lock-Up Bid) is greater than the number of voting shares offered to be purchased under the Lock-Up Bid or is equal to or greater than a specified number which is not more than 7% higher than the number of voting shares offered to be purchased under the Lock-Up Bid; and
- (c) no break-up fees or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another takeover bid or transaction shall be payable by the shareholder if the shareholder fails to deposit or tender voting shares to the Lock-Up Bid.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for New WesternZagros Shares issued from and after the effective date (the “Agreement Effective Date”) of the Agreement (being the later of the date of the Agreement and the receipt by New WesternZagros of all regulatory approvals with respect to the Agreement). Rights are also attached to New WesternZagros Shares outstanding on the Agreement Effective Date, although share certificates issued prior to the Agreement Effective Date will not bear such a legend. Shareholders are not required to return their certificates in order to have the benefit of the Rights. Prior to the Separation Time, Rights will trade together with the New WesternZagros Shares and will not be exercisable or transferable separately from the New WesternZagros Shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates and will be transferable separately from the New WesternZagros Shares.

Permitted Bid Requirements

The requirements of a “Permitted Bid” include the following:

- (a) the takeover bid must be made by means of a takeover bid circular;
- (b) the takeover bid is made to all holders of voting shares as registered on the books of New WesternZagros, other than the offeror;
- (c) the takeover bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no voting shares will be taken up or paid

for pursuant to the takeover bid prior to the close of business on the date which is not less than 60 days following the date of the takeover bid and only if at such date more than 50% of the voting shares held by independent shareholders shall have been deposited or tendered pursuant to the takeover bid and not withdrawn;

- (d) the takeover bid contains an irrevocable and unqualified provision that unless the takeover bid is withdrawn, voting shares may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the date on which voting shares may be taken up and paid for and that any voting shares deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and
- (e) the takeover bid contains an irrevocable and unqualified provision that if, on the date on which voting shares may be taken up and paid for, more than 50% of the voting shares held by independent shareholders shall have been deposited pursuant to the takeover bid and not withdrawn, the offeror will make a public announcement of that fact and the takeover bid will remain open for deposits and tenders of voting shares for not less than 10 business days from the date of such public announcement.

The New WesternZagros Shareholder Rights Plan allows for a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Waiver and Redemption

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the board of directors to make a takeover bid by way of a takeover bid circular sent to all holders of voting shares on terms which the board of directors considers fair to all shareholders. In such circumstances, the board of directors may waive the application of the New WesternZagros Shareholder Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the New WesternZagros Shareholder Rights Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of voting shares while the initial takeover bid is outstanding. The board of directors may also waive the application of the New WesternZagros Shareholder Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding voting shares of New WesternZagros within 14 days or such earlier or later date as may be specified by the board. With the prior consent of the holders of voting shares, the board of directors may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of voting shares otherwise than pursuant to the foregoing, waive the application of the New WesternZagros Shareholder Rights Plan to such Flip-in Event.

The board of directors may, with the prior consent of the holders of voting shares, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.000001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the board of directors has waived the application of the New WesternZagros Shareholder Rights Plan.

Exemptions for Investment Advisors

Investment advisors (for client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the voting shares are exempted from

triggering a Flip-in Event, provided they are not making, either alone or jointly or in concert with any other person, a takeover bid.

Board of Directors

The adoption of the New WesternZagros Shareholder Rights Plan will not in any way lessen or affect the duty of the board of directors to act honestly and in good faith with a view to the best interests of New WesternZagros. The board of directors, when a takeover bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to shareholders as are considered appropriate.

Amendment

New WesternZagros may, prior to the date of the Meeting, without the approval of the Western Shareholders, supplement, amend, vary or delete any of the provisions of the Agreement and may, after the date of the Meeting (provided the Agreement is approved and adopted by Western Shareholders at the Meeting) with the prior approval of shareholders of New WesternZagros (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary or delete any of the provisions of the Agreement. New WesternZagros may make amendments to the Agreement at any time to correct any clerical or typographical error or, subject to confirmation at the next meeting of shareholders of New WesternZagros, make amendments which are required to maintain the validity of the Agreement due to changes in any applicable legislation, regulations or rules.

Approval Required

The TSX-V requires that Western Shareholders' approval of the New WesternZagros Shareholder Rights Plan be obtained as a condition to the listing of the Rights on such stock exchange. The New WesternZagros Shareholder Rights Plan must be approved by the vote of the holders of a majority of the Western Shares voting at the Meeting. Western is not aware of any Western Shareholder who will be ineligible to vote on the confirmation of the New WesternZagros Shareholder Rights Plan at the Meeting. The Western Board of Directors recommends that you vote for the resolution approving the New WesternZagros Shareholder Rights Plan and any Rights issued pursuant thereto.

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution to approve the New WesternZagros Shareholder Rights Plan:

“BE IT RESOLVED as an ordinary resolution of the shareholders of Western Oil Sands Inc. (“Western”) that:

1. The adoption by WesternZagros Resources Ltd. (“New WesternZagros”) of the New WesternZagros Shareholder Rights Plan is hereby approved and New WesternZagros is authorized to enter into the Shareholder Rights Plan Agreement with Valiant Trust Company and to issue rights pursuant thereto.
2. The directors may revoke this resolution before it is acted upon without further approval of the shareholders of either Western or New WesternZagros.
3. Any one officer or director of New WesternZagros is hereby authorized to execute and deliver any documents, instruments or other writings and to do all other acts as may be necessary or desirable to give effect to the foregoing resolution.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast at the Meeting by Western Shareholders who vote in person or by proxy at the Meeting. **The persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the approval of the New WesternZagros Shareholder Rights Plan.**

New WesternZagros Private Placement

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to authorize the New WesternZagros Private Placement of up to 5 million New WesternZagros Shares at a price of Cdn\$2.50 per share for gross proceeds of up to Cdn\$12.5 million. No finders fees or commissions will be paid in connection with the New WesternZagros Private Placement. Approval of the New WesternZagros Private Placement is required by the TSX-V. Directors, officers and employees of New WesternZagros and persons associated with them will be entitled to subscribe for all or a portion of the New WesternZagros Private Placement and to date have committed to participate as to Cdn\$9.4 million. The New WesternZagros Private Placement is expected to close immediately following the completion of the Arrangement and the Subsequent Transactions.

The purpose of the New WesternZagros Private Placement is to provide additional capital for use by New WesternZagros in its exploration and development activities and to provide a mechanism whereby directors, officers and employees of New WesternZagros can increase their ownership position within New WesternZagros.

The price at which the New WesternZagros Shares will be sold is New WesternZagros' best estimate of the "market price" of a New WesternZagros Share prior to the Effective Date and aligns with the exercise price of the New WesternZagros Warrants. There can be no assurance that the estimate of the "market price" of a New WesternZagros Share prior to the Effective Date will be achieved or maintained after the Effective Date. See Appendix G, "Information Concerning New WesternZagros". The New WesternZagros Private Placement will be undertaken in accordance with applicable corporate law, securities legislation and TSX-V regulations and policies. There is currently no market through which the New WesternZagros Shares and the New WesternZagros Warrants may be sold and listing of the New WesternZagros Shares on the TSX-V will be subject to New WesternZagros fulfilling all of the listing requirements of the TSX-V.

Approval Required

At the Meeting, Western Shareholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to approve the New WesternZagros Private Placement:

"BE IT RESOLVED as an ordinary resolution of the shareholders of Western Oil Sands Inc. ("Western"), that the private placement by New WesternZagros of up to 5 million New WesternZagros Shares at a price of Cdn\$2.50 per share substantially on the terms described in the information circular of Western accompanying the notice of this meeting, be, and the same is, hereby approved and authorized."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Western Shareholders who vote in person or by proxy at the Meeting. For this purpose, Western Shares held, directly or indirectly, or over which control or direction is exercised, by any Person who will participate in the New WesternZagros Private Placement or their associates or affiliates will be excluded. **The persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the approval of the New WesternZagros Private Placement.**

Participation in the New WesternZagros Private Placement has been or will be offered to certain individuals who would become key employees of New WesternZagros following the completion of the Arrangement as a material inducement to their acceptance of employment with New WesternZagros. New WesternZagros' success will depend in large measure on such key individuals. Failure to obtain the requisite shareholder or regulatory approval of the New WesternZagros Private Placement may result in such key individuals not agreeing to become employees of New WesternZagros. The inability to obtain the services of such key personnel could have a material adverse effect on New WesternZagros.

SELECTED FINANCIAL INFORMATION

Selected Historical Consolidated Financial Information of Marathon

Set forth below is a summary of certain selected consolidated financial information with respect to Marathon for the periods indicated. The selected historical financial information of Marathon and its subsidiaries as of and for the fiscal years ended December 31, 2006, 2005 and 2004 has been derived from Marathon's historical audited consolidated financial statements. The selected historical financial information as of and for the six months ended June 30, 2007 and 2006 has been derived from Marathon's unaudited interim consolidated financial statements for the periods ended June 30, 2007 and 2006, respectively. The Marathon audited annual consolidated financial statements and Marathon's unaudited consolidated interim financial statements from which this selected historical financial information is derived were prepared in accordance with U.S. GAAP. This selected historical financial information should be read in conjunction with Marathon's audited annual consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 and Marathon's unaudited interim consolidated financial statements for the six months ended June 30, 2007 and 2006 which form part of this Information Circular and are included on the accompanying CD-ROM.

On April 25, 2007, the Marathon Board of Directors declared a two-for-one split of the shares of Marathon Common Stock. The stock split was effected in the form of a stock dividend distributed on June 18, 2007, to Marathon Shareholders of record at the close of business on May 23, 2007. Marathon Shareholders received one additional share of Marathon Common Stock for each share of Marathon Common Stock held as of the close of business on the record date. The per share information below has been restated to reflect the stock split.

	Six Months Ended June 30		Years Ended December 31		
	2007	2006	2006	2005	2004
(In millions of US\$, except per share data)					
Statement of Income Information:					
Revenues ⁽²⁾	\$29,605	\$34,597	\$64,896	\$62,986	\$49,465
Income from continuing operations	2,259	2,255	4,957	3,006	1,294
Net income	2,267	2,532	5,234	3,032	1,261
Basic per share data:					
Income from continuing operations	\$ 3.29	\$ 3.11	\$ 6.92	\$ 4.22	\$ 1.92
Net income	\$ 3.30	\$ 3.49	\$ 7.31	\$ 4.26	\$ 1.87
Diluted per share data:					
Income from continuing operations	\$ 3.27	\$ 3.08	\$ 6.87	\$ 4.19	\$ 1.91
Net income	\$ 3.28	\$ 3.46	\$ 7.25	\$ 4.22	\$ 1.86
Statement of Cash Flows Information:					
Capital expenditures from continuing operations . . .	\$ 1,699	\$ 1,308	\$ 3,433	\$ 2,796	\$ 2,141
Dividends paid	302	265	547	436	348
Dividends paid per share	\$ 0.44	\$ 0.36	\$ 0.76	\$ 0.60	\$ 0.51
Balance Sheet Information as of period end:					
Total assets	\$33,605	\$30,450	\$30,831	\$28,498	\$23,423
Total long-term debt, including capitalized leases . . .	4,237	3,224	3,061	3,698	4,057

Notes:

- (1) On June 30, 2005, Marathon acquired the 38% ownership interest in Marathon Petroleum Company LLC previously held by Ashland Inc., making it wholly-owned by Marathon.
- (2) Effective April 1, 2006, Marathon changed its accounting for matching buy/sell transactions. This change had no effect on income from continuing operations or net income, but the revenues and cost of revenues recognized after April 1, 2006 are less than the amounts that would have been recognized under previous accounting practices.

Selected Historical Consolidated Financial Information of Western

Set forth below is a summary of certain selected consolidated financial information with respect to Western as at the dates and for the periods indicated. The selected historical financial information of Western and its subsidiaries as at and for the fiscal years ended December 31, 2006, 2005 and 2004 has been derived from historical audited financial statements. The selected historical financial information for the six months ended June 30, 2007 and 2006 has been derived from the Western unaudited interim financial statements for the periods ended June 30, 2007 and 2006, respectively. Western's audited annual financial statements and Western's unaudited interim financial statements from which this selected historical financial information is derived were prepared in accordance with Canadian GAAP. This selected historical financial information should be read in conjunction with the Western audited annual financial statements for the years ended December 31, 2006, 2005 and 2004 and the Western unaudited interim financial statements for the six months ended June 30, 2007 and 2006 which form part of this Information Circular and are included on the accompanying CD-ROM.

	Six Months Ended June 30		Year Ended December 31		
	2007	2006	2006	2005	2004
	(In thousands of Cdn\$, except per share data)				
Production (bbls/d)	31,484	20,714	27,500	31,994	27,108
Realized Crude Oil Sales Price ⁽¹⁾⁽²⁾	61.65	59.56	60.51	49.91	34.60
Operating Expense per Processed Barrel ⁽¹⁾	24.49	40.24	28.38	22.06	21.17
Net Revenue	366,579	234,881	630,038	591,396	320,985
Operating Expenses	139,507	153,417	286,325	250,389	212,993
EBITDAX ⁽¹⁾⁽³⁾	179,512	53,901	276,916	307,008	87,587
Cash Flow from Operations ⁽¹⁾⁽⁴⁾	145,728	26,887	228,449	244,231	23,044
Cash Flow per Share — Basic ⁽¹⁾⁽⁶⁾	0.90	0.17	1.42	1.52	0.15
Net Earnings	119,114	(47,795)	63,370	149,449	19,452
Net Earning per Share — Basic	0.74	(0.30)	0.39	0.93	0.12
Net Earning per Share — Diluted	0.73	(0.30)	0.39	0.92	0.12
Capital Expenditures, net of Insurance					
Proceeds	326,963	91,159	301,273	46,833	39,968
Total Assets	2,059,200	1,521,225	1,794,159	1,590,520	1,470,870
Total Long-term Financial Liabilities ⁽⁵⁾	736,101	661,499	723,174	706,880	716,094

Notes:

- (1) A discussion of Non-GAAP financial measures is set forth in the management's discussion and analysis for the six months ended June 30, 2007 and the year ended December 31, 2006 which are included on the accompanying CD-ROM.
- (2) The realized crude oil sales price is the revenue derived from the sale of Western's share of the AOSP's synthetic crude oil, net of the risk management activities, divided by corresponding volume.
- (3) Earnings before interest, taxes, depreciation, amortization, stock-based compensation, accretion on asset retirement obligation, risk management and foreign exchange. Please refer to Western's management's discussion and analysis for the six months ended June 30, 2007 and the year ended December 31, 2006 which are included on the accompanying CD-ROM.
- (4) Cash flow from operations is expressed before changes in non-cash working capital.
- (5) Long-term financial liabilities includes long-term debt, option premium liability and lease obligations.
- (6) Cash flow per share is calculated as cash flow from operations divided by weighted average common shares outstanding, basic.

Selected Consolidated Pro Forma Financial Information of New WesternZagros

Set forth below is a summary of certain selected consolidated pro forma financial information with respect to New WesternZagros for the period indicated after giving effect to the proposed Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement as to subscriptions committed to date. The selected pro forma financial information of New WesternZagros and its subsidiaries has been derived from the New WesternZagros pro forma financial statements set out in Appendix G to this Information Circular. The New WesternZagros pro forma financial statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions described in the notes to New WesternZagros' pro forma financial statements. The New WesternZagros pro forma financial statements are not necessarily indicative of what the actual results of operations or financial position of New WesternZagros would have been if the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement had in fact occurred on the dates or for the periods indicated, nor do they purport to project the results of operations or financial position of New WesternZagros for any future periods or as of any date.

	Six Months Ended June 30, 2007
	(In thousands of US\$)
Net Loss	5,923
Net loss per share	0.03
Total Assets	124,772
Total liabilities	1,695

INFORMATION CONCERNING MARATHON

The information concerning Marathon and its subsidiaries contained in this Information Circular, including the appendices and the documents on the accompanying CD-ROM, has been taken from or is based upon publicly available documents and records on file with the SEC, the NYSE and other public sources or has been provided by Marathon for inclusion in this Information Circular. Although Western has no knowledge that any statement contained herein taken from, or based on, such information and records or information provided by Marathon are untrue or incomplete, Western assumes no responsibility for the accuracy of the information contained in such documents, records or information or for any failure by Marathon to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Western.

General

Marathon was originally organized in 2001 as USX HoldCo, Inc., a wholly-owned subsidiary of the former USX Corporation. As a result of a reorganization completed in July 2001, USX HoldCo, Inc. (i) became the parent entity of the consolidated enterprise (the former USX Corporation was merged into a subsidiary of USX HoldCo, Inc.) and (ii) changed its name to USX Corporation. In connection with the transaction described in the next paragraph (the "Separation"), USX Corporation changed its name to Marathon Oil Corporation.

Before December 31, 2001, Marathon had two outstanding classes of common stock: USX-Marathon Group common stock, which was intended to reflect the performance of its energy business, and USX-U.S. Steel Group common stock ("Steel Stock"), which was intended to reflect the performance of its steel business. On December 31, 2001, Marathon disposed of its steel business through a tax-free distribution of the common stock of its wholly-owned subsidiary United States Steel Corporation ("United States Steel") to holders of Steel Stock in exchange for all outstanding shares of Steel Stock on a one-for-one basis.

In connection with the Separation, Marathon's certificate of incorporation was amended on December 31, 2001 and, since that date, Marathon has had only one class of common stock authorized. See "Marathon Capital Stock".

Marathon's principal executive offices are located at 5555 San Felipe Road, Houston, Texas 77056-2723.

Segment and Geographic Information

Marathon's operations consist of three operating segments: (i) Exploration and Production ("E&P") — the exploration for, production and marketing of crude oil and natural gas on a worldwide basis; (ii) Refining, Marketing and Transportation ("RM&T") — the refining, marketing and transportation of crude oil and petroleum products, primarily in the Midwest, the upper Great Plains and southeastern United States; and (iii) Integrated Gas ("IG") — the marketing and transportation of products manufactured from natural gas, such as liquefied natural gas ("LNG") and methanol, on a worldwide basis, and the development of other projects to link stranded natural gas resources with key demand areas.

Exploration and Production

Marathon conducts exploration, development and production activities in 10 countries, with a focus on international growth while continuing to maintain its position in the United States. Principal exploration activities during the year ended December 31, 2006 were in the United States, Norway, Angola

and Indonesia. Principal development and production activities during the year ended December 31, 2006 were in the United States, the United Kingdom, Norway, Equatorial Guinea and Libya.

Marathon's 2006 worldwide net liquid hydrocarbon sales from continuing operations averaged 223 Mbpd, an increase of 36% from 2005 levels. Marathon's 2006 worldwide net natural gas sales, including natural gas acquired for injection and subsequent resale, averaged 847 MMcf/d, a decrease of nine percent compared to 2005. In total, Marathon's 2006 worldwide net sales from continuing operations averaged 365 Mboe/d, compared to 319 Mboe/d in 2005.

Refining, Marketing and Transportation

Marathon's RM&T operations are primarily conducted by Marathon Petroleum Company LLC and its subsidiaries, including its wholly-owned subsidiaries Speedway SuperAmerica LLC ("SSA") and Marathon Pipe Line LLC.

Refining

Marathon owns and operates seven refineries with an aggregate refining capacity of 974 Mbpd of crude oil. During 2006, Marathon's refineries processed 980 Mbpd of crude oil and 234 Mbpd of other charge and blend stocks for a crude oil capacity utilization rate of 101%.

Marathon's refineries include crude oil atmospheric and vacuum distillation, fluid catalytic cracking, catalytic reforming, desulphurization and sulphur recovery units. The refineries can process a wide variety of crude oils and produce typical refinery products, including reformulated and low sulphur gasolines and ultra-low sulphur diesel fuel. Marathon also produces asphalt cements, polymerized asphalt, asphalt emulsions and industrial asphalts. Marathon manufactures petroleum pitch, primarily used in the graphite electrode, clay target and refractory industries. Additionally, Marathon manufactures aromatics, aliphatic hydrocarbons, cumene, base lube oil, polymer grade propylene, maleic anhydride and slack wax.

Marathon's refineries are integrated via pipelines, terminals and barges to maximize operating efficiency. The transportation links that connect Marathon's refineries allow the movement of intermediate products to optimize operations and the production of higher margin products. By shipping intermediate products between facilities during partial refinery shutdowns, Marathon is able to utilize processing capacity that is not directly affected by the shutdown work.

Marketing

Marathon is a supplier of gasoline and distillates to resellers and consumers within its market area in the Midwest, upper Great Plains and southeastern United States. In 2006, Marathon's refined product sales volumes (excluding matching buy/sell transactions) totalled 21.5 billion gallons, or 1.401 MMbpd. The average sales price of Marathon's refined products in aggregate was US\$77.76 per barrel for 2006.

Marathon's retail marketing strategy is focused on SSA's Midwest operations, which sell gasoline, diesel fuel and convenience store merchandise and services primarily under the brand names "Speedway" and "SuperAmerica", additional growth of the Marathon brand and continued growth for Pilot Travel Centers LLC, in which Marathon owns a 50% interest and which is the largest operator of travel centres in the United States, offering diesel fuel, gasoline and a variety of other services.

Supply and Transportation

Marathon obtains most of the crude oil it refines from negotiated contracts and purchases or exchanges on the spot market. In 2006, U.S. sourced crude oil averaged 470 Mbpd, or 48% of the crude oil processed at Marathon's refineries, including a net 14 Mbpd from Marathon's production operations. In

2006, Canada was the source for 13%, or 130 Mbpd of crude oil processed and other foreign sources supplied 39%, or 380 Mbpd, of the crude oil processed by Marathon's refineries, including 198 Mbpd from the Middle East. This crude oil was acquired from various foreign national oil companies, producing companies and trading companies.

Marathon operates a system of pipelines, terminals and barges to provide crude oil to its refineries and refined products to its marketing areas. At December 31, 2006, Marathon owned, leased, operated or held equity method investments in 68 miles of crude oil gathering lines, 3,718 miles of crude oil trunk lines and 3,855 miles of refined product trunk lines.

As of December 31, 2006, Marathon owned and operated 87 light product and asphalt terminals strategically located throughout the Midwest, upper Great Plains and southeastern United States. These facilities are supplied by a combination of pipelines, barges, rail cars and trucks. Marathon's marine transportation operations at December 31, 2006 included towboats (15 owned) and barges (180 owned, four leased) that transport refined products on the Ohio, Mississippi and Illinois rivers, their tributaries and the Intercoastal Waterway. Marathon leases and owns over 2,000 rail cars of various sizes and capacities for movement and storage of petroleum products and over 100 tractors and tank trailers.

Ethanol Production

In 2006, Marathon signed a definitive agreement forming a 50/50 joint venture that will construct and operate one or more ethanol production plants. Marathon's partner in the joint venture will provide the day-to-day management of the plants, as well as grain procurement, distillers dried grain marketing and ethanol management services. This venture will enable Marathon to maintain the reliability of a portion of Marathon's future ethanol supplies. Together with Marathon's partner, Marathon selected the venture's initial plant site, Greenville, Ohio, and construction has commenced on a 110 million gallon per year ethanol facility. The facility is expected to be operational as soon as the first quarter of 2008.

The above discussion of ethanol production includes forward-looking statements concerning the expected operational date of an ethanol facility. Some factors that could affect the ethanol plant construction include necessary government and third-party approvals, transportation logistics, availability of materials and labour, unforeseen hazards such as weather conditions and other risks customarily associated with construction projects. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Integrated Gas

Marathon's integrated gas operations include natural gas liquefaction and regasification operations, methanol operations, and certain other gas processing facilities. Also included in the financial results of the Integrated Gas segment are the costs associated with ongoing development of certain projects to link stranded natural gas resources with key demand areas.

The foregoing information about Marathon and its business segments is a general summary only and is not intended to be comprehensive. For additional information about Marathon and its business segments you should refer to the information described under "Marathon Documents Incorporated by Reference" below.

Recent Developments

Operational and Corporate Highlights

During the first six months of 2007, Marathon:

- announced the results of the Droshky discovery and two appraisal sidetrack wells in the Gulf of Mexico;
- announced six exploration discoveries in deepwater Angola;
- signed an agreement to carry out a study of the Dnieper-Donets Basin located in north central Ukraine;
- continued to progress the Neptune development in deepwater Gulf of Mexico and the Alvheim/Vilje project in Norway;
- commenced construction of the Garyville, Louisiana, refinery expansion;
- set records for refinery crude and total throughputs for the first six months of the year;
- continued construction of the 110 million gallon per year joint venture ethanol facility in Greenville, Ohio;
- commenced production at the Equatorial Guinea LNG production facility and delivered three shipments of LNG;
- repurchased 15 million shares of Marathon Common Stock, bringing total stock repurchases to date to 57 million shares of Marathon Common Stock at a cost of US\$2.474 billion;
- increased its quarterly dividend per share of Marathon Common Stock by 20%; and
- completed a two-for-one split of the shares of Marathon Common Stock.

Exploration and Production

Net liquid hydrocarbon and natural gas sales during the second quarter and first six months of 2007 averaged 338 and 339 Mboe/d.

During the first six months of 2007, Marathon announced the Droshky discovery well and the results of two appraisal sidetrack wells. The discovery is located on Green Canyon Block 244 in the Gulf of Mexico (previously named Troika Deep). The timing of initial production from Droshky will be dependent upon delivery of key equipment (i.e., drilling rig and subsea equipment) and regulatory approvals, but could be as early as 2010. Marathon holds a 100% working interest in the Droshky discovery.

During the first six months of 2007, Marathon also announced six exploration successes in deepwater Angola. The Caril, Manjericao, Cominhos and Louro discovery wells are located on Block 32, where Marathon holds a 30% outside-operated interest. The Miranda and Cordelia discovery wells are located on Block 31, where Marathon holds a 10% outside-operated interest. These discoveries move both deepwater Angola blocks closer toward the establishment of commercial developments. Marathon had three dry wells in deepwater Angola during the second quarter of 2007 and participated in two additional wells that have reached total depth, the results of which will be announced upon approval of the Angola government and Marathon's partners.

The Neptune development in the Gulf of Mexico continues to progress. The mini-tension leg platform hull was installed and topside facilities were set in June 2007. Subsea equipment installation, connection of

surface equipment on the platform and facility commissioning are in progress. First production is anticipated by early 2008.

In Norway, the commissioning of the Alvheim floating production, storage and offloading (“FPSO”) vessel continues. Difficult market conditions for skilled labour and additional work to bring the FPSO into compliance with Norwegian codes and regulations and to fully integrate the existing ship systems with the new topside facilities has delayed expected first production to the fourth quarter of 2007. These factors, together with additional drilling activity, have contributed to increased costs for the project.

Marathon now expects 2007 production available for sale to be between 350 and 375 Mboe/d, excluding the impact of acquisitions and dispositions, due to the delay in first production from the Alvheim/Vilje development. Previously Marathon had expected production available for sale in 2007 to be between 390 and 425 Mboe/d. Sales volumes may vary from production available for sale due to the timing of liquid hydrocarbon liftings and natural gas sales.

The above discussion includes forward-looking statements with respect to the possibility of developing the Droszky discovery in the Gulf of Mexico and Blocks 31 and 32 offshore Angola, the Neptune and the Alvheim/Vilje development projects and the timing and levels of Marathon’s worldwide liquid hydrocarbon, natural gas and condensate production available for sale. Some factors that could potentially affect these forward-looking statements include pricing, supply and demand for petroleum products, the amount of capital available for exploration and development, regulatory constraints, timing of commencing production from new wells, drilling rig availability, unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response, and other geological, operating and economic considerations. Except for the Alvheim/Vilje and Neptune developments, the foregoing forward-looking statements may be further affected by the inability to obtain or delay in obtaining necessary government and third-party approvals and permits. The possible development of Blocks 31 and 32 could further be affected by presently known data concerning size and character of reservoirs, economic recoverability, future drilling success and production experience. Worldwide production available for sale could also be affected by the occurrence of acquisitions or dispositions of oil and gas properties. The foregoing factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Refining, Marketing and Transportation

In the second quarter and first six months of 2007, Marathon’s total refinery throughput was 3% and four percent higher than the same periods of 2006. Crude oil throughput was 3% and 5% higher in these periods and Marathon expects crude oil throughput for the full year 2007 to exceed the record level set in 2006. Marathon’s refining and wholesale marketing gross margin averaged US\$39.25 cents per gallon in the second quarter of 2007 compared to US\$29.78 cents per gallon in the second quarter of 2006. This margin improvement was consistent with the relevant market indicators in the Midwest and Gulf Coast markets. The increase in Marathon’s refining and wholesale marketing gross margin for the first six months of 2007 was also impacted by the change in accounting for matching buy/sell arrangements effective April 1, 2006, as the sales volumes recognized in the first six months of 2007 were less than the volumes that would have been recognized under previous accounting practices. Marathon’s ethanol blending program increased to 40 Mbpd in the second quarter of 2007 from 35 Mbpd in the second quarter of 2006. The future expansion or contraction of Marathon’s ethanol blending program will be driven by the economics of the ethanol supply and government regulations.

SSA increased same store merchandise sales 3% and same store gasoline sales volumes 1% when compared to the second quarter of 2006. In addition, SSA’s gasoline and distillates gross margin per gallon and merchandise gross margin were stronger in the second quarter and first six months of 2007 than in the comparable periods of 2006.

Construction of the Garyville, Louisiana, refinery commenced on schedule in early March 2007. Construction crews are clearing the site and driving piles that will be used to support the foundation for the equipment that will be constructed at this site over the next two years.

The above discussion includes forward-looking statements with respect to projections of crude oil throughput and ethanol blending that could be affected by planned and unplanned refinery maintenance projects, the levels of refining margins, other operating considerations and government regulations. The above discussion also contains forward-looking information with respect to the Garyville expansion project. Factors that could affect that project include crude oil supply, transportation logistics, availability of material and labour, unforeseen hazards such as weather conditions, necessary government and third party approvals, and other risks customarily associated with construction projects. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Integrated Gas

The LNG production facility in Equatorial Guinea, in which Marathon holds a 60% interest through its holdings in Equatorial Guinea LNG Holdings Limited (“EGHoldings”), was completed and delivered its first cargo of LNG in May 2007. A total of three cargos were delivered during the second quarter of 2007. As scheduled, the production facility was shutdown in June 2007 for a performance test which confirmed the facility’s capacity of 3.7 million metric tonnes per annum. The facility was shut down again in July for commissioning maintenance and has since returned its processing levels to full capacity.

Once the LNG production facility commenced its primary operations and began to generate revenue in May 2007, EGHoldings was no longer a variable interest entity. Effective May 1, 2007, Marathon no longer consolidates EGHoldings, despite the fact that Marathon holds majority ownership, because the minority shareholders have rights limiting Marathon’s ability to exercise control over the entity. Marathon’s investment in EGHoldings is accounted for prospectively using the equity method of accounting.

Together with its project partners, Marathon has completed those portions of the front-end engineering and design for a potential second LNG production facility on Bioko Island, Equatorial Guinea that are required to support the near-term efforts for this project. Marathon expects a final investment decision in 2008.

The above discussion contains forward-looking statements with respect to the possible expansion of the LNG production facility. Factors that could potentially affect the possible expansion of the facility and the development of additional LNG capacity through additional projects include partner approvals, access to sufficient natural gas volumes through exploration or commercial negotiations with other resource owners and access to sufficient regasification capacity. The foregoing factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Capital, Investment and Exploration Budget

Marathon increased its capital, investment and exploration budget for 2007, excluding major acquisitions, from US\$4.242 billion to US\$4.683 billion, which includes budgeted capital expenditures of US\$4.295 billion. Total E&P spending is now projected to be US\$2.614 billion, an increase of US\$383 million. This increase is approximately evenly divided between an increase in the cost of the Alvheim/Vilje development and general inflationary pressures. RM&T spending is expected to increase by US\$202 million to US\$1.666 billion, largely due to acceleration of certain aspects of the Garyville refinery expansion, while the projected total cost for the Garyville expansion remains unchanged at US\$3.2 billion. Integrated gas spending is now expected to be US\$209 million less than the original estimate of US\$331 million, reflecting EGHoldings being accounted for under the equity method upon start of

production. Capitalized interest and corporate spending is expected to be US\$65 million higher than originally anticipated as a result of the delay of the Alvheim/Vilje project.

The forward-looking statements about Marathon's capital, investment and exploration budget are based on current expectations, estimates and projections and are not guarantees of future performance. Actual results may differ materially from these expectations, estimates and projections and are subject to certain risks, uncertainties and other factors, some of which are beyond Marathon's control and are difficult to predict. Some factors that could cause actual results to differ materially include prices of and demand for crude oil, natural gas and refined products, actions of competitors, disruptions or interruptions of our production or refining operations due to the shortage of skilled labour and unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response, and other operating and economic considerations.

Corporate Matters

On April 25, 2007, Marathon's Board of Directors declared a two-for-one split of the shares of Marathon Common Stock. The stock split was effected in the form of a stock dividend distributed on June 18, 2007, to Marathon Shareholders of record at the close of business on May 23, 2007. Marathon Shareholders received one additional share of Marathon Common Stock for each share of Marathon Common Stock held as of the close of business on the record date.

Dividend Policy

The Marathon Board of Directors intends to declare and pay dividends on Marathon Shares based on the financial condition and results of operations of Marathon, although it has no obligation under Delaware law or its restated certificate of incorporation to do so. In determining its dividend policy with respect to Marathon Shares, the Marathon Board of Directors will rely on the consolidated financial statements of Marathon. Dividends on Marathon Shares are limited to legally available funds of Marathon. See also "Marathon Capital Stock".

Marathon Documents Incorporated in the Information Circular

The following documents, each of which has been filed with the SEC and is included on the CD-ROM which accompanies this Information Circular form an integral part of this Information Circular:

1. Marathon annual report on Form 10-K for the year ended December 31, 2006 (including management's discussion and analysis);
2. Marathon quarterly report on Form 10-Q for the quarter ended June 30, 2007;
3. Marathon 2007 proxy statement dated March 13, 2007 with respect to the annual meeting of shareholders held on April 25, 2007;
4. Marathon current report on Form 8-K filed September 7, 2007;
5. Marathon current report on Form 8-K filed August 3, 2007;
6. Marathon current report on Form 8-K filed May 30, 2007;
7. Marathon current report on Form 8-K filed May 14, 2007;
8. Marathon current report on Form 8-K filed April 25, 2007;
9. Marathon current report on Form 8-K filed March 6, 2007;

10. Marathon current report on Form 8-K filed February 1, 2007 (Items 5.02 and 8.01 only); and
11. Marathon registration statement on Form 8-A/A filed on July 17, 2007.

The consolidated financial statements included in Marathon's annual report on Form 10-K for the year ended December 31, 2006 do not reflect the two-for-one split of Marathon Common Stock which was effected in the form of a stock dividend distributed on June 18, 2007 to Marathon Shareholders of record at the close of business on May 23, 2007. The consolidated financial statements included in Marathon's current report on Form 8-K filed September 7, 2007 have been retroactively adjusted to reflect the stock split for all periods presented.

Any current reports on Form 8-K filed by Marathon with the SEC after the date of this Information Circular and prior to the Meeting and that contain information deemed to be filed with (and not merely furnished to) the SEC will be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Information Circular will be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained in this Information Circular, or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Information Circular, modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Circular. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Marathon Capital Stock

The following summary of certain provisions of Marathon's capital stock does not purport to be complete and is subject to, and qualified in its entirety by, the restated certificate of incorporation and by-laws of Marathon and by the provisions of Applicable Law.

Authorized Capital

Marathon's authorized capital stock consists of 1,100,000,000 shares of Marathon Common Stock and 26,000,000 shares of preferred stock, issuable in series. Each authorized share of Marathon Common Stock has a par value of US\$1.00. The authorized shares of preferred stock have no par value. As of July 31, 2007, 681,102,025 shares of Marathon Common Stock were issued and outstanding and 54,601,091 shares of Marathon Common Stock were held as treasury shares. As of July 31, 2007, no shares of Marathon's preferred stock were issued and outstanding.

Marathon Common Stock

Each share of Marathon Common Stock has one vote in the election of each director and on all other matters voted on generally by the stockholders. No share of Marathon Common Stock affords any cumulative voting rights. This means that the holders of a majority of the voting power of the shares voting for the election of directors can elect all directors to be elected if they choose to do so. The Marathon Board of Directors may grant holders of preferred stock, in the resolutions creating the series of preferred stock, the right to vote on the election of directors or any questions affecting Marathon.

Holders of Marathon Common Stock will be entitled to dividends in such amounts and at such times as the Marathon Board of Directors in its discretion may declare out of funds legally available for the payment of dividends. Dividends on Marathon Common Stock will be paid at the discretion of the

Marathon Board of Directors after taking into account various factors, including: (i) Marathon's financial condition and performance; (ii) Marathon's cash needs and capital investment plans; (iii) Marathon's obligations to holders of any preferred stock it may issue; (iv) income tax consequences; and (v) the restrictions Delaware and other Applicable Laws then impose. In addition, the terms of the loan agreements, indentures and other agreements Marathon enters into from time to time may restrict the payment of cash dividends.

If Marathon liquidates or dissolves its business, the holders of Marathon Shares will share rateably in all assets available for distribution to stockholders after Marathon's creditors are paid in full and the holders of all series of its outstanding preferred stock, if any, receive their liquidation preferences in full.

Marathon Common Stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund.

Shares of Marathon Common Stock are listed on the NYSE and the Chicago Stock Exchange and trade under the symbol "MRO".

Preferred Stock

At the direction of the Marathon Board of Directors, without any action by the Marathon Shareholders, Marathon may issue one or more series of preferred stock from time to time. The Marathon Board of Directors can determine the number of shares of each series of preferred stock and the designation, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions applicable to any of those rights, including dividend rights, voting rights, conversion or exchange rights, terms of redemption and liquidation preferences, of each series.

The existence of undesignated preferred stock may enable the Marathon Board of Directors to render more difficult or to discourage an attempt to obtain control of Marathon by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of its management. The issuance of shares of preferred stock may adversely affect the rights of the Marathon Shareholders. For example, any preferred stock issued may rank prior to Marathon Common Stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of Marathon Common Stock. As a result, the issuance of shares of preferred stock may discourage bids for Marathon Common Stock or may otherwise adversely affect the market price of Marathon Common Stock or any existing preferred stock.

Special Voting Stock

On or prior to the Effective Time, the Marathon Board of Directors, or a duly authorized committee thereof, shall designate and issue a series of preferred stock that will constitute the special voting stock to the Trustee to hold as trustee under the terms of the Voting and Exchange Trust Agreement to enable holders of Exchangeable Shares to exercise voting rights in Marathon, at any time and from time to time, equivalent to the voting rights that such holders of Exchangeable Shares would have been entitled to if they had exchanged their Exchangeable Shares for Marathon Common Stock at the applicable Exchange Ratio; provided, however, that no voting rights will be exercisable in respect of fractional entitlements to Marathon Shares. Except for the right to attend and vote at meetings of the Marathon Shareholders or in respect of written resolutions of such holders, the special voting stock will not confer upon the holder thereof any other rights. The special voting stock shall not be entitled to any distributions of any nature whatsoever from Marathon and will not be entitled to any rights upon liquidation, dissolution or winding up of Marathon. See "The Arrangement — Description of Exchangeable Shares".

Transfer Agent and Registrar

National City Bank acts as transfer agent and registrar for Marathon Common Stock.

AcquisitionCo

AcquisitionCo is an indirect subsidiary of Marathon incorporated under the ABCA on July 30, 2007 for the purpose of implementing the Arrangement. To date, AcquisitionCo has not carried on business except in connection with its role as a party to the Arrangement Agreement. AcquisitionCo's registered office address is 4500, 855 - 2nd Street S.W., Calgary, Alberta T2P 4K7.

The directors of AcquisitionCo are David E. Roberts, Jr., John H. Kousinioris and William S. Osler.

Mr. Roberts, a resident of Houston, Texas, is the senior vice president of Business Development for Marathon. He joined Marathon in June 2006. Mr. Roberts previously served as executive vice president and managing director for BG Group with responsibility for Asia and the Middle East. Prior to joining BG, he served as advisor to the vice chairman of ChevronTexaco Corporation (now Chevron Corporation) from 2001 to 2003.

Each of Mr. Kousinioris and Mr. Osler is a resident of Calgary, Alberta and a partner with the law firm Bennett Jones LLP, Canadian counsel to Marathon. Mr. Kousinioris and Mr. Osler have been lawyers at Bennett Jones LLP since 1998 and 1997, respectively.

Each of the directors of AcquisitionCo will serve in such capacity until the date of the next annual meeting of the holders of the common shares of AcquisitionCo or until his successor is duly elected or appointed, in each case unless such director's office is vacated prior to the next meeting of holders of the common shares of AcquisitionCo. Each of the directors of AcquisitionCo is a member of the audit committee of the AcquisitionCo Board of Directors.

The officers of AcquisitionCo are David E. Roberts, Jr., President, and Richard L. Horstman, Vice-President and Secretary of Houston, Texas. Each of these persons is an employee of Marathon or its affiliates. Mr. Horstman is Assistant General Counsel of Marathon, where he has been employed for over 29 years.

AcquisitionCo Share Capital

The following summary of certain provisions of AcquisitionCo's share capital does not purport to be complete and is subject to, and qualified in its entirety by, the articles and by-laws of AcquisitionCo and by the provisions of Applicable Law.

Authorized Capital

The authorized capital of AcquisitionCo consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. The share capital of AcquisitionCo will be amended prior to the Effective Time to create the Exchangeable Shares.

Common Shares

As of September 14, 2007, there was one common share of AcquisitionCo issued and outstanding, which was held by Marathon International Oil Company (an indirect subsidiary of Marathon). The common share of AcquisitionCo will be transferred to CallCo prior to the Effective Date. The holders of common shares of AcquisitionCo are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote for each share held of record on all matters submitted to a vote of holders of common shares of AcquisitionCo. Subject to the prior rights of the holders of any shares

ranking senior to the common shares of AcquisitionCo with respect to priority in the payment of dividends, the holders of common shares of AcquisitionCo are entitled to receive such dividends as may be declared by the board of directors of AcquisitionCo out of funds legally available for such dividends. Holders of common shares of AcquisitionCo are entitled upon any liquidation, dissolution or winding-up of AcquisitionCo, subject to the prior rights of holders of Exchangeable Shares or any other shares ranking senior to the AcquisitionCo common shares, to receive the remaining property and assets of AcquisitionCo.

Preferred Shares

The preferred shares of AcquisitionCo may, at any time and from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the directors of AcquisitionCo. Subject to the provisions of the ABCA, the directors of AcquisitionCo may, by resolution, fix from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares. As of September 14, 2007, no preferred shares of AcquisitionCo were issued and outstanding.

Special Preferred Share

On or prior to the Effective Time, the board of directors of AcquisitionCo shall, by resolution, establish the first series of preferred shares of AcquisitionCo which shall be designated as “preferred shares, special series 1”. There shall only be one preferred share, special series 1 (the “Special Preferred Share”) authorized for issuance and such share shall be issued to a third party which shall not be affiliated with Marathon in consideration for services rendered.

The Special Preferred Share shall not have any voting rights and the holder of the Special Preferred Share shall not be entitled to receive notice of or to attend any meetings of shareholders of AcquisitionCo, except as otherwise provided by the ABCA.

For so long as the Special Preferred Share remains outstanding, the holder of the Special Preferred Share shall be entitled to receive, in priority to the common shares, the Exchangeable Shares and any other shares of AcquisitionCo ranking junior to or, in certain circumstances, on a parity with, the Special Preferred Share, when, as and if declared by the board of directors of AcquisitionCo out of funds of AcquisitionCo legally available for payment of dividends, cumulative cash dividends per share for each Accrual Period (as defined below) in an amount equal to the product of (i) a fraction, the numerator of which is the actual number of days in such Accrual Period and the denominator of which is the actual number of days in the relevant calendar year; (ii) a dividend rate of 5% per annum (the “Dividend Rate”) and (iii) the redemption amount of US\$65,000 for the Special Preferred Share (the “Redemption Amount”). Dividends on the Special Preferred Share shall be payable quarterly following each Accrual Period and shall be cumulative and shall accumulate (whether or not declared and whether or not AcquisitionCo has funds legally available for the payment of dividends), on a daily basis, without interest, at the Dividend Rate from, but excluding, the last day of the previous Accrual Period for which dividends have been paid, except that the first dividend shall accrue, without interest, from, and including, the date of initial issuance of the Special Preferred Share. Additional dividends shall accrue with respect to any dividends not paid on any dividend payment date for an Accrual Period and such additional dividends shall accrue whether or not declared at the Dividend Rate, compounded quarterly. “Accrual Period” means the period beginning on, and including, the date of initial issuance of the Special Preferred Share and ending on, and including, December 31, 2007, and each successive three-month period beginning on, and including, a Quarterly Date and ending on, but excluding, the next succeeding Quarterly Date. “Quarterly Date” means January 1, April 1, July 1 and October 1 of each year, commencing December 31, 2007.

AcquisitionCo shall redeem, to the extent it has legally available funds therefor, the Special Preferred Share on December 31, 2012 (the “Redemption Date”) at a redemption price per share equal to the Redemption Amount plus accrued and accumulated and unpaid dividends thereon to the Redemption Date.

The Special Preferred Share shall rank prior to the common shares, the Exchangeable Shares and any other shares of AcquisitionCo ranking junior to the Special Preferred Share as to rights upon liquidation, dissolution or winding up of AcquisitionCo so that in the event of any liquidation, dissolution or winding up of AcquisitionCo, whether voluntary or involuntary, the holder of the Special Preferred Share shall be entitled to receive out of the assets of AcquisitionCo legally available for distribution to its shareholders, the Redemption Amount plus an amount equal to all dividends (whether or not declared) accrued and accumulated and unpaid on the Special Preferred Share to the date of payment, before any distribution of assets is made to holders of common shares, Exchangeable Shares or any other shares of AcquisitionCo that rank junior to the Special Preferred Share as to rights to distributions upon liquidation, dissolution or winding up.

Exchangeable Shares

See “The Arrangement — Description of Exchangeable Shares” for a summary of certain provisions of the Exchangeable Shares which will be created prior to the Effective Time.

Transfer Agent and Registrar

The transfer agent and registrar for the Exchangeable Shares will be Valiant Trust Company (Calgary and Toronto). The trustee under the Voting and Exchange Trust Agreement is Valiant Trust Company.

CallCo

CallCo is an indirect subsidiary of Marathon incorporated under the ABCA on September 13, 2007 for the purpose of implementing the Arrangement. To date, CallCo has not carried on business. CallCo’s registered office address is 4500, 855 - 2nd Street S.W., Calgary, Alberta T2P 4K7.

The directors of CallCo are David E. Roberts, Jr. and John H. Kousinioris. Mr. Kousinioris is a partner with the law firm Bennett Jones LLP, Canadian counsel to Marathon.

The officers of CallCo are David E. Roberts, Jr., President and Secretary, and Janet F. Clark, Vice-President. Each of these persons is an employee of Marathon or its affiliates.

CallCo Share Capital

The following summary of certain provisions of CallCo’s share capital does not purport to be complete and is subject to, and qualified in its entirety by, the articles and by-laws of CallCo and by the provisions of Applicable Law.

Authorized Capital

The authorized capital of CallCo consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

Common Shares

As of September 14, 2007, there was one common share of CallCo issued and outstanding, which was held by Marathon Baja Holdings B.V. (an indirect subsidiary of Marathon). The holders of common shares

of CallCo are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote for each share held of record on all matters submitted to a vote of holders of common shares of CallCo. Subject to the prior rights of the holders of any shares ranking senior to the common shares of CallCo with respect to priority in the payment of dividends, the holders of common shares of CallCo are entitled to receive such dividends as may be declared by the board of directors of CallCo out of funds legally available for such dividends. Holders of common shares of CallCo are entitled upon any liquidation, dissolution or winding-up of CallCo, subject to the prior rights of holders of shares ranking senior to the CallCo common shares, to receive the remaining property and assets of CallCo.

Preferred Shares

The preferred shares of CallCo may, at any time and from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the directors of CallCo. Subject to the provisions of the ABCA, the directors of CallCo may, by resolution, fix from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares. As of September 14, 2007, no preferred shares of CallCo were issued and outstanding.

INFORMATION CONCERNING WESTERN

Corporate Structure

Western Oil Sands Inc. was incorporated under the ABCA on June 18, 1999. Western amended its articles on July 27, 1999, October 6, 1999, November 30, 1999, December 22, 1999, December 8, 2000, March 14, 2001 and May 21, 2002 to change its name to Western Oil Sands Inc., to remove its private company restrictions, to amend its share capital to create a class of Non-voting Convertible Equity Shares (as defined below), to designate a series of Class D Preferred Shares and to fix the rights, privileges, restrictions and conditions attaching to such series and to increase the maximum number of directors permitted, respectively. On June 1, 2005, Western amended its articles to divide the issued and outstanding Class A shares on a three for one basis, such that each outstanding Class A share resulted in three outstanding Class A shares.

Western's material wholly-owned subsidiaries are 852006 Alberta Ltd. (which together with Western owns Western Oil Sands LP which holds a 20% undivided interest in the AOSP, WesternZagros, Western Oil International Holdings Limited and WesternZagros Limited.

Western's head office is located at 2400 Ernst & Young Tower, 440 - 2nd Avenue S.W., Calgary, Alberta T2P 5E9 and its registered office is located at Suite 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

Summary Description of Western's Business

Western holds a 20% undivided ownership interest in the joint venture (the "Joint Venture") to exploit the recoverable bitumen resources found in certain oil sands deposits located in the Athabasca region of Alberta including at the Muskeg River Mine. The Muskeg River Mine is Western's only producing asset at this time. Shell Canada Energy ("Shell") and Chevron Canada Limited ("Chevron") hold the remaining 60% and 20% undivided ownership interests, respectively (Western, Shell and Chevron are collectively, the "Joint Venture Owners"). The Muskeg River Mine is located in northern Alberta approximately 70 kilometres north of Fort McMurray, Alberta, abutting the Athabasca River and the integrated Scotford Upgrader is situated near Shell's existing refinery near Fort Saskatchewan, Alberta. The AOSP which includes facilities owned by the Joint Venture and third parties, uses established

processes to mine oil sands deposits, extract and upgrade the bitumen into synthetic crude oil and vacuum gas oil.

The Joint Venture's asset base has grown rapidly as all Joint Venture Owners have continued to acquire additional acreage in the Athabasca region which may be suitable for bitumen recovery either through surface mining or in-situ recovery techniques. In 2006, the Joint Venture Owners sanctioned Expansion 1, the first mining expansion of the AOSP on portions of Lease BT 31 and the east side of Lease 13. Early stage assessments are underway for subsequent mining expansions of the AOSP on other leases in which Western has the right to participate. Moreover, initial drilling programs were undertaken during the 2006/2007 winter drilling season with plans for additional core-hole drilling in subsequent years by both Western and Chevron on leases which may be conducive to in-situ development.

Western is also actively pursuing research and development efforts to add value to existing assets; downstream initiatives to reduce exposure to heavy oil differentials and improve product mix; and identification and evaluation of opportunities in resource development of oil sands and other ventures with significant long-life hydrocarbon resource potential. For additional information relating to the Western's business, see the annual information form of Western for the year ended December 31, 2006 incorporated by reference in this Information Circular and included on the accompanying CD-ROM.

Recent Developments

On August 22, 2007, Western announced its intention to participate in a feasibility study in respect of Expansion 2 of the AOSP. The study, proposed by Shell, is open to participation by all Joint Venture Owners for their proportionate share. The feasibility study will evaluate Expansion 2 to increase production from the Jackpine Mine on the east area of Lease 13 and the extension of that mine to adjacent leases. The first phase of the Jackpine Mine is currently under construction as part of the first 100,000 bbls/d expansion. The Expansion 2 study will evaluate a bitumen mining, recovery and blending project expected to produce approximately 100,000 bbls/d of dry bitumen which will then be blended with other lighter hydrocarbon materials to produce a marketable bitumen blend product. The bitumen is anticipated to be transported from the AOSP mine site via pipeline to the Scotford area for bitumen blending. Each Joint Venture Owner will then take its bitumen in kind for further downstream processing. The proposed scope of the Expansion 2 study includes seeking the regulatory approvals required for the Jackpine Mine expansion.

Western Documents Incorporated in the Information Circular

The following documents filed by Western with the various securities commissions or similar authorities in each of the provinces of Canada, each of which is included on the CD-ROM which accompanies this Information Circular, are specifically incorporated by reference in and form an integral part of this Information Circular:

1. Western annual information form for the year ended December 31, 2006;
2. Western audited consolidated annual financial statements for the year ended December 31, 2006;
3. Western audited consolidated financial statements for the year ended December 31, 2005;
4. Western management's discussion and analysis for the year ended December 31, 2006;
5. Western management's discussion and analysis for the year ended December 31, 2005;
6. Western management proxy circular dated May 1, 2007 with respect to the annual general meeting of shareholders held on June 12, 2007;

7. Western unaudited consolidated interim financial statements for the three and six months ended June 30, 2007;
8. Western management's discussion and analysis for the three and six months ended June 30, 2007; and
9. Western material change report dated August 9, 2007 with respect to the proposed Arrangement with Marathon.

Any documents of the type referred to in the preceding paragraph (excluding confidential reports) filed by Western with a securities commission or any similar authority in Canada after the date of this Information Circular and prior to the Meeting will be deemed to be incorporated by reference in this Information Circular.

Any statement contained in this Information Circular or in a document incorporated or deemed to be incorporated by reference in this Information Circular will be deemed to be modified or superseded for purposes of this Information Circular to the extent that a statement contained in this Information Circular or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Information Circular modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Circular. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Western Share Capital

The authorized share capital of Western includes an unlimited number of Class A shares ("Common Shares" or "Western Shares"), an unlimited number of Non-voting Convertible Class B Equity Shares ("Non-voting Convertible Equity Shares"), an unlimited number of Class C Preferred Shares ("Class C Shares") and an unlimited number of Class D Preferred Shares, issuable in series ("Class D Shares").

On September 14, 2007, 162,587,323 Common Shares, and no Non-voting Convertible Equity Shares, Class C Shares or Class D Shares were issued and outstanding.

The following is a brief description of the attributes of Western's Common Shares, Non-voting Convertible Equity Shares, Class C Shares and Class D Shares.

Common Shares

The holders of Common Shares are entitled, subject to specified preferences in favour of holders of Class C Shares and Class D Shares, to dividends if, as and when declared by the Western Board of Directors and to one vote per share at meetings of the holders of Common Shares and, upon liquidation, subject to specified preferences in favour of holders of Class C Shares and Class D Shares, to share equally share for share with the Non-voting Convertible Equity Shares in the remaining assets of Western.

Non-voting Convertible Equity Shares

The holders of Non-voting Convertible Equity Shares are entitled to dividends in parity with the Common Shares if, as and when declared by the Western Board of Directors and, upon liquidation, subject to specified preferences in favour of holders of Class C Shares and Class D Shares, to share equally share for share with the Common Shares in the remaining assets of Western. Holders of Non-voting Convertible Shares are not entitled to receive notice of, attend or vote at any meetings of shareholders unless otherwise entitled pursuant to Applicable Laws.

Each Non-voting Convertible Equity Share shall entitle the holder to acquire (subject to adjustment), at no additional cost, one Common Share at 4:30 p.m. (Calgary time) (the "Acquisition Expiry Time") on the earlier of: (i) five (5) business days following the date upon which a receipt for a prospectus (the "Qualifying Prospectus") to be filed by Western with respect to the distribution of the Common Shares upon conversion of the Non-voting Convertible Equity Shares has been issued by the last of the securities commissions or similar regulatory authorities in the Province of Alberta and such other provinces of Canada in which Western files such Qualifying Prospectus (based upon the residences of Canadian subscribers); and (ii) 12 months from the date of issuance of the Non-voting Convertible Equity Shares. Non-voting Convertible Equity Shares outstanding at the Acquisition Expiry Time shall be deemed to be converted by the holder, without any further action on the part of the holder, at the Acquisition Expiry Time. As at the date hereof, there are no outstanding securities of this class.

Class C Shares

Western is authorized to make one issuance of Class C Shares. The holders of Class C Shares shall not be entitled to receive notice of, attend or vote at any meetings of the Western Shareholders unless otherwise entitled pursuant to applicable laws but shall be entitled to receive in respect of each calendar year, if, as and when declared by the Western Board of Directors, a non-cumulative preferential dividend in the amount (if any) declared by the Western Board of Directors. No dividends shall be declared or paid in any year on the Common Shares, Non-voting Convertible Equity Shares, Class D Shares or any other shares of Western ranking junior to the Class C Shares from time to time with respect to the payment of dividends, unless all dividends which shall have been declared and which remain unpaid on the Class C Shares then issued and outstanding shall have been paid or provided for at the date of such declaration or payment. Upon liquidation, holders of Class C Shares shall be entitled to payment of an amount (subject to adjustment) equal to the amount or value of the consideration paid for such shares (the "Redemption Amount") in priority to the Common Shares, the Non-voting Convertible Equity Shares, the Class D Shares and any other shares ranking junior to the Class C Shares from time to time. The Class C Shares are redeemable by Western or the holders of Class C for the Redemption Amount. As at the date hereof, there are no outstanding securities of this class.

Class D Shares

The Class D Shares are entitled to receive notice of, attend and vote at any meetings of shareholders and are convertible into Common Shares, prior to redemption, on a one-for-one basis. The Class D Shares are redeemable by Western at a price equal to their issue price plus a cumulative dividend of 12% per annum compounded semi-annually until January 1, 2007, from which date the dividend increases by 3% per quarter to a maximum of 24% per annum. As at the date hereof, there are no outstanding Class D Shares.

Dividend Policy

No dividends have been paid on any shares of Western since the date of its incorporation. Western currently intends to retain its earnings to finance the growth and development of its business and therefore it is not expected that dividends will be paid on the Common Shares in the immediate or foreseeable future. In addition, the credit agreement governing Western's bank facilities and the note indenture governing Western's US\$450 million senior secured 8.375% notes contain restrictions on Western's ability to pay dividends or distributions of any kind.

Western Shareholder Rights Plan

The Western Board of Directors adopted the Western Rights Plan in 1999. The shareholders of Western approved a resolution to confirm the adoption of the Western Rights Plan on December 6, 1999 and approved a resolution on May 11, 2005 to make certain amendments to the Western Rights Plan and to continue the Western Rights Plan for an additional three years. The Western Rights Plan has the terms set out in a shareholder rights plan agreement (the "Rights Agreement") dated as of December 6, 1999 and amended and restated as of May 11, 2005 between Western and Valiant Trust Company, as rights agent. Valiant Trust Company replaced Montreal Trust Company of Canada as the original rights agent under the Rights Agreement effective December 5, 2001.

Summary of the Western Rights Plan

The following is a summary of the principal terms of the Western Rights Plan.

Term

The Western Rights Plan will be in effect until the termination of the annual meeting of the holders of Common Shares in 2008, unless earlier terminated in accordance with its provisions.

Issue of Rights

One right (a "Right") was issued by Western pursuant to the Rights Agreement in respect of each Common Share of Western outstanding at the close of business on December 6, 1999 (the "Record Time"). One Right has been and will also be issued for each additional Common Share issued after the Record Time and prior to the earlier of the Separation Time (as defined below) or the Expiration Time (as defined below). The initial exercise price of the Rights is Cdn\$100 (the "Exercise Price"), subject to appropriate anti-dilution adjustments.

Rights Exercise Privilege

The Rights will separate from the Common Shares to which they are attached and become exercisable at the time (the "Separation Time") which is 10 trading days following the date a person becomes an Acquiring Person (as defined below) or announces an intention to make a takeover bid that is not an acquisition pursuant to a takeover bid permitted by the Plan (a "Permitted Bid") or such later time as may be determined by the Western Board of Directors. Until the Separation Time, the Rights are not exercisable.

Any transaction or event in which a person (an "Acquiring Person"), including associates and affiliates and others acting in concert, acquires (other than pursuant to an exemption available under the Western Rights Plan or a Permitted Bid) Beneficial Ownership (as defined in the Rights Agreement) of 20% or more of the Common Shares is referred to as a "Flip-in Event". Following the occurrence of a Flip-in Event, the Rights (other than those held by the Acquiring Person) shall become exercisable in accordance with the terms of the Rights Agreement to purchase a number of Common Shares having a total market value of Cdn\$200 on payment of Cdn\$100 (i.e., at a 50% discount). Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by Western that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event and the Separation Time occurring, reported earnings and cash flow per Common Share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Until a Right is exercised, the holder thereof, as such, will have no rights as a holder of Common Shares.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by the Common Share certificates and will not be transferable separately from the Common Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and trade separately from the Common Shares.

Waiver and Redemption

The Western Board of Directors may, with prior approval of the Western Shareholders, prior to the occurrence of a Flip-in Event, waive the application of the Flip-in Event provisions to a transaction that would otherwise be subject to those provisions, if such Flip-in Event would occur by reason of an acquisition otherwise than pursuant to a take-over bid made by means of a take-over bid circular to all of the Western Shareholders of record. A waiver in respect of a Flip-in Event occurring by reason of a take-over bid circular to all of the Western Shareholders of record does not require approval of the Western Shareholders, provided, however, that if such a waiver is granted, the Board of Directors will be deemed to have waived the application of the Flip-in Event provisions to any other take-over bid made by take-over bid circular to all of the Western Shareholders of record prior to the expiration of any takeover bid in respect of which a waiver is or is deemed to have been granted. The Western Board of Directors may also, in respect of any Flip-in Event, waive the application of the Flip-in Event provisions to such Flip-in Event, where the Acquiring Person became such by inadvertence and where such Acquiring Person has reduced its beneficial ownership of Common Shares such that at the time of waiver it is no longer an Acquiring Person.

At any time prior to the occurrence of a Flip-in Event, the Western Board of Directors may, with prior approval of holders of Common Shares or of holders of Rights, redeem all, but not part, of the outstanding Rights at a redemption price of Cdn\$0.00001 per Right, subject to appropriate adjustment in certain events. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the Western Board of Directors has waived the application of the Flip-in Event provisions.

Western Board of Directors

The Western Rights Plan does not detract from or lessen the duty of the Western Board of Directors to act honestly and in good faith with a view to the best interests of Western. The Western Board of Directors, when a takeover bid or similar offer is made, continues to have the duty and power to take such actions and make such recommendations to shareholders as are considered appropriate.

Supplement and Amendments

The Western Board of Directors is authorized to make amendments to the Western Rights Plan to correct any clerical or typographical error or to maintain the validity of the Western Rights Plan as a result of changes in law or regulation. In addition, prior to the Separation Time the Western Board of Directors may supplement, amend, vary, rescind or delete any of the provisions of the Western Rights Plan, with the prior consent of the holders of the Common Shares, which consent shall be deemed to have been given by the affirmative vote of a majority of the votes cast by Independent Shareholders (as defined in the Western Rights Plan) present or represented at a meeting of holders of Common Shares. Such amendments may also be made by the Western Board of Directors, on or after the Separation Time with the prior consent of

the holders of the Rights, which consent shall be deemed to have been given by the affirmative vote of a majority of the votes cast by the holders of Rights present or represented at a meeting of such holders. Amendments to the Western Rights Plan are subject to the receipt of applicable regulatory approvals, including the approval of the TSX.

Postponement of Separation Time and Termination of Western Rights Plan in connection with the Arrangement

In connection with the Arrangement and the entering into of the Arrangement Agreement, Western has postponed any Separation Time in order to provide Western Shareholders with the opportunity to consider, and if deemed advisable, approve the Arrangement. Pursuant to the Plan of Arrangement, the Western Rights Plan will be terminated as of the Effective Time.

INFORMATION CONCERNING NEW WESTERNZAGROS

New WesternZagros was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. As at the date hereof, New WesternZagros does not have any subsidiaries.

Immediately following the Effective Time, the Subsequent Transactions will be effected whereby: (i) additional WesternZagros Shares will be issued to Western for cash subscription proceeds of Cdn\$81,533,877; (ii) all of the issued and outstanding WesternZagros Shares will be transferred to New WesternZagros in consideration for the issuance by New WesternZagros of New WesternZagros Preferred Shares; (iii) the New WesternZagros Preferred Shares will be redeemed or purchased for cancellation in consideration of the issuance of a demand non-interest bearing promissory note of New WesternZagros; (iv) the Class B Shares held by New WesternZagros at that time will be redeemed or purchased for cancellation in consideration of the cancellation of such New WesternZagros promissory note; and (v) the Class C Shares held by New WesternZagros at that time will be redeemed or purchased for cancellation in consideration of the payment by Western to New WesternZagros of Cdn\$1,000,000.

Following completion of the Subsequent Transactions, New WesternZagros and its subsidiaries will carry on the business currently carried on by WesternZagros and its subsidiaries.

Following completion of the Arrangement and the Subsequent Transactions, New WesternZagros will, subject to the approval of Western Shareholders at the Meeting, complete the New WesternZagros Private Placement of up to 5 million New WesternZagros shares at a price of Cdn\$2.50 per share for gross proceeds of up to Cdn\$12.5 million. Certain persons have committed to participate in the New WesternZagros Private Placement as to approximately Cdn\$9.4 million. In addition, certain persons have committed to exercise a portion of the New WesternZagros Warrants which will be owned or controlled by them, directly or indirectly, representing approximately Cdn\$1.4 million or 3.4% of the New WesternZagros Shares to be issued upon exercise of the New WesternZagros Warrants which will be issued under the Arrangement.

See Appendix G — Information Concerning New WesternZagros.

INFORMATION CONCERNING WESTERNZAGROS

WesternZagros was incorporated on September 21, 2004 as a wholly-owned subsidiary of Western. WesternZagros is an international natural resources company formed for the purpose of engaging in the business of acquiring properties and exploring for, developing and producing crude oil and natural gas. A wholly-owned subsidiary of WesternZagros is party to an Exploration and Production Sharing Agreement with the Kurdistan Regional Government in respect of a 2,120 square kilometre exploration project area in the Kurdistan Region of Iraq.

Assuming the Arrangement Agreement is approved at the Meeting, following the Effective Time and the completion of the Subsequent Transactions, New WesternZagros will own all of the issued and outstanding WesternZagros Shares and will carry on the business currently carried on by WesternZagros and its subsidiaries.

For additional information relating to WesternZagros, see Western's annual information form for the year ended December 31, 2006 and Appendix G — Information Concerning New WesternZagros.

MARKET PRICES OF, AND DIVIDENDS ON, WESTERN SHARES AND MARATHON SHARES

Share Prices

Western Shares are traded on the TSX. Marathon Shares are traded on the NYSE and the Chicago Stock Exchange. The following table sets forth, for the calendar periods indicated, the high and low closing sales prices of the Western Shares on the TSX, expressed in Canadian dollars, and the high and low closing sales prices for Marathon Shares on the NYSE, expressed in U.S. dollars, in each case adjusted to reflect stock splits.

	Western Shares		Marathon Shares	
	TSX		NYSE	
	High	Low	High	Low
2005				
First Quarter	Cdn\$21.00	Cdn\$13.22	US\$24.38	US\$17.87
Second Quarter	24.65	17.62	27.79	22.00
Third Quarter	32.50	24.79	35.42	27.35
Fourth Quarter	29.25	24.00	34.61	28.14
2006				
First Quarter	38.07	29.74	39.08	32.62
Second Quarter	37.79	25.76	43.02	34.92
Third Quarter	31.49	24.90	46.10	35.37
Fourth Quarter	33.42	25.37	48.79	35.97
2007				
First Quarter	35.50	27.72	51.28	41.72
Second Quarter	38.79	33.85	66.26	49.89
July	37.79	34.13	65.04	55.15
August	38.13	36.60	54.22	49.24
September 1 - 13	38.74	37.39	56.58	52.88

On July 30, 2007, the last full trading day prior to the public announcement of the Arrangement, the closing sale price per Western Share as reported on the TSX was Cdn\$34.13, and the closing sale price per Marathon Share, as reported on the NYSE, was US\$57.00. On September 13, 2007, the last full trading day

prior to the date of this Information Circular, the closing sale price per Western Share as reported on the TSX was Cdn\$37.79, and the closing sale price per Marathon Share, as reported on the NYSE, was US\$54.87. Because the market price of Marathon Shares is subject to fluctuation due to numerous market forces, the market value of Marathon Shares that holders of Western Shares will receive pursuant to the Arrangement or on the exchange of Exchangeable Shares may increase or decrease prior to the Effective Time. Western Shareholders are urged to obtain current market quotations for their Western Shares and Marathon Shares. Historical market prices are not indicative of future market prices.

Dividends Paid

No dividends have been paid on any shares of Western since the date of its incorporation.

The following table sets forth, for the calendar periods indicated, dividends paid per share on Marathon Shares, expressed in U.S. dollars, adjusted to reflect stock splits.

	<u>Marathon Shares</u>
2005	
First Quarter	\$0.14
Second Quarter	0.14
Third Quarter	0.16
Fourth Quarter	0.16
2006	
First Quarter	0.16
Second Quarter	0.20
Third Quarter	0.20
Fourth Quarter	0.20
2007	
First Quarter	0.20
Second Quarter	0.24
Third Quarter	0.24

For more information regarding dividends paid by Marathon, see “Information Concerning Marathon — Dividend Policy”.

COMPARISON OF SHAREHOLDER RIGHTS

If the Arrangement is consummated, holders of Western Shares will transfer their Western Shares to AcquisitionCo in consideration for cash, Marathon Shares and/or Exchangeable Shares. Holders of Exchangeable Shares will have the right to exchange or retract their Exchangeable Shares for Marathon Shares. Western is a corporation governed by Alberta law. Marathon is a corporation organized under Delaware law. Upon completion of the Arrangement, the rights of all former Western Shareholders who become holders of Marathon Shares will then be governed by the Marathon's articles and by-laws and the Delaware General Corporate Law ("DGCL"). In addition, until such time as the Exchangeable Shares are exchanged for Marathon Shares, holders of the Exchangeable Shares will be able to exercise essentially the same voting rights with respect to Marathon as they would had they exchanged their Exchangeable Shares for Marathon Shares.

While the rights and privileges of shareholders of an Alberta corporation are, in many instances, comparable to those of stockholders of a Delaware corporation, there are certain differences. These differences arise from differences between Alberta and Delaware law, and between the Western articles of incorporation and by-laws and the Marathon restated certificate of incorporation and by-laws. The following is a summary of some of the most significant differences in shareholder rights between Western and Marathon.

The following summary does not reflect any of the rules of the TSX or the NYSE that may apply to Western or Marathon in connection with the Arrangement. This summary is not intended to be complete and is qualified in its entirety by reference to the ABCA, the DGCL and the governing corporate instruments of Western and Marathon.

	<u>Western Shareholder Rights</u>	<u>Marathon Stockholder Rights</u>
Voting Rights	<p>Holders of Western Shares are entitled to one vote per share. Under the ABCA, the vote of a majority of shares voted on any matter (including the election of directors) at a meeting of shareholders at which a quorum is present is the act of such shareholders on the matter, unless the vote of a greater number is required by law or by the articles of the corporation. Pursuant to the by-laws of Western, two Western Shareholders or proxyholders present in person and holding in person or by proxy not less than 5% of the shares entitled to vote at the meeting constitute a quorum at a meeting of Western Shareholders.</p> <p>Under Alberta law, a written resolution signed by all the shareholders of the corporation who would have been entitled to vote on the resolution at a meeting is effective to approve the resolution.</p>	<p>Holders of Marathon Common Stock are entitled to one vote per share.</p> <p>Holders of shares of Marathon Common Stock are not entitled to cumulative voting in the election of directors.</p> <p>Marathon's by-laws provide that one-third of the voting power of the outstanding shares of stock entitled to vote generally at the meeting must be present in person or represented by proxy to constitute a quorum, unless a larger number is required by law.</p> <p>Under the DGCL, unless otherwise provided in the corporation's certificate of incorporation, a written consent signed by holders of stock having sufficient votes to approve the matter at a meeting is effective to approve the matter.</p> <p>Marathon's restated certificate of incorporation provides that any action by Marathon Shareholders must be taken at a meeting of the Marathon Shareholders, with prior notice and a vote, and no action may be taken by the written consent of the Marathon Shareholders.</p>
Shareholders' Meetings	<p>Under the ABCA, the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting sought to be held by such shareholders may requisition the</p>	<p>Marathon's by-laws provide that, in order to bring a matter before an annual meeting or to nominate a candidate for director, a stockholder must give notice of the proposed matter or</p>

Western Shareholder Rights

directors to call a meeting of shareholders. Upon meeting the technical requirements set out in the ABCA for making such requisition, the directors of the corporation must call a meeting of shareholders. If the directors fail to call the meeting, the shareholders who made the requisition may call the meeting.

Under the ABCA, directors of a corporation are required to call an annual meeting of shareholders not later than 15 months after holding the last preceding annual meeting. A board of directors may call a special meeting at any time.

Notice of any meeting of shareholders must be sent not less than 21 days and not more than 50 days before the meeting.

Vote Required for Extraordinary Transactions

Under Alberta law, the approval of at least two-thirds of votes cast at a meeting (a “special resolution”) is required for extraordinary corporate actions, including:

- amalgamations (other than an amalgamation involving a wholly-owned subsidiary of the corporation);
- the continuance of the corporation into another jurisdiction;
- the sale, lease or exchange of all or substantially all of the property of a corporation;
- liquidations and dissolutions; and
- arrangements (if ordered by a court).

Alberta law may also require the separate approval by the holders of a class or series of shares for certain extraordinary corporate actions.

Marathon Stockholder Rights

nomination no earlier than 75 days and no later than 45 days before the first anniversary of the date on which the company first mailed its proxy materials for the preceding year’s annual meeting. However, if the date of the annual meeting is more than 30 days before or after the date of the preceding year’s annual meeting, the by-laws provide that notice must be delivered by the later of the 90th day before the annual meeting or the 10th day following the day on which the meeting date is publicly announced. Any such notice must contain prescribed information, as set forth in Marathon’s by-laws.

Marathon’s by-laws provide that, unless changed by the board of directors, the annual meeting of Marathon Shareholders shall be held at the office of Marathon’s registered agent in the State of Delaware at 2:00 p.m. on the last Wednesday in April, unless that day is a legal holiday, in which case the meeting will be held the next Wednesday that is not a holiday. The board may change the time and place of the meeting if all legal requirements are met. Marathon’s by-laws provide that notice of the meeting must be mailed to Marathon Shareholders at least 10 and no more than 60 days before the meeting.

A special meeting of holders of Marathon Common Stock may be called only by the board of directors.

Under the DGCL, the affirmative vote of a majority of the outstanding Marathon Common Stock entitled to vote is required for:

- mergers;
- consolidations;
- dissolutions; or
- sales of substantially all of the assets of the corporation;

provided that, unless the corporation’s certificate of incorporation requires otherwise, no vote is required where, either:

- the corporation’s certificate of incorporation is not amended, the shares of stock of the corporation become equivalent shares of the surviving corporation and the stock of the corporation issued in the merger does not exceed 20% of the previously outstanding stock; or
- the merger is with another corporation that

**Amendments to
Governing
Documents**

Under Alberta law, the approval of at least two-thirds of the votes cast at a meeting is required to amend the articles of the corporation. Alberta law may also require the separate approval by the holders of a class or series of shares for certain amendments to governing documents.

The ABCA also requires the creation, amendment or repeal of by laws to be approved by a majority of the votes of the shareholders of the corporation at the next shareholder meeting.

owns 90% of the outstanding shares of each class of such corporation (provided certain other requirements are met).

Under the DGCL, the affirmative vote of the holders of a majority of the outstanding stock entitled to vote is required to approve a proposed amendment to a corporation's certificate of incorporation, following the adoption of the amendment by the board of directors of the corporation, provided that the certificate of incorporation may provide for a greater vote. Marathon's restated certificate of incorporation does not require a greater vote.

If the amendment would (i) alter or change the powers, preferred or special rights of a class or series of the corporation's capital stock so as to affect them adversely, (ii) increase or decrease the aggregate number of authorized shares of any such class or series, or (iii) increase or decrease the par value of the shares of any such class or series, the DGCL also requires the approval of a majority of the shares of that class or series.

Under the DGCL, stockholders are given the power to adopt, alter and repeal a corporation's by-laws, provided that the corporation's certificate of incorporation may also provide such power to the board of directors.

Marathon's restated certificate of incorporation provides that:

- the Marathon Board of Directors may adopt, amend and repeal the by-laws; and
- the Marathon Shareholders may adopt, amend and repeal the by-laws at any regular or special meeting of the stockholders by the affirmative vote of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter, provided that notice of intention to adopt, amend or repeal the by-laws in whole or in part shall have been included in the notice of meeting.

Marathon's by-laws contain a complementary provision to the same effect.

Dissenters' Rights

Under Alberta law, each of the matters listed below will entitle shareholders to exercise rights of dissent and to be paid the fair value of their shares:

- an amendment to the corporation's articles

Under the DGCL, holders of shares of Marathon Common Stock may dissent, in some circumstances, from a merger or consolidation by demanding payment equal to the fair value of their shares. These rights of dissent and appraisal only apply in the event of a merger or

Western Shareholder Rights

to add, change or remove any provisions restricting or constraining the issue or transfer of that class of shares;

- an amendment to the corporation's articles to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- an amendment to the corporation's articles to add or remove an express statement establishing the unlimited liability of shareholders;
- any amalgamation with another corporation (other than with certain affiliated corporations);
- a continuance of the corporation under the laws of another jurisdiction; and
- the sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business.

A court may also permit shareholders to dissent in connection with an application to the court for an order approving an arrangement.

Alberta law provides these dissent rights for both listed and unlisted shares.

Oppression Remedy

Alberta law provides an oppression remedy that allows a "complainant" who is:

- a present or former shareholder;
- a present or former director or officer of the corporation or its affiliates; and
- any other person who in the discretion of the court is a proper person to make the application,

to apply to court for relief where:

- any act or omission of the corporation or any of its affiliates effects a result;
- the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted in a manner; or
- the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner,

that is oppressive or unfairly prejudicial to or that unfairly disregards the interest of a shareholder, creditor, director or officer. Alberta law permits a court to make any interim or final

Marathon Stockholder Rights

consolidation and not in the case of a sale or transfer of assets or a purchase of assets for stock.

Under the DGCL, no dissent or appraisal rights are available if the shares are listed on a national securities exchange or are designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or are held of record by more than two thousand stockholders, unless the merger or consolidation converts the shares into something other than:

- stock of the surviving corporation;
- stock of another corporation that is either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 stockholders;
- cash in lieu of fractional shares; or
- any combination of the above.

The DGCL does not provide for a similar remedy.

Western Shareholder Rights

orders it thinks fit to rectify the matters complained of in the application for relief.

Derivative Action

Under Alberta law, a “complainant” may bring an action in the name of and on behalf of a corporation or any of its affiliates, or intervene in an existing action to which the corporation is a party, if the complainant has given reasonable notice to the directors of the corporation and the complainant satisfies the court that:

- the directors of the corporation will not bring, diligently prosecute or defend or discontinue the action;
- the complainant is acting in good faith; and
- it appears to be in the interest of the corporation that the action be brought, prosecuted, defended or discontinued.

In connection with any derivative action initiated by a complainant, the court may at any time make any order it thinks fit.

Director Qualifications

At least one quarter of the directors of a corporation governed by the ABCA must be resident Canadians. Alberta law also requires that a corporation whose securities are publicly traded must have not fewer than three directors, at least two of whom are not officers or employees of the corporation or any of its affiliates.

Election of Directors

Under the ABCA, shareholders of a corporation shall at each succeeding annual meeting at which an election of directors is required elect directors to hold office for a term not later than the close of the next annual meeting of shareholders following the election.

The articles of Western also provide that the directors may, between annual meetings, appoint one or more additional directors of the corporation to serve until the next annual meeting, but the number of additional directors shall not at any time exceed one third of the number of directors who held office at the expiration of the last annual meeting of the corporation.

Marathon Stockholder Rights

Under the DGCL, a stockholder may bring a derivative action in Delaware on behalf of, and for the benefit of, the corporation, provided that:

- the stockholder must state in his complaint that he was a stockholder of the corporation at the time of the transaction that is the subject of the complaint; and
- the stockholder must first make demand on the corporation that it bring an action and the demand must be refused, unless it is shown that the demand would have been futile.

Marathon’s by-laws provide that: (i) no director shall continue to serve on the Marathon Board of Directors beyond the last day of the month in which such director attains the age of 72, except that a former chief executive officer shall not continue to serve on the board beyond the last day of the month in which the age of 70 is attained; and (ii) any officer-director, other than a chief executive officer, shall retire from the board of directors at the time such officer-director ceases to be a principal officer of Marathon. Directors need not be stockholders.

The Marathon Board of Directors was previously divided into three classes and elected for staggered terms. In accordance with an amendment to Marathon’s restated certificate of incorporation approved by Marathon Shareholders at their 2006 annual meeting: (i) the five persons who were elected as directors at the 2007 annual meeting of Marathon Shareholders were elected to a term expiring at the 2008 annual meeting of Marathon Shareholders; (ii) the persons elected as directors at the 2008 annual meeting of Marathon Shareholders (including the directors elected at the 2007 annual meeting of Marathon Shareholders (or their successors), as well as the directors who had previously been elected to a three-year term expiring at the 2008 annual meeting of Marathon Shareholders (or their successors)) will be elected to a term expiring at the 2009 annual meeting of Marathon

Shareholders; and (iii) the persons elected as directors at the 2009 annual meeting of Marathon Shareholders (including the directors elected at the 2008 annual meeting of Marathon Shareholders (or their successors), as well as the directors who had previously been elected to a three-year term expiring at the 2009 annual meeting of Marathon Shareholders (or their successors)), and at each annual meeting thereafter, will be elected for a term expiring at the next succeeding annual meeting of Marathon Shareholders.

Marathon's by-laws provide that, except as may otherwise be provided in Marathon's restated certificate of incorporation (which would be deemed to include any certificate of designations with respect to a class of preferred stock that may be designated), in an election of directors by the Marathon Shareholders at any meeting for the election of directors at which a quorum is present, each director shall be elected by the vote of a majority of the votes cast with respect to the director; provided, however, that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at such meeting and entitled to vote on the election of directors if, in connection with such meeting: (i) Marathon shall have received a notice that a stockholder has nominated a person for election to the board of directors in compliance with the advance-notice requirements set forth in Marathon's by-laws; and (ii) such nomination shall not have been withdrawn by such holder on or prior to the day next preceding the date Marathon first mails its notice of meeting for such meeting to Marathon Shareholders. If directors are to be elected by a plurality of the votes cast pursuant to those provisions, Marathon Shareholders will not be provided the option to vote against any one or more of the nominees, but will only be provided the option to vote for one or more of the nominees or withhold their votes with respect to one or more of the nominees. For these purposes, a majority of the votes cast means that the number of shares voted "for" a director must exceed the number of votes cast "against" that director.

Under Marathon's restated certificate of incorporation and by-laws, any vacancy in the Marathon Board of Directors would be filled by a successor elected by a majority of the Marathon directors then in office, even if less than a quorum. The successor would serve for

Western Shareholder Rights

Marathon Stockholder Rights

Removal of Directors The shareholders of a corporation may by ordinary resolution at a special meeting remove any director or directors from office.

Fiduciary Duties of Directors Under Alberta law, directors have a duty of care and loyalty to the corporation. The duty of care requires that the directors exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duty of loyalty requires directors to act honestly and in good faith with a view to the best interests of the corporation.

Indemnification of Officers and Directors Under Alberta law, except in respect of an action by or on behalf of a corporation to procure a judgment in its favour, a corporation may indemnify present and former directors and officers and their heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, provided that:

- they acted honestly and in good faith with a view to the best interests of the corporation; and
- in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful.

The ABCA also permits a corporation to advance funds to a person to defray the costs, charges and expenses of a proceeding to which indemnification may relate, provided that any such advances are repaid if the director or officer is not successful on the merits in their defence of the action or proceeding.

The Western by-laws provide for indemnification of directors and officers to the fullest extent authorized by Alberta law and Western has entered into indemnity agreements with its directors and officers.

the unexpired term of the director being replaced and until the election of a successor.

Under the DGCL and Marathon's by-laws, Marathon's directors may be removed, with or without cause, by the holders of a majority of the shares of Marathon Common Stock then entitled to vote at an election of directors.

Under the DGCL, directors have a duty of care and loyalty to the corporation and its stockholders. The duty of care requires that the directors act in an informed and deliberative manner and inform themselves, prior to making a business decision, of all material information reasonably available to them. The duty of loyalty is the duty to act in good faith in a manner which the directors reasonably believe to be in the best interests of the stockholders.

The DGCL provides that a corporation may indemnify its present and former directors, officers, employees and agents against all reasonable expenses (including attorneys' fees) and, except in actions initiated by or in the right of the corporation, against all judgments, fines, and amounts paid in settlement of actions brought against them, provided that they:

- acted in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the corporation; and
- in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

In general, Marathon's by-laws provide that Marathon shall indemnify any person who was or is made or threatened to be made a party or is involved in a proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, employee or agent of Marathon or is or was serving at the request of Marathon as a director, officer, employee or agent of another entity against all expenses, liability and loss reasonably incurred by such person.

In accordance with the DGCL, Marathon's by-laws provide for the advance payment of an indemnitee's expenses prior to the final disposition of an action, provided that the indemnitee undertakes to repay any such amount advanced if it is later determined that the indemnitee is not entitled to indemnification with regard

Director Liability

Alberta law does not permit the limitation of a director's liability as Delaware law does.

Dividends and Other Distributions

Under the ABCA, Western may pay dividends on the Western Shares unless there are reasonable grounds for believing that after such payment either:

- Western is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realizable value of Western's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares.

Anti-Takeover Provisions and Interested Stockholder Transactions

Alberta law does not contain specific anti-takeover provisions with respect to business transactions. However, the policies of Canadian securities regulatory authorities contain certain requirements relating to takeover bids, mergers and interested shareholder transactions. In particular, OSC Rule 61-501 and AMF Policy Q-27 impose certain requirements on, among other things "business combinations", "going private transactions" and "related party transactions". OSC Rule 61-501 and AMF Policy Q-27 require more detailed disclosure in the proxy material sent to security holders in connection with a transaction to which they relate, including, subject to certain exceptions, the inclusion of a formal valuation of the subject matter of the transaction and any non-cash consideration offered therefor. OSC Rule 61-501 and AMF Policy Q-27 also require, subject to certain exceptions, that the minority shareholders of the issuer separately approve the transaction by a simple majority.

to the action for which the expenses were advanced.

Marathon's restated certificate of incorporation includes provisions eliminating the personal liability of directors for monetary damages for breach of any fiduciary duty as a director to the extent permitted under the DGCL. Those provisions protect Marathon directors against personal liability for monetary damages related to breaches of their fiduciary duty of care. Those provisions do not eliminate the director's duty of care, and they do not have any effect on the availability of equitable remedies, such as an injunction or rescission, based on a director's breach of his or her duty of care.

The Marathon Board of Directors may declare dividends as they deem advisable and proper, subject to the rights of the holders of preferred stock that may be outstanding and other restrictions imposed by applicable law. Any dividends declared will be paid to the stockholders at a time fixed by the directors.

Marathon is subject to Section 203 of the DGCL, which prevents an "interested stockholder", generally defined as a person owning 15% or more of a Delaware corporation's outstanding voting stock or any affiliate or associate of that person, from engaging in "business combinations" with the corporation for three years following the date that person became an interested stockholder unless:

- before that person became an interested stockholder, the board of directors of the corporation approved the transaction in which that person became an interested stockholder or approved the business combination;
- on completion of the transaction that resulted in that person's becoming an interested stockholder, that person owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than stock held by (i) directors who are also officers of the corporation or (ii) any employee stock plan that does not provide employees with the right to determine confidentially whether shares held subject to the

Shareholder Rights Plan

Under the Western shareholder rights plan, holders of Western Shares have one right with respect to each Western Share held. The rights have certain anti-takeover effects and will cause substantial dilution to a person or group that attempts to acquire Western in a manner which causes the rights to become exercisable. See “Information Concerning Western — Western Shareholder Rights Plan”.

plan will be tendered in a tender or exchange offer; or

- following the transaction in which that person became an interested stockholder, both the board of directors of the corporation and the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by that person approve the business combination.

These restrictions do not apply to specific business combinations proposed by an interested stockholder following the announcement or notification of designated extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation’s directors, if a majority of the directors who were directors prior to any person’s becoming an interested stockholder during the previous three years, or were recommended for election or elected to succeed those directors by a majority of those directors, approve or do not oppose that extraordinary transaction.

Marathon does not currently have a shareholder rights plan.

DISSENTING SHAREHOLDER RIGHTS

The following description of the rights of Dissenting Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such shareholder’s Western Shares and is qualified in its entirety by the reference to the full text of the Interim Order which is attached as Appendix B to this Information Circular and the full text of Section 191 of the ABCA which is attached as Appendix J to this Information Circular. **A Western Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of Section 191 of the ABCA, as modified by the Interim Order. Failure to comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.**

The Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Under the Interim Order, a registered Western Shareholder is entitled, in addition to any other rights he may have, to dissent and to be paid by Western the fair value of the Western Shares held by him in respect of

which he dissents, determined as of the close of business on the last Business Day before the Meeting. A Western Shareholder may dissent only with respect to all of the Western Shares held by him or on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name. Western Shareholders who have voted in favour of the Arrangement Resolution shall not be accorded a right of dissent. **Persons who are beneficial owners of Western Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the registered owner of such Western Shares is entitled to dissent. Accordingly, a beneficial owner of Western Shares desiring to exercise his right of dissent must make arrangements for the Western Shares beneficially owned by him to be registered in his name prior to the time the written objection to the Arrangement Resolution is required to be received by Western or, alternatively, make arrangements for the registered holder of his Western Shares to dissent on his behalf.**

A Dissenting Shareholder must send to Western a written objection to the Arrangement Resolution, which written objection must be received by Western, Attention: Vice President, General Counsel and Corporate Secretary, 2400 Ernst & Young Tower, 440 — Second Avenue S.W., Calgary, Alberta T2P 5E9, by 2:00 p.m. (Calgary time) on the Business Day before the Meeting (or any adjournment or postponement thereof). No Western Shareholder who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

An application may be made to the Court by Western or by a Dissenting Shareholder to fix the fair value of the Dissenting Shareholder's Western Shares. If such an application to the Court is made by either Western or a Dissenting Shareholder, Western must, unless the Court otherwise orders, send to each Dissenting Shareholder a written offer to pay him an amount considered by the Western Board of Directors to be the fair value of the Western Shares held by such Dissenting Shareholder. The offer, unless the Court otherwise orders, will be sent to each Dissenting Shareholder at least 10 days before the date on which the application is returnable, if Western is the applicant, or within 10 days after Western is served with notice of the application, if a Dissenting Shareholder is the applicant. The offer must be made on the same terms to each Dissenting Shareholder and must be accompanied by a statement showing how the fair value was determined.

A Dissenting Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order under Subsection 191(13) of the ABCA fixing the fair value of the Western Shares of all Dissenting Shareholders who are parties to the application, giving judgment in that amount against Western and in favour of each of those Dissenting Shareholders, and fixing the time within which Western must pay that amount to the Dissenting Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder calculated from the date on which the Dissenting Shareholder ceases to have any rights as a Western Shareholder under the ABCA until the date of payment.

Western shall not make a payment to a Dissenting Shareholder under Section 191 of the ABCA if there are reasonable grounds for believing that Western is or would after the payment be unable to pay its liabilities as they become due, or the realizable value of the assets of Western would by reason of the payment be less than the aggregate of its liabilities. In such event, Western shall, within 10 days after the pronouncement of the order under Subsection 191(13) of the ABCA, or the making of an agreement between a Dissenting Shareholder and Western as to the payment to be made for such Dissenting Shareholder's Western Shares, notify each Dissenting Shareholder that it is lawfully unable to pay Dissenting Shareholders for their Western Shares. In such event, each Dissenting Shareholder retains his status as a claimant against Western to be paid as soon as Western is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to holders of then outstanding shares of Western.

All Western Shares held by Dissenting Shareholders will be deemed to be transferred to Western for cancellation on the Effective Date in exchange for payment of the fair value of such Western Shares determined as of the close of business on the last Business Day before the Arrangement is approved by the Western Shareholders at the Meeting.

It is a condition to the obligations of the parties to complete the Arrangement that Dissent Rights shall not have been exercised by the holders of more than 15% of the outstanding Western Shares.

For a general summary of certain income tax implications to a Dissenting Shareholder, see "Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations — Western Shareholders Resident in Canada — Dissenting Shareholders" and "Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations — Western Shareholders Not Resident in Canada — Non-Resident Shareholders".

INFORMATION CONCERNING THE MEETING

Purpose of the Meeting

The information contained in this Information Circular is furnished in connection with the solicitation of proxies by the management of Western for use at the Meeting. At the Meeting, Western Shareholders will consider and vote upon the Arrangement Resolution and resolutions relating to the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan and the New WesternZagros Private Placement, and such other business as may properly come before the Meeting.

The Western Board of Directors has unanimously determined that the Arrangement is in the best interests of Western and the Western Shareholders and is fair, from a financial point of view, to Western Shareholders. Accordingly, the Western Board of Directors has unanimously approved the Arrangement and recommends that Western Shareholders vote FOR the Arrangement Resolution. See “The Arrangement — Background and Reasons for the Arrangement” and “The Arrangement — Recommendation of the Western Board of Directors”.

The completion of the Arrangement is not conditional upon approval of the New WesternZagros Stock Option Plan, the New WesternZagros Shareholder Rights Plan or the New WesternZagros Private Placement at the Meeting. See “Other Matters of Special Business relating to New WesternZagros”.

Date, Time and Place of Meeting

The Meeting will be held at 10:00 a.m. (Calgary time) on Tuesday, October 16, 2007 at the Macleod Hall B, TELUS Convention Centre, 120 - 9th Avenue S.E., Calgary, Alberta.

General

This Information Circular is furnished in connection with the solicitation of proxies by the management of Western for use at the Meeting of Western Shareholders at the place and for the purposes set out in the accompanying Notice of Meeting. As a Western Shareholder, you are cordially invited to be present at the Meeting. To ensure that you will be represented at the Meeting in the event that you are a *registered Western Shareholder* and unable to attend personally, you are requested to date, complete and sign the accompanying instrument of proxy enclosed herewith and return the same to Valiant Trust Company, 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1. If you are not a *registered Western Shareholder* and receive these materials through your broker or through another intermediary, please complete and return the instrument of proxy in accordance with the instructions provided therein. See “Information Concerning the Meeting — Advice to Beneficial Holders of Western Shares”.

The solicitation of proxies is intended to be primarily by mail but may also be made by telephone, fax transmission or other electronic means of communication or in person by the directors, officers and employees of Western. The cost of such solicitation will be borne by Western. Marathon may also assist with the solicitation of proxies as requested by Western. Georgeson is acting as Western’s proxy solicitation agent. Georgeson will be paid a fee of approximately Cdn\$75,000 plus out-of-pocket expenses and per-call fees of Cdn\$6.00 per call to retail Western Shareholders. The total cost of soliciting proxies and mailing the materials in connection with the Meeting will be borne by Western. In addition, Western may retain other proxy solicitation agents or dealer-managers as required, for usual compensation.

Solicitation and Appointment of Proxies

The individuals named in the accompanying form of proxy are officers and/or directors of Western. **A Western Shareholder wishing to appoint some other person (who need not be a Western Shareholder) to represent such shareholder at the Meeting has the right to do so, either by inserting such person’s name in the blank space provided in the form of proxy or by completing another form of proxy.** Such a Western Shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and instruct the nominee on how the Western Shareholder’s shares are to be voted. In any case, the form of proxy should be dated and executed by the Western Shareholder or the Western Shareholder’s attorney authorized in writing or, if the Western Shareholder is a corporation, under its corporate seal, or by an

officer or attorney thereof duly authorized. If you require any assistance in completing your proxy, please call Georgeson toll free at 1-888-605-7643.

A proxy will not be valid for the Meeting or any adjournment thereof unless the completed form of proxy is delivered to Valiant Trust Company, 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Meeting or any adjournment thereof.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Western Shareholder who has given a proxy may revoke it at any time before it is exercised, by instrument in writing executed by the Western Shareholder or by the Western Shareholder's attorney authorized in writing and deposited either at the registered office of Western at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Voting of Proxies

The persons named in the enclosed form of proxy have indicated their willingness to represent, as proxyholders, the Western Shareholders who appoint them. Each Western Shareholder may instruct its proxyholder how to vote the Western Shareholder's shares by completing the blanks in the form of proxy.

Western Shares represented by properly executed proxy forms in favour of the persons designated in the enclosed proxy form will be voted or withheld from voting on any poll in accordance with the instructions made on the proxy forms and, if a Western Shareholder specifies a choice as to any matters to be acted on, such Western Shareholder's shares shall be voted accordingly. In the absence of such instructions, such shares **will be voted FOR all matters identified in the notice of meeting accompanying this Information Circular.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. At the time of printing this Information Circular, the management of Western was not aware of any such amendments, variations or other matters to come before the Meeting.

Voting Shares and Principal Holders Thereof

Western's issued and outstanding voting securities as at September 14, 2007 consist of 162,587,323 Western Shares. Western Shareholders are entitled to one vote for each Western Share held on all matters to be considered and acted upon at the Meeting or any adjournment thereof.

Western has set the close of business on September 14, 2007 as the record date for the Meeting. Western will prepare a list of Western Shareholders of record at such time. Western Shareholders named on that list will be entitled to vote the Western Shares then registered in their name at the Meeting, except to the extent that (a) the holder has transferred the ownership of any of the holder's Western Shares after that date, and (b) the transferee of those shares produces properly endorsed certificates representing Western Shares, or otherwise establishes that such transferee owns the Western Shares, and demands at any time before the Meeting that the transferee's name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Western Shares at the Meeting or any adjournment thereof.

To the knowledge of the directors and executive officers of Western, no person, firm or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to the Western Shares except as set forth below:

<u>Name and Municipality of Residence</u>	<u>Voting Securities Held</u>	<u>Percentage of Voting Securities</u>
Fidelity ⁽¹⁾⁽²⁾ Boston, Massachusetts	21,003,694 Western Shares	13.0

Notes:

- (1) Beneficial ownership of these shares is not known by Western.
- (2) Fidelity Management & Research Company, Fidelity Management Trust Company, Boston, Massachusetts, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Boston, Massachusetts, Fidelity International Limited, Pembroke, Bermuda, collectively referred to as “Fidelity”.

Advice to Beneficial Holders of Western Shares

The information set forth in this section is of significant importance to many investors in Western Shares who do not own shares in their own name. Western Shareholders who do not hold their Western Shares in their own name (referred to in this Information Circular as “Beneficial Western Shareholders”) should note that only proxies deposited by Western Shareholders whose names appear on the records of Western as the registered holders of Western Shares can be recognized and acted upon at the Meeting. If Western Shares are listed in an account statement provided to a Western Shareholder by a broker, then in almost all cases those Western Shares will not be registered in the Western Shareholder’s name on the records of Western. Such Western Shares will more likely be registered under the names of the Western Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Western Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Western Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for their clients. Therefore, Beneficial Western Shareholders should ensure that instructions respecting the voting of their Western Shares are communicated to the appropriate persons.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Western Shareholders in advance of shareholders meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Western Shareholders in order to ensure that their Western Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Western Shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to registered Western Shareholders by Western. However, its purpose is limited to instructing the registered Western Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Western Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”). Broadridge typically asks Beneficial Western Shareholders to return proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of shares to be represented at the Meeting. A Beneficial Western Shareholder receiving a Broadridge proxy cannot use that proxy to vote Western Shares directly at the Meeting. The Broadridge proxy must be returned to Broadridge well in advance of the Meeting in order to have the Western Shares voted.

Although a Beneficial Western Shareholder may not be recognized directly at the Meeting for the purposes of voting Western Shares registered in the name of the Beneficial Western Shareholder’s broker (or agent of the broker), a Beneficial Western Shareholder may attend the Meeting as proxyholder for the registered Western Shareholder and vote the Western Shares in that capacity. Beneficial Western Shareholders who wish to attend at the Meeting and indirectly vote their Western Shares as proxyholder

for the registered Western Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Proxy Solicitation Agent and Depositary

Georgeson is acting as Western's proxy solicitation agent, for which it will be paid a fee plus out-of-pocket expenses. Western has engaged Valiant Trust Company to act as Depositary for the receipt of certificates representing Western Shares and Letters of Transmittal and Election Forms deposited pursuant to the Arrangement. The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified by Western against certain liabilities under applicable securities laws and expenses in connection therewith.

No fee or commission is payable by any Western Shareholder who transmits its Western Shares directly to the Depositary. Except as set forth above or elsewhere in this Information Circular, Western will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Western Shares pursuant to the Arrangement.

Other Business

The management of Western does not intend to present and does not have any reason to believe that others will present, at the Meeting, any item of business other than those set forth in this Information Circular. However, if any other business is properly presented at the Meeting and may properly be considered and acted upon, proxies will be voted by those named in the applicable form of proxy in their sole discretion, including with respect to any amendments or variations to the matters identified in the Meeting Materials.

LEGAL MATTERS

Certain legal matters in connection with the Arrangement will be passed upon by Macleod Dixon LLP, Calgary, Alberta and Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York on behalf of Western. As at the date of this Information Circular, partners and associates of Macleod Dixon LLP owned beneficially, directly or indirectly, less than 1% of the outstanding Western Shares. As at the date of this Information Circular, partners and associates of Paul, Weiss, Rifkind, Wharton & Garrison LLP owned beneficially, directly or indirectly, less than 1% of the outstanding Western Shares. Certain legal matters in connection with the Arrangement will be passed upon by Bennett Jones LLP, Calgary, Alberta and Baker Botts L.L.P., Houston, Texas on behalf of Marathon. As at the date of this Information Circular, partners and associates of Bennett Jones LLP owned beneficially, directly or indirectly, less than 1% of the outstanding Western Shares. As at the date of this Information Circular, partners and associates of Baker Botts L.L.P. owned beneficially, directly or indirectly, less than 1% of the outstanding Western Shares.

LEGAL PROCEEDINGS

There are no legal proceedings which Western is a party to that involve a claim for damages that exceed 10% of the current assets of Western. Western is however involved in arbitration proceedings arising from insurance claims. For additional information, see "Narrative Description of the Business — The Athabasca Oil Sands Project — Mining — Base Operations" beginning on page 5 of Western's annual information form for the year ended December 31, 2006.

ENFORCEABILITY OF CIVIL LIABILITIES

Western and New WesternZagros are each corporations incorporated under the laws of Alberta, Canada. Most of the directors and officers of Western and the current and proposed directors and officers of New WesternZagros, as well as certain experts named in this Information Circular, are residents of Canada and all or a substantial portion of their assets and a substantial portion of the assets of Western and New WesternZagros are located outside the United States. As a result, it may be difficult for Western

Shareholders to effect service within the United States upon the directors, officers and experts who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liability under United States federal securities laws. There is some doubt as to the enforceability in Canada against Western or any of its directors, officers or experts who are not residents of the United States in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon United States federal securities laws.

Marathon is organized under the laws of the State of Delaware, United States. In addition, substantial portions of the assets of Marathon are located outside of Canada. As a result, it may be difficult for the Trustee under the Voting and Exchange Trust Agreement or AcquisitionCo under the Support Agreement to realize in Canada upon judgments against Marathon obtained in Canadian courts. In addition, awards of punitive damages in actions brought in Canada or elsewhere may be unenforceable.

EXPERTS

GLJ Petroleum Consultants Ltd., independent petroleum consultants to Western, prepared the GLJ Reserve Report and Contingent Resource Report referred to in Western's annual information form for the year ended December 31, 2006. As at the date of the respective reports, the principals of Norwest Corporation, independent mining consultants, and GLJ, as respective groups, owned beneficially, directly or indirectly, less than 1% of the outstanding Western Shares. GLJ neither received nor will receive any interest, direct or indirect, in any securities or other property of Western or its affiliates in connection with the preparation of its reports.

Sproule International Limited, independent petroleum consultants, prepared the Sproule Report referred to in Appendix G to this Information Circular. As at the date of the Sproule Report, the principals of Sproule owned beneficially, directly or indirectly, less than 1% of the outstanding Western Shares. The principals of Sproule will own beneficially, directly or indirectly, less than 1% of the outstanding New WesternZagros Shares and no New WesternZagros Warrants following completion of the Arrangement and the Subsequent Transactions. Sproule neither received nor will receive any interest, direct or indirect, in any securities or other property of Western or its affiliates in connection with the preparation of the Sproule Report.

The consolidated financial statements of Western as of December 31, 2006 and 2005 included on the CD-ROM accompanying this Information Circular, the financial statements of WesternZagros as of December 31, 2006 and 2005 contained in Appendix G and the balance sheet of New WesternZagros contained in Appendix G have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, as stated in their reports therein.

The consolidated financial statements of Marathon as of December 31, 2006 and 2005 for each of the three years in the period ended December 31, 2006 included in the Marathon Form 8-K dated September 7, 2007 and on the CD-ROM accompanying this Information Circular have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm, as stated in their report therein.

ADDITIONAL INFORMATION

Western Shareholders who wish additional information about the Arrangement should contact Georgeson toll free at 1-888-605-7643.

Western is subject to the continuous disclosure requirements of Applicable Canadian Securities Law and the TSX. Additional information relating to Western may be found on SEDAR at www.sedar.com.

Marathon is subject to the disclosure requirements of the U.S. Exchange Act and in accordance therewith files reports, statements and other information with the SEC. The reports, statements and other information filed by Marathon with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material also can be obtained from the Public Reference Section of the SEC at Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates or electronically at www.sec.gov. You may also inspect Marathon's public filings at the offices of the NYSE located at 20 Broad Street, New York, New York 10005.

CONSENTS

Consent of PricewaterhouseCoopers LLP

To the Board of Directors of Western Oil Sands Inc.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We have complied with Canadian generally accepted standards for an auditor’s involvement with the Information Circular.

We consent to the incorporation by reference in the above-mentioned Information Circular of our report to the shareholders of Western on the consolidated balance sheets of Western as at December 31, 2006 and December 31, 2005 and the related consolidated statements of operations and retained earnings and cash flows for the years then ended and on management’s assessment of Western’s internal control over financial reporting. Our report is dated February 22, 2007.

Calgary, Canada
September 14, 2007

(Signed) “PricewaterhouseCoopers LLP”
PricewaterhouseCoopers LLP
Chartered Accountants

Consent of PricewaterhouseCoopers LLP

To the Board of Directors of WesternZagros Resources Inc.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We have complied with Canadian generally accepted standards for an auditor’s involvement with the Information Circular.

We consent to the inclusion in the above-mentioned Information Circular of our report to the shareholders of WesternZagros (as defined in the Information Circular) on the consolidated balance sheets of WesternZagros as at December 31, 2006 and December 31, 2005 and the related consolidated statements of operations and retained deficit and cash flows for the years then ended. Our report is dated September 13, 2007.

Calgary, Canada
September 14, 2007

(Signed) “PricewaterhouseCoopers LLP”
PricewaterhouseCoopers LLP
Chartered Accountants

Consent of PricewaterhouseCoopers LLP

To the Board of Directors of WesternZagros Resources Ltd.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We have complied with Canadian generally accepted standards for an auditor’s involvement with the Information Circular.

We consent to the inclusion in the above-mentioned Information Circular of our report to the shareholders of New WesternZagros (as defined in the Information Circular) on the balance sheet of New WesternZagros as at August 31, 2007. Our report is dated September 13, 2007.

We also consent to the inclusion in the above-mentioned Information Circular of our compilation report to the shareholders of New WesternZagros on the pro forma consolidated balance sheet as at June 30, 2007 and the related pro forma consolidated statement of operations for the six months ended June 30, 2007 and the year ended December 31, 2006. Our compilation report is dated September 13, 2007.

Calgary, Canada
September 14, 2007

(Signed) “PricewaterhouseCoopers LLP”
PricewaterhouseCoopers LLP
Chartered Accountants

Consent of PricewaterhouseCoopers LLP

To the Directors of 1339971 Alberta Ltd.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd. (“AcquisitionCo”), an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We have complied with Canadian generally accepted standards for an auditor’s involvement with the Information Circular.

We consent to the incorporation by reference in the above-mentioned Information Circular of our report to the shareholders of AcquisitionCo on the consolidated balance sheet of AcquisitionCo as at July 30, 2007. Our report is dated September 7, 2007.

Houston, Texas
September 14, 2007

(Signed) “PricewaterhouseCoopers LLP”
PricewaterhouseCoopers LLP
Chartered Accountants

Consent of Macleod Dixon LLP

To the Board of Directors of Western Oil Sands Inc.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We consent to the inclusion in the Information Circular of our opinion contained under “Tax Considerations to Western Shareholders — Certain Canadian Federal Income Tax Considerations” and references to our firm name and our opinion therein.

Calgary, Canada
September 14, 2007

(Signed) “Macleod Dixon LLP”
Macleod Dixon LLP

Consent of Goldman, Sachs & Co.

September 14, 2007

To: The Board of Directors of Western Oil Sands Inc.

Re: Notice of Special Meeting and Management Information Circular of Western Oil Sands Inc., dated September 14, 2007

Reference is made to our opinion letter, dated July 30, 2007, with respect to the fairness from a financial point of view to the holders of the outstanding common shares (the “Company Shares”) of Western Oil Sands Inc. (the “Company”) of the Cash Consideration, Marathon Share Consideration and Exchangeable Share Consideration (each as defined in the opinion letter) to be received by such holders, taken in the aggregate, pursuant to the Arrangement Agreement, dated as of July 30, 2007, by and among Marathon Oil Corporation (“Marathon”), 1339971 Alberta Ltd., a wholly owned subsidiary of Marathon, WesternZagros Resources Inc. and the Company.

The foregoing opinion letter is provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the transaction contemplated therein and is not to be used, circulated, quoted or otherwise referred to for any other purpose, nor is it to be filed with, included in or referred to in whole or in part in any registration statement, proxy statement, offering document, directors’ circular, or any other document, except in accordance with our prior written consent. We understand that the Company has determined to include our opinion in the above mentioned Notice of Special Meeting and Management Information Circular.

In that regard, we hereby consent to the reference to our opinion under the captions “The Arrangement — Background and Reasons for the Arrangement,” “The Arrangement — Recommendation of the Western Board of Directors” and “The Arrangement — Opinions of Financial Advisors” and to the inclusion of the foregoing opinion in the proxy statement contained in the above-mentioned Notice of Special Meeting and Management Information Circular. In providing such consent, we do not intend that any person other than the Board of Directors of the Company rely upon our opinion.

(Signed) “Goldman, Sachs & Co.”
Goldman, Sachs & Co.

Consent of TD Securities Inc.

To the Board of Directors of Western Oil Sands Inc.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We consent to the inclusion in the Information Circular of our fairness opinion dated July 30, 2007 and references to our firm name and our fairness opinion therein.

Calgary, Canada
September 14, 2007

(Signed) “TD Securities Inc.”
TD Securities Inc.

Consent of Sproule International Limited

To the Board of Directors of Western Oil Sands Inc.

We have read the information circular (the “Information Circular”) of Western Oil Sands Inc. (“Western”) dated September 14, 2007 relating to the special meeting of Western Shareholders to approve an arrangement under the *Business Corporations Act* (Alberta) involving, among other things, the acquisition by 1339971 Alberta Ltd., an indirect Canadian subsidiary of Marathon Oil Corporation, of all of the outstanding Class A shares of Western. We consent to the inclusion in the Information Circular of our report entitled “Technical Review and Assessment of Undiscovered Resources in the Kalar-Bawanoor Area, Zagros, South Kurdistan, Iraq” dated July 31, 2007 and the references to our firm name therein.

Calgary, Canada
September 14, 2007

(Signed) “Sproule International Limited”
Sproule International Limited

APPROVAL OF THE WESTERN BOARD OF DIRECTORS

The contents of this Information Circular and its sending to Western Shareholders have been approved by the Western Board of Directors.

September 14, 2007

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "James C. Houck"
President and Chief Executive Officer

APPENDIX A — ARRANGEMENT RESOLUTION

FORM OF ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement (the “Arrangement”) under Section 193 of the *Business Corporations Act* (Alberta) (the “ABCA”) involving Western Oil Sands Inc. (“Western”), as more particularly described and set forth in the information circular (the “Information Circular”) of Western accompanying the notice of this meeting (as the Arrangement may be or may have been modified or amended) is hereby authorized, approved and adopted.
2. The Plan of Arrangement (the “Plan of Arrangement”) involving Western, the full text of which is set out in Appendix C to the Information Circular (as the Plan of Arrangement may be or may have been modified or amended) is hereby authorized, approved and adopted.
3. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of Western or that the Arrangement has been approved by the Court of Queen’s Bench of Alberta, the directors of Western are hereby authorized and empowered (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby, and (ii) not to proceed with the Arrangement without further approval of the shareholders of Western.
4. Any officer or director of Western is hereby authorized and directed for and on behalf of Western to execute, under the seal of Western or otherwise, and to deliver articles of arrangement and such other documents as are necessary or desirable under the ABCA in accordance with the Arrangement Agreement for filing.
5. Any officer or director of Western is hereby authorized and directed for and on behalf of Western to execute or cause to be executed, under the seal of Western or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments and to perform or cause to be performed all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments and the taking of any such actions.

APPENDIX B — INTERIM ORDER

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*,
R.S.A. 2000, c. B-9**

**AND IN THE MATTER OF AN ARRANGEMENT PROPOSED BY WESTERN OIL
SANDS INC. AND INVOLVING MARATHON OIL CORPORATION,
1339971 ALBERTA LTD. AND WESTERNZAGROS RESOURCES LTD.**

Before The Honourable)	At the Calgary Courts Centre, at
Justice D. G. Hart)	Calgary, Alberta, on
in Chambers)	September 14, 2007

INTERIM ORDER

UPON the application by Petition of Western Oil Sands Inc. ("Western");

AND UPON reading the said Petition and the Affidavit of James C. Houck, sworn September 13, 2007 (the "Affidavit") filed herein;

AND UPON hearing counsel for Western;

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "Executive Director") has been served with notice of this application as required by subsection 193(8) of the *Business Corporations Act*, R.S.A. 2000, c. B-9 (the "ABCA") and that the Executive Director does not intend to appear or make submissions with respect to this application;

FOR THE PURPOSES OF THIS ORDER:

- (a) the Plan of Arrangement proposed by Western and involving Marathon Oil Corporation, 1339971 Alberta Ltd. and WesternZagros Resources Ltd., as described in the Affidavit and in the form attached as Schedule "A" to the Arrangement Agreement, which is Exhibit "A" to the said Affidavit, shall be referred to as the "Arrangement"; and
- (b) the capitalized terms not defined in this Order shall have the meanings attributed to them in the draft Information Circular, which is Exhibit "B" to the Affidavit.

IT IS HEREBY ORDERED AND DIRECTED THAT:

General

- 1. Western shall seek approval of the Arrangement by holders ("Shareholders") of its Class A shares ("Common Shares") and in the manner set forth below.

Shareholders' Meeting

- 2. Western shall call and conduct a special meeting (the "Meeting") of the Shareholders for the purpose of considering and voting on the special resolution approving the Arrangement (the "Arrangement Resolution").
- 3. Subject to the provisions of this Order, the Meeting shall be called and conducted in accordance with the by-laws of Western and the ABCA.
- 4. The majority required to pass the special resolution of the Shareholders approving the Arrangement shall be, subject to further order of this Court, not less than two-thirds of the aggregate votes cast by the Shareholders in person or represented by proxy at the Meeting.

5. Each Common Share entitled to be voted at the Meeting will entitle the holder thereof to one vote at the Meeting. The record date (“Record Date”) for the Meeting shall be the close of business on September 14, 2007. Only Shareholders whose names have been entered in the register of Common Shares of Western after such Record Date and prior to the Meeting will be entitled to receive notice of and to vote at such Meeting, subject to Section 137 of the ABCA with respect to transferees of Common Shares after that date.
6. A quorum at the Meeting shall be two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxyholder for an absent Shareholder so entitled, and together holding or representing by proxy not less than 5% of the outstanding Common Shares entitled to vote at the Meeting. If within 30 minutes from the time appointed for the Meeting a quorum of Shareholders is not present, the Meeting shall be adjourned to the same day in the next week if a business day, and, if such day is not a business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting, at the same time and place; and if at such adjourned meeting a quorum is not present, the Shareholders, present in person or represented by proxy shall be a quorum for all purposes.
7. With respect to matters to be brought before the Meeting pertaining to items of business affecting WesternZagros Resources Ltd. (“New WesternZagros”), other than with respect to the Arrangement, each holder of Common Shares shall be entitled to one vote on a ballot at the Meeting for each Common Share held and such resolutions will be effective resolutions of the shareholders of New WesternZagros as if passed at a meeting of the shareholders of New WesternZagros entitled to vote on such matters.

Conduct of Meeting

8. The Chairman of the Meeting shall be any officer or director of Western.
9. The only persons entitled to attend and speak at the Meeting shall be, respectively, the Shareholders or their authorized representatives, together with Western’s directors and officers and its auditors and advisors, representatives of Marathon Oil Corporation and its counsel, and the Executive Director. The accidental omission to give notice of the Meeting to or the non-receipt of the notice by one or more of the aforesaid persons shall not invalidate any resolution passed or proceeding taken at the Meeting.

Dissent Rights

10. The registered holders of Common Shares are, subject to the provisions hereof and the Arrangement, accorded the right of dissent under Section 191 of the ABCA with respect to the Arrangement Resolution.
11. In order to exercise such rights of dissent, a written objection to the Arrangement Resolution must be received by Western by 2:00 p.m. (Calgary time) on the business day before the Meeting (or any adjournment or postponement thereof) and the Shareholders exercising such rights of dissent must comply with the provisions of Section 191 of the ABCA. The fair value of the Common Shares shall be determined as of the close of business on the last business day before the day on which the Arrangement is approved by the Shareholders.
12. Shareholders who have voted in favour of the Arrangement Resolution shall not be accorded a right of dissent.
13. Subject to further Order of this Court, the rights available to the Shareholders under the ABCA and the Arrangement to dissent from such resolution shall constitute full and sufficient rights of dissent for the Shareholders with respect to the Arrangement Resolution.

14. Notice to the Shareholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of their Common Shares shall be good and sufficiently given by including information with respect thereto in the Information Circular to be sent to Shareholders in accordance with paragraph 15 of this Order.

Notice

15. An Information Circular, substantially as attached as Exhibit "B" to the Affidavit, filed herein, shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Meeting to Shareholders at the address for such holders as they appear in the records of Western. In calculating the 21 day period, the date of mailing shall be included and the date of the Meeting shall be excluded.
16. An Information Circular as described above shall be provided to the Executive Director by prepaid ordinary mail at least 21 days prior to the Meeting.
17. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Shareholders and the Executive Director of:
 - (a) the Petition;
 - (b) this Order;
 - (c) the Notice of the Meeting; and
 - (d) the notice of the application for the Order approving of the Arrangement on October 16, 2007.

Final Application

18. Subject to further Order of this Court and provided that the Shareholders have approved the Arrangement and the directors of Western have not revoked such approval, Western may proceed with an application for approval of the Arrangement and the Final Order on October 16, 2007 at 1:15 p.m. or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate of Amendment, all Shareholders, Western, New WesternZagros, Marathon, AcquisitionCo and WesternZagros will be bound by the Arrangement in accordance with its terms.
19. Any Shareholder or any other interested party desiring to appear and make submissions at the final application on October 16, 2007 is required to file with this Court and serve, upon Western, on or before 5:00 p.m. on October 11, 2007, a Notice of Intention to Appear, including such party's address for service in the Province of Alberta, together with any evidence or materials which such party intends to present to the Court. Service of such notice on Western shall be effected by service upon the solicitors for Western, Macleod Dixon LLP, 3700 Canterra Tower, 400 Third Avenue S.W., Calgary, Alberta T2P 4H2, Attention: Steven H. Leidl.
20. In the event that the application for final approval of the Arrangement on October 16, 2007 is adjourned, only those parties appearing before this Court for the final application shall have notice of the adjourned date.

"D.G. Hart"
J.C.C.Q.B.A.

ENTERED at Calgary, Alberta,
September 14, 2007.

"V.A. Brandt"
Clerk of the Court

APPENDIX C — ARRANGEMENT AGREEMENT

**AMENDED AND RESTATED
ARRANGEMENT AGREEMENT**

AMONG:

MARATHON OIL CORPORATION

— AND —

1339971 ALBERTA LTD.

— AND —

WESTERN OIL SANDS INC.

— AND —

WESTERNZAGROS RESOURCES INC.

July 30, 2007

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is dated as of the 30th day of July, 2007, as amended and restated September 14, 2007,

AMONG:

MARATHON OIL CORPORATION, a corporation existing under the laws of Delaware (hereinafter referred to as “**Marathon**” or “**Purchaser**”)

AND:

1339971 ALBERTA LTD., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as “**AcquisitionCo**”)

AND:

WESTERN OIL SANDS INC., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as “**Western**”)

AND:

WESTERNZAGROS RESOURCES INC., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as “**WesternZagros**”)

WHEREAS:

- A. AcquisitionCo wishes to acquire all of the issued and outstanding shares of Western;
- B. AcquisitionCo is an indirect subsidiary of Purchaser;
- C. Purchaser, AcquisitionCo, Western and WesternZagros wish to propose an arrangement involving, among other things, the acquisition by AcquisitionCo of all of the issued and outstanding shares of Western and the distribution of shares of WesternZagros to the shareholders of Western;
- D. the Parties intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the *Business Corporations Act* (Alberta); and
- E. the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto do hereby covenant and agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Agreement, the following defined terms have the meanings hereinafter set forth:

- (a) “**ABCA**” means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) “**Acquisition Proposal**” means any written proposal or offer made to Western or the Western Shareholders (including any takeover bid initiated by advertisement or circular) relating to:
 - (i) any merger, amalgamation, take-over bid, tender offer, arrangement, share exchange,

dissolution, liquidation, recapitalization or other business combination involving any purchase by a single Person (other than AcquisitionCo, Marathon or any of their subsidiaries) or combination of Persons (other than AcquisitionCo, Marathon or any of their subsidiaries) of Western Common Shares that, if consummated, would result in any Person (other than AcquisitionCo, Marathon or any of their subsidiaries) beneficially owning more than 20% of the voting rights attached to the Western Common Shares, or any liquidation or winding-up in respect of Western or any material Western subsidiary (other than WesternZagros); (ii) any purchase or sale of Western or its subsidiaries (other than WesternZagros) or any assets, where such assets represent more than 20% of the fair market value of the consolidated assets of Western or contribute more than 20% of the revenues of Western (on a consolidated basis) (or other arrangement having the same economic effect as a purchase or sale of assets); (iii) any sale or acquisition of 20% or more of the Western Common Shares or rights or interests therein or thereto; or (iv) any similar business combination or transaction, of or involving Western and/or any subsidiary of Western (other than WesternZagros), that if consummated, would result in any Person (other than AcquisitionCo, Marathon or any of their subsidiaries) beneficially owning more than 20% of the voting rights attached to the Western Common Shares;

- (c) “**AcquisitionCo**” means 1339971 Alberta Ltd., an indirect subsidiary of the Purchaser incorporated under the ABCA for purposes of completing the Arrangement;
- (d) “**AcquisitionCo Board of Directors**” means the board of directors of AcquisitionCo, as it may be comprised from time to time;
- (e) “**Agreement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (f) “**Applicable Canadian Securities Laws**” means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;
- (g) “**Applicable Laws**”, in the context that refers to one or more Persons, means the Laws that apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;
- (h) “**Arrangement**” means the arrangement under the provisions of Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;
- (i) “**Arrangement Resolution**” means the special resolution to be attached as Appendix A to the Information Circular in respect to the Arrangement;
- (j) “**Articles of Arrangement**” means the articles of arrangement to be prepared by Western, with the cooperation, consultation and prior approval of Marathon, acting reasonably, as provided for herein, in respect of the Arrangement required under Subsection 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;
- (k) “**Business Day**” means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta or the City of Houston, Texas are not generally open for business;
- (l) “**Certificate**” means the certificate or other confirmation of filing to be issued by the Registrar pursuant to Subsection 193(11) of the ABCA giving effect to the Arrangement;

- (m) “**Closing Time**” shall be 1:00 p.m. (Calgary time) on the Effective Date, or such other time on the Effective Date as is agreed to by Purchaser and Western;
- (n) “**Code**” means the United States Internal Revenue Code of 1986, as amended;
- (o) “**Competition Act**” means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;
- (p) “**Confidential Information**” has the meaning ascribed thereto in Section 3.5(j);
- (q) “**Confidentiality Agreement**” means the confidentiality agreement dated November 8, 2006 between Western and Marathon Petroleum Company LLC entered into in connection with the transaction contemplated herein;
- (r) “**Continuing Employees**” has the meaning ascribed thereto in Section 2.6(b);
- (s) “**Contract**” means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;
- (t) “**Court**” means the Court of Queen’s Bench of Alberta;
- (u) “**Disclosed Personal Information**” has the meaning ascribed thereto in Section 4.4(b);
- (v) “**Disclosure Letter**” means the disclosure letter dated as of the date hereof from Western to Purchaser as amended, supplemented or otherwise agreed to between Western and Purchaser prior to the Effective Time;
- (w) “**Dissent Rights**” means the rights of dissent granted in favour of registered Western Shareholders in respect of the Arrangement as described in the Plan of Arrangement;
- (x) “**Effective Date**” means the date the Arrangement becomes effective under the ABCA, provided that such date shall not be later than the Outside Date, unless otherwise agreed to by Purchaser and Western;
- (y) “**Effective Time**” means the time at which Articles of Arrangement are filed with the Registrar on the Effective Date;
- (z) “**Employee Obligations**” means any obligations or liabilities of Western to pay any amount to or on behalf of its officers, directors, consultants or employees, other than for salary, accrued bonuses for 2007, vacation pay and directors’ fees in the ordinary course, in each case in amounts consistent with historic practices and, without limiting the generality of the foregoing, Employee Obligations shall include the obligations of Western to officers or employees: (i) for severance or termination payments on the change of control of Western pursuant to Western’s severance policies and any involuntary severance, termination and employment offer agreements, including payments associated with Code Sections 280G and 4999 which define excise taxes associated with a change of control for United States taxpayers; (ii) for retention bonus payments pursuant to any retention bonus program or executive employment agreement; (iii) for payments with respect to any options, share appreciation rights, participating performance units, deferred share units or similar plans; and (iv) payments with respect to Western’s Supplemental Employee Retirement Plan and its registered pension plan;
- (aa) “**Encumbrances**” means, in the case of property or an asset, all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, outstanding demands, burdens, capital leases, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, such property or asset, or any part thereof or interest therein, and any

- agreements, leases, options, easements, rights of way, restrictions, executions or other charges or encumbrances (including notices or other registrations in respect of any of the foregoing) against title to any of the property or asset, or any part thereof or interest therein;
- (bb) “**Environmental Laws**” means, with respect to any Person or its business, activities, property, assets or undertaking, all federal, provincial, territorial, state, municipal, local or foreign Laws of any Governmental Authority or of any court, tribunal or other similar body, relating to environmental or health and safety matters in the jurisdictions applicable to such Person or its business, activities, property, assets or undertaking, including, without limitation, legislation governing the use and storage of Hazardous Substances;
 - (cc) “**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended, and the rules, regulations and orders promulgated thereunder;
 - (dd) “**Exchange Trust Agreement**” means the agreement to be entered into between the Purchaser, AcquisitionCo and the Depository as trustee prior to the Effective Time;
 - (ee) “**Exchangeable Shares**” means the exchangeable shares in the capital of AcquisitionCo, the principal terms of which are set out in Appendix A to the Plan of Arrangement;
 - (ff) “**Final Order**” means the order of the Court approving the Arrangement to be applied for by Western following the Western Meeting and to be granted pursuant to Subsection 193(9) of the ABCA in respect of the Western Shareholders, Western and WesternZagros, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
 - (gg) “**Form S-3**” has the meaning ascribed thereto in Section 2.4(b);
 - (hh) “**GAAP**” has the meaning ascribed thereto in Section 1.7;
 - (ii) “**GLJ**” has the meaning ascribed thereto in Section 4.2(t);
 - (jj) “**GLJ Report**” has the meaning ascribed thereto in Section 4.2(l);
 - (kk) “**Governmental Authority**” means any multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, any subdivision, agent, commission, board or authority of any of the foregoing, or any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
 - (ll) “**Governmental Authorization**” has the meaning ascribed thereto in Section 4.1(l);
 - (mm) “**Hazardous Substances**” means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws;
 - (nn) “**Information Circular**” means the management information circular and proxy statement of Western, together with all appendices thereto to be mailed or otherwise distributed by Western to the Western Shareholders or such other securityholders of Western as may be required pursuant to the Interim Order in connection with the Western Meeting;
 - (oo) “**Interests**” has the meaning ascribed thereto in Section 4.2(s);
 - (pp) “**Interim Order**” means an interim order of the Court concerning the Arrangement under Subsection 193(4) of the ABCA in respect of the Western Shareholders, Western and WesternZagros, containing declarations and directions with respect to the Arrangement and the holding of the Western Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

- (qq) “**Investment Canada Act**” means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended;
- (rr) “**ITA**” means the *Income Tax Act (Canada)*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;
- (ss) “**Laws**” means all laws, statutes, regulations, by-laws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices, directions (including all Applicable Canadian Securities Laws and U.S. Securities Laws), and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Authority, statutory body or self-regulatory authority (including the TSX and NYSE);
- (tt) “**Liabilities**” means any and all debts, liabilities and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, including those arising under any Law, Contract, permit, license or other undertaking and as a result of any act or omission;
- (uu) “**Mailing Date**” has the meaning ascribed thereto in Section 3.4(f);
- (vv) “**Material Adverse Change**” or “**Material Adverse Effect**” means, with respect to either Western or Marathon, as the case may be, any matter or action that has an effect or change that is, or would reasonably be expected to be, material and adverse to the business, operations, assets, capitalization, financial condition or prospects of such Party and its subsidiaries, taken as a whole, other than any matter, action, effect or change relating to or resulting from: (i) general economic, financial, currency exchange, securities or commodity prices in Canada, the United States or elsewhere; (ii) conditions affecting the oil and gas exploration, exploitation, development and production industry as a whole, and not specifically relating to any Party and/or its subsidiaries, including changes in Laws; (iii) any decline in crude oil or natural gas prices on a current or forward basis; (iv) any matter which has been publicly disclosed or has been communicated in writing, in the case of Marathon, to Western, and in the case of Western or WesternZagros, to Marathon, as of the date of this Agreement; or (v) any changes arising from matters consented to or approved in writing by Western, in the case of changes relating to Marathon, or by Marathon in the case of changes relating to Western or WesternZagros, as applicable;
- (ww) “**NYSE**” means the New York Stock Exchange;
- (xx) “**Other Party**” means, with respect to the applicable Purchaser Party(ies), the applicable Western Party(ies) and, with respect to the applicable Western Party(ies), the applicable Purchaser Party(ies);
- (yy) “**Outside Date**” has the meaning ascribed thereto in Section 3.4(f);
- (zz) “**Parties**” means, collectively, the parties to this Agreement, and “**Party**” means any one of them, or where implied by the context, means the Purchaser Parties or the Western Parties, as the case may be;
- (aaa) “**Person**” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;
- (bbb) “**Plan of Arrangement**” means the plan of arrangement substantially in the form set out in Schedule A hereto as amended or supplemented from time to time in accordance with the terms thereof and hereof;
- (ccc) “**Publicly Disclosed by Purchaser**” means disclosed by Purchaser in a public filing made by it with the SEC from January 1, 2006 to and including the date hereof;

- (ddd) “**Public Record**” means all information filed by or on behalf of Western or Purchaser, as the case may be, with the Securities Authorities, in compliance, or intended compliance, with any Laws;
- (eee) “**Purchase Funds**” means the aggregate cash amount required to purchase the Western Common Shares pursuant to the terms of the Arrangement;
- (fff) “**Purchaser Balance Sheet**” has the meaning ascribed thereto in Section 4.1(t)(i);
- (ggg) “**Purchaser Board of Directors**” means the board of directors of Purchaser, as it may be comprised from time to time, including any duly constituted and acting committee thereof;
- (hhh) “**Purchaser Damages Event**” has the meaning ascribed thereto in Section 6.1;
- (iii) “**Purchaser Financial Statements**” means, collectively, the audited consolidated financial statements of Purchaser as at and for the fiscal year ended December 31, 2006, together with the notes thereto and the auditors’ report thereon and the unaudited consolidated financial statements of Purchaser as at and for the three months ended March 31, 2007, together with the notes thereto;
- (jjj) “**Purchaser Information**” means the information included in the Information Circular describing the Purchaser Parties and the business, operations and affairs of the Purchaser Parties;
- (kkk) “**Purchaser Parties**” means, collectively and taken as a whole, Purchaser and AcquisitionCo and “**Purchaser Party**” means either of them;
- (lll) “**Purchaser Shares**” means the common shares in the capital of Purchaser;
- (mmm) “**Purchaser Termination Fee**” has the meaning ascribed thereto in Section 6.1;
- (nnn) “**Registrar**” means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to Section 263 of the ABCA;
- (ooo) “**SEC**” means the United States Securities and Exchange Commission;
- (ppp) “**Securities Act**” means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;
- (qqq) “**Securities Authorities**” means, collectively, the securities commissions or similar securities regulatory authorities in each of the Provinces or Territories of Canada and the SEC in the United States;
- (rrr) “**subsidiary**” has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by Western or Purchaser, as the case may be);
- (sss) “**Superior Proposal**” means an unsolicited, bona fide Acquisition Proposal made after the date hereof that: (i) involves the purchase or acquisition of or offer by such Person to purchase all of the outstanding Western Common Shares or all or substantially all of the assets of Western and its subsidiaries; (ii) that is made available to all or substantially all Western Shareholders and offers or makes available substantially equivalent consideration in form and amount per Western Common Share to be purchased or otherwise acquired; (iii) that is not subject to a due diligence and/or access condition that would allow access to the books, records or personnel of Western or its subsidiaries beyond 5:00 p.m. (Mountain time) on the tenth Business Day after which access is first afforded to the Person making the Acquisition Proposal (provided that the foregoing shall not restrict the ability of such third party to continue to review information provided to it by Western during such ten Business Day period or thereafter); (iv) is reasonably likely to be completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the Person making such proposal; (v) in respect of which any required financing to complete such Acquisition Proposal has been obtained or is reasonably likely to be obtained; and (vi) in respect of which the Western Board of Directors determines in

good faith (after consultation with its financial advisors and outside counsel) would, if consummated in accordance with its terms (but not disregarding any risk of non-completion), result in a transaction more favourable to the Western Shareholders from a financial point of view than the transactions contemplated by this Agreement, provided that no Acquisition Proposal shall be a Superior Proposal if the Person making such Acquisition Proposal is in default of any standstill obligation with Western;

- (ttt) “**Support Agreement**” means an agreement to be entered into by, among others, Purchaser and AcquisitionCo;
- (uuu) “**Tax**” or “**Taxes**” shall mean all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Taxing Authority, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, value added taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers’ compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Western or Purchaser, as applicable (or any of their respective subsidiaries), as the case may be, is required to pay, withhold, remit or collect;
- (vvv) “**Tax Returns**” shall mean all reports, estimates, elections, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be supplied to any Taxing Authority in connection with, any Taxes (including any attached Schedules);
- (www) “**Taxing Authority**” shall mean any Governmental Authority responsible for the imposition of any Tax (domestic or foreign);
- (xxx) “**Third Party Approvals**” has the meaning ascribed thereto in Section 5.1(g);
- (yyy) “**Third Party Beneficiaries**” has the meaning ascribed thereto in Section 10.10;
- (zzz) “**TSX**” means the Toronto Stock Exchange;
- (aaaa) “**United States**” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
- (bbbb) “**U.S. GAAP**” has the meaning ascribed thereto in Section 1.7;
- (ccc) “**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder;
- (dddd) “**U.S. Securities Laws**” means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time;
- (eeee) “**Western**” means Western Oil Sands Inc., a corporation incorporated under the ABCA;
- (ffff) “**Western Balance Sheet**” has the meaning ascribed thereto in Section 4.2(w)(i);
- (gggg) “**Western Board of Directors**” means the board of directors of Western as it may be comprised from time to time;
- (hhhh) “**Western Budget**” has the meaning ascribed thereto in Section 3.3(g);
- (iiii) “**Western Common Shares**” means the common shares in the capital of Western;
- (jjjj) “**Western DSU Plan**” has the meaning ascribed thereto in Section 2.6(d);
- (kkkk) “**Western DSUs**” has the meaning ascribed thereto in Section 2.6(d);

- (llll) **“Western Financial Statements”** means, collectively, the audited consolidated financial statements of Western as at and for the fiscal year ended December 31, 2006, together with the notes thereto and the auditors’ report thereon and the unaudited consolidated financial statements of Western as at and for the six months ended June 30, 2007, together with the notes thereto;
- (mmmm) **“Western Group”** has the meaning ascribed thereto in Section 4.2(c);
- (nnnn) **“Western Information”** means the information included in the Information Circular describing the Western Parties and the business, operations and affairs of the Western Parties;
- (oooo) **“Western Meeting”** means the special meeting of Western Shareholders to be held to consider the Arrangement Resolution and related matters, and any adjournment thereof;
- (pppp) **“Western Option Plan”** has the meaning ascribed thereto in Section 2.6(c);
- (qqqq) **“Western Options”** has the meaning ascribed thereto in Section 2.6(c)(i);
- (rrrr) **“Western Parties”** means, collectively and taken as a whole, Western and WesternZagros, and **“Western Party”** means either of them;
- (ssss) **“Western Plans”** has the meaning ascribed thereto in Section 4.2(x);
- (tttt) **“Western PSU Plan”** has the meaning ascribed thereto in Section 2.6(c);
- (uuuu) **“Western PSUs”** has the meaning ascribed thereto in Section 2.6(c)(i);
- (vvvv) **“Western Shareholders”** means holders of Western Common Shares;
- (wwww) **“Western Shareholder Rights Plan”** means the shareholder rights plan of Western;
- (xxxx) **“WesternZagros”** means WesternZagros Resources Inc., a corporation incorporated under the ABCA;
- (yyyy) **“WesternZagros Board of Directors”** means the board of directors of WesternZagros as it may be comprised from time to time;
- (zzzz) **“WesternZagros Shares”** means the common shares in the capital of WesternZagros; and
- (aaaaa) **“WesternZagros Information”** means the information included in the Information Circular describing WesternZagros and the business, operations and affairs of WesternZagros.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement (including Schedule A hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number and Gender

Words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders.

1.4 Date for Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day and a business day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day and a business day, as applicable, in such place.

1.5 Entire Agreement

- (a) This Agreement, the Confidentiality Agreement and the Disclosure Letter constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof.
- (b) This Agreement has been amended and restated effective September 14, 2007. Notwithstanding such restatement, this Agreement shall be dated as of July 30, 2007 and references to time herein shall be considered to speak as of July 30, 2007 except where the context otherwise requires.

1.6 Currency

All sums of money that are referred to in this Agreement are expressed in lawful money of Canada.

1.7 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under Canadian generally accepted accounting principles (“GAAP”) and all determinations of an accounting nature are required to be made shall be made in a manner consistent with GAAP.

References in this Agreement to “U.S. GAAP” shall mean generally accepted accounting principles as in effect in the United States.

1.8 Disclosure in Writing

Reference to disclosure in writing herein shall, in the case of disclosure to Purchaser, include disclosure in writing to Purchaser or its representatives or, in the case of disclosure to Western, include disclosure in writing to Western or its representatives.

1.9 Interpretation Not Affected by Party Drafting

The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

1.10 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Western or Marathon, as applicable, it refers to the actual knowledge of James Houck, David Dyck, Joanne Alexander, Steve Reynish, Simon Hatfield and Jack Jenkins in respect of Western, and Clarence P. Cazalot, Janet F. Clark, Daniel J. Sullenbarger, James F. Meara and William F. Schwind, Jr. in respect of Marathon, in each case after reasonable inquiry.

1.11 Schedule

The following schedule attached hereto is incorporated into and forms an integral part of this Agreement:

A — Plan of Arrangement

ARTICLE 2
THE ARRANGEMENT

2.1 Plan of Arrangement

As soon as is reasonably practicable, Western will forthwith file, proceed with and diligently prosecute an application for an Interim Order providing for, among other things, the calling and holding of the Western Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution and the other matters to be considered at the Western Meeting. Provided all necessary approvals for the Arrangement Resolution are obtained from the Western Shareholders, Western shall submit the Arrangement to the Court and apply for the Final Order. Upon issuance of the Final Order and subject to the conditions precedent in Article 5, Western and WesternZagros shall forthwith proceed to file the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to Subsection 193(10) of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any further act or formality.

2.2 Interim Order

The Interim Order shall provide that:

- (a) the securities of Western for which holders shall be entitled to vote on the Arrangement Resolution shall be the Western Common Shares;
- (b) the Western Shareholders shall be entitled to vote on the Arrangement Resolution with each Western Shareholder being entitled to one vote for each Western Common Share held by such holder; and
- (c) the requisite majority for the approval of the Arrangement Resolution shall be two thirds of the votes cast by the Western Shareholders present in person or by proxy at the Western Meeting.

2.3 Information Circular and the Western Meeting

As promptly as practical following the execution of this Agreement, and in compliance with the Interim Order and Applicable Laws (including Applicable Canadian Securities Laws):

- (a) Purchaser shall prepare the Purchaser Information for inclusion in the Information Circular and provide the Purchaser Information to Western in a timely and expeditious manner;
- (b) Western shall prepare the Information Circular and Western shall ensure that the Information Circular provides Western Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, in all cases ensuring compliance in all material respects with all Applicable Laws on the date of issue thereof;
- (c) Western shall convene the Western Meeting; and
- (d) Western shall cause the Information Circular to be mailed to the Western Shareholders and such other securityholders of Western or other third parties as may be required pursuant to the Interim Order, and filed with applicable regulatory authorities and other Governmental Authorities in all jurisdictions where the same are required to be mailed and filed.

2.4 Securities Law Compliance

- (a) Purchaser shall use reasonable efforts to obtain all orders, if any, required from the applicable Canadian Securities Authorities to permit the issuance and first resale of (i) the Exchangeable Shares and Purchaser Shares issued pursuant to the Arrangement and (ii) the Purchaser Shares issued upon exchange of the Exchangeable Shares from time to time, in each case without qualification with or

approval of or the filing of any prospectus or similar document, or the taking of any proceeding with, or the obtaining of any further order, ruling or consent from, any Governmental Authority under any Applicable Laws or pursuant to the rules and regulations of any Governmental Authority administering such Laws, or the fulfillment of any other legal requirement in any such jurisdiction (other than, with respect to such first resales, any restrictions on transfer by reason of, among other things, a holder being a “control person” of Purchaser or Western for purposes of Canadian federal, provincial or territorial securities Laws); and

- (b) Purchaser shall prepare and file a registration statement on Form S-3 (or other applicable form) (the “**Form S-3**”), in order to register under the U.S. Securities Act the issuance of the Purchaser Shares to be issued from time to time after the Effective Time upon exchange of the Exchangeable Shares. Purchaser shall use reasonable efforts to cause the Form S-3 to become effective under the U.S. Securities Act by the Effective Time and to maintain such effectiveness for the period that the Exchangeable Shares remain outstanding. If Purchaser is a “well-known seasoned issuer” as defined in Rule 405 under the U.S. Securities Act and eligible to use an automatic shelf registration statement as defined in Rule 405 for purposes of registering the issuance of Purchaser Shares upon exchange of the Exchangeable Shares, then Purchaser shall file an automatic shelf registration statement on or before the Effective Date and shall use reasonable efforts to maintain the effectiveness for the period during which the Exchangeable Shares are outstanding.

2.5 Preparation of Filings

- (a) Purchaser and Western shall cooperate in:
 - (i) the preparation of any application for the orders and the preparation of any required registration statements and any other documents reasonably deemed by Purchaser or Western to be necessary to discharge their respective obligations under Canadian and United States federal, provincial, territorial and state securities Laws in connection with the Arrangement and the other transactions contemplated hereby;
 - (ii) the taking of all such action as may be required under any applicable Canadian and United States federal, provincial, territorial or state securities Laws (including “blue sky laws”) in connection with the issuance of the Exchangeable Shares and the Purchaser Shares in connection with the Arrangement; provided, however, that with respect to the United States “blue sky” and Canadian provincial qualifications neither Purchaser nor Western shall be required to register or qualify as a foreign corporation or to take any action that would subject it to service of process in any jurisdiction where such entity is not now so subject, except as to matters and transactions arising solely from the offer of the Exchangeable Shares and the Purchaser Shares in connection with the Arrangement; and
 - (iii) the taking of all such action as may be required under the ABCA, Applicable Canadian Securities Laws, the U.S. Securities Act and the Exchange Act in connection with the transactions contemplated by this Agreement and the Plan of Arrangement; and
- (b) Each of Purchaser and Western shall promptly furnish to the other all information concerning it and its securityholders as may be required for the effectuation of the actions described in Sections 2.1 and 2.4 and the foregoing provisions of this Section 2.5, and each covenants that no information furnished by it (to its knowledge in the case of information concerning its shareholders) in connection with such actions or otherwise in connection with the consummation of the Arrangement and the other transactions contemplated by this Agreement will contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is furnished.

2.6 Employees

- (a) Western shall arrange for the termination or resignation of, and use its reasonable commercial efforts to obtain releases in a form acceptable to Western and Purchaser, each acting reasonably, from those Western directors, officers and employees as may be determined by Purchaser prior to the Effective Date, without payment or accrual for payment of any severance costs except as set forth in the Disclosure Letter or as may be agreed upon by Purchaser in writing;
- (b) Purchaser agrees that, prior to the Effective Date, it will interview such Western employees and consultants with a view to determining which individuals it wishes to extend an offer of continued employment or provision of services (the “**Continuing Employees**”);
- (c) The Parties acknowledge that the Arrangement will result in a “change of control” for purposes of the Western share option plan and the agreements thereunder (the “**Western Option Plan**”) and the Western performance share unit plan and the agreements thereunder (the “**Western PSU Plan**”) and Western executive and employee (if applicable) employment and “change of control” agreements and that all awards pursuant to the Western Option Plan and Western PSU Plan will be accelerated thereunder and, in that regard:
 - (i) Purchaser acknowledges that upon approval of the Arrangement by the Western Shareholders, all outstanding options (“**Western Options**”) granted pursuant to the Western Option Plan and all performance share units (“**Western PSUs**”) granted pursuant to the Western PSU Plan shall be vested and shall be exercised, terminated or surrendered such that no options to purchase or receive Western Common Shares remain outstanding as at the Effective Date; and
 - (ii) Purchaser acknowledges that pursuant to the Western Option Plan, a holder of Western Options (the “**Optionee**”) may, prior to the Effective Time, elect to exercise all of the Western Options held by the Optionee, whether previously vested or unvested, upon payment to Western of the exercise price therefor and receive Western Common Shares in respect of the number of Western Options so exercised pursuant to the terms of the Western Option Plan. Purchaser acknowledges that Western may provide financing to the Optionees to facilitate the exercise of Western Options prior to the Effective Date on terms, conditions and documentation satisfactory to Purchaser, acting reasonably, provided that Western will retain a security interest in any such shares and any proceeds therefrom (including any proceeds received pursuant to the Arrangement) until such financing is repaid;
- (d) Western shall use its reasonable commercial efforts to cause all Western Common Shares issued upon the exercise of Western Options or payment of Western PSUs or Western deferred share units (“**Western DSUs**”) granted pursuant to the Western deferred share unit plan (“**Western DSU Plan**”) on or prior to the record date for the Western Meeting to be voted in favour of the Arrangement Resolution by those persons who continue to hold such Western Common Shares as of the Record Date;
- (e) Purchaser agrees that, prior to the Effective Time, the Western Board of Directors shall cause Western’s contributions to the registered pension plan of Western to vest;
- (f) The Employee Obligations of Western shall not exceed the amount set forth in the Disclosure Letter; and
- (g) Western acknowledges that prior to giving effect to any of the foregoing matters provided for in this Section 2.6, it shall cooperate and consult with Marathon in respect thereof.

2.7 WesternZagros and Completion of Transactions

Western, as the sole shareholder of WesternZagros, covenants and agrees to cause WesternZagros to take all steps, to do and perform all such acts and things and to execute and deliver all such agreements,

documents and other instruments as are reasonably necessary or desirable to effect and complete the transactions contemplated herein and in the Plan of Arrangement in accordance with the terms and conditions hereof and thereof and any and all covenants and agreements of Western contained herein and in the Plan of Arrangement shall, to the extent that they are required to be performed by WesternZagros, be and be deemed to be covenants and agreements of both Western and WesternZagros.

2.8 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

2.9 Recommendation of Western Board of Directors

The Western Board of Directors has unanimously determined that the Arrangement is in the best interests of Western and the Western Shareholders, and has, based upon, among other things, the opinions of Western's financial advisors, unanimously determined that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western Shareholders, unanimously approved the Arrangement and the entering into of the Arrangement Agreement and has resolved unanimously to recommend Western Shareholders vote in favour of the Arrangement. Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included, along with the written fairness opinions of Western's financial advisors, confirming the aforementioned opinions of such financial advisors, in the Information Circular.

2.10 Dissenting Shareholders

Registered Western Shareholders entitled to vote at the Western Meeting may exercise Dissent Rights with respect to their Western Common Shares in connection with the Arrangement pursuant to and in the manner set forth in the Plan of Arrangement. Western shall give Purchaser prompt notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by Western and provide Purchaser with copies of such notices and written objections.

2.11 Disclosure Letter

Notwithstanding anything in the Disclosure Letter to the contrary, all disclosures in the Disclosure Letter must reference a particular Section in this Agreement in order to be deemed to relate to or modify such Section of this Agreement. The inclusion of any item in the Disclosure Letter shall not be construed as an admission by Western of the materiality of such item.

2.12 Tax Withholdings

Purchaser and AcquisitionCo shall be entitled to deduct and withhold from any consideration otherwise payable to any Western Shareholder and, for greater certainty, from any amount payable to a Dissenting Shareholder, as the case may be, under the Plan of Arrangement such amounts as Purchaser or AcquisitionCo are required or reasonably believed to be required to deduct and withhold from such consideration in accordance with applicable Tax Laws. Any such amounts will be deducted and withheld from the consideration payable pursuant to the Plan of Arrangement and shall be treated for all purposes as having been paid to the Western Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Taxing Authority.

2.13 Marathon Guarantee

Marathon hereby unconditionally and irrevocably guarantees the due and punctual performance by AcquisitionCo of each and every covenant and obligation of AcquisitionCo arising under the Arrangement, including, without limitation, the due and punctual payment of the Purchase Funds, Exchangeable Shares

and Purchaser Shares pursuant to the Arrangement. Marathon hereby agrees that Western shall not have to proceed first against AcquisitionCo before exercising its rights under this guarantee against Marathon.

2.14 Western Guarantee

Western hereby unconditionally and irrevocably guarantees the due and punctual performance by WesternZagros of each and every covenant and obligation of WesternZagros arising under the Arrangement. Western hereby agrees that Marathon shall not have to proceed first against WesternZagros before exercising its rights under this guarantee against Western.

2.15 Tax Election

Western or the member of the Western Group that sells the WesternZagros Shares to SpinCo (as defined in the Plan of Arrangement), as applicable, (the “**Electing Party**”) shall be entitled to make an income tax election pursuant to subsection 85(1) of the ITA (and analogous provisions of provincial income tax law) with respect to such transfer following the Effective Time by providing two duly completed signed copies of the necessary election form to SpinCo at any time following the Effective Date. The elected amount therein shall be the lesser of \$412,669,383 and the aggregate redemption amount of the redeemable preferred shares issued by SpinCo to the Electing Party. Thereafter, subject to the election form complying with the provisions of the ITA (or applicable provincial income tax law) the forms shall be signed by SpinCo and returned to Western within 30 days after receipt thereof. SpinCo will not be responsible for the proper completion of any election form and, except for the obligation of SpinCo to sign and return a duly completed election form, SpinCo will not be responsible for any taxes, interest or penalties resulting from the failure of the Electing Party to properly complete or file the election form in the form and manner and within the time prescribed by the ITA (or any applicable provincial legislation).

ARTICLE 3 COVENANTS

3.1 Covenants of Purchaser and AcquisitionCo

Each of Purchaser and AcquisitionCo covenant and agree that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Western (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

- (a) the business of Purchaser and AcquisitionCo shall be conducted only in the usual and ordinary course consistent with past practices;
- (b) Purchaser and AcquisitionCo shall not directly or indirectly do or permit to occur any of the following:
 - (i) amend the constating documents of Purchaser or AcquisitionCo except as required in connection with the Arrangement and, in the case of AcquisitionCo, to facilitate the issuance of preferred shares with a value of approximately \$65,000;
 - (ii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Purchaser or AcquisitionCo; or
 - (iii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing except as disclosed in writing to Western prior to the date hereof;
- (c) Purchaser and AcquisitionCo will use their reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.3 as soon as reasonably practicable, to the extent the fulfillment of the same is within the control of Purchaser or AcquisitionCo, as the case may be;

- (d) each of Purchaser and AcquisitionCo will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it and will use its reasonable commercial efforts to assist Western in obtaining such orders and to carry out the intent or effect of this Agreement and the Arrangement;
- (e) Purchaser will use reasonable commercial efforts to obtain approval of the listing of Purchaser Shares issuable under the Arrangement and upon exercise of the Exchangeable Shares on the NYSE prior to the mailing of the Information Circular;
- (f) Purchaser and AcquisitionCo will make all other necessary filings and applications under Applicable Laws required on the part of Purchaser or AcquisitionCo, as the case may be, in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such Applicable Laws;
- (g) neither Purchaser nor AcquisitionCo shall take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement in accordance with the terms and conditions herein;
- (h) Purchaser and AcquisitionCo shall jointly and severally indemnify and save harmless Western, its subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Western, its subsidiaries and their respective directors, officers, employees, advisors or agents may be subject or which Western, its subsidiaries and their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Purchaser Information;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in any material filed by or on behalf of Purchaser or AcquisitionCo in compliance or intended compliance with Applicable Laws, which prevents or restricts the trading in the Purchaser Shares or the Exchangeable Shares; and
 - (iii) Purchaser or AcquisitionCo not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that neither Purchaser nor AcquisitionCo shall be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation of a material fact based on the Western Information, the negligence of Western or the non-compliance by Western with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

- (i) subject to Section 10.3, except for non-substantive communications with third parties and communications to legal and other advisors of Purchaser, Purchaser and AcquisitionCo will furnish promptly to Western: (i) a copy of each notice, report, schedule or other document delivered, filed or received by Purchaser or AcquisitionCo in connection with the Arrangement from any Governmental Authority; (ii) any filings under Applicable Laws in connection with the Arrangement; and (iii) any documents related to dealings with Governmental Authorities in connection with the transactions contemplated herein;

- (j) except as contemplated herein, neither Purchaser nor AcquisitionCo shall take any action that would render, or may reasonably be expected to render, any representation or warranty made by Purchaser or AcquisitionCo, as the case may be, in this Agreement untrue in any material respect;
- (k) Purchaser and AcquisitionCo shall promptly notify Western in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Purchaser or AcquisitionCo threatened) in the business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities of Purchaser or AcquisitionCo, whether contractual or otherwise;
- (l) Purchaser and AcquisitionCo shall use their reasonable commercial efforts to obtain the consent of any third parties required by Purchaser or AcquisitionCo for the transactions contemplated hereby and provide the same to Western on or prior to the Effective Date; and
- (m) Purchaser and AcquisitionCo shall take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement.

3.2 Additional Covenants of Purchaser and AcquisitionCo

Purchaser and AcquisitionCo further covenant and agree that:

- (a) Prior to the Effective Time, AcquisitionCo shall not: (i) issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities except for the issuance of a nominal number of common shares and preferred shares; or (ii) carry on any business, enter into any transaction or effect any corporate act whatsoever, other than as contemplated herein or as reasonably necessary to carry out the transactions contemplated by the Plan of Arrangement unless previously consented to in writing by Western, acting reasonably;
- (b) all rights to indemnification existing in favour of present and former directors and officers of (i) Western or (ii) any corporation of which Western is or was a shareholder or creditor and who are serving or did serve at Western's request, as provided by contract, in Western's articles or by-laws or in similar documents of any of Western's subsidiaries in effect as of the date of this Agreement with respect to matters occurring prior to the Effective Date, shall survive and shall continue in full force and effect without modification for a period of not less than the later of their terms, if any, or the statutes of limitations applicable to such matters, and Purchaser further unconditionally and irrevocably covenants and agrees to be jointly and severally liable with Western for the performance of this covenant following the Effective Date; and
- (c) Western shall be permitted to secure "run off" directors' and officers' liability insurance for Western's current and former directors and officers, covering claims made prior to or within six years after the Effective Date which has a scope and coverage substantially equivalent in scope and coverage to that provided pursuant to Western's current directors' and officers' insurance policy and Purchaser agrees to not take any action to terminate or otherwise adversely affect such directors' and officers' insurance.

3.3 Covenants of Western and WesternZagros

Western and WesternZagros covenant and agree that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Purchaser (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

- (a) Western and WesternZagros will use their reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as practicable, to the extent the fulfillment of the same is within the control of Western and WesternZagros, as applicable;

- (b) each of Western and WesternZagros, as applicable, will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it;
- (c) Western and WesternZagros will make all necessary filings and applications under Applicable Laws, including U.S. Securities Laws, if applicable, reasonably required to be made on the part of Western and WesternZagros in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such Applicable Laws;
- (d) neither Western nor WesternZagros will take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement in accordance with the terms and conditions herein;
- (e) the business of Western and of its subsidiaries shall be conducted only in the usual and ordinary course consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use all commercially reasonable efforts to maintain and preserve its business, assets and advantageous business relationships, provided that it shall be entitled and authorized to comply with all pre-emptive rights, first purchase rights or rights of first refusal set forth in the Disclosure Letter that are applicable to its assets and become operative by virtue of this Agreement or any of the transactions contemplated by this Agreement;
- (f) Western shall not directly or indirectly do, or permit to occur, any of the following: (i) amend its constituting documents; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of outstanding Western Common Shares; (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any Western Common Shares or other securities of Western or any of its subsidiaries (other than the issuance of any securities of WesternZagros), including, without limitation, securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Western Common Shares (other than on exercise of Western Options or pursuant to the Western PSU Plan); (iv) redeem, purchase or otherwise acquire any of the outstanding Western Common Shares or other securities, other than to satisfy the obligations of Western pursuant to the Western DSU Plan or the Western PSU Plan; (v) split, combine or reclassify any of the outstanding Western Common Shares; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Western; or (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (g) other than pursuant to commitments, expenditures or indebtedness which are set forth in the Disclosure Letter or which have been set forth in Western's annual budget of capital expenditures, operating expenses and general and administrative expenses as amended and supplemented by the Western Board of Directors (the "**Western Budget**") which for certainty includes expenditures made prior to the date of this Agreement as well as expenditures to be made after the date of this Agreement relating to the business and operations of WesternZagros, and previously provided to Purchaser in writing, Western shall not directly or indirectly: (i) sell, pledge, dispose of or encumber any assets except for the sale of petroleum substances in the ordinary course of business and consistent with Western's current marketing practices; (ii) expend or commit to expend any funds in excess of the Western Budget except in emergency situations; (iii) expend or commit to expend any amounts with respect to any operating expenses other than in the ordinary course of business or pursuant to the Arrangement; (iv) other than as set forth in the Plan of Arrangement in respect of the distribution of WesternZagros Shares to Western Shareholders, reorganize, amalgamate, merge or otherwise continue Western or any of its subsidiaries with any other Person or other business organization whatsoever; (v) acquire (by merger, amalgamation, consolidation or acquisition of shares

or assets or otherwise) any corporation, trust, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (vi) except as provided by Section 3.3(bb) and Section 3.3(cc), acquire any assets (other than purchases of inventories in the ordinary course of business); (vii) incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances (except to a subsidiary of Western other than WesternZagros), or amend the terms of any of its office leases or existing credit facilities; (viii) except for Employee Obligations, pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction in the ordinary course of business, consistent with past practice, of liabilities reflected or reserved against in the Western Financial Statements or incurred in the ordinary course of business consistent with past practice; (ix) authorize, recommend or propose any release or relinquishment of any material Contracts; (x) except the distribution of the WesternZagros Shares to Western Shareholders pursuant to the Arrangement and obtaining all necessary consents to such transactions pursuant to Western's existing debt agreements, waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document; (xi) enter into or terminate any strategic hedges, swaps or other financial instruments or like transactions; (xii) advance funds, transfer assets, or commit to advancing funds or transferring assets, directly or indirectly, to or for the benefit of WesternZagros; or (xiii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

- (h) except as permitted by Section 2.6, Western shall not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided, except to the extent that any such entitlement to payment to a former employee or officer has accrued prior to the date hereof;
- (i) except as permitted by Section 2.6, neither Western nor any of its subsidiaries shall adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, share incentive or purchase plan, trust fund or arrangements for the benefit of employees, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
- (j) except as permitted by Section 2.6 or as may be agreed to by Purchaser, neither Western nor any of its subsidiaries shall: (i) grant any officer, director, employee or consultant an increase in compensation in any form; (ii) grant any general salary increase; (iii) take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements for any directors, officers, employees or consultants; (iv) adopt or amend or make any contribution to any bonus, profit-sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan (or amend any outstanding rights thereunder) from a trust fund or arrangement for the benefit of directors, officers, employees or consultants, except to permit accelerated vesting of currently outstanding Western Options, Western PSUs or as is necessary to comply with Applicable Laws or with the existing provisions of any such plans, programs, arrangements or agreements; or (v) advance any loan to any officer or director of Western or any of its subsidiaries or any other party not at arm's length to Western or any of its subsidiaries;
- (k) except as set forth in the Disclosure Letter, Western shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies for Western and any of its subsidiaries not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing satisfactory to Purchaser providing coverage equal to or

greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are full force and effect;

- (l) no amendments shall be made to outstanding Western Options or awards pursuant to the Western PSU Plan or the Western DSU Plan without the prior written consent of Purchaser other than as may be required to accommodate the treatment of Western Options, Western PSUs or Western DSUs as contemplated by Section 2.6(c) and Section 2.6(d) hereof and as permitted pursuant to Section 3.3(n) hereof;
- (m) subject to Section 2.6, Western shall use its commercially reasonable efforts to cause the resignation of all of the directors of Western and Western's subsidiaries as of Effective Time (and for mutual releases in form and substance satisfactory to Purchaser and Western, each acting reasonably, to be provided);
- (n) Western shall use its commercially reasonable efforts to ensure that all outstanding Western Options, Western PSUs and Western DSUs are either exercised, terminated, expired or surrendered prior to the Effective Time; provided that Western shall not pay the holders any amount of consideration therefor other than as set out herein, nor shall Western make any amendment to outstanding Western Options without the prior written consent of Purchaser, except: (i) to permit the early vesting of Western Options; and (ii) to permit the Optionee to exercise Western Options in accordance with Section 2.6(c) hereof;
- (o) Western and WesternZagros shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to the Effective Date or termination of this Agreement, whichever first occurs;
- (p) Western shall promptly notify Purchaser in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Western, threatened, financial or otherwise) in the business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of Western or any of its subsidiaries or of any change in any representation or warranty provided by Western or WesternZagros in this Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Western shall in good faith discuss with Purchaser any such change in circumstances which is of such a nature that there may be a reasonable question as to whether notice need be given to Purchaser pursuant to this provision;
- (q) Western shall ensure that it has available funds to permit the payment of the Purchaser Termination Fee having regard to its other liabilities and obligations, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (r) Western shall use its reasonable commercial efforts to obtain the consent of its bankers and any other third party consents required for the transactions contemplated hereby and provide the same to Purchaser on or prior to the Effective Date;
- (s) Western shall provide notice to Purchaser of the Western Meeting and allow Purchaser's representatives and legal counsel to attend such Western Meeting;
- (t) Western shall indemnify and save harmless Purchaser, its subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Purchaser, its subsidiaries or their respective directors, officers, employees, advisors or agents may be subject or which Purchaser, its subsidiaries or their respective directors, officers, employees, advisors

or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

- (i) any misrepresentation or alleged misrepresentation in the Western Information;
- (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation or in any material filed by or on behalf of Western in compliance or intended compliance with Applicable Canadian Securities Laws; and
- (iii) Western not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Western shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation of a material fact based on the Purchaser Information, the negligence of Purchaser or the non-compliance by Purchaser with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

- (u) WesternZagros shall indemnify and save harmless Purchaser, its subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Purchaser, its subsidiaries or their respective directors, officers, employees, advisors or agents may be subject or which Purchaser, its subsidiaries or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the WesternZagros Information;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation or in any material filed by or on behalf of WesternZagros in compliance or intended compliance with Applicable Canadian Securities Laws; and
 - (iii) WesternZagros not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that WesternZagros shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation of a material fact based on the Purchaser Information, the negligence of Purchaser or the non-compliance by Purchaser with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

- (v) subject to Section 10.3, except for proxies and other non-substantive communications with securityholders, Western will furnish promptly to Purchaser or Purchaser's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Western and WesternZagros in connection with: (i) the Arrangement; (ii) the Western Meeting; (iii) any filings under Applicable Laws; and (iv) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (w) management of Western shall solicit proxies to be voted at the Western Meeting in favour of matters to be considered at the Western Meeting, including the Arrangement Resolution;

- (x) Western shall conduct the Western Meeting in accordance with the by-laws of Western, the ABCA, Applicable Canadian Securities Laws and any instrument governing the Western Meeting (including, without limitation, the Interim Order), as applicable, and as otherwise required by Applicable Laws;
- (y) Western agrees to defer (or postpone) the separation time of the rights under the Western Shareholder Rights Plan in respect of the transactions contemplated herein and to waive the application of the Western Shareholder Rights Plan to the Arrangement immediately prior to the Effective Time;
- (z) Western and WesternZagros will take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (aa) Western shall promptly advise Purchaser of the number of Western Common Shares for which Western receives notices of dissent or written objections to the Arrangement and provide Purchaser with copies of such notices and written objections;
- (bb) Western will use its reasonable commercial efforts to elect to participate in the Expansion 2 Feasibility Study set forth in the Feasibility Notification dated July 5, 2007 prior to the expiry of the 60 day election period therefor;
- (cc) in the event that Western becomes entitled to participate in the acquisition of any lease in accordance with any area of mutual interest agreement (including without limitation, the Athabasca Oil Sands Project Participation and AMI Agreement dated December 6, 1999, as amended), Western shall promptly notify Purchaser upon receipt by Western of notice in respect thereof and consult with Purchaser regarding such acquisition opportunity. If requested by Purchaser, Western shall exercise its right to participate in such acquisition in accordance with the terms and conditions of such area of mutual interest agreement;
- (dd) Western shall: (i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects; (ii) timely pay all Taxes shown on such Tax Returns; (iii) not make or rescind any material express or deemed election relating to Taxes, or file any amended Tax Returns where the result of such action is inconsistent with past practice; (iv) not make a request for a Tax ruling or enter into a closing agreement with any Governmental Authority; (v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of Taxes; (vi) not change in any material respect any of its methods of reporting income, deductions or accounting for Tax purposes from those employed in the preparation of its Tax Return for the taxation years ending December 31, 2005 and December 31, 2006; and (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with GAAP, for all Taxes accruing in respect of Western which are not due or payable prior to the Effective Date;
- (ee) the Western Group shall not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation, without the consent of Purchaser, such consent not to be unreasonably withheld;
- (ff) Western agrees to cooperate, and to cause the other members of the Western Group to cooperate, with Purchaser and its tax advisors in planning and implementing transactions:
 - (i) subject to the terms of Western's existing credit facilities, to restructure and refinance the outstanding indebtedness of the Western Group in a manner that is tax effective, including the possible liquidation of Western Oil Sands Finance Inc.;
 - (ii) in preparation for the ultimate sale of the WesternZagros Shares by a member of the Western Group including, without limitation, a possible sale of the WesternZagros Shares within the Western Group;

- (iii) to address certain tax issues arising from the Western Oil Sands L.P., including the possible liquidation of Western Oil Sands L.P.; and
- (iv) to the extent possible, to ensure that there is tax shelter available in the relevant taxation year to the relevant member of the Western Group that is sufficient to offset gains incurred by such member of the Western Group as a result of the realization of foreign currency exchange gains upon the restructuring and refinancing of outstanding indebtedness of the Western Group and on the disposition of WesternZagros Shares;

such transactions to be implemented in a manner satisfactory to Purchaser, acting reasonably;

- (gg) Western and WesternZagros will use their reasonable commercial efforts to, prior to the Closing Time, assign and novate or terminate those Contracts set forth in the Disclosure Letter (other than those Contracts which have expired and are no longer in effect); and
- (hh) concurrently with the execution of this Agreement, executed support agreements from all of the directors and officers of Western will be delivered to Purchaser in the form agreed to by Western and Purchaser as of the date hereof.

3.4 Mutual Covenants Regarding the Arrangement

From the date of this Agreement until the Effective Date or termination of this Agreement, each of Purchaser and Western will use its reasonable commercial efforts to: (i) satisfy (or cause the satisfaction of) the conditions precedent to its obligations (and those of any of its subsidiaries) hereunder; (ii) not take, or cause to be taken, any action or cause anything to be done that would cause such obligations not to be fulfilled in a timely manner; and (iii) take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:

- (a) to ensure that the Information Circular provides Western Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and, in that regard, the Information Circular will set out the Purchaser Information in the form approved by Purchaser and the Western Information in the form approved by Western and shall include, without limitation: (i) any financial statements in respect of prior acquisitions made by Western that are required to be included therein in accordance with Applicable Laws; (ii) the unanimous determination of the Western Board of Directors that the Arrangement is fair to Western Shareholders and is in the best interests of Western and Western Shareholders, and include the unanimous recommendation of the Western Board of Directors that the Western Shareholders vote in favour of the consideration in respect of the Arrangement Resolution; and (iii) the fairness opinions of Western's financial advisors that the consideration in respect of the Arrangement is fair, from a financial point of view, to Western Shareholders;
- (b) to, on or before the Effective Date, cause confirmations of employment to be made to the Continuing Employees pursuant to the provisions of Section 2.6(b);
- (c) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any agreements and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (d) to effect all necessary registrations, filings and submissions of information requested by Governmental Authorities required to be effected by it in connection with the Arrangement;
- (e) reasonably cooperate with the other Party and its tax advisors in structuring the Arrangement and other transactions contemplated to occur in conjunction with the Arrangement in a tax effective manner and making such amendments to this Agreement or the Plan of Arrangement, as the other Party and its tax advisors shall consider necessary acting reasonably, including any amendments

required as a result of the planning and implementation of the matters set forth in Section 3.3(ff) and assist the other Party and its tax advisors in making such investigations and inquiries with respect to such Party in that regard, as the other Party and its tax advisors shall consider necessary, acting reasonably, provided that Western shall not be obligated to consent or agree to any structuring contemplated by this Section 3.4(e) that has the effect of reducing the consideration to be received under the Arrangement by the Western Shareholders or the tax deferred treatment to such securityholders in respect of the Exchangeable Shares to be received by such securityholders under the ITA; and

- (f) to cause the Effective Date to occur on or before November 30, 2007 (the “**Outside Date**”) and to cause the mailing of the Information Circular to Western Shareholders to occur as soon as reasonably practicable following the date hereof and in any event by October 1, 2007 (the “**Mailing Date**”).

Each of Purchaser and Western will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this Section 3.4 and this Agreement including, without limitation, continuing to provide reasonable access to information and to maintain ongoing communications as between officers of Purchaser and Western, subject in all cases to the Confidentiality Agreement.

3.5 Covenants Regarding Non-Solicitation

- (a) Western shall and shall cause the officers, directors, employees, representatives and agents of it and its subsidiaries to immediately cease any existing discussions or negotiations with any Person (other than Purchaser) with respect to any proposal that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal and to request, in accordance with the terms of any applicable confidentiality agreement, the return or destruction of all confidential information provided in connection therewith;
- (b) Subject to Sections 3.5(c), (d), (e) and (f), Western shall not, directly or indirectly, through any of its subsidiaries or through any officer, director, employee, investment banker, attorney or other representative or agent of it or any of its subsidiaries:
 - (i) solicit, initiate, knowingly facilitate or knowingly encourage (including by way of furnishing information) the initiation of any inquiries or proposals regarding an Acquisition Proposal;
 - (ii) participate in any discussions or negotiations regarding an Acquisition Proposal;
 - (iii) withdraw or modify or propose publicly to withdraw or modify, in any manner adverse to Purchaser, the approval of the Western Board of Directors of the Arrangement or the recommendation of the Western Board of Directors to vote in favour of the Arrangement;
 - (iv) furnish or provide access to any information concerning Western, its subsidiaries or their respective businesses, properties or assets to any Person in connection with, or that could reasonably be expected to lead to or facilitate, an Acquisition Proposal;
 - (v) waive any provisions of or release or terminate any confidentiality or standstill agreement between Western and any Person relating to an actual or potential Acquisition Proposal, or amend any such agreement or consent to the making of an Acquisition Proposal in accordance with the terms of such agreement; or
 - (vi) accept, recommend, approve or enter into or propose publicly to accept, recommend, approve or enter into any agreement, arrangement or understanding (other than a confidentiality agreement as permitted hereunder) related to any Acquisition Proposal;
- (c) Prior to the Effective Date, Western and its officers, directors, employees, advisors or other representatives or agents may enter into, or participate in, any discussions or negotiations with a Person who seeks to initiate such discussions or negotiations and, subject to the entering into by such

Person of a confidentiality agreement substantially similar to the Confidentiality Agreement, may furnish to such Person information concerning Western and its business, properties and assets, in each case if, and only to the extent that:

- (i) such Person has first made an unsolicited bona fide Acquisition Proposal which the Western Board of Directors determines in good faith (after consultation with its financial advisors) would, if consummated in accordance with its terms, be reasonably likely to result in, a Superior Proposal;
 - (ii) the Western Board of Directors, after receiving the advice of outside legal counsel, has determined in good faith that the failure to take such action would be inconsistent with the fiduciary duties of the Western Board of Directors to the Western Shareholders; and
 - (iii) Western has provided to Purchaser the information required to be provided under Section 3.5(e) in respect of such Acquisition Proposal and has promptly notified Purchaser in writing of the determinations in paragraphs 3.5(c)(i) and (ii) above;
- (d) If, prior to the Effective Time, Western receives a request from a Person who is subject to a standstill obligation to waive or release such Person from its standstill obligation in order to make an unsolicited bona fide Acquisition Proposal, Western may release such Person from its standstill obligation only to the extent required to allow such Person to provide the Acquisition Proposal for consideration by the Western Board of Directors in accordance with this Section 3.5 and to enter into, or participate in, any discussions or negotiations with Western and be furnished with information concerning Western, to the extent permitted pursuant to Section 3.5(c);
- (e) Western shall promptly notify Purchaser, at first orally and then in writing, of any Acquisition Proposal received after the date hereof, of any confidentiality agreement entered into in respect of any such Acquisition Proposal and any inquiry or contact received after the date hereof that could reasonably be expected to lead to an Acquisition Proposal, or any request for non-public information relating to Western received after the date hereof or for access to the properties, books or records of Western by any Person that informs Western that it is considering making, or has made, an Acquisition Proposal after the date hereof; which notice will include any known material terms and conditions of such Acquisition Proposal (including any form of agreement proposed to be entered into) and shall indicate such details, to the extent known, of the Acquisition Proposal, inquiry or contact as Purchaser may reasonably request, including the identity of the Person making such proposal, inquiry or contact. Western shall keep Purchaser informed of the status, including any change to the material terms, of any such Acquisition Proposal or inquiry. In addition, Western shall provide Purchaser with a list of or copies of the information provided to any Person in respect of which a confidentiality agreement is entered into in respect of any Acquisition Proposal pursuant to Section 3.5(c) and shall provide Purchaser with access to any information provided to any such Person;
- (f) Western shall give Purchaser, orally and in writing, at least three (3) Business Days advance notice of any decision by the Western Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Western Board of Directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the Person making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such three (3) Business Day period, Western agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, modify or change its recommendation in respect of the Arrangement or waive any provision of any standstill obligation with respect thereto except as permitted in Section 3.5(d). In addition, during such three (3) Business Day period Western shall, and shall cause its financial and legal advisors to, negotiate in good faith with Purchaser and its financial and legal advisors, to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Western to proceed with the Arrangement as amended rather than the Superior Proposal. In

the event Purchaser proposes to amend this Agreement and the Arrangement to provide that the Western Shareholders shall receive a value per Western Common Share equal to or having a value greater than the value per Western Common Share provided in the Superior Proposal and so advises the Western Board of Directors prior to the expiry of such three (3) Business Day period, the Western Board of Directors shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any standstill provisions and shall not withdraw, modify or change its recommendation in respect of the Arrangement. If the Western Board of Directors continues to believe that such Superior Proposal remains a Superior Proposal and therefore rejects Purchaser's amended proposal, Western may terminate this Agreement pursuant to Section 8.1(a)(iv), provided however, that Western must pay to the Purchaser the Purchaser Termination Fee concurrently with such termination. In the event that Western provides Purchaser with a copy of the notice referred to in this Section 3.5(f) on a date that is less than three (3) Business Days prior to the Western Meeting, Western shall adjourn the Meeting to a date that is not less than three (3) Business Days and not more than 10 Business Days after the date of the notice;

- (g) Nothing contained in this Section 3.5 shall prohibit the Western Board of Directors from: (i) making any disclosure of an Acquisition Proposal to the Western Shareholders prior to the Effective Time if, in the good faith judgment of the Western Board of Directors after receiving the advice of outside counsel, such disclosure is necessary for the Western Board of Directors to act in a manner consistent with its fiduciary duties or is otherwise required under Applicable Law; (ii) taking any other action with regard to an Acquisition Proposal to the extent ordered or otherwise mandated by any court of competent jurisdiction; (iii) responding to a bona fide request for information that could reasonably be expected to lead to an Acquisition Proposal solely by advising that no information can be provided unless a bona fide written Acquisition Proposal is made and then only in compliance with Section 3.5(c); (iv) complying with Section 172 of the Securities Act and similar provisions under Applicable Laws relating to the provision of directors' circulars and making appropriate disclosure with respect thereto to Western Shareholders; and (v) waiving the application of the Western Shareholder Rights Plan in respect of any Superior Proposal but only following Western's compliance with Section 3.5(f);
- (h) Western also acknowledges and agrees that each successive material modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the requirement under Section 3.5(f) to initiate an additional three (3) Business Day notice period;
- (i) The Western Board of Directors shall promptly reaffirm its recommendation of the Arrangement by press release after any Acquisition Proposal (which is determined not to be a Superior Proposal) is publicly announced or made; and
- (j) Purchaser agrees that all information that may be provided to it by Western with respect to any Acquisition Proposal pursuant to this Section 3.5 shall be treated as if it were "**Confidential Information**" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.

3.6 Provision of Information; Access

Until the Effective Date or termination of this Agreement, each Party agrees to keep the Other Party fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising after the date hereof that would be relevant and material to a prudent operator of the business and operations of Western and Purchaser. Each Party shall confer with and obtain the approval of the Other Party (not to be unreasonably withheld or delayed), prior to taking action (other than in emergency situations) with respect to any material operational matters involved in its business.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Purchaser

Purchaser represents and warrants to and in favour of Western and acknowledges that Western is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) Organization and Qualification. Each of Purchaser and AcquisitionCo is a corporation duly incorporated or amalgamated and validly subsisting under the Laws of its jurisdiction of incorporation and has the requisite corporate power and authority to own its assets and properties as now owned and to carry on its business as now conducted. Each of the Purchaser Parties is duly registered or authorized to conduct its affairs or do business, as applicable, and is in good standing in each jurisdiction in which the character of its assets and properties, owned or leased, or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered or authorized would not, individually or in the aggregate, have a Material Adverse Effect on Purchaser. Copies of the constating documents of the Purchaser Parties provided to Western, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded;
- (b) Authority Relative to this Agreement. Each of the Purchaser and AcquisitionCo has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Purchaser and AcquisitionCo of the transactions contemplated by the Arrangement have been duly authorized by the Purchaser Board of Directors and the AcquisitionCo Board of Directors and no other proceedings on the part of Purchaser or AcquisitionCo are necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by Purchaser and AcquisitionCo and constitutes a legal, valid and binding obligation of each of Purchaser and AcquisitionCo enforceable against each of Purchaser and AcquisitionCo in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered;
- (c) No Violations. Except as disclosed by Purchaser to Western in writing prior to the date of this Agreement, or as contemplated by this Agreement:
 - (i) neither the execution and delivery of this Agreement by Purchaser or AcquisitionCo nor the consummation of the transactions contemplated by the Arrangement nor compliance by the Purchaser Parties with any of the provisions hereof will: (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any encumbrance upon any of the properties or assets of the Purchaser Parties or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) the certificate of incorporation, articles or by-laws of either Purchaser Party; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which a Purchaser Party is a party or to which any of them, or any of their respective properties or assets, may be subject or by which a Purchaser Party is bound; or (B) subject to compliance with applicable statutes and regulations, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to the Purchaser Parties or any of their properties or assets (except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults,

terminations, accelerations or creations of encumbrances which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate have any Material Adverse Effect on Purchaser, or significantly impede the ability of the Purchaser Parties to consummate the transactions contemplated by the Arrangement); or (C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Purchaser; and

- (ii) other than in connection with or in compliance with the provisions of Applicable Laws in relation to completion of the Arrangement or which are required to be fulfilled post Arrangement: (A) there is no legal impediment to the Purchaser Parties' consummation of the Arrangement; and (B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of the Purchaser Parties in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not, individually or in the aggregate have a Material Adverse Effect on Purchaser, or significantly impede the ability of the Purchaser Parties to consummate the Arrangement;
- (d) Financing. Purchaser has sufficient means and on the Effective Date will have made arrangements to have sufficient financing available to effect payment of the aggregate cash consideration payable in connection with the Arrangement, through AcquisitionCo;
- (e) Litigation. Except as Publicly Disclosed by Purchaser, there are no claims, actions, suits, proceedings, investigations, arbitrations, audits, grievances, assessments or reassessments in existence or pending or, to the knowledge of Purchaser, threatened or for which there is a reasonable basis, affecting or that would reasonably be expected to affect Purchaser and its subsidiaries or affecting or that would reasonably be expected to affect any of their respective properties or assets at law or equity or before or by any court or Governmental Authority which claim, action, suit, proceeding, investigation, arbitration, audit, grievance, assessment or reassessment involves a possibility of any judgment against or liability of Purchaser and its subsidiaries which, if successful, would reasonably be expected to cause, individually or in the aggregate, a Material Adverse Change to Purchaser, or would significantly impede the ability of Purchaser to consummate the Arrangement;
- (f) United States Securities Laws. Purchaser has filed all forms, reports and other documents required to be filed by it with the SEC since January 1, 2007, under the Exchange Act and the outstanding Purchaser Shares are listed for trading on the NYSE;
- (g) Capitalization. As of the date hereof, the authorized capital of Purchaser consists of 1,100,000,000 Purchaser Shares and 26,000,000 shares of preferred stock of Purchaser. As of June 30, 2007, there are issued and outstanding 681,275,724 Purchaser Shares and no other shares are issued and outstanding. Except pursuant to officer, director and employee compensation arrangements or incentive plans that have been Publicly Disclosed by Purchaser, there are no options, warrants or other rights, plans, agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Purchaser of any securities of Purchaser (including Purchaser Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Purchaser (including Purchaser Shares). All outstanding Purchaser Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Purchaser Shares issuable in accordance with the Plan of Arrangement will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights;
- (h) Exchangeable Shares. All Exchangeable Shares issuable in accordance with the Plan of Arrangement will be duly authorized and validly issued by AcquisitionCo as fully paid and non-assessable and will not be subject to any pre-emptive rights;

- (i) Purchaser Financial Statements. As of their respective dates, the Purchaser Financial Statements did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and complied in all material respects with all Applicable Laws. The Purchaser Financial Statements, were prepared in accordance with U.S. GAAP (except (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Purchaser's independent auditors or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year-end adjustments or may be condensed or summary statements), and present fairly, in accordance with U.S. GAAP, the consolidated financial position, results of operations and changes in financial position of Purchaser on a consolidated basis as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments). There has been no material change in Purchaser accounting policies, except as described in the notes to the Purchaser Financial Statements, since January 1, 2007;
- (j) Public Record. Since January 1, 2007, the information and statements set forth in the Public Record were true, correct and complete in all material respects as of the date of such information and statements and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;
- (k) Absence of Certain Changes or Events. Except as Publicly Disclosed by Purchaser, and except for the Arrangement or any action taken in accordance with this Agreement, since December 31, 2006, Purchaser has conducted its business only in the ordinary course of business substantially consistent with past practice; and, without limiting the generality of the foregoing, except as Publicly Disclosed by Purchaser, there has not occurred:
 - (i) an amendment or proposed amendment to the articles or by-laws of Purchaser;
 - (ii) a Material Adverse Change with respect to Purchaser;
 - (iii) any material damage, destruction or loss not fully covered by insurance (subject to normal deductibles);
 - (iv) any redemption, repurchase or other acquisition of Purchaser Shares by Purchaser, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, shares or property) with respect to the Purchaser Shares, other than the payment of dividends in the ordinary course on the Purchaser Shares, if any, in accordance with their terms and other than transactions after March 31, 2007 that are of the kind described in Item 2 of Part II of Purchaser's Quarterly Report on Form 10-Q for the period ended March 31, 2007;
 - (v) any resolution to approve a split, consolidation or reclassification of any of its outstanding Purchaser Shares;
 - (vi) any change in its financial accounting methods, policies or practices, other than changes required by U.S. GAAP or official interpretations thereof and except for changes in practices in the ordinary course of business consistent with past practice; or
 - (vii) any agreement by Purchaser to do any of the foregoing;
- (l) Registration, Exemption Orders, Licenses, etc. Purchaser has obtained and is in compliance with all licenses, permits, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other authorizations of or from any Governmental Authority necessary in connection with the conduct of its business as it is now, individually or in the aggregate, being or proposed to be conducted (collectively, the "**Governmental Authorizations**"), except where the failure to obtain or be in compliance would not, individually or in the aggregate, reasonably be

expected to have a Material Adverse Effect on Purchaser. Such Governmental Authorizations are in full force and effect in accordance with their terms, and no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation of any such Governmental Authorization, except where the violation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Purchaser. No proceedings are pending or, to the knowledge of Purchaser, threatened, which could result in the revocation or limitation of any such Governmental Authorization, and all steps have been taken and filings made on a timely basis with respect to each Governmental Authorization and its renewal, except where the failure to take such steps and make such filings would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Purchaser;

- (m) Compliance with Laws. Except as Publicly Disclosed by Purchaser, the operations and business of Purchaser are and have been carried out in compliance and not in violation of any Applicable Laws, other than non-compliance or violation, which individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Purchaser, and Purchaser has not received any notice of any alleged violation of any such Laws except where such notice would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Purchaser;
- (n) Restrictions on Business Activities. Except as Publicly Disclosed by Purchaser, there is no judgment, injunction or order binding upon Purchaser that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing its business or have a Material Adverse Effect on Purchaser;
- (o) Non-Arm's Length Transactions. Except as Publicly Disclosed by Purchaser, there are no material Contracts or other transactions currently in place between Purchaser, on the one hand, and (i) any officer or director of Purchaser, (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Purchaser or (iii) any affiliate of any such officer, director or beneficial owner, on the other hand;
- (p) Taxes, etc. Except as disclosed in writing to Western:
 - (i) all Tax Returns required to be filed by or on behalf of Purchaser for periods ended on and prior to the date of this Agreement by Purchaser have been duly filed on a timely basis and such tax returns are complete and correct in all material respects;
 - (ii) Purchaser has, in all material respects, paid or has withheld and remitted to the appropriate Taxing Authority all Taxes, including any instalments or prepayments of Taxes, that are due and payable whether or not shown as being due on any Tax Return, or, where payment is not yet due, Purchaser has established adequate accruals in conformity with U.S. GAAP in the Purchaser Financial Statements for the period covered by such financial statements for any Taxes, including income taxes and related future taxes, if applicable, that have not been paid, whether or not shown as being due on any Tax Return. Purchaser has, in all material respects, made adequate provision in its respective books and records for any Taxes accruing in respect of any period subsequent to the period covered by such financial statements, whether or not shown as being due on any Tax Return;
 - (iii) no material deficiencies exist or have been asserted with respect to Taxes of Purchaser or any of its subsidiaries; and
 - (iv) none of Purchaser or its subsidiaries is a party to any action or proceeding for assessment or collection of Taxes, nor, to the knowledge of Purchaser, has such an event been asserted or threatened against Purchaser or its subsidiaries or any of their respective assets that would have a Material Adverse Effect on Purchaser;

- (q) Pensions. Purchaser has provided adequate accruals in the Purchaser Financial Statements (or such amounts are fully funded) for all pension or other employee benefit obligations of Purchaser and its subsidiaries arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Purchaser or its subsidiaries for such periods;
- (r) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of the Purchaser Shares or any other securities of Purchaser or AcquisitionCo has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Purchaser or AcquisitionCo, are contemplated or threatened under any Applicable Laws or by any Governmental Authority;
- (s) Books and Records. The records and minute books of the Purchaser Parties have been maintained substantially in accordance with all Applicable Laws and are complete and accurate in all material respects;
- (t) Absence of Undisclosed Liabilities. Except as Publicly Disclosed by Purchaser, none of Purchaser or any of its subsidiaries has any material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for or disclosed in the most recent balance sheet and associated notes thereto included in the Purchaser Financial Statements (the “**Purchaser Balance Sheet**”);
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Purchaser Balance Sheet under U.S. GAAP;
 - (iii) those incurred in the ordinary course of business since the date of the Purchaser Balance Sheet and consistent with past practice; or
 - (iv) those incurred in connection with the execution of this Agreement;
- (u) Environmental. Except as Publicly Disclosed by Purchaser, to the knowledge of Purchaser, the Purchaser (i) is in compliance with any and all applicable Environmental Laws, (ii) has received and is in compliance with all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business and (iii) has not received notice of any actual or potential liability, proceeding, application, order or directive for the investigation or remediation of any disposal or release of Hazardous Substances or otherwise as may require any material work, repairs, construction or expenditure or any demand or notice with respect to the breach of any Environmental Laws applicable to Purchaser, including, without limitation, any regulations respecting the use, storage, treatment, transportation or disposition of any Hazardous Substance, except, in the cases of clauses (i), (ii) and (iii), where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability or other matter would not, individually or in the aggregate, have a Material Adverse Effect on Purchaser; and
- (v) Board Approval. The Purchaser Board of Directors and the AcquisitionCo Board of Directors have each unanimously endorsed the Arrangement and approved this Agreement and the Arrangement.

4.2 Representations and Warranties of Western

Western represents and warrants to and in favour of the Purchaser Parties and acknowledges that the Purchaser Parties are relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement.

- (a) Organization and Qualification. Each member of the Western Group has been duly incorporated, amalgamated or created, as the case may be, and is validly subsisting under the Laws of its jurisdiction

of formation and has the requisite power and authority to own its assets and properties as now owned and to carry on its business as now conducted. Each member of the Western Group is duly registered or authorized to conduct its affairs or do business, as applicable, and each is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered or authorized would not, individually or in the aggregate, have a Material Adverse Effect on Western. Copies of the constating documents of each member of the Western Group provided to Purchaser, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded;

- (b) Authority Relative to this Agreement. Each of Western and WesternZagros has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Western and WesternZagros of the transactions contemplated by the Arrangement has been duly authorized by the Western Board of Directors and the WesternZagros Board of Directors and, subject to the requisite approval of the Western Shareholders and the obtaining of the Final Order, no other proceedings on the part of Western and WesternZagros are necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by Western and WesternZagros and constitutes a legal, valid and binding obligation of each of Western and WesternZagros enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered;
- (c) Subsidiaries. Western has no subsidiaries, other than WesternZagros and 852006 Alberta Ltd., Western Oil Sands L.P., Western Oil Sands Finance Inc., WesternZagros Ltd., 1331614 Alberta Ltd., Western US Holdings Inc., Western Oil Holdings (Barbados) Inc., Western Oil International Holdings Limited, Western Oil Sands (USA) Inc., Western Bluewater Resources (Trinidad) Inc. and 1318214 Alberta Ltd. (collectively, with Western, the “**Western Group**”) and Western owns, directly or indirectly, 100% of the outstanding securities of each of such subsidiaries. All of the outstanding shares and all other ownership interests in the subsidiaries of Western are duly authorized, validly issued, fully paid and non-assessable, and all such shares and other ownership interests held directly or indirectly by Western, are owned by Western free and clear of all Encumbrances, except pursuant to restrictions on transfer contained in the articles of such subsidiary. There are no rights of first refusal and similar rights restricting transfer of the Western Common Shares contained in shareholders, partnership, joint venture or similar agreements or pursuant to existing financing arrangements and there are no outstanding contractual or other obligations of any member of the Western Group to repurchase, redeem or otherwise acquire any of their respective securities or with respect to the voting or disposition of any outstanding securities of any of them;
- (d) No Violations. Except as disclosed to Purchaser in the Disclosure Letter, or as contemplated by this Agreement:
 - (i) neither the execution and delivery of this Agreement by Western and WesternZagros nor the consummation of the transactions contemplated by the Arrangement nor compliance by the Western Parties with any of the provisions hereof will: (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the properties or assets of the Western Parties or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) articles or by-laws of either Western Party; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust agreement, lien, contract or other instrument or

obligation to which a member of the Western Group is a party or to which any of them, or any of their respective properties or assets, may be subject or by which a member of the Western Group is bound; or (B) subject to compliance with applicable statutes and regulations, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to the Western Group or any of their respective properties or assets (except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of encumbrances which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, have any Material Adverse Effect on Western, or significantly impede the ability of the Western Parties to consummate the transactions contemplated by the Arrangement); or (C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would, individually or in the aggregate, have a Material Adverse Effect on Western; and

- (ii) other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Arrangement or which are required to be fulfilled post Arrangement, and except for the requisite approval of Western Shareholders and the obtaining of the Final Order: (A) there is no legal impediment to the Western Parties' consummation of the Arrangement; and (B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of the Western Parties in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not, individually or in the aggregate, have a Material Adverse Effect on Western, or significantly impede the ability of the Western Parties to consummate the Arrangement;
- (e) Litigation. Except as set forth in the Disclosure Letter, there are no claims, actions, suits, proceedings, investigations, arbitrations, audits, grievances, assessments or reassessments in existence or pending or, to the knowledge of Western, threatened or for which there is a reasonable basis, affecting or that would reasonably be expected to affect the Western Group or affecting or that would reasonably be expected to affect any of their respective properties or assets at law or in equity or before or by any court or Governmental Authority which claim, action, suit, proceeding, investigation, arbitration, audit, grievance, assessment or reassessment involves a possibility of any judgment against or liability of the Western Group which would reasonably be expected to cause, individually or in the aggregate, a Material Adverse Change to Western, or would significantly impede the ability of the Western Parties to consummate the Arrangement;
- (f) Taxes, etc. Except as disclosed to Purchaser in the Disclosure Letter:
 - (i) all Tax Returns required to be filed by or on behalf of any member of the Western Group for periods ended on and prior to the date of this Agreement have been duly filed on a timely basis and such tax returns are complete and correct in all material respects. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other material Taxes are payable by any member of the Western Group with respect to items or periods covered by such Tax Returns;
 - (ii) each member of the Western Group has, in all material respects, paid or has withheld and remitted to the appropriate Taxing Authority all Taxes, including any instalments or prepayments of Taxes, that are due and payable whether or not shown as being due on any Tax Return, or, where payment is not yet due, Western has established adequate accruals in conformity with GAAP in the Western Financial Statements for the period covered by such financial statements for any Taxes, including income taxes and related future taxes, if applicable, that have not been paid, whether or not shown as being due on any Tax Return. Western has, in all material respects, made adequate provision or disclosure in its books and records for any Taxes accruing in respect

of any period subsequent to the period covered by such financial statements, whether or not shown as being due on any Tax Return;

- (iii) Purchaser has been furnished by Western true and complete copies of: (A) material portions of income tax audit reports, statement of deficiencies, closing or other agreements received by any member of the Western Group or on behalf of any member of the Western Group relating to the Taxes for any taxable period beginning within 8 years from the date hereof; and (B) any material Tax Returns for each member of the Western Group for any taxable period beginning within 3 years from the date hereof;
- (iv) no material deficiencies have been asserted in writing by any Governmental Authority with respect to Taxes of Western or any of its subsidiaries that have not yet been settled;
- (v) no member of the Western Group is a party to any tax sharing, tax indemnity or tax allocation agreement or arrangement and no member of the Western Group has or could have any material liabilities or obligations in respect of Taxes under any such tax sharing, tax indemnity or tax allocation agreement. No material liability (or reasonable claim of material liability) shall arise under any tax sharing, tax indemnity or tax allocation agreement or arrangement or as a result of this transaction;
- (vi) each of the owners of the Athabasca Oil Sands Project takes all of its product in kind and does not engage in any joint marketing of products. Each joint venture partner will continue to report separately its share of the items of income, deduction and credits of the joint venture on their respective tax returns and such separate reporting has occurred since the formation of the joint venture;
- (vii) no member of the Western Group is a party to any action or proceeding for assessment or collection of a material amount of Taxes, nor, to the knowledge of Western, has such an event been asserted in writing by any Governmental Authority or threatened against Western or its subsidiaries or any of their respective assets that would have, individually or in the aggregate, a Material Adverse Effect on Western. No waiver or extension of any statute of limitations is in effect with respect to material Taxes or material Tax Returns of Western or its subsidiaries. No audit by Taxing Authorities of Western or its subsidiaries is in process or to the knowledge of Western, pending; and
- (viii) the Disclosure Letter contains a list of all jurisdictions (whether foreign or domestic) in which any member of the Western Group currently files a tax return;
- (g) Pensions. Western has provided adequate accruals in the Western Financial Statements (or such amounts are fully funded) for all pension or other employee benefit obligations of Western and its subsidiaries arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Western or its subsidiaries for such periods;
- (h) Reporting Issuer Status. Western is a “reporting issuer” in each province of Canada and is in material compliance with all Applicable Canadian Securities laws therein and the Western Common Shares are listed and posted for trading on the TSX;
- (i) Capitalization. As of the date hereof, the authorized capital of Western consists of an unlimited number of Western Common Shares, an unlimited number of Non-voting Convertible Class B Equity Shares, an unlimited number of Class C Preferred Shares and an unlimited number of Class D Preferred Shares, issuable in series. As of the date hereof, there are issued and outstanding 161,876,552 Western Common Shares and no other shares are issued and outstanding. Other than Western Options, Western PSUs and Western DSUs to acquire up to 3,482,012 Western Common Shares and rights issued under the Western Shareholder Rights Plan, there are no options, warrants or

other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Western of any securities of Western (including Western Common Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Western (including Western Common Shares). All outstanding Western Common Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Western Common Shares issuable upon the exercise of Western Options in accordance with the terms of such options will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the Western Common Shares, there are no securities of any member of Western Group outstanding which have the right to vote generally (or except for the Western Options, Western PSUs and Western DSUs are exercisable or convertible into or exchangeable for securities having the right to vote generally) with the Western Shareholders on any matter;

- (j) Equity Monetization Plans. Except as set forth in the Disclosure Letter and other than the Western Options, Western PSUs and Western DSUs, there are no outstanding stock appreciation rights, phantom equity, profit sharing plan or similar rights, agreements, arrangements or commitments payable to any employee of Western and which are based upon the revenue, value, income or any other attribute of any member of the Western Group;
- (k) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Western Common Shares or any other securities of Western or WesternZagros has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Western, are contemplated or threatened under any Applicable Laws or by any Governmental Authority;
- (l) Reports. As of their respective dates: (i) the Western Financial Statements; (ii) Western's statement of oil and gas reserves data and other oil and gas information dated February 7, 2007 (the "**GLJ Report**") filed pursuant to National Instrument 51-101; (iii) Western's information circular dated May 1, 2007; and (iv) all Western press releases, material change reports and business acquisition reports filed with the Securities Authorities since January 1, 2007, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and complied in all material respects with all Applicable Laws. The Western Financial Statements were prepared in accordance with GAAP (except (x) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Western's independent auditors or (y) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year end adjustments or may be condensed or summary statements), and present fairly in accordance with GAAP the consolidated financial position, results of operations and changes in financial position of Western on a consolidated basis as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Western on a consolidated basis. There has been no material change in Western accounting policies, except as described in the notes to the Western Financial Statements, since January 1, 2007. Western has not filed any prospectuses or other offering document used by Purchaser in the offering of its securities, with the Securities Authorities since January 1, 2007;
- (m) Books and Records. The financial books, records and accounts of each member of the Western Group, in all material respects, (i) have been maintained in accordance with good business practices on a basis consistent with prior years, (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and dispositions of the assets of the Western Group and (iii) accurately and fairly reflect the basis for the Western Financial Statements. The corporate records

and minute books of each member of the Western Group have been maintained substantially in compliance with Applicable Laws and are complete and accurate in all material respects, and full access thereto has been provided to Purchaser;

- (n) Absence of Certain Changes or Events. Except as set forth in the Disclosure Letter and except for the Arrangement or any action taken in accordance with this Agreement, since December 31, 2006, Western has conducted its business only in the ordinary course of business substantially consistent with past practice; and, without limiting the generality of the foregoing, except as set forth in the Disclosure Letter, there has not occurred:
- (i) an amendment or proposed amendment to the articles or by-laws of Western;
 - (ii) a Material Adverse Change with respect to Western;
 - (iii) any material damage, destruction or loss not fully covered by insurance (subject to normal deductibles);
 - (iv) any redemption, repurchase or other acquisition for cancellation of Western Common Shares by Western or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, shares or property) with respect to the Western Common Shares;
 - (v) any resolution to approve a split, consolidation or reclassification of any of its outstanding Western Common Shares;
 - (vi) any change in its financial accounting methods, policies or practices, other than changes required by GAAP or official interpretations thereof and except for changes in practices in the ordinary course of business consistent with past practice;
 - (vii) the granting by any member of the Western Group to any employees of the Western Group of any increase in compensation or benefits (including without limitation change of control agreements), except in the ordinary course of business consistent with past practice;
 - (viii) the adoption of, any material amendment to or any termination of any bonus, profit sharing, employee benefit plan, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, share incentive or purchase plan, trust fund or arrangement for the benefit of Western employees, except in the ordinary course of business consistent with past practice;
 - (ix) any sale, pledge, lease, disposition or Encumbrance of any of the assets of any member of the Western Group except in the ordinary course of business consistent with past practice;
 - (x) any acquisition by any member of the Western Group (by merger, amalgamation, consolidation or acquisition of shares or assets or otherwise) of any corporation, partnership or other Person or other business organization or division thereof (other than a member of the Western Group), or any investment either by the purchase of securities, contributions of capital, property, or any purchase of property or assets of any other Person (other than a member of the Western Group);
 - (xi) other than in respect of Western's existing credit facilities, the creation by any member of the Western Group of any indebtedness for borrowed money owed to a Person who is not a member of the Western Group or any other Liability or obligation owed to a Person who is not a member of the Western Group, or the issuance by any member of the Western Group of any debt securities or the guarantee, endorsement or otherwise acceptance of responsibility for the obligations of any other Person, or the making of any loans, or advances by any member of the Western Group, except in the ordinary course of business consistent with past practice;
 - (xii) except as set forth in the Western Budget, the implementation of or commitment to incur by any member of the Western Group any capital expenditure;

- (xiii) any waiver of any provisions of, or release or termination of, any confidentiality or standstill agreement by any member of the Western Group in favour of any Person, or any amendment to any such agreement, or any consent to the making of a proposal in accordance with the terms of such agreement;
- (xiv) any material Tax election made or changed, any annual tax accounting period changed, any method of tax accounting adopted or changed, any amended Tax Returns or claims for material Tax refunds filed, any closing agreement entered into or request for a Tax ruling made, any Tax claim, audit or assessment settled, or any right to claim a material Tax refund, offset or other reduction in Tax liability surrendered; or
- (xv) any agreement by any member of the Western Group to do any of the foregoing;
- (o) Registration, Exemption Orders, Licenses, etc. To the knowledge of Western, Western has obtained and is in compliance with all licenses, permits, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other Governmental Authorizations, except where the failure to obtain or be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Western. Such Governmental Authorizations are in full force and effect in accordance with their terms, and no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation of any such Governmental Authorization, except where the violation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Western. No proceedings are pending or, to the knowledge of Western, threatened, which could result in the revocation or limitation of any Governmental Authorization, and all steps have been taken and filings made on a timely basis with respect to each Governmental Authorization and its renewal, except where the failure to take such steps and make such filings would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Western;
- (p) Compliance with Laws. The operations and business of each member of the Western Group is and has been carried out in compliance with and not in violation of any Applicable Laws, other than non-compliance or violation which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Western, and Western has not received any notice of any alleged violation of any such Laws other than where such notice would not reasonably be expected to have a Material Adverse Effect on Western;
- (q) Restrictions on Business Activities. There is no judgment, injunction or order binding upon any member of the Western Group that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing its business or, individually or in the aggregate, have a Material Adverse Effect on Western;
- (r) Non-Arm's Length Transactions. There are no material Contracts or other transactions currently in place between any member of the Western Group, on the one hand, and (i) any officer or director of a member of Western, (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Western or (iii) any affiliate of any such officer, director or beneficial owner, on the other hand;
- (s) Title. Although it does not warrant title, Western has no reason to believe that Western or its subsidiaries, other than WesternZagros for which no representation and warranty is given, does not have title to or the right to produce and sell their petroleum, natural gas and related hydrocarbons (for the purpose of this clause, the foregoing are referred to as the “**Interests**”) and does represent and warrant that the Interests are free and clear of adverse claims created by, through or under the Western Group (other than WesternZagros) except as disclosed in the Public Record, any governmental registry or those arising in the ordinary course of business, which are not material in the aggregate, and that, to the best of its knowledge, information and belief, Western holds the Interests

under valid and subsisting leases, licences, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements, except where the failure to hold such rights in the event of such adverse claims or the failure to so hold its Interest would, individually or in the aggregate, not have a Material Adverse Effect on Western;

- (t) GLJ Report. Western has made available to GLJ Petroleum Consultants Ltd. (“GLJ”), prior to the issuance of GLJ Report, for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, Western has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to GLJ since the date that such information was provided. Western believes that the GLJ Report reasonably presents the quantity and pre-tax present worth values of the oil and natural gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as of its effective date based upon information available at the time such reserves information was prepared, and Western believes that, at the date of such report, such report did not (and as of the date hereof, except as may be attributable to production since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;
- (u) Environmental. To the knowledge of Western, each of the Western Parties (i) is in compliance with any and all applicable Environmental Laws, (ii) has received and is in compliance with all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its respective businesses and (iii) has not received notice of any actual or potential liability, proceeding, application, order or directive for the investigation or remediation of any disposal or release of Hazardous Substances or otherwise as may require any material work, repairs, construction or expenditure or any demand or notice with respect to the breach of any Environmental Laws applicable to any member of the Western Group, including, without limitation, any regulations respecting the use, storage, treatment, transportation or disposition of any Hazardous Substance, except, in the cases of clauses (i), (ii) and (iii), where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability or other matter would not, individually or in the aggregate, have a Material Adverse Effect on Western;
- (v) Public Record. Since January 1, 2007, the information and statements set forth in the Public Record were true, correct and complete in all material respects as of the date of such information and statements and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;
- (w) Absence of Undisclosed Liabilities. None of Western or any of its subsidiaries has any material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Western Financial Statements (the “**Western Balance Sheet**”);
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Western Balance Sheet under GAAP;
 - (iii) those incurred in the ordinary course of business since the date of the Western Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement;
- (x) Employee Benefit Plans. Western has provided to Purchaser true, complete and correct copies of each employee benefits plan (collectively, the “**Western Plans**”) covering active, former or retired employees of each member of the Western Group, any related trust agreement, annuity or insurance

contract or other funding vehicle, and: (i) each Western Plan has been maintained and administered in material compliance with its terms and is, to the extent required by Applicable Law or contract, fully funded without having any deficit or unfunded actuarial liability or adequate provision has been made therefor; (ii) all required employer contributions under any such plans have been made and the applicable funds have been funded in accordance with the terms thereof; (iii) each Western Plan that is required or intended to be qualified under Applicable Law or registered or approved by a Governmental Authority has been so qualified, registered or approved by the appropriate Governmental Authority, and to the knowledge of Western, nothing has occurred since the date of the last qualification, registration or approval that would reasonably be expected to adversely affect, or cause, the appropriate Governmental Authority to revoke such qualification, registration or approval; (iv) to the knowledge of Western, there are no pending or anticipated material claims against or otherwise involving any of the Western Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Western Plan activities) has been brought against or with respect to any Western Plan; (v) all material contributions, reserves or premium payments required to be made to the Western Plans have been made or provided for; and (vi) no member of the Western Group has any material obligations for retiree health and life benefits under any Western Plan;

- (y) Brokers and Finders. The Western Parties have not retained nor will they retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Goldman, Sachs & Co., TD Securities Inc. and Tristone Capital Inc. have been retained as Western's financial advisors in connection with certain matters including the transactions contemplated hereby. Western has delivered to the Purchaser Parties a true and complete copy of its agreements with Goldman, Sachs & Co. and TD Securities Inc. and Western hereby agrees not to amend such agreements without Purchaser's consent. There are no fees payable to such advisors other than those disclosed in such agreements;
- (z) Employment and Officer Obligations. Other than as disclosed in the Disclosure Letter, there are no existing health plans or pension obligations or other employment or consulting services agreements, termination, severance and retention plans or policies of any member of the Western Group. The obligations of the Western Group under all such employment or consulting services agreements, termination, retention, severance plans or policies for severance, termination, retention or bonus payments or any other payments related to any Western incentive plan, arising out of or in connection with the Arrangement, shall not exceed the amounts set forth in the Disclosure Letter;
- (aa) Fairness Opinions. The Western Board of Directors has received opinions as of July 30, 2007 from Goldman, Sachs & Co. and TD Securities Inc. that the consideration to be received from Purchaser by Western Shareholders in connection with the Arrangement is fair, from a financial point of view, to the Western Shareholders;
- (bb) Insurance. Policies of insurance that are in force as of the date hereof naming any member of the Western Group as an insured adequately and reasonably cover all risks as are customarily covered by oil and gas producers in the industry in which the Western Group operates and having regard to the nature of the risk insured and the relative cost of obtaining insurance protect such member of the Western Group's interests. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement;
- (cc) Board Approval. The Western Board of Directors has unanimously endorsed the Arrangement and approved this Agreement, has unanimously determined that the Arrangement and this Agreement are in the best interests of Western and the Western Shareholders, and has, among other things, based on the opinion of its financial advisors, unanimously determined that the consideration in the respect of

the Arrangement is fair, from a financial point of view, to Western Shareholders and has resolved to unanimously recommend approval of the Arrangement by Western Shareholders;

- (dd) Western Shareholder Rights Plan. The Western Shareholder Rights Plan will not apply to the Arrangement and prior to the Effective Time, Western will not implement any other shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Western Common Shares or other securities of Western or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or in connection with the Arrangement;
- (ee) Disclosure Letter. The matters disclosed to Purchaser in the Disclosure Letter remain true and correct as of the date hereof;
- (ff) Proceeds of Crime. To the knowledge of Western, neither Western nor WesternZagros has, directly or indirectly, (a) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction or (b) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the *Canada Corruption of Foreign Public Officials Act* (Canada) or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to Western and WesternZagros and their respective operations and have instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation;
- (gg) Material Contracts. Western has provided to Purchaser an index as disclosed in the Disclosure Letter which lists the various Contracts regarding the Western Group which have been provided to Purchaser. Except as disclosed in the Disclosure Letter, such Contracts include all Contracts material to the conduct of the business and affairs of the Western Group and all such material Contracts are valid and subsisting. To the knowledge of Western, it is not, nor is it alleged to be (with or without the lapse of time or the giving of notice, or both), in breach or default in any material respect of any such material Contract and, to the knowledge of Western, no other party to any such material Contract is (with or without the lapse of time or the giving of notice or both) in breach or default in any material respect thereunder;
- (hh) No Guarantees. Except as set forth in the Disclosure Letter, Western has not guaranteed, endorsed, assumed, indemnified or accepted any responsibility for, and does not and will not guarantee, endorse, assume, indemnify or accept any responsibility for, contingently or otherwise, any indebtedness or the performance of any obligation of WesternZagros; and
- (ii) WesternZagros Contracts. There are no Contracts relating to the business and affairs of WesternZagros other than as disclosed in the Disclosure Letter.

4.3 Representations and Warranties of WesternZagros

WesternZagros represents and warrants to and in favour of Purchaser and acknowledges that Purchaser is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) Parent and Subsidiaries. Western owns 100% of the issued and outstanding shares of WesternZagros and except for Western Oil International Holdings Limited and WesternZagros Limited, WesternZagros has no subsidiaries that are material to its business, operation or financial condition;
- (b) Capitalization. As of the date hereof, the authorized capital of WesternZagros consists of an unlimited number of common shares, an unlimited number of non-voting class A common shares and

an unlimited number of preferred shares, issuable in series. There are no options, warrants or other rights, agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by WesternZagros of any securities of WesternZagros or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of WesternZagros. All outstanding common shares and non-voting class A common shares in the capital of WesternZagros have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;

- (c) Organization and Qualification. WesternZagros is a corporation duly incorporated or amalgamated and validly subsisting under the Laws of its jurisdiction of incorporation and has the requisite corporate power and authority to own its assets and properties as now owned and to carry on its business as now conducted. WesternZagros is duly registered or authorized to conduct its affairs or do business, as applicable, and each is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered or authorized would not, individually or in the aggregate, have a material adverse effect on WesternZagros. Copies of the constating documents of WesternZagros provided to Purchaser, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded;
- (d) Authority Relative this Agreement. WesternZagros has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by WesternZagros of the transactions contemplated by the Arrangement has been duly authorized by the WesternZagros Board of Directors and, except as specified herein, no other proceedings on the part of WesternZagros are necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by WesternZagros and constitutes a legal, valid and binding obligation of WesternZagros enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered;
- (e) Proceeds of Crime. To the knowledge of WesternZagros, neither Western nor WesternZagros has, directly or indirectly, (a) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction or (b) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the *Canada Corruption of Foreign Public Officials Act* (Canada) or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to Western and WesternZagros and their respective operations and have instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation;
- (f) No Guarantees. Except as set forth in the Disclosure Letter, Western has not guaranteed, endorsed, assumed, indemnified or accepted any responsibility for, and does not and will not guarantee, endorse, assume, indemnify or accept any responsibility for, contingently or otherwise, any indebtedness or the performance of any obligation of WesternZagros; and
- (g) WesternZagros Contracts. There are no Contracts relating to the business and affairs of WesternZagros other than as disclosed in the Disclosure Letter.

4.4 Privacy Issues

- (a) For the purposes of this Section 4.4, the following definitions shall apply:
- (i) “**applicable law**” means, in relation to any Person, transaction or event, all applicable provisions of Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy laws;
 - (ii) “**applicable privacy laws**” means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);
 - (iii) “**authorized authority**” means, in relation to any Person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and
 - (iv) “**Personal Information**” means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual’s capacity as an employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to Purchaser by Western in accordance with this Agreement and/or as a condition of the Arrangement;
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the “**Disclosed Personal Information**”);
- (c) Prior to the completion of the Arrangement, neither Party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless (a) either Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose, or (b) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual;
- (d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Arrangement;
- (e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information;

- (f) Subject to the following provisions, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Prior to the completion of the Arrangement, each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access to such information in order to complete the Arrangement;
- (g) Where authorized by applicable law, each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims; and
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will return to the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

ARTICLE 5

CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) on or prior to September 28, 2007, the Interim Order shall have been granted in form and substance satisfactory to each of Purchaser and Western, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Purchaser and Western, acting reasonably, on appeal or otherwise;
- (b) the Mailing Date shall occur not later than October 1, 2007;
- (c) the Arrangement Resolution shall have been passed by the Western Shareholders, on or prior to November 23, 2007 in accordance with the Interim Order and in form and substance satisfactory to each of Purchaser and Western, acting reasonably;
- (d) on or prior to November 30, 2007, the Final Order shall have been granted in form and substance satisfactory to Purchaser and Western, acting reasonably and such order shall not have been set aside or modified in a manner unacceptable to Purchaser and Western, acting reasonably, on appeal or otherwise;
- (e) the Articles of Arrangement to be filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Purchaser and Western, acting reasonably;
- (f) the Effective Date shall have occurred not later than the Outside Date;

- (g) Purchaser and Western shall have obtained all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant Governmental Authorities, on terms and conditions satisfactory to the Parties, acting reasonably, including without limitation:
- (i) the approval of the Western Shareholders required for the Arrangement pursuant to the ABCA or as required by the Court and other matters relating to the Arrangement;
 - (ii) the approval of the Court and; if applicable, the required approvals from the Minister of Industry under the Investment Canada Act;
 - (iii) either a notification or a request for an advance ruling certificate under the Competition Act in respect of the Arrangement shall have been made and (i) any waiting periods prescribed under the Competition Act shall have expired and the Parties shall have received a no-action letter from the Commissioner of Competition satisfactory to Marathon, acting reasonably; or (ii) the Parties shall have received an advance ruling certificate from the Competition Bureau in respect of the transactions contemplated herein; or (iii) the Commissioner of Competition shall have waived the obligation to file under section 114 of the Competition Act and the Parties shall have received a no-action letter from the Commissioner of Competition satisfactory to Marathon, acting reasonably;
 - (iv) the approval of the NYSE with respect to the additional listing of the Purchaser Shares and the Purchaser Shares issuable on exchange of the Exchangeable Shares issuable under the terms of the Arrangement; and
 - (v) the waiting period under the United States *Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended*, if applicable to the transactions contemplated under the Arrangement, shall have expired or been terminated, and no objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period and remain unresolved,
- (collectively, the “**Third Party Approvals**”);
- (h) all domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period;
 - (i) there shall be no action taken under any existing Applicable Law, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
 - (j) the Form S-3 shall have become effective under the U.S. Securities Act and no stop order suspending the effectiveness of the Form S-3 shall be in effect and no proceedings for such purpose shall be pending before the SEC; and
 - (k) Purchaser and Western shall be satisfied that the Subsequent Transactions (as defined in the Plan of Arrangement) will be completed immediately following the Effective Time on terms and conditions mutually acceptable to Western and Purchaser.

The foregoing conditions are for the mutual benefit of Purchaser and Western and may be asserted by Purchaser and Western regardless of the circumstances and may be waived by Purchaser and Western (with respect to such Party) in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Purchaser or Western may have. If any of the foregoing

conditions are not satisfied or waived, Western or Purchaser, as the case may be, may terminate this Agreement (save and except for Article 6, Section 4.4, Section 2.13 and Section 2.14 hereof which shall survive such termination and remain in full force and effect), provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the Party intending to rely thereon has delivered a written notice to the other Party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by a Party.

5.2 Additional Conditions to Obligations of Purchaser

The obligation of Purchaser and AcquisitionCo to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

- (a) Representations and Warranties. The representations and warranties of Western and WesternZagros set forth herein (i) that are qualified by a reference to Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date, and (ii) that are not qualified by a reference to a Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date unless the failure to be true or correct has not had or would not reasonably be expected to have, a Material Adverse Effect (and, for this purpose, any reference to “material” or other concepts of materiality in such representations and warranties shall be ignored) except, in each case (i) to the extent such representations and warranties speak as of an earlier date (in which case such representations and warranties shall be true and correct in all respects as of such date) or (ii) as affected by transactions contemplated or permitted by this Agreement, and each of Western and WesternZagros shall have provided to Purchaser a certificate of two senior officers certifying such accuracy on the Effective Date;
- (b) Covenants. Western and WesternZagros shall have complied in all material respects with their respective covenants herein, except where the failure to comply with such covenants would not reasonably be expected to have a Material Adverse Effect on the affairs, operations or business of Western or materially impede the completion of the Arrangement, and each of Western and WesternZagros shall have provided to Purchaser a certificate of two senior officers certifying compliance with such covenants;
- (c) No Actions. no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Purchaser, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Western or would have a material adverse effect on the ability of the Parties to complete the Arrangement;
- (d) Board and Shareholder Authorization. Western and WesternZagros shall have furnished Purchaser and AcquisitionCo with:
 - (i) certified copies of the resolutions duly passed by the Western Board of Directors and the WesternZagros Board of Directors approving this Agreement and the consummation of the transactions contemplated hereby; and
 - (ii) certified copies of the resolutions of Western Shareholders, duly passed at the Western Meeting, approving the Arrangement Resolution;

- (e) Related Party Indebtedness. any director, officer, insider or other non-arm's length party that is indebted to Western shall have repaid such indebtedness on or prior to completion of the Arrangement;
- (f) Western Meeting. the Western Meeting shall have been held on or before the Outside Date;
- (g) Material Adverse Change. between the date hereof and the Effective Time, there shall not have occurred or have been disclosed to Purchaser or the public, if not previously disclosed to Purchaser or the public, any Material Adverse Change with respect to Western;
- (h) Dissent Rights. holders of Western Common Shares representing not more than 15% of the Western Common Shares then outstanding shall have validly exercised, and not withdrawn, Dissent Rights;
- (i) Western Options, etc. all Western Options, Western PSUs and Western DSUs shall have been exercised or terminated;
- (j) Approval. the Western Board of Directors shall not have: (i) amended its affirmative recommendation to the Western Shareholders in a manner adverse to Purchaser; or (ii) withdrawn its affirmative recommendation to the Western Shareholders to vote in favour of the Arrangement Resolution;
- (k) Releases. executed releases in a form acceptable to Purchaser shall have been received by Purchaser on or prior to the Effective Date from each Person entitled to receive a severance amount or payment of an Employee Obligation as a consequence of the Arrangement, each as set forth in Section 2.6 hereof, provided however, that such releases shall only be required from each such individual who, as a consequence of the Arrangement, is no longer a director, officer or employee of any of the Western Parties; and
- (l) Zagros Agreement. Western, WesternZagros and WesternZagros Limited shall have signed the Zagros agreement, in the form agreed to by Western and Purchaser as of the date hereof.

The conditions in this Section 5.2 are for the exclusive benefit of Purchaser and may be asserted by Purchaser regardless of the circumstances or may be waived by Purchaser in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Purchaser may have. If any of the foregoing conditions are not satisfied or waived, Purchaser may, in addition to any other remedies they may have at law or equity, terminate this Agreement (save and except for Article 6, Section 4.4, Section 2.13 and Section 2.14 hereof which shall survive such termination and remain in full force and effect) provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Purchaser has delivered a written notice to Western, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Purchaser is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by Purchaser.

5.3 Additional Conditions to Obligations of Western

The obligation of Western to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

- (a) Representations and Warranties. The representations and warranties of Purchaser set forth herein (i) that are qualified by a reference to Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date, and (ii) that are not qualified by a reference to a Material Adverse Effect shall be true and correct in all respects as of the Effective Date as if made on and as of such date unless the failure to be true or correct has not had or would not reasonably be expected to have, a Material Adverse Effect (and, for this purpose, any reference to "material" or other concepts of materiality in such representations and warranties shall be ignored), except in each case (i) to the extent such representations and warranties speak as of an earlier date

(in which case such representations and warranties shall be true and correct in all respects as of such date), or (ii) as affected by transactions contemplated or permitted by this Agreement and Purchaser shall have provided to Western a certificate of two senior officers certifying such accuracy on the Effective Date;

- (b) Covenants. The Purchaser Parties shall have complied in all material respects with their respective covenants herein, except where the failure to comply with such covenants would not reasonably be expected to have a Material Adverse Effect on Purchaser or materially impede the Effective Date, and Purchaser shall have provided to Western a certificate of two senior officers certifying compliance with such covenants;
- (c) No Actions. no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Western, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Purchaser or would have a material adverse effect on the ability of the Parties to complete the Arrangement;
- (d) Board Authorization. Purchaser and AcquisitionCo shall have each furnished Western with certified copies of the resolutions duly passed by the Purchaser Board of Directors and the AcquisitionCo Board of Directors approving this Agreement and the consummation of the transactions contemplated hereby;
- (e) Purchaser Shares. The Purchaser Shares issuable upon completion of the Arrangement and issuable upon exchange of the Exchangeable Shares issuable upon completion of the Arrangement shall be listed on the NYSE, subject to notice of issuance, and each shall be freely tradeable (other than as a result of any control person or affiliate restrictions which may arise by virtue of the ownership thereof) under applicable securities Laws;
- (f) Support Agreement and Exchange Trust Agreement. The Support Agreement and the Exchange Trust Agreement shall have been executed and delivered by the Purchaser and AcquisitionCo; and
- (g) Transition Services Agreement. Western and WesternZagros shall have signed the transition services agreement in the form agreed to by Western and Purchaser as of the date hereof.

The conditions in this Section 5.3 are for the exclusive benefit of Western and may be asserted by Western regardless of the circumstances or may be waived by Western in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Western may have. If any of the foregoing conditions are not satisfied or waived, Western may, in addition to any other remedies it may have at law or equity, terminate this Agreement (save and except for Article 6, Section 4.4, Section 2.13 and Section 2.14 hereof which shall survive such termination and remain in full force and effect), provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Western has delivered a written notice to Purchaser, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Western is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by Western.

5.4 Notice and Effect of Failure to Comply with Conditions

Each of Purchaser and Western shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure

to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6

AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 Purchaser Damages

Provided that there is no material breach of a representation or warranty by Purchaser or AcquisitionCo or material non performance by Purchaser or AcquisitionCo of any covenant by the date specified herein (excluding the breach of a covenant where Purchaser is precluded from satisfying its obligations through action or omission of Western), if at any time after the execution of this Agreement and prior to its termination:

- (a) the Western Board of Directors fails to make or has withdrawn, modified or publicly proposes to withdraw or modify the approvals, recommendation or determinations referred to in Section 2.9 in a manner adverse to Purchaser or shall have resolved to do so prior to the Effective Date;
- (b) an Acquisition Proposal is publicly announced, proposed, offered or made to the Western Shareholders and the Western Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval prior to the Outside Date and any Acquisition Proposal is consummated within twelve months from the termination of this Agreement;
- (c) Western accepts, recommends, approves or enters into or publicly proposes to accept, recommend or approve an agreement to implement a Superior Proposal subject to compliance with Section 3.5; or
- (d) Western breaches the provisions of Section 3.5 in any material respect, and Purchaser is not successful in completing the Arrangement,

(each of Section 6.1(a), 6.1(b), 6.1(c) and 6.1(d) above being a “**Purchaser Damages Event**”, then in the event of the termination of this Agreement pursuant to Article 8, Western shall pay to Purchaser \$200,000,000 (the “**Purchaser Termination Fee**”) as liquidated damages in respect of a Purchaser Damages Event in immediately available funds to an account designated by Purchaser within one Business Day after the first to occur of the events described above. Following a Purchaser Damages Event, but prior to payment of the Purchaser Termination Fee, Western shall be deemed to hold such applicable payment in trust for Purchaser. Western shall only be obligated to pay one Purchaser Termination Fee pursuant to this Section 6.1.

6.2 Liquidated Damages

Purchaser acknowledges that the Purchaser Termination Fee set out in Section 6.1 is a payment of liquidated damages which are a genuine pre-estimate of the damages which the Purchaser will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Western irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, Purchaser agrees that the payment of the amount pursuant to Section 6.1 is the sole monetary remedy of Purchaser. Nothing herein shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement, the Confidentiality Agreement or otherwise to obtain specific

performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 7 AMENDMENT

7.1 Amendment

This Agreement may at any time and from time to time before or after the holding of the Western Meeting be amended by written agreement of the Parties hereto without, subject to Applicable Law, further notice to or authorization on the part of their respective securityholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Western Shareholder without approval by the affected securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

ARTICLE 8 TERMINATION

8.1 Termination

- (a) This Agreement may be terminated at any time prior to the Effective Date:
 - (i) by mutual written consent of Purchaser and Western;
 - (ii) as provided in Sections 5.1, 5.2 and 5.3;
 - (iii) by Purchaser upon the occurrence of a Purchaser Damages Event as provided in Section 6.1;
 - (iv) by Western upon the occurrence of a Purchaser Damages Event as provided in Section 6.1, provided that Western has paid to Purchaser the Purchaser Termination Fee;
 - (v) by Western if:
 - (A) Purchaser is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to have a Material Adverse Effect on the affairs, operations or business of any of the Purchaser Parties or materially impedes the completion of the Arrangement and the transactions contemplated herein, and Purchaser fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Western (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
 - (B) Purchaser is in breach of any of its representations or warranties made in this Agreement (i) that are qualified by a reference to Material Adverse Effect or (ii) that are not qualified by a reference to a Material Adverse Effect and the breach thereof has or would reasonably be expected to have, a Material Adverse Effect (and, for this purpose, any reference to

“material” or other concepts of materiality in such representations and warranties shall be ignored) on Purchaser or, in either case, such breach materially impedes the completion of the Arrangement, and Purchaser fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Western (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or

(vi) by Purchaser if:

- (A) Western is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to have a Material Adverse Effect on the affairs, operations or business of any of the Western Parties or materially impedes the completion of the Arrangement and the transactions contemplated herein, and Western fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Purchaser (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
 - (B) Western is in breach of any of its representations or warranties made in this Agreement (i) that are qualified by a reference to Material Adverse Effect or (ii) that are not qualified by a reference to a Material Adverse Effect and the breach thereof has or would reasonably be expected to have, a Material Adverse Effect (and, for this purpose, any reference to “material” or other concepts of materiality in such representations and warranties shall be ignored) on the Western Parties or, in either case, such breach materially impedes the completion of the Arrangement, and Western fails to cure or cause the cure of such breach within five Business Days after receipt of written notice thereof from Purchaser (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); and
- (b) If this Agreement is terminated in accordance with the foregoing provisions of this Section 8.1, this Agreement shall forthwith become void and no Party shall have any further liability to perform its obligations hereunder except as provided in Article 6, Section 4.4, Section 2.13, and Section 2.14 and each Party’s obligations under the Confidentiality Agreement, which shall survive such termination, and provided that neither the termination of this Agreement nor anything contained in this Section 8.1(b) shall relieve any Party from any liability for any breach by it of this Agreement, including from any inaccuracy in any of its representations and warranties and any non-performance by it of its covenants made herein, prior to the date of such termination.

ARTICLE 9

NOTICES

9.1 Notices

All notices that may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally, delivered by overnight courier or sent by facsimile transmission:

(a) in the case of Purchaser or AcquisitionCo, to:

Marathon Oil Corporation
P.O. Box 4813
Houston, Texas 77210-4813

Attention: Clarence P. Cazalot, Jr., President and Chief Executive Officer
Facsimile: (713) 296-4100

with a copy to:

Bennett Jones LLP
Suite 4500, 855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: John H. Kousinioris
Facsimile: (403) 265-7219

(b) in the case of Western or WesternZagros, to:

Western Oil Sands Inc.

2400 Ernst & Young Tower
440 Second Avenue S.W.
Calgary, Alberta T2P 5E9

Attention: James Houck, President and Chief Executive Officer
Facsimile: (403) 234-9156

with a copy to:

Macleod Dixon LLP
3700, 400 - 3rd Avenue SW
Calgary, Alberta T2P 4H2

Attention: Charles W. Berard
Facsimile: (403) 264-5973

or such other address as the Parties may, from time to time, advise the other Parties hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such facsimile transmission is received.

ARTICLE 10

GENERAL

10.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns.

10.2 Assignment

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Parties hereto.

10.3 Public Communications

Each of Purchaser and Western agree to consult with each other prior to issuing any press releases or otherwise making public statements with respect to this Agreement or the Arrangement or making any filing with any Governmental Authority with respect thereto. Without limiting the generality of the foregoing, no Party shall issue any press release regarding the Arrangement, this Agreement or any transaction relating to this Agreement without first providing a draft of such press release to the other Party and reasonable opportunity for comment; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any such disclosure required in accordance with Applicable Laws. If such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written

notice to the other Party, and if such prior notice is not possible, to give such notice promptly following such disclosure.

10.4 Costs

Except as otherwise expressly provided for in this Agreement, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Arrangement is completed.

10.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

10.6 Further Assurances

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Parties hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments and provide all such further assurances as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.7 Time of Essence

Time shall be of the essence of this Agreement.

10.8 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Alberta and the Parties hereto irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

10.9 Waiver

Any Party may, on its own behalf only, (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance with the other Party's agreements or the fulfillment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

10.10 Third Party Beneficiaries.

The provisions of Section 3.1(h) and Section 3.2(b) are: (i) intended for the benefit of all such present and former directors and officers and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and Western shall hold the rights and benefits of such sections in trust for and on behalf of the Third Party

Beneficiaries and Western hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.11 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

MARATHON OIL CORPORATION

By: (Signed) "Clarence P. Cazalot, Jr."
CLARENCE P. CAZALOT, JR.
President & CEO

1339971 ALBERTA LTD.

By: (Signed) "Richard L. Horstman"
RICHARD L. HORSTMAN
Vice President

WESTERN OIL SANDS INC.

By: (Signed) "David A. Dyck"
DAVID A. DYCK
Vice President, Finance and
Chief Financial Officer

WESTERNZAGROS RESOURCES INC.

By: (Signed) "David A. Dyck"
DAVID A. DYCK
Senior Vice President and
Chief Financial Officer

SCHEDULE A
PLAN OF ARRANGEMENT UNDER SECTION 193
OF THE
BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE I
INTERPRETATION

1.01 In this Plan of Arrangement, the following terms have the following meanings:

- (a) “**ABCA**” means the *Business Corporations Act*, Alberta R.S.A. 2000, c. B-9, including the regulations promulgated thereunder;
- (b) “**AcquisitionCo**” means 1339971 Alberta Ltd. a corporation incorporated under the ABCA;
- (c) “**Ancillary Rights**” means the interest of a holder of Exchangeable Shares as a beneficiary of the trust created under the Voting and Exchange Trust Agreement, together with the benefits associated with the indirect support provided to the holder of Exchangeable Shares by Marathon and CallCo under the Support Agreement;
- (d) “**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the arrangement pursuant to Section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (e) “**Arrangement Agreement**” means the agreement dated July 30, 2007 among Marathon, AcquisitionCo, Western and WesternZagros with respect to the Arrangement and all amendments thereto;
- (f) “**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted to give effect to the Arrangement;
- (g) “**CallCo**” means Marathon Canadian Oil Sands Holding Limited, an indirect wholly-owned subsidiary of Marathon;
- (h) “**Cash Consideration**” means \$35.50 per Share to be received at the election or deemed election of a Shareholder (other than a Dissenting Shareholder) pursuant to Section 3.01(b) or Section 3.01(h);
- (i) “**Certificate**” means the certificate or certificates or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;
- (j) “**Class A Share**” means a share of the new class A shares in the capital of Western created pursuant to Section 3.01(c)(i) and issued pursuant to Section 3.01(d);
- (k) “**Class B Aggregate Redemption Amount**” means the lesser of \$412,669,383 and the aggregate redemption amount of all the issued and outstanding redeemable preferred shares to be issued by SpinCo during the course of the Subsequent Transactions;
- (l) “**Class B Redemption Amount**” means an amount equal to the quotient obtained by dividing the Class B Aggregate Redemption Amount by the number of issued and outstanding Class B Shares;

- (m) “**Class B Share**” means a share of the class B shares in the capital of Western created pursuant to Section 3.01(c)(ii) and issued pursuant to Section 3.01(d);
- (n) “**Class C Aggregate Redemption Amount**” means \$1,000,000;
- (o) “**Class C Redemption Amount**” means an amount equal to the quotient obtained by dividing the Class C Aggregate Redemption Amount by the number of issued and outstanding Class C Shares;
- (p) “**Class C Share**” means a share of the class C shares in the capital of Western created pursuant to Section 3.01(c)(iii) and issued pursuant to Section 3.01(d);
- (q) “**Common Shares**” means the Class A Shares in the capital of Western, as constituted immediately prior to the Effective Time;
- (r) “**Court**” means the Court of Queen’s Bench of Alberta;
- (s) “**Depository**” means a trust company licensed to carry on business in the Province of Alberta at its principal office in Calgary, Alberta;
- (t) “**Dissenting Shareholders**” means registered Shareholders who validly exercise the rights of dissent provided to them under the Interim Order;
- (u) “**Effective Date**” means the date the Arrangement is effective under the ABCA;
- (v) “**Effective Time**” means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;
- (w) “**Election Deadline**” means 4:30 p.m. (Calgary time) on the business day immediately prior to the date of the Meeting or, if such meeting is adjourned, such time on the business day immediately prior to the date of such adjourned meeting;
- (x) “**Exchangeable Share**” means an exchangeable share in the capital of AcquisitionCo, to be created on or before the Effective Time, which shall initially be exchangeable on a one for one basis for Marathon Shares, subject to adjustment for future distributions with substantially the rights, privileges and restrictions set forth in Appendix A;
- (y) “**Exchangeable Share Consideration**” means the consideration in the form of 0.5932 of an Exchangeable Share and associated Ancillary Rights to be received at the election or deemed election of a Shareholder (other than a Dissenting Shareholder) pursuant to Section 3.01(h);
- (z) “**Final Order**” means the final order of the Court approving this Arrangement under subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (aa) “**Information Circular**” means the information circular to be prepared by Western and forwarded as part of the proxy solicitation materials to Shareholders in respect of the Meeting;
- (bb) “**Interim Order**” means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to this Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (cc) “**ITA**” means the *Income Tax Act* (Canada);
- (dd) “**Letter of Transmittal and Election Form**” means the letter of transmittal and election form accompanying the Information Circular sent to Shareholders for making their election to receive, in addition to the SpinCo Share Consideration and the SpinCo Warrant Consideration, the Cash Consideration, the Marathon Share Consideration, the Exchangeable Share Consideration or a combination thereof in exchange for their Common Shares;

- (ee) “**Marathon**” means Marathon Oil Corporation, a corporation organized and existing under the laws of Delaware and any successor corporation;
- (ff) “**Marathon Share**” means a common share in the capital of Marathon;
- (gg) “**Marathon Share Consideration**” means the consideration in the form of 0.5932 of a Marathon Share to be received at the election of a holder of Shares pursuant to Section 3.01(b) or Section 3.01(h);
- (hh) “**Meeting**” means the special meeting of Shareholders to be held to consider the Arrangement, and any adjournment thereof;
- (ii) “**Non-Resident**” means: (i) a person who is not a resident of Canada for the purposes of the ITA; or (ii) a partnership that is not a Canadian partnership for the purposes of the ITA;
- (jj) “**NYSE**” means the New York Stock Exchange;
- (kk) “**Registrar**” means the Registrar appointed under Section 263 of the ABCA;
- (ll) “**Shareholder Rights Plan**” means the shareholder rights plan adopted by Western pursuant to an amended and restated shareholder rights plan agreement dated as of May 11, 2005 between Western and Valiant Trust Company;
- (mm) “**Shareholders**” means, the holders from time to time of Common Shares, the Class A Shares, the Class B Shares or the Class C Shares, collectively or individually, as the context requires;
- (nn) “**Shares**” means, the Common Shares, the Class A Shares, the Class B Shares or the Class C Shares, collectively or individually, as the context requires;
- (oo) “**Special Voting Share**” means one share of preferred stock of Marathon, which entitles the holders of record of Exchangeable Shares who are beneficiaries under the Voting and Exchange Trust Agreement to a number of votes at meetings of Marathon Shareholders in accordance with the terms of such share and the Voting and Exchange Trust Agreement;
- (pp) “**SpinCo**” means WesternZagros Resources Ltd., a corporation incorporated pursuant to the ABCA;
- (qq) “**SpinCo Share**” means a common share in the capital of SpinCo;
- (rr) “**SpinCo Share Consideration**” means the consideration in the form of one SpinCo Share to be received by the holders of Shares pursuant to Section 3.01(b) or Section 3.01(e);
- (ss) “**SpinCo Warrant**” means a share purchase warrant entitling the holder thereof to purchase one SpinCo Share at a price of \$2.50 until the date which is three months from the Effective Date in accordance with the terms and conditions of a warrant indenture to be entered between SpinCo and a trust corporation;
- (tt) “**SpinCo Warrant Consideration**” means the consideration in the form of one tenth of a SpinCo Warrant to be received by the holders of Shares pursuant to Section 3.01(b) or Section 3.01(f);
- (uu) “**Subsequent Transactions**” means the transactions to be effected sequentially forthwith after the Effective Time pursuant to which: (i) WesternZagros will issue additional common shares in its capital to Western for cash subscription proceeds of Cdn\$81,533,877; (ii) all of the issued and outstanding shares of WesternZagros will be transferred to SpinCo in consideration for the issuance by SpinCo of redeemable preferred shares in the capital of SpinCo; (iii) the SpinCo redeemable preferred shares will be redeemed or purchased for cancellation in consideration for the issuance of a demand non-interest bearing promissory note of SpinCo; (iv) the Class B Shares held by SpinCo at that time will be redeemed or purchased for cancellation in consideration of the cancellation of such SpinCo promissory note; and (v) the Class C Shares

held by SpinCo at that time will be redeemed or purchased for cancellation in consideration of the payment by Western to SpinCo of Cdn\$1,000,000;

- (vv) “**Support Agreement**” means the agreement, so entitled and relating to the Exchangeable Shares, to be entered into among Marathon, CallCo and AcquisitionCo and dated as of the Effective Date;
- (ww) “**Trustee**” means Valiant Trust Company, in its capacity as trustee under the Voting and Exchange Trust Agreement;
- (xx) “**Voting and Exchange Trust Agreement**” means the agreement, so entitled and relating to the Exchangeable Shares, to be entered into among Marathon, CallCo, AcquisitionCo and the Trustee and dated as of the Effective Date;
- (yy) “**Western**” means Western Oil Sands Inc., a corporation amalgamated under the ABCA; and
- (zz) “**WesternZagros**” means WesternZagros Resources Inc., a corporation incorporated pursuant to the ABCA.

1.02 The division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.03 Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and subsections are to articles, sections and subsections of this Plan of Arrangement.

1.04 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.05 Unless otherwise specified, all references to “dollars” or “\$” shall mean Canadian dollars.

1.06 The following appendix to this Plan of Arrangement is incorporated by reference herein and forms part of this Plan of Arrangement.

Appendix A — Exchangeable Share Terms

1.07 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.

1.08 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE II

ARRANGEMENT AGREEMENT

2.01 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.02 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) the Shareholders; (ii) Western; (iii) WesternZagros; (iv) SpinCo; (v) Marathon; and (vi) AcquisitionCo.

2.03 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has

become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE III ARRANGEMENT

3.01 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein:

- (a) the Shareholder Rights Plan shall be terminated and all rights issued thereunder shall be extinguished;
- (b) each issued and outstanding Common Share held by a Non-Resident (other than Common Shares held by Dissenting Shareholders) shall be exchanged with AcquisitionCo for either Cash Consideration or Marathon Share Consideration in accordance with the election of such Non-Resident pursuant to Section 3.02 and subject, in either case, to prorating in accordance with Section 3.03; and as additional consideration for such Common Share, AcquisitionCo shall deliver to such Non-Resident, the SpinCo Share Consideration and SpinCo Warrant Consideration pursuant to Section 3.01(g);
- (c) the articles of Western shall be amended to cancel the classes of shares currently known as “Non-Voting Convertible Class B Equity Shares”, “Class C Preferred Shares” and “Class D Preferred Shares”, as there are no issued or outstanding shares of those classes and to change its authorized capital by the addition of:
 - (i) an unlimited number of shares designated as “Class A Shares”, having the following rights, privileges, restrictions and conditions attaching thereto:
 - (A) Dividends: The holders of the Class A Shares are entitled to receive dividends, if, as and when declared by the board of directors of Western, out of the assets of Western properly applicable to the payment of dividends in such amounts and payable at such times and at such place or places in Canada as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of Western entitled to receive dividends in priority to or rateably with the Class A Shares, the board of directors may in its sole discretion declare dividends on the Class A Shares to the exclusion of any other class of shares of Western;
 - (B) Voting Rights: The holders of the Class A Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of Western, and to one vote at all such meetings in respect of each Class A Share held; and
 - (C) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of Western or other distribution of assets of Western among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Shares shall, subject to the rights of the holders of any other class of shares of Western upon such a distribution in priority to the Class A Shares, be entitled to participate rateably in any distribution of the assets of Western;
 - (ii) an unlimited number of shares designated as “Class B Shares”, having the following rights, privileges, restrictions and conditions attaching thereto:
 - (A) Dividends: The holders of the Class B Shares are entitled to receive dividends, if, as and when declared by the board of directors of Western, out of the assets of Western properly applicable to the payment of dividends in such amounts and

payable at such times and at such place or places in Canada as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of Western entitled to receive dividends in priority to or rateably with the Class B Shares, the board of directors may in its sole discretion declare dividends on the Class B Shares to the exclusion of any other class of shares of Western;

- (B) No Voting Rights: Subject to the provisions of the ABCA, the holders of the Class B Shares shall not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of Western;
 - (C) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of Western or other distribution of assets of Western among its shareholders for the purpose of winding-up its affairs, the holders of the Class B Shares shall be entitled, in priority to the holders of any other class of shares of Western, to receive an amount per Class B Share equal to the Class B Redemption Amount. After such distribution to the holders of the Class B Shares as provided above, holders of Class B Shares shall not be entitled to share in any further distribution of the assets of Western;
 - (D) Redemption at the Option of Western: Subject to applicable law, Western may redeem all, but not less than all, of the then outstanding Class B Shares on delivery to the holders of the Class B Shares of a redemption price per Class B Share equal to the Class B Redemption Amount; and
 - (E) Redemption at the Option of Holder: Subject to applicable law, the holder of a Class B Share may require Western to redeem all, but not less than all, of the then outstanding Class B Shares held by such holder on delivery to such holder of a redemption price per Class B Share equal to the Class B Redemption Amount; and
- (iii) an unlimited number of shares designated as “Class C Shares”, having the following rights, privileges, restrictions and conditions attaching thereto:
- (A) Dividends: The holders of the Class C Shares shall not be entitled to receive dividends;
 - (B) No Voting Rights: Subject to the provisions of the ABCA, the holders of the Class C Shares shall not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of Western;
 - (C) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of Western or other distribution of assets of Western among its shareholders for the purpose of winding-up its affairs, the holders of the Class C Shares shall be entitled, subject to the rights of the holders of the Class B Shares, to receive an amount per Class C Share equal to the Class C Redemption Amount. After such distribution to the holders of the Class C Shares as above, holders of Class C Shares shall not be entitled to share in any further distribution of the assets of Western;
 - (D) Redemption at the Option of Western: Subject to applicable law, Western may redeem all, but not less than all, of the then outstanding Class C Shares on delivery to the holders of the Class C Shares of a redemption price per Class C Share equal to the Class C Redemption Amount; and
 - (E) Redemption at the Option of Holder: Subject to applicable law, the holder of a Class C Share may require Western to redeem all, but not less than all, of the then

outstanding Class C Shares held by such holder on delivery to such holder of a redemption price per Class C Share equal to the Class C Redemption Amount;

- (d) the share capital of Western shall be reorganized such that each of the issued and outstanding Common Shares (other than Common Shares held by Dissenting Shareholders) shall be exchanged for one Class A Share, one Class B Share and one Class C Share and following such exchange the articles of Western shall be amended to cancel the Common Shares;
- (e) each issued and outstanding Class B Share shall be transferred to SpinCo in exchange for the issuance of the SpinCo Share Consideration;
- (f) each issued and outstanding Class C Share shall be transferred to SpinCo in exchange for the issuance of the SpinCo Warrant Consideration;
- (g) AcquisitionCo shall deliver to each Non-Resident whose Common Shares were exchanged pursuant to Section 3.01(b) such number of SpinCo Shares and SpinCo Warrants as are deliverable to such Non-Resident pursuant to Section 3.01(b); and
- (h) each issued and outstanding Class A Share (other than those held by AcquisitionCo and Dissenting Shareholders) shall be exchanged with AcquisitionCo in accordance with the election or deemed election of the holder of such Class A Share in accordance with Section 3.02, for:
 - (i) Cash Consideration;
 - (ii) Marathon Share Consideration;
 - (iii) Exchangeable Share Consideration; or
 - (iv) a combination thereof;

subject, in each case, to Section 3.03.

3.02 With respect to the exchange of securities effected pursuant to Section 3.01(b) and Section 3.01(h):

- (a) Shareholders who are Non-Residents or who are exempt from tax under Part I of the ITA may elect to receive in respect of each Share exchanged, either the Cash Consideration or the Marathon Share Consideration;
- (b) Shareholders who are residents of Canada for the purposes of the ITA and not exempt from tax under Part I thereof may elect to receive in respect of each Share exchanged, the Cash Consideration, the Marathon Share Consideration, the Exchangeable Share Consideration or a combination thereof, subject to Section 3.03;
- (c) such elections as provided for in paragraphs (a) and (b) above shall be made by depositing with the Depositary, prior to the Election Deadline, a duly completed Letter of Transmittal and Election Form indicating such holder's election, together with any certificates representing such holder's Common Shares; and
- (d) any Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, or otherwise fails to comply with the requirements of Section 3.02(c) and the Letter of Transmittal and Election Form shall be deemed to have elected to receive Cash Consideration as to 65%, and Marathon Share Consideration as to 35%, subject to proration in respect of the aggregate consideration to be provided for such holder's Shares.

3.03 For greater certainty, with respect to any election pursuant to Section 3.02, a Shareholder may elect to receive a combination of the available types of consideration which may be elected in exchange for the aggregate number of Shares in respect of which such an election is made; provided however, for

calculation purposes only, each individual Common Share may be only exchanged pursuant to Section 3.01(b) for either Cash Consideration or Marathon Share Consideration and each individual Class A Share may only be exchanged pursuant to Section 3.01(h) for any one of the Cash Consideration, the Marathon Share Consideration or the Exchangeable Share Consideration. The maximum amount of Cash Consideration to be paid to Shareholders pursuant to Section 3.01(b) and Section 3.01(h) is \$3,807,847,771. The minimum number of Exchangeable Shares that may be elected by Shareholders pursuant to Section 3.01(h) is zero. The maximum number of Exchangeable Shares that may be elected by Shareholders pursuant to Section 3.01(h) is 29,400,000. The maximum aggregate number of Marathon Shares and Exchangeable Shares that may be issued to Shareholders pursuant to Section 3.01(b) and Section 3.01(h) is 34,300,000. In the event that:

- (a) the aggregate amount of Cash Consideration that would, but for this Section 3.03(a), be issued to Shareholders pursuant to Section 3.01(b) and Section 3.01(h) exceeds \$3,807,847,771, then the Cash Consideration to be issued to any holder shall be determined by multiplying the total amount of Cash Consideration otherwise issuable to such holder by a fraction, rounded to six decimal places, the numerator of which is \$3,807,847,771 and the denominator of which is the aggregate amount of the Cash Consideration otherwise issuable to all holders; and such holder shall be deemed to have elected to receive Marathon Share Consideration for the remainder of their Shares for which, but for this Section 3.03(a), such holder would otherwise have received Cash Consideration;
- (b) the aggregate number of Exchangeable Shares that would, but for this Section 3.03(b) and Section 3.03(c), be issued to Shareholders pursuant to Section 3.01(h) exceeds 29,400,000 Exchangeable Shares, then the number of Exchangeable Shares to be issued to any holder, subject to rounding in accordance with Section 5.06, shall be determined by multiplying the total number of Exchangeable Shares otherwise issuable to such holder by a fraction, rounded to six decimal places, the numerator of which is 29,400,000 and the denominator of which is the aggregate number of Exchangeable Shares otherwise issuable to all holders; and such holder shall be deemed to have elected to receive Marathon Share Consideration for the remainder of their Shares for which, but for this Section 3.03(b), such holder would otherwise have received Exchangeable Shares; and
- (c) the aggregate number of Marathon Shares and Exchangeable Shares that would, but for this Section 3.03(c), be issued to Shareholders pursuant to Section 3.01(b) and Section 3.01(h) (including those Marathon Shares which Shareholders are deemed to have elected to receive pursuant to Section 3.03(b) above) exceeds 34,300,000 Marathon Shares and Exchangeable Shares collectively, then the number of Marathon Shares and Exchangeable Shares to be issued to any holder, subject to rounding in accordance with Section 5.06, shall be determined by multiplying the total number of Marathon Shares and Exchangeable Shares otherwise issuable to such holder by a fraction, rounded to six decimal places, the numerator of which is 34,300,000 and the denominator of which is the aggregate number of Marathon Shares and Exchangeable Shares otherwise issuable to all holders; and such holder shall be deemed to have elected to receive Cash Consideration for the remainder of their Shares for which, but for this Section 3.03(c), such holder would otherwise have received Marathon Shares and Exchangeable Shares.

3.04 With respect to each holder of Common Shares (other than Dissenting Shareholders) immediately before the Effective Time:

- (a) upon the exchange of each Common Share effected pursuant to Section 3.01(b) and the delivery of the SpinCo Share Consideration and SpinCo Warrant Consideration pursuant to Section 3.01(g);

- (i) such holder shall cease to be a holder of such Common Share and the name of such holder shall be removed from the register of holders of Common Shares;
 - (ii) AcquisitionCo shall become the holder of such Common Shares and shall be added to the register of holders of Common Shares;
 - (iii) AcquisitionCo shall pay to such holder the Cash Consideration or deliver the Marathon Share Consideration payable to such holder and, if Marathon Share Consideration is payable, the name of such holder shall be added to the register of holders of Marathon Shares;
 - (iv) AcquisitionCo shall cease to be the holder of the SpinCo Share and SpinCo Warrant deliverable in respect of such Common Share and the name of AcquisitionCo shall be removed from the register of holders of SpinCo Shares and SpinCo Warrants;
 - (v) such holder shall become the holder of the SpinCo Share so deliverable and shall be added to the register of holders of SpinCo Shares; and
 - (vi) such holder shall become the holder of the SpinCo Warrant so deliverable and shall be added to the register of holders of SpinCo Warrants;
- (b) upon the exchange of Common Shares for Class A Shares, Class B Shares and Class C Shares pursuant to Section 3.01(d):
- (i) each such Common Share shall and shall be deemed to be exchanged as described in subsection 3.01(d) without any further action being taken by the holder thereof;
 - (ii) the holders of such Common Shares shall cease to be the holders of such Common Shares and such holders' names shall be removed from the register of Common Shares with respect to all such Common Shares;
 - (iii) each holder of such Common Shares thereafter shall and shall be deemed to hold as fully paid and non-assessable shares a number of Class A Shares equal to the number of Common Shares previously held by such holder and such holder's name shall be added to the register of Class A Shares as registered holder of such shares and the share certificate representing Common Shares shall represent Class A Shares of the same number after the above described change as the number of Common Shares it represented before the change;
 - (iv) each holder of such Common Shares thereafter shall and shall be deemed to hold as fully paid and non-assessable shares a number of Class B Shares equal to the number of Common Shares previously held by such holder and such holder's name shall be added to the register of Class B Shares as registered holder of such shares and the share certificate representing Common Shares shall represent Class B Shares of the same number after the above described change as the number of Common Shares it represented before the change;
 - (v) each holder of such Common Shares thereafter shall and shall be deemed to hold as fully paid and non-assessable shares a number of Class C Shares equal to the number of Common Shares previously held by such holder and such holder's name shall be added to the register of Class C Shares as registered holder of such shares and the share certificate representing Common Shares shall represent Class C Shares of the same number after the above described change as the number of Common Shares it represented before the change;

- (vi) immediately after the exchange of the Common Shares for Class A, Class B and Class C Shares, the stated capital of the Class A Shares, Class B Shares and the Class C Shares shall be determined as follows:
 - (A) the aggregate stated capital for the Class A Shares shall be an amount equal to \$1.00;
 - (B) the aggregate stated capital for the Class B Shares shall be an amount equal to the stated capital of the Common Shares immediately before the Effective Time minus \$1,000,001; and
 - (C) the aggregate stated capital for the Class C Shares shall be an amount equal to \$1,000,000; and
- (vii) all references to a Common Share in the articles of Western shall be deemed to be references to one Class A Share, one Class B Share and one Class C Share;
- (c) upon the exchange of Class B Shares for SpinCo Shares effected pursuant to subsection 3.01(e):
 - (i) each holder of Class B Shares shall cease to be a holder of Class B Shares and the name of such holder shall be removed from the register of holders of Class B Shares;
 - (ii) SpinCo shall become the holder of the Class B Shares so exchanged and shall be added to the register of holders Class B Shares;
 - (iii) SpinCo shall allot and issue to such holder the number of SpinCo Shares on the basis set forth in subsection 3.01(e) and the name of such holder shall be added to the register of holders of SpinCo Shares; and
 - (iv) SpinCo shall add to the aggregate stated capital for its SpinCo Shares an amount equal to the Class B Aggregate Redemption Amount;
- (d) upon the exchange of Class C Shares for SpinCo Warrants effected pursuant to subsection 3.01(f):
 - (i) each holder of Class C Common Shares shall cease to be a holder of Class C Shares and the name of such holder shall be removed from the register of holders of Class C Shares;
 - (ii) SpinCo shall become the holder of the Class C Shares so exchanged and shall be added to the register of holders of Class C Shares; and
 - (iii) SpinCo shall allot and issue to such holder the number of SpinCo Warrants on the basis set forth in subsection 3.01(f) and the name of such holder shall be added to the register of holders of SpinCo Warrants; and
- (e) upon the exchange of Class A Shares by a holder pursuant to subsection 3.01(h):
 - (i) such holder shall cease to be a holder of Class A Shares and the name of such holder shall be removed from the register of holders of Class A Shares;
 - (ii) AcquisitionCo shall become the holder of the Class A Shares so exchanged and shall be added to the register of holders Class A Shares; and
 - (iii) AcquisitionCo shall pay to such holder the Cash Consideration, deliver the Marathon Share Consideration or allot and issue the Exchangeable Share Consideration payable to such holder as required and, if Marathon Share Consideration is payable, the name of such holder shall be added to the register of holders of Marathon Shares, and if

Exchangeable Share Consideration is payable, the name of such holder shall be added to the register of holders of Exchangeable Shares.

3.05 A former holder of Class A Shares who (i) has exchanged Class A Shares under the Arrangement; and (ii) has received Exchangeable Shares in whole or in part under the exchange; shall be entitled to make an income tax election, pursuant to subsection 85(1) or 85(2) of the ITA, as applicable (and the analogous provisions of provincial income tax law) with respect to the transfer by the holder of Class A Shares, as applicable, to AcquisitionCo by providing two signed copies of the necessary election forms to Western within 90 days following the Effective Date, duly completed with the details of the number of shares transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, subject to the election forms complying with the provisions of the ITA (or applicable provincial income tax law), the forms will be signed by AcquisitionCo and returned to such former holders of Class A Shares within 30 days after the receipt thereof by Western for filing with the Canada Revenue Agency (or the applicable provincial taxing authority). AcquisitionCo and Western will not be responsible for the proper completion of any election form and, except for the obligation of AcquisitionCo and Western to so sign and return duly completed election forms which are received by Western within 90 days of the Effective Date, AcquisitionCo and Western will not be responsible for any taxes, interest or penalties resulting from the failure by a former holder of Class A Shares to properly complete or file the election forms in the form and manner and within the time prescribed by the ITA (or any applicable provincial legislation). In its sole discretion, AcquisitionCo and Western may choose to sign and return an election form received by it more than 90 days following the Effective Date, but AcquisitionCo and Western will have no obligation to do so.

3.06 Western, AcquisitionCo, Marathon and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Common Shares, Marathon Shares or Exchangeable Shares such amounts as Western, AcquisitionCo, Marathon or the Depositary is required to deduct and withhold with respect to such payment under the ITA, the United States Internal Revenue Code of 1986 or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Western, AcquisitionCo, Marathon and the Depositary are hereby authorized to sell or otherwise dispose of such other portion of the consideration as is necessary to provide sufficient funds to Western, AcquisitionCo, Marathon or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Western, AcquisitionCo, Marathon or the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

ARTICLE IV

DISSENTING SHAREHOLDERS

4.01 Each registered holder of Common Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Shareholder shall, on the Effective Date, cease to have any rights as a holder of Common Shares and shall only be entitled to be paid the fair value of the holder's Common Shares. A Dissenting Shareholder who is paid the fair value of the holder's Common Shares shall be deemed to have transferred the holder's Common Shares to Western for cancellation on the Effective Date, notwithstanding the provisions of Section 191 of the ABCA. A Dissenting Shareholder who for any reason is not entitled to be paid the fair value of the holder's Common Shares shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Common Shares and shall be deemed to have elected to receive for such holder's Shares the consideration specified in Section 3.02(d), notwithstanding the provisions of Section 191 of the ABCA. The fair value of the Common Shares shall be determined as of the close of business on the last

business day before the day on which the Arrangement is approved by the holders of Common Shares at the Meeting; but in no event shall Western be required to recognize such Dissenting Shareholder as a shareholder of Western after the Effective Time and the names of such holders shall be removed from the applicable register of shareholders as at the Effective Time. For greater certainty, in addition to any other restrictions in Section 191 of the ABCA, any person who has voted in favour of the Arrangement shall not be entitled to dissent with respect to the Arrangement.

ARTICLE V

OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES

5.01 From and after the Effective Time, certificates formerly representing Common Shares acquired by AcquisitionCo under the Arrangement shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to Section 4.01, to receive the fair value of the Common Shares represented by such certificates.

5.02 Western, AcquisitionCo and SpinCo, as applicable, shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Common Shares acquired by AcquisitionCo under the Arrangement of a duly completed Letter of Transmittal and Election Form and the certificates representing such Common Shares, either:

- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal and Election Form; or
- (b) if requested by such holder in the Letter of Transmittal and Election Form, make available or cause to be made available at the Depositary for pickup by such holder;

the Cash Consideration and certificates representing the number of SpinCo Shares, SpinCo Warrants, Marathon Shares and/or Exchangeable Shares, as applicable, issued to such holder under the Arrangement.

5.03 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Common Shares that were exchanged pursuant to Section 3.01 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall as a condition precedent to the receipt thereof give a bond satisfactory to Western and its transfer agent in such form as is satisfactory to Western and such transfer agent or otherwise indemnify Western, Marathon and AcquisitionCo and the transfer agent, to the reasonable satisfaction of such parties, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

5.04 All dividends payable with respect to any Marathon Shares, Exchangeable Shares and SpinCo Shares allotted and issued pursuant to this Arrangement for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder, is entitled, net of applicable withholding and other taxes.

5.05 Any certificate formerly representing Common Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the day that is five years less one day from the

Effective Date shall cease to represent a right or claim of any kind or nature and the right of the holder of such Common Shares to receive the certificates representing: (i) the SpinCo Shares; (ii) SpinCo Warrants; (iii) Marathon Shares; (iv) Exchangeable Shares; and/or (v) cash.

5.06 No certificates representing fractional Marathon Shares, Exchangeable Shares, SpinCo Shares or SpinCo Warrants shall be issued upon the exchange of the Common Shares for Marathon Shares or Exchangeable Shares or the distribution of SpinCo Shares and SpinCo Warrants. In lieu of any fractional Marathon Share, Exchangeable Share, SpinCo Share or SpinCo Warrant, each registered Common Shareholder otherwise entitled to a fractional interest in a Marathon Share, Exchangeable Share, SpinCo Share or SpinCo Warrant will receive the nearest whole number of Marathon Shares, Exchangeable Shares, SpinCo Shares or SpinCo Warrants, as the case may be.

ARTICLE VI AMENDMENTS

6.01 Western, WesternZagros, Marathon and AcquisitionCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the other parties, (iii) filed with the Court and, if made following the Meeting, approved by the Court, and (iv) communicated to holders of Common Shares, if and as required by the Court.

6.02 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Western, WesternZagros, Marathon or AcquisitionCo at any time prior to or at the Meeting (provided that the other parties shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

6.03 Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if it is consented to by each of Western, WesternZagros, Marathon and AcquisitionCo.

6.04 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by Western, provided that it concerns a matter which, in the reasonable opinion of Western, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of Western or any former holder of Common Shares.

APPENDIX A
EXCHANGEABLE SHARES
TERM SHEET

- Designation:** Exchangeable Shares (non-voting redeemable preferred shares) of a direct or indirect Canadian subsidiary (“Purchaser”) of Marathon Oil Corporation (“Parent”).
- Basic Right:** Exchangeable at any time on a one-for-one basis directly for freely-trading shares of common stock of Parent (“Parent Shares”), subject to adjustment.
- Dividends:** Dividends will be payable on the Exchangeable Shares, if, as and when declared by the board of directors of Purchaser.
- Parent Dividends:** In the event, from time to time, a cash dividend is paid on the Parent Shares, the dividend paid shall be evidenced by the adjustment of the Exchangeable Consideration (as defined below) in such a manner as to provide that the number of Parent Shares for which the Exchangeable Shares are exchangeable shall be increased to account for the cash dividend declared on the Parent Shares on an economically equivalent basis.
- Retraction:** Each Exchangeable Share is retractable at any time at the option of the holder for an amount equal to the fair market value of one Parent Share on the retraction date, subject to adjustment, payment of which amount shall be satisfied by the delivery to the holder of one Parent Share (the “Exchangeable Consideration”), subject to adjustment and subject to an overriding retraction call right exercisable by Parent and any of its direct and indirect subsidiaries by delivery of the Exchangeable Consideration in exchange for the retracted Exchangeable Shares.
- Exchange Right:** Parent shall grant a direct exchange right to a trustee pursuant to the terms of a Voting and Exchange Trust Agreement for the benefit of the holders of Exchangeable Shares.
- Liquidation:** On liquidation of Purchaser, each Exchangeable Share entitles the holder to receive the Exchangeable Consideration in priority to any distribution made to the common shares of Purchaser and all other classes of shares ranking junior to the Exchangeable Shares, subject to a liquidation call right exercisable by Parent and any of its direct and indirect subsidiaries. On exercise of the liquidation call right, Parent will pay the holder the Exchangeable Consideration. In addition, an automatic exchange right in the event of liquidation of Parent will be granted by Parent to a trustee for the benefit of holders of Exchangeable Shares pursuant to the terms of the Voting and Exchange Trust Agreement.
- Redemption:** Exchangeable Shares are not redeemable by Purchaser for four years after closing. Automatic redemption after the fourth anniversary date of closing, subject to extension at the option of Purchaser. Redeemed by delivery of the Exchangeable Consideration, subject to an overriding redemption call right in favour of Parent and its direct and indirect subsidiaries, exercisable by delivery of the Exchangeable Consideration in exchange for the Exchangeable Shares. There is also the possibility of an earlier redemption by the Purchaser in the following limited circumstances: (a) less than 20% of the Exchangeable Shares remain outstanding, (b) change of Canadian tax laws enabling holders to defer taxable event notwithstanding exchange of the Exchangeable Shares for Parent Shares, (c) a

Parent control transaction where it is not reasonably practicable to accommodate the Exchangeable Shares, and (d) the occurrence of certain events which would otherwise entitle the holders of Exchangeable Shares to vote as shareholders of Purchaser where it is not reasonably practicable to accommodate the Exchangeable Shares or where the holders of Exchangeable Shares fail to take the necessary action to approve or disapprove of the matter to be voted on by the holders of Exchangeable Shares.

Voting Rights: Holders of Exchangeable Shares will have equivalent voting rights to holders of Parent Shares. These rights will be represented in a special Parent voting preferred share issued to a trustee for the benefit of holders of Exchangeable Shares. Holders of Exchangeable Shares will have no voting rights in Purchaser, except as required by law in connection with certain extraordinary transactions or fundamental changes to Purchaser.

Information Rights: Holders of Exchangeable Shares will be entitled to receive substantially the same materials that are distributed by Parent to holders of Parent Shares.

Ranking: Exchangeable Shares rank in priority to the common shares of Purchaser and all other classes of shares of Purchaser ranking junior to the Exchangeable Shares as to dividends and any other distributions.

Other: Support Agreement between Parent and Purchaser and Voting and Exchange Trust Agreement between Parent and the trustee for the benefit of the holders of Exchangeable Shares, each on terms and conditions customary for transactions of this nature.

APPENDIX D — EXCHANGEABLE SHARE PROVISIONS

**EXCHANGEABLE SHARE PROVISIONS
OF
1339971 ALBERTA LTD.**

SERIES 1 EXCHANGEABLE SHARES

The rights, privileges, restrictions and conditions attached to the series of Exchangeable Shares to be known as “Series 1 Exchangeable Shares” are as follows:

ARTICLE 1

INTERPRETATION

1.1 For the purposes of these share provisions:

“**Act**” means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**affiliate**” has the meaning given to that term in the Securities Act;

“**Arrangement**” means the arrangement under the provisions of section 193 of the Act, on the terms and conditions set forth in the Plan of Arrangement, as supplemented, modified or amended;

“**Arrangement Agreement**” means the agreement dated July 30, 2007 among Marathon, the Corporation, Western and WesternZagros with respect to the Arrangement, together with all amendments thereto;

“**Automatic Redemption**” has the meaning given to that term in Section 5.1(a) of these share provisions;

“**Automatic Redemption Date**” means the date that is the fourth anniversary of the Effective Date;

“**Board of Directors**” means the board of directors of the Corporation;

“**Business Day**” means any day on which commercial banks are generally open for business in Calgary, Alberta, other than a Saturday, a Sunday or a day observed as a holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada;

“**CallCo**” means Marathon Canadian Oil Sands Holding Limited, a corporation incorporated under the Act;

“**Call Notice**” has the meaning given to that term in Section 4.3 of these share provisions;

“**Call Rights**” means, collectively, the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right;

“**Change of Law**” means an amendment to the Tax Act and other applicable provincial income tax laws that permits holders of Exchangeable Shares who are residents of Canada for the purposes of the Tax Act, who hold Exchangeable Shares as capital property and deal at arm’s length with Marathon and the Corporation (all for purposes of the Tax Act and other applicable provincial income tax laws), to exchange their Exchangeable Shares for Marathon Shares on a basis that will not require such holders to recognize any gain or loss or any actual or deemed dividend in respect of such exchange for the purposes of the Tax Act or other applicable provincial income tax laws;

“**Change of Law Redemption**” has the meaning given to that term in Section 5.1(c) of these share provisions;

“**Change of Law Redemption Date**” has the meaning given to that term in Section 5.1(c) of these share provisions;

“**Common Shares**” means the common shares in the capital of the Corporation;

“**Control Transaction**” means any merger, amalgamation, tender offer, material sale of shares or rights or interests therein or thereto or similar transactions involving Marathon, or any proposal to carry out the same;

“**Control Transaction Redemption**” has the meaning given to that term in Section 5.1(d) of these share provisions;

“**Control Transaction Redemption Date**” has the meaning given to that term in Section 5.1(d) of these share provisions;

“**Corporation**” means 1339971 Alberta Ltd., a corporation incorporated under the Act, and where the context requires, its successors;

“**Current Market Price**” means, in respect of a Marathon Share on any date and expressed in United States dollars, the weighted average trading price of a Marathon Share on the NYSE for the five trading days preceding that date, or, if the Marathon Shares are not then listed on the NYSE, on such other stock exchange or automated quotation system on which the Marathon Shares are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if, in the opinion of the Board of Directors, the public distribution or trading activity of Marathon Shares for that period does not result in a weighted average trading price which reflects the fair market value of a Marathon Share, then the Current Market Price of a Marathon Share shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;

“**Delivered Marathon Shares**” has the meaning given to that term in Section 8.3 of these share provisions;

“**De Minimis Redemption**” has the meaning given to that term in Section 5.1(b) of these share provisions;

“**De Minimis Redemption Date**” has the meaning given to that term in Section 5.1(b) of these share provisions;

“**Dividend Record Date**” has the meaning given to that term in Section 3.3 of these share provisions;

“**Effective Date**” means the date shown on the certificate of arrangement to be issued by the Registrar under the Act giving effect to the Arrangement;

“**Exchange Ratio**”, at any time and in respect of each Exchangeable Share, shall be equal to 1.00000, as at the Effective Date, and shall be cumulatively adjusted from time to time thereafter by: (a) increasing the Exchange Ratio on each Marathon Dividend Payment Date after the Effective Date by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the Marathon Dividend, expressed as an amount of money in United States dollars per Marathon Share, paid on that Marathon Dividend Payment Date, multiplied by the Exchange Ratio immediately prior to the Marathon Dividend Record Date for such Marathon Dividend, and having as its denominator the Current Market Price on the date that is three Business Days prior to that Marathon Dividend Record Date, and (b) decreasing the Exchange Ratio on each Dividend Record Date after the Effective Date by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the dividend declared on that Dividend Record Date, expressed as an amount of money in United States dollars per Exchangeable Share multiplied by the Exchange Ratio immediately prior to that Dividend Record Date, and having as its denominator the Current Market Price on the date that is three Business Days prior to that Dividend Record Date;

“**Exchange Rights**” has the meaning given to that term in the Voting and Exchange Trust Agreement;

“Exchangeable Share Voting Event” means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of the Corporation, other than an Exempt Exchangeable Share Voting Event, and, for greater certainty, excluding any matter in respect of which holders of Exchangeable Shares are entitled to vote (or instruct the Trustee to vote) in their capacity as Beneficiaries under (and as that term is defined in) the Voting and Exchange Trust Agreement;

“Exchangeable Share Voting Event Redemption” has the meaning given to that term in Section 5.1(e) of these share provisions;

“Exchangeable Share Voting Event Redemption Date” has the meaning given to that term in Section 5.1(e) of these share provisions;

“Exchangeable Shares” mean the series 1 exchangeable shares in the capital of the Corporation, having the rights, privileges, restrictions and conditions set forth herein;

“Exempt Exchangeable Share Voting Event” means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of the Corporation in order to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change would be required to maintain the equivalence of the Exchangeable Shares and the Marathon Shares;

“Exempt Exchangeable Share Voting Event Redemption” has the meaning given to that term in Section 5.1(f) of these share provisions;

“Exempt Exchangeable Share Voting Event Redemption Date” has the meaning given to that term in Section 5.1(f) of these share provisions;

“Governmental Entity” means any: (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) subdivision, agent, commission, board, or authority of any of the foregoing; or (c) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“holders” means, when used with reference to the Exchangeable Shares, the holders of Exchangeable Shares shown from time to time in the register maintained by or on behalf of the Corporation in respect of the Exchangeable Shares;

“LCR Exercising Party” has the meaning given to that term in Section 6.5 of these share provisions;

“Liquidation Amount” has the meaning given to that term in Section 6.1 of these share provisions;

“Liquidation Call Right” has the meaning given to that term in Section 6.5 of these share provisions;

“Liquidation Date” has the meaning given to that term in Section 6.1 of these share provisions;

“Liquidation Offer” has the meaning given to that term in Section 6.5 of these share provisions;

“Marathon” means Marathon Oil Corporation, a corporation organized and existing under the laws of Delaware and any successor corporation;

“Marathon Dividend” means a cash dividend paid by Marathon in respect of the Marathon Shares, expressed in United States dollars as an amount per Marathon Share;

“Marathon Dividend Payment Date” means a date on which a Marathon Dividend is paid to holders of Marathon Shares;

“Marathon Dividend Record Date” means the day on which holders of Marathon Shares are identified for purposes of determining entitlement to a Marathon Dividend;

“**Marathon Share**” means a share of Marathon common stock;

“**Non-Resident**” means (a) a Person who is not a resident of Canada for purposes of the Tax Act or (b) a partnership that is not a Canadian partnership for the purposes of the Tax Act;

“**NYSE**” means the New York Stock Exchange, Inc.;

“**Person**” includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

“**Plan of Arrangement**” means the plan of arrangement substantially in the form set out in Schedule A to the Arrangement Agreement, as amended or supplemented from time to time in accordance with the terms thereof;

“**Purchase Price**” has the meaning given to that term in Section 4.3 of these share provisions;

“**RCR Exercising Party**”, for the purpose of Article 4 of these share provisions, has the meaning given to the term in Section 4.3 of these share provisions and, for the purpose of Article 5 of these share provisions, has the meaning given to that term in Section 5.5 of these share provisions;

“**Redemption Call Right**” has the meaning given to that term in Section 5.5 of these share provisions;

“**Redemption Date**” means any of the Automatic Redemption Date, the De Minimis Redemption Date, the Control Transaction Redemption Date, the Change of Law Redemption Date, the Exchangeable Share Voting Event Redemption Date or the Exempt Exchangeable Share Voting Event Redemption Date, as the context requires;

“**Redemption Offer**” has the meaning given to that term in Section 5.5 of these share provisions;

“**Redemption Price**” means a price per Exchangeable Share equal to the amount determined by multiplying the Exchange Ratio on the last Business Day prior to the applicable Redemption Date by the Current Market Price of a Marathon Share on the last Business Day prior to such Redemption Date;

“**Registrar**” means the Registrar of Corporations appointed pursuant to Section 263 of the Act;

“**Retracted Shares**” has the meaning given to that term in Section 4.1(a) of these share provisions;

“**Retraction Call Right**” has the meaning given to that term in Section 4.1(b) of these share provisions;

“**Retraction Date**” means the date that is five Business Days after the date on which the Corporation or the Transfer Agent receives a Retraction Request in respect of the Retracted Shares, provided that if such Retraction Date would occur on any day between a particular Marathon Dividend Record Date and Marathon Dividend Payment Date that corresponds to such Marathon Dividend Record Date, then the Retraction Date shall instead be the same date as such Marathon Dividend Payment Date, and further provided that the Corporation may, in its sole discretion, abridge such period to a shorter time if so requested by a holder of Exchangeable Shares;

“**Retraction Offer**” has the meaning given to that term in Section 4.1(b) of these share provisions;

“**Retraction Price**” has the meaning given to that term in Section 4.1 of these share provisions;

“**Retraction Request**” has the meaning given to that term in Section 4.1 of these share provisions;

“**Securities Act**” means the *Securities Act*, R.S.A. 2000, c. S-4, and the rules, regulations, instruments and policies promulgated thereunder, as now in effect and as they may be amended from time to time prior to the Effective Date;

“**Special Share**” means the Preferred Share, Special Series 1 in the capital of the Corporation;

“**Support Agreement**” means the agreement made among Marathon, CallCo and the Corporation and dated as of the Effective Date;

“**Tax Act**” means the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c.1, as amended, including the regulations promulgated thereunder;

“**Transfer Agent**” means Valiant Trust Company or such other Person as may from time to time be appointed by the Corporation as the registrar and transfer agent for the Exchangeable Shares;

“**Trustee**” means the trustee chosen by Marathon to act as trustee under the Voting and Exchange Trust Agreement, and any successor trustee appointed under the Voting and Exchange Trust Agreement;

“**Voting and Exchange Trust Agreement**” means the agreement made among Marathon, CallCo, the Corporation and the Trustee and dated as of the Effective Date;

“**Western**” means Western Oil Sands Inc., a corporation incorporated under the Act; and

“**WesternZagros**” means WesternZagros Resources Inc., a corporation incorporated under the Act.

ARTICLE 2

AUTHORIZED NUMBER OF SERIES 1 EXCHANGEABLE SHARES AND RANKING OF SERIES 1 EXCHANGEABLE SHARES

- 2.1 The Corporation is authorized to issue a maximum of 29,400,000 Series 1 Exchangeable Shares without nominal or par value.
- 2.2 The Exchangeable Shares shall, subject to the following, be entitled to a preference over the Common Shares and any other shares ranking junior to the Exchangeable Shares with respect to the payment of declared and unpaid dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

ARTICLE 3

DIVIDENDS

- 3.1 The holders of Exchangeable Shares shall be entitled to receive, and the Corporation shall pay on each Exchangeable Share, if, as and when declared by the Board of Directors, in its sole discretion, from time to time out of the money, assets or property of the Corporation properly applicable to the payment of dividends (which may include Marathon Shares), such cash dividends in an amount per Exchangeable Share as may be declared thereon by the Board of Directors from time to time.
- 3.2 Cheques of the Corporation payable at par at any branch of the bankers of the Corporation shall be issued in respect of any cash dividends by the sending of such a cheque to each holder of an Exchangeable Share, which shall satisfy the cash dividend represented thereby unless the cheque is not paid on presentation. Certificates registered in the name of the registered holder of Exchangeable Shares shall be issued or transferred in respect of any stock dividends by the sending of such a certificate to each holder of an Exchangeable Share, which shall satisfy the stock dividend represented thereby. Any other type and amount of property in respect of any dividends shall be issued, distributed or transferred by the Corporation in such manner as it shall determine and the issuance, distribution or transfer thereof by the Corporation to each holder of an Exchangeable Share shall satisfy the dividend represented thereby. No holder of an Exchangeable Share shall be entitled to recover by action or other legal process against the Corporation any dividend that is represented by a cheque that

has not been duly presented to the Corporation's bankers for payment or that otherwise remains unclaimed for a period of six years from the date on which such dividend was payable.

- 3.3 The record date (a "**Dividend Record Date**") for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend declared on the Exchangeable Shares under Section 3.1 of these share provisions and whether any such dividend is in fact declared shall be determined in the sole discretion of the Board of Directors and not less than 10 Business Days' notice of such date shall be provided to holders of Exchangeable Shares.
- 3.4 If on any payment date for any dividends declared on the Exchangeable Shares under Section 3.1 of these share provisions the dividends are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends that remain unpaid shall be paid on a subsequent date or dates determined by the Board of Directors on which the Corporation shall have sufficient moneys, assets or property properly applicable to the payment of such dividends.

ARTICLE 4

RETRACTION OF EXCHANGEABLE SHARES BY HOLDER

- 4.1 Subject to applicable law, and subject to the exercise by Marathon or CallCo of the Retraction Call Right, a holder of Exchangeable Shares shall be entitled at any time, upon compliance with the provisions of this Article 4, to require the Corporation to redeem any or all of the Exchangeable Shares registered in the name of such holder for an amount per share (the "**Retraction Price**") equal to the amount determined by multiplying the Exchange Ratio on the last Business Day prior to the Retraction Date by the Current Market Price of a Marathon Share on the last Business Day prior to the Retraction Date, which payment of the Retraction Price, subject to Article 4, shall be satisfied in full by the Corporation delivering or causing to be delivered to such holder that number of Marathon Shares equal to the Exchange Ratio as at the last Business Day prior to the Retraction Date in accordance with Section 4.2 of these share provisions, for each Exchangeable Share presented and surrendered by the holder. To effect such retraction, the holder shall present and surrender to the Corporation at the principal office of the Transfer Agent in Toronto or Calgary or at such other address as may be specified by the Corporation by notice to the holders of Exchangeable Shares from time to time the certificate or certificates representing the Exchangeable Shares which the holder desires to have the Corporation redeem, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the Act and the by-laws of the Corporation and such additional documents and instruments as the Transfer Agent and the Corporation may reasonably require, and together with a duly executed statement (the "**Retraction Request**") in the form of Schedule "A" hereto or in such other form as may be acceptable to the Corporation:
 - (a) specifying that the holder desires to have all or any number specified therein of the Exchangeable Shares represented by such certificate or certificates (the "**Retracted Shares**") redeemed by the Corporation; and
 - (b) appointing the Corporation as its agent for the purpose of offering its Retracted Shares for sale to Marathon and CallCo (the "**Retraction Offer**") on the terms and conditions set out in Section 4.3 below (Marathon's and CallCo's right to accept the Retraction Offer and to complete the purchase of the Retracted Shares pursuant to the Retraction Offer is referred to as the "**Retraction Call Right**").
- 4.2 Subject to the exercise by Marathon or CallCo of the Retraction Call Right, upon receipt by the Corporation or the Transfer Agent in the manner specified in Section 4.1 hereof of documents including, without limitation, a certificate or certificates representing the number of Retracted Shares, together with a Retraction Request, and provided that the Retraction Request is not revoked by the

holder in the manner specified in Section 4.7 of these share provisions, the Corporation shall redeem the Retracted Shares effective at the close of business on the Retraction Date and shall cause to be delivered to such holder the Retraction Price. If only a part of the Exchangeable Shares represented by any certificate is redeemed (or purchased by Marathon or CallCo pursuant to the Retraction Call Right), a new certificate for the balance of such Exchangeable Shares shall be issued to the holder at the expense of the Corporation.

- 4.3 CallCo shall only be entitled to exercise its Retraction Call Right with respect to those Exchangeable Shares, if any, in respect of which Marathon has not exercised its Retraction Call Right. Upon receipt by the Corporation of a Retraction Request, the Corporation shall immediately provide to Marathon and CallCo a copy of the Retraction Request and, as agent for the holder who submitted the Retraction Request, shall be deemed to have made the Retraction Offer to Marathon and CallCo in respect of the holder's Retracted Shares by providing to Marathon and CallCo a copy of the Retraction Request as aforesaid. In order to exercise the Retraction Call Right and accept the Retraction Offer, Marathon or CallCo must notify the Corporation of its determination to do so (the "**Call Notice**") on or before 4:30 p.m. (Calgary time) on the third day following notification to Marathon and CallCo by the Corporation of the receipt by the Corporation of the Retraction Request. If Marathon or CallCo does not so notify the Corporation on or before 4:30 p.m. (Calgary time) on the third day following notification by the Corporation of the receipt by the Corporation of the Retraction Request, the Corporation will notify the holder as soon as possible thereafter that neither Marathon nor CallCo will exercise the Retraction Call Right and accept the Retraction Offer. If Marathon or CallCo delivers the Call Notice on or before 4:30 p.m. (Calgary time) on the third day following notification by the Corporation of the receipt by the Corporation of the Retraction Request and provided that the Retraction Offer is not revoked by the holder in the manner specified in Section 4.7 of these share provisions, the Retraction Request shall thereupon be considered only the Retraction Offer by the holder to sell the Retracted Shares to Marathon or CallCo, as applicable (in this Article 4, the "**RCR Exercising Party**"), and all other aspects of the Retraction Request will be null and void. In such event, the Corporation shall not redeem the Retracted Shares and the RCR Exercising Party shall purchase from such holder and such holder shall sell to the RCR Exercising Party on the Retraction Date the Retracted Shares for an amount per share (the "**Purchase Price**") equal to the Retraction Price, which payment of the Purchase Price shall be satisfied in full by the RCR Exercising Party delivering or causing to be delivered to such holder that number of Marathon Shares equal to the Exchange Ratio as at the last Business Day prior to the Retraction Date for each Retracted Share. To the extent that the RCR Exercising Party pays the Purchase Price in respect of the Retracted Shares, the Corporation shall no longer be obligated to pay any amount in respect of the Retraction Price for such Retracted Shares. Provided that the RCR Exercising Party has complied with Section 4.4 of these share provisions, the closing of the purchase and sale of the Retracted Shares pursuant to the Retraction Call Right shall be deemed to have occurred as at the close of business on the Retraction Date and, for greater certainty, no redemption by the Corporation of such Retracted Shares shall take place on the Retraction Date. In the event that neither Marathon nor CallCo delivers a Call Notice within the time required for the exercise of the Retraction Call Right as set forth above, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 4.7 of these share provisions, the Corporation shall redeem the Retracted Shares on the Retraction Date and in the manner otherwise contemplated in this Article 4.
- 4.4 Subject to this Article 4, the Corporation, Marathon or CallCo, as the case may be, shall deliver or cause the Transfer Agent to deliver to the relevant holder, at the address of the holder recorded in the register of shareholders of the Corporation for the Exchangeable Shares or at the address specified in the holder's Retraction Request, or by holding for pick-up by the holder at the office of the Transfer Agent specified in the holder's Retraction Request, certificates representing the Marathon Shares (which securities shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance) registered in the name of the holder or in such other name as the holder

may request in payment of the total Retraction Price or the total Purchase Price, as the case may be, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom, and such delivery of such certificates by or on behalf of the Corporation, Marathon or CallCo, as the case may be, or by the Transfer Agent shall be deemed to be payment of and shall satisfy and discharge all liability for the total Retraction Price or the total Purchase Price, as the case may be, to the extent that the same is represented by such certificates (plus any tax deducted and withheld therefrom and remitted to the proper tax authority).

- 4.5 On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than: (i) the right to receive his proportionate share of the total Retraction Price or the total Purchase Price, as the case may be, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction Price or the total Purchase Price, as the case may be, shall not be made as provided in Section 4.4, in which case the rights of such holder shall remain unaffected until the total Retraction Price or the total Purchase Price, as the case may be, has been paid in the manner hereinbefore provided; and (ii) the right to receive any declared and unpaid dividends on the Retracted Shares. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of the total Retraction Price or the total Purchase Price, as the case may be, has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so redeemed by the Corporation or purchased by Marathon or CallCo shall thereafter be considered and deemed for all purposes to be a holder of the Marathon Shares delivered to such holder.
- 4.6 Notwithstanding any other provision of this Article 4, the Corporation shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to liquidity or solvency requirements or other provisions of applicable law. If the Corporation believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, and provided that neither Marathon nor CallCo shall have exercised the Retraction Call Right with respect to the Retracted Shares, the Corporation shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to the nearest whole number of shares) as would not be contrary to such provisions and shall notify the holder and the Transfer Agent at least two Business Days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by the Corporation. In any case in which the redemption by the Corporation of Retracted Shares would be contrary to liquidity or solvency requirements or other provisions of applicable law, the Corporation shall redeem Retracted Shares in accordance with Section 4.2 of these share provisions on a *pro rata* basis and shall issue to each holder of Retracted Shares a new certificate, at the expense of the Corporation, representing the Retracted Shares not redeemed by the Corporation pursuant to Section 4.2 of these share provisions. Provided that the Retraction Request is not revoked by the holder in the manner specified in Section 4.7 of these share provisions, the holder of any such Retracted Shares not redeemed by the Corporation pursuant to Section 4.2 of these share provisions as a result of solvency requirements or other provisions of applicable law shall be deemed by giving the Retraction Request to have exercised the Exchange Rights so as to require Marathon or CallCo to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by Marathon or CallCo to such holder of the Purchase Price for each such Retracted Share, all as more specifically provided in the Voting and Exchange Trust Agreement.
- 4.7 A holder of Retracted Shares may, by notice in writing given by the holder to the Corporation before the close of business on the Business Day immediately preceding the Retraction Date, revoke its Retraction Request and its Retraction Offer, in which event such Retraction Request and Retraction Offer shall be null and void.

ARTICLE 5

REDEMPTION OF EXCHANGEABLE SHARES BY THE CORPORATION

- 5.1 Subject to applicable law, and provided neither Marathon nor CallCo has exercised the Redemption Call Right, the Corporation:
- (a) shall, on the Automatic Redemption Date, redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price (such redemption being an “**Automatic Redemption**”);
 - (b) may, on any date determined by the Board of Directors when the aggregate number of issued and outstanding Exchangeable Shares (excluding those Exchangeable Shares held by Marathon or any affiliate of Marathon) is less than 20% of the number of Exchangeable Shares issued on the Effective Date (such redemption date being the “**De Minimis Redemption Date**”), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price (such redemption being a “**De Minimis Redemption**”);
 - (c) may, on any date determined by the Board of Directors following the date upon which there occurs a Change of Law (such date being the “**Change of Law Redemption Date**”), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price (such redemption being a “**Change of Law Redemption**”);
 - (d) may, on the date upon which there occurs a Control Transaction (such date being the “**Control Transaction Redemption Date**”), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price, provided that the Board of Directors determines (i) that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with the Control Transaction and (ii) that the redemption of the Exchangeable Shares is necessary to enable the completion of the Control Transaction (such redemption being a “**Control Transaction Redemption**”);
 - (e) may, on any date determined by the Board of Directors following the date upon which a proposal is made for an Exchangeable Share Voting Event (such date being the “**Exchangeable Share Voting Event Redemption Date**”), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price, provided that the Board of Directors determines that it is not reasonably practicable to accomplish the business purpose intended by the Exchangeable Share Voting Event (which business purpose must be bona fide and not for the primary purpose of causing the occurrence of a Redemption Date) in any other commercially reasonable manner that does not result in an Exchangeable Share Voting Event (such redemption being an “**Exchangeable Share Voting Event Redemption**”); and
 - (f) may, on any date determined by the Board of Directors following the date upon which the holders of the Exchangeable Shares shall fail to approve or disapprove, as applicable, an Exempt Exchangeable Share Voting Event (such date being the “**Exempt Exchangeable Share Voting Event Redemption Date**”), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price (such redemption being an “**Exempt Exchangeable Share Voting Event Redemption**”),

such payment of the Redemption Price per Exchangeable Share to be satisfied in full in all cases by the Corporation delivering or causing to be delivered, at the election of the Corporation, either that number of Marathon Shares equal to the Exchange Ratio as at the last Business Day prior to the applicable Redemption Date or, in the case of a redemption other than a Change of Law Redemption, an amount in cash equal to the Redemption Price, in accordance with Section 5.3 of these share provisions.

- 5.2 In any case of a redemption of Exchangeable Shares under this Article 5, the Corporation shall, at least 30 days before the applicable Redemption Date, send or cause to be sent to each holder of Exchangeable Shares a notice in writing of the redemption by the Corporation or the purchase by Marathon or CallCo under the Redemption Call Right, as the case may be, of the Exchangeable Shares held by such holder. Such notice shall set out the formula for determining the Redemption Price, the Redemption Date and, if applicable, particulars of the Redemption Call Right. The accidental failure or omission to give any notice of redemption under this Section 5.2 to less than 10% of the holders of Exchangeable Shares (other than Marathon and CallCo) shall not affect the validity of any redemption of Exchangeable Shares pursuant to such notice.
- 5.3 On or after the applicable Redemption Date and subject to the exercise by Marathon or CallCo of the Redemption Call Right, the Corporation shall deliver or cause to be delivered to the holders of the Exchangeable Shares to be redeemed the Redemption Price for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the Act and the by-laws of the Corporation and such additional documents and instruments as the Transfer Agent and the Corporation may reasonably require, at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation in such notice. Subject to Article 4, payment of the total Redemption Price for such Exchangeable Shares, shall be made by delivery to each holder, at the address of the holder recorded in the register of holders of the Exchangeable Shares maintained by or on behalf of the Corporation or by holding for pick-up by the holder at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation in such notice, on behalf of the Corporation, of certificates representing Marathon Shares (which securities shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance), or, if applicable, a cheque of the Corporation payable at par at any branch of the bankers of the Corporation, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom. On and after the applicable Redemption Date, the holders of the Exchangeable Shares called for redemption shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than: (i) the right to receive their proportionate share of the total Redemption Price, unless payment of the total Redemption Price for such Exchangeable Shares shall not be made upon presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Redemption Price has been paid in the manner hereinbefore provided; and (ii) the right to receive any declared and unpaid dividends on such Exchangeable Shares.
- 5.4 The Corporation shall have the right at any time after the sending of notice of its intention to redeem the Exchangeable Shares as aforesaid to deposit or cause to be deposited the total Redemption Price for the Exchangeable Shares so called for redemption, or of such of the said Exchangeable Shares represented by certificates that have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, in a custodial account with any chartered bank or trust company in Canada named in such notice, less any amounts withheld on account of tax required to be deducted and withheld therefrom. Upon the later of such deposit being made and the applicable Redemption Date, the Exchangeable Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or that Redemption Date, as the case may be, shall be limited to: (i) receiving their proportionate share of the total Redemption Price for such Exchangeable Shares so deposited, against presentation and surrender of the said certificates held by them, respectively, in accordance with the foregoing provisions; and (ii) receiving any declared and unpaid dividends on such Exchangeable Shares (in each case less any amounts withheld on account of tax required to be deducted or withheld therefrom). Upon such payment or deposit of the total Redemption Price, the holders of the Exchangeable Shares that have been so

redeemed shall thereafter be considered and deemed for all purposes to be holders of the Marathon Shares or to have had cash delivered to them or the custodian on their behalf, as applicable.

- 5.5 Subject to the limitations set forth in Section 5.6 of these share provisions, the Corporation is appointed as agent for the holders of Exchangeable Shares for the purpose of offering to Marathon and CallCo (the “**Redemption Offer**”) the overriding right (Marathon’s and CallCo’s right to accept the Redemption Offer and complete the purchase of the Exchangeable Shares is referred to as the “**Redemption Call Right**”), in the event of any proposed redemption of Exchangeable Shares by the Corporation pursuant to this Article 5, to purchase from all but not less than all of the holders of Exchangeable Shares (other than Marathon or its affiliates) on the applicable Redemption Date all but not less than all of the Exchangeable Shares held by each such holder, in the case of an Automatic Redemption, a De Minimis Redemption, a Control Transaction Redemption, an Exchangeable Share Voting Event Redemption, a Change of Law Redemption or an Exempt Exchangeable Share Voting Event Redemption, on payment by whichever of Marathon or CallCo is exercising such right (in this Article 5, the “**RCR Exercising Party**”) to each such holder of an amount per Exchangeable Share equal to the Redemption Price, which payment of the Redemption Price shall be satisfied in full by the RCR Exercising Party delivering or causing to be delivered to such holder, at the election of the RCR Exercising Party, either that number of Marathon Shares equal to the Exchange Ratio as at the last Business Day prior to the applicable Redemption Date or, in the case of a redemption other than a Change of Law Redemption, an amount in cash equal to the Redemption Price, in accordance with Section 5.7 of these share provisions. In the case of a redemption of Exchangeable Shares under this Article 5, the Corporation, as agent for the holders of Exchangeable Shares, shall make the Redemption Offer to Marathon and CallCo by sending or causing to be sent to Marathon and CallCo a notice in writing of the redemption by the Corporation of the Exchangeable Shares. In the event of the exercise of the Redemption Call Right and the acceptance of the Redemption Offer, each holder of Exchangeable Shares shall be obligated to sell all of the Exchangeable Shares held by that holder to the RCR Exercising Party on the applicable Redemption Date on payment by the RCR Exercising Party to such holder of the Redemption Price for each such share, and the Corporation shall have no obligation to redeem, or to pay any amount in respect of, such shares so purchased by the RCR Exercising Party.
- 5.6 CallCo shall only be entitled to exercise its Redemption Call Right with respect to those Exchangeable Shares, if any, in respect of which Marathon has not exercised its Redemption Call Right. To exercise the Redemption Call Right and accept the Redemption Offer, the RCR Exercising Party must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Corporation of its intention to exercise such right (and accept such offer) at least 30 days before the applicable Redemption Date. The Corporation shall cause the Transfer Agent to notify the holders of the Exchangeable Shares as to whether or not Marathon or CallCo has exercised the Redemption Call Right forthwith after the expiry of the period during which such right may be exercised. If an RCR Exercising Party exercises its Redemption Call Right, such RCR Exercising Party shall, on the applicable Redemption Date, purchase, and each of the holders of Exchangeable Shares will sell, all of the Exchangeable Shares then outstanding for a price per Exchangeable Share equal to the Redemption Price.
- 5.7 For the purposes of completing the purchase of the Exchangeable Shares pursuant to the Redemption Call Right, the RCR Exercising Party shall deposit with the Transfer Agent, on or before the applicable Redemption Date, certificates representing the aggregate number of Marathon Shares deliverable by the RCR Exercising Party (which securities shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance) or, if applicable, a cheque of the RCR Exercising Party payable at par at any branch of the bankers of the RCR Exercising Party in payment of the total Redemption Price, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom. Provided that the total Redemption

Price has been so deposited with the Transfer Agent, on and after the applicable Redemption Date the rights of each holder of Exchangeable Shares (other than Marathon and CallCo) shall be limited to: (i) receiving such holder's proportionate share of the total Redemption Price payable by the RCR Exercising Party upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder, and the holder shall on and after that Redemption Date be considered and deemed for all purposes to be the holder of the Marathon Shares to which it is entitled; and (ii) receiving any declared and unpaid dividends on such Exchangeable Shares. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the Act and the by-laws of the Corporation and such additional documents and instruments as the Transfer Agent and the Corporation may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Corporation shall cause the Transfer Agent on behalf of the RCR Exercising Party to deliver to such holder, certificates representing the Marathon Shares to which the holder is entitled or a cheque of the RCR Exercising Party payable at par at any branch of the bankers of the RCR Exercising Party, of the total Redemption Price, less any amounts withheld on account of tax required to be deducted and withheld therefrom. If neither Marathon nor CallCo exercises the Redemption Call Right in the manner described above, on the applicable Redemption Date the holders of the Exchangeable Shares shall be entitled to receive in exchange therefor the Redemption Price otherwise payable by the Corporation in connection with the redemption of the Exchangeable Shares pursuant to Section 5.1 of these share provisions.

ARTICLE 6

DISTRIBUTION ON LIQUIDATION

- 6.1 In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares shall be entitled, subject to applicable law, to receive from the assets of the Corporation in respect of each Exchangeable Share held by such holder on the effective date (the "**Liquidation Date**") of such liquidation, dissolution or winding-up, before any distribution of any part of the assets of the Corporation among the holders of the Common Shares or any other shares ranking junior to the Exchangeable Shares, an amount per share (the "**Liquidation Amount**") equal to the amount determined by multiplying the Exchange Ratio on the last Business Day prior to the Liquidation Date by the Current Market Price of a Marathon Share on the last Business Day prior to the Liquidation Date, which payment of the Liquidation Amount shall be satisfied in full by the Corporation delivering or causing to be delivered to such holder, subject to Article 4, that number of Marathon Shares equal to the Exchange Ratio as at the last Business Day prior to the Liquidation Date, in accordance with Section 6.2 of these share provisions.
- 6.2 On or promptly after the Liquidation Date, and subject to the exercise by Marathon or CallCo of the Liquidation Call Right, the Corporation shall deliver or cause to be delivered to the holders of the Exchangeable Shares the Liquidation Amount for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the Act and the by-laws of the Corporation and such additional documents and instruments as the Transfer Agent and the Corporation may reasonably require, at the registered office of the Corporation or at any office of the Transfer Agent as may be specified by the Corporation by notice to the holders of the Exchangeable Shares. Payment of the total Liquidation Amount for such Exchangeable Shares shall be made by delivery to each holder, at the address of the holder recorded in the register of holders of the Exchangeable Shares maintained by or on behalf of the Corporation or by holding for pick-up by the holder at the registered office of the Corporation or at any office of

the Transfer Agent as may be specified by the Corporation by notice to the holders of Exchangeable Shares, on behalf of the Corporation, of certificates representing Marathon Shares (which securities shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance), less any amounts withheld on account of tax required to be deducted and withheld therefrom. On and after the Liquidation Date, the holders of the Exchangeable Shares shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than: (i) the right to receive their proportionate share of the total Liquidation Amount, unless payment of the total Liquidation Amount for such Exchangeable Shares shall not be made upon presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Liquidation Amount has been paid in the manner hereinbefore provided; and (ii) the right to receive any declared and unpaid dividends on such Exchangeable Shares.

- 6.3 The Corporation shall have the right at any time after the Liquidation Date to deposit or cause to be deposited the total Liquidation Amount in respect of the Exchangeable Shares represented by certificates that have not at the Liquidation Date been surrendered by the holders thereof in a custodial account with any chartered bank or trust company in Canada, less any amounts withheld on account of tax required to be deducted or withheld therefrom. Upon such deposit being made, the rights of the holders of Exchangeable Shares after such deposit shall be limited to: (i) receiving their proportionate share of the total Liquidation Amount (less any amounts withheld on account of tax required to be deducted and withheld therefrom) for such Exchangeable Shares so deposited, against presentation and surrender of the said certificates held by them, respectively, in accordance with the foregoing provisions; and (ii) receiving any declared and unpaid dividends on such Exchangeable Shares. Upon such payment or deposit of the total Liquidation Amount, the holders of the Exchangeable Shares shall thereafter be considered and deemed for all purposes to be holders of the Marathon Shares delivered to them or the custodian on their behalf.
- 6.4 After the Corporation has satisfied its obligations to pay the holders of the Exchangeable Shares the Liquidation Amount per Exchangeable Share pursuant to Section 6.1 of these share provisions, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.
- 6.5 Subject to the limitations set forth in Section 6.6 of these share provisions, the Corporation is appointed as agent for the holders of Exchangeable Shares for the purpose of offering to Marathon and CallCo (the “**Liquidation Offer**”) the overriding right (Marathon’s and CallCo’s right to accept the Liquidation Offer and complete the purchase of the Exchangeable Shares is referred to as the “**Liquidation Call Right**”), in the event of and notwithstanding any proposed liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, to purchase from all but not less than all of the holders of Exchangeable Shares (other than Marathon or CallCo) on the Liquidation Date all but not less than all of the Exchangeable Shares held by each such holder, on payment by whichever of Marathon or its affiliates is exercising such right (in this Article 6, the “**LCR Exercising Party**”) to each such holder of an amount per Exchangeable Share equal to the Liquidation Amount, which shall be satisfied in full by the LCR Exercising Party delivering or causing to be delivered to such holder, subject to Article 4, that number of Marathon Shares equal to the Exchange Ratio as at the last Business Day prior to the Liquidation Date, in accordance with Section 6.7 of these share provisions. In the event of the exercise of the Liquidation Call Right and the acceptance of the Liquidation Offer, each holder of Exchangeable Shares shall be obligated to sell all of the Exchangeable Shares held by that holder to the LCR Exercising Party on the Liquidation Date on payment by the LCR Exercising Party to such holder of the Liquidation Amount for each such share, and the Corporation shall have no obligation to pay any amount on account of the Liquidation Amount in respect of such shares so purchased by the LCR Exercising Party.

- 6.6 CallCo shall only be entitled to exercise its Liquidation Call Right with respect to those Exchangeable Shares, if any, in respect of which Marathon has not exercised its Liquidation Call Right. In the event of any proposed liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the Corporation, as agent for the holders of Exchangeable Shares, shall make the Liquidation Offer by sending or causing to be sent to Marathon and CallCo a notice in writing of the Liquidation Offer. To exercise the Liquidation Call Right and accept the Liquidation Offer, the LCR Exercising Party must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Corporation of its intention to exercise such right (and accept such offer) at least 30 days before the Liquidation Date, in the case of a voluntary liquidation, dissolution or winding-up of the Corporation, and at least five Business Days before the Liquidation Date, in the case of an involuntary liquidation, dissolution or winding-up of the Corporation. The Corporation shall cause the Transfer Agent to notify the holders of the Exchangeable Shares as to whether or not Marathon or CallCo has exercised the Liquidation Call Right forthwith after the expiry of the period during which such right may be exercised. If an LCR Exercising Party exercises its Liquidation Call Right, such LCR Exercising Party will on the Liquidation Date purchase, and each of the holders of Exchangeable Shares will sell, all of the Exchangeable Shares then outstanding for a price per Exchangeable Share equal to the Liquidation Amount.
- 6.7 For the purposes of completing the purchase of the Exchangeable Shares pursuant to the Liquidation Call Right, the LCR Exercising Party shall deposit with the Transfer Agent, on or before the Liquidation Date, certificates representing the aggregate number of Marathon Shares deliverable by the LCR Exercising Party (which securities shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance), in payment of the total Liquidation Amount, less any amounts withheld on account of tax required to be deducted and withheld therefrom. Provided that the total Liquidation Amount has been so deposited with the Transfer Agent, on and after the Liquidation Date the rights of each holder of Exchangeable Shares (other than Marathon and CallCo) shall be limited to: (i) receiving such holder's proportionate share of the total Liquidation Amount payable by the LCR Exercising Party upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder, and the holder shall on and after the Liquidation Date be considered and deemed for all purposes to be the holder of the Marathon Shares to which it is entitled; and (ii) receiving any declared and unpaid dividends on such Exchangeable Shares. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the Act and the by-laws of the Corporation, and such additional documents and instruments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Corporation shall cause the Transfer Agent on behalf of the LCR Exercising Party to deliver to such holder, certificates representing the Marathon Shares to which the holder is entitled, less any amounts withheld on account of tax required to be deducted and withheld therefrom. If neither Marathon nor CallCo exercises the Liquidation Call Right in the manner described above, on the Liquidation Date the holders of the Exchangeable Shares shall be entitled to receive in exchange therefor the Liquidation Amount otherwise payable by the Corporation in connection with the liquidation, dissolution or winding-up of the Corporation pursuant to Section 6.1 of these share provisions.

ARTICLE 7

CERTAIN RESTRICTIONS

- 7.1 So long as any of the Exchangeable Shares are outstanding, the Corporation shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares given as specified in Section 10.2 of these share provisions:
- (a) in the event Marathon or CallCo are in default of their obligations under the Support Agreement or the Voting and Exchange Trust Agreement, pay any dividends on the Common Shares or any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in Common Shares or any such other shares ranking junior to the Exchangeable Shares, as the case may be;
 - (b) redeem or purchase or make any capital distribution in respect of the Common Shares or any other shares ranking junior to the Exchangeable Shares;
 - (c) redeem or purchase any other shares of the Corporation ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution; or
 - (d) issue any class or series of shares, other than the Special Share and the Exchangeable Shares, which rank equal with or superior to the Exchangeable Shares with respect to any liquidation distribution.

The restrictions in Sections 7.1(a), (b) and (c) above shall only be applicable if dividends which have been declared on the outstanding Exchangeable Shares have not been paid as provided for herein.

ARTICLE 8

PURCHASE FOR CANCELLATION

- 8.1 Subject to applicable law and notwithstanding Section 8.2 and Section 8.3, the Corporation may at any time and from time to time purchase for cancellation all or any part of the Exchangeable Shares by private agreement with any holder of Exchangeable Shares for consideration consisting of cash or securities of the Corporation.
- 8.2 Subject to applicable law, the Corporation may at any time and from time to time purchase for cancellation all or any part of the outstanding Exchangeable Shares at any price by tender to all the holders of record of Exchangeable Shares then outstanding at any price per share. If in response to an invitation for tenders under the provisions of this Section 8.2, more Exchangeable Shares are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, the Exchangeable Shares to be purchased by the Corporation shall be purchased as nearly as may be *pro rata* according to the number of shares tendered by each holder who submits a tender to the Corporation, provided that when shares are tendered at different prices, the *pro rationing* shall be effected (disregarding fractions) only with respect to the shares tendered at the price at which more shares were tendered than the Corporation is prepared to purchase after the Corporation has purchased all the shares tendered at lower prices. If only part of the Exchangeable Shares represented by any certificate shall be purchased, a new certificate for the balance of such shares shall be issued at the expense of the Corporation.

ARTICLE 9

VOTING RIGHTS

- 9.1 Except as required by applicable law and by Article 10 hereof, the holders of the Exchangeable Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting. The holders of Exchangeable Shares shall have the right

to instruct the Trustee to cast and exercise the Beneficiary Votes (as defined in the Voting and Exchange Trust Agreement), or to personally exercise, as proxies of the Trustee, the Beneficiary Votes, with respect to the Special Voting Share (as defined in the Voting and Exchange Trust Agreement) issued by Marathon, as and to the extent provided in the Voting and Exchange Trust Agreement.

ARTICLE 10

AMENDMENT AND APPROVAL

- 10.1 The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed but only with the approval of the holders of the Exchangeable Shares given as hereinafter specified.
- 10.2 Any approval given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by resolution passed by not less than two-thirds of the votes cast on such resolution (other than the Exchangeable Shares held by Marathon, CallCo or any of their respective subsidiaries and other affiliates) at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 10% of the outstanding Exchangeable Shares (other than the Exchangeable Shares held by Marathon, CallCo or any of their respective subsidiaries and other affiliates) at that time are present or represented by proxy; provided that if at any such meeting holders of at least 10% of such outstanding Exchangeable Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to such place and time (not less than ten days later) as may be designated by the Chairman of such meeting. At such adjourned meeting the holders of Exchangeable Shares present or represented by proxy thereat may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution (other than the Exchangeable Shares held by Marathon, CallCo or any of their affiliates) at such meeting shall constitute the approval or consent of the holders of the Exchangeable Shares.

ARTICLE 11

RECIPROCAL CHANGES, ETC. IN RESPECT OF MARATHON SHARES

- 11.1 Each holder of an Exchangeable Share acknowledges that the Support Agreement provides, in part, that the number of Marathon Shares for which the Exchangeable Shares are exchangeable shall, in addition to being adjusted from time to time to conform to the Exchange Ratio, be simultaneously adjusted on an economically equivalent basis if Marathon:
- (a) issues or distributes Marathon Shares (or securities exchangeable for or convertible into or carrying rights to acquire Marathon Shares) to the holders of all or substantially all of the then outstanding Marathon Shares by way of stock dividend or other distribution, other than an issue of Marathon Shares (or securities exchangeable for or convertible into or carrying rights to acquire Marathon Shares) to holders of Marathon Shares (i) who exercise an option to receive dividends in Marathon Shares (or securities exchangeable for or convertible into or carrying rights to acquire Marathon Shares) in lieu of receiving cash dividends or (ii) pursuant to any dividend reinvestment plan; or
 - (b) issues or distributes rights, options or warrants to the holders of all or substantially all of the then outstanding Marathon Shares entitling them to subscribe for or to purchase Marathon Shares

- (or securities exchangeable for or convertible into or carrying rights to acquire Marathon Shares); or
- (c) issues or distributes to the holders of all or substantially all of the then outstanding Marathon Shares:
 - (i) securities of Marathon of any class other than Marathon Shares (other than securities convertible into or exchangeable for or carrying rights to acquire Marathon Shares);
 - (ii) rights, options or warrants other than those referred to in Section 11.1(b) above;
 - (iii) evidences of indebtedness of Marathon; or
 - (iv) assets of Marathon other than Marathon Dividends which result in an adjustment to the Exchange Ratio; or
 - (d) subdivides, redivides or changes the rights, privileges or other term of the then outstanding Marathon Shares into a greater number of Marathon Shares; or
 - (e) reduces, combines, consolidates or changes the then outstanding Marathon Shares into a lesser number of Marathon Shares; or
 - (f) reclassifies or otherwise changes the Marathon Shares or effects an amalgamation, combination, merger, reorganization or other transaction affecting the Marathon Shares.

The Support Agreement further provides, in part, that the aforesaid provisions of the Support Agreement shall not be changed without the approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of these share provisions.

ARTICLE 12

ACTIONS BY THE CORPORATION UNDER SUPPORT AGREEMENT

- 12.1 The Corporation shall take all such actions and do all such things as shall be necessary or advisable to perform and comply with and to ensure performance and compliance by the Corporation, Marathon and CallCo with all provisions of the Support Agreement applicable to the Corporation, Marathon and CallCo, respectively, in accordance with the terms thereof including, without limitation, taking all such actions and doing all such things as shall be necessary or advisable to enforce to the fullest extent possible for the direct benefit of the Corporation all rights and benefits in favour of the Corporation under or pursuant to such agreement.
- 12.2 The Corporation shall not propose, agree to or otherwise give effect to any amendment to, or waiver or forgiveness of its rights or obligations under, the Support Agreement without the approval of the holders of the Exchangeable Shares given in accordance with Section 10.2 of these share provisions other than such amendments, waivers and/or forgiveness as may be necessary or advisable for the purposes of:
- (a) adding to the covenants of the other parties to such agreement or any combination of them for the protection of the Corporation or the holders of the Exchangeable Shares thereunder, provided that the Board of Directors shall be of the opinion, after consultation with counsel, that such amendments and modifications shall not be prejudicial to the rights or interests of the holders of the Exchangeable Shares;
 - (b) making such amendments or modifications not inconsistent with such agreement as may be necessary or desirable with respect to matters or questions arising thereunder which, in the good faith opinion of the Board of Directors, it may be expedient to make, provided that the Board of Directors shall be of the opinion, after consultation with counsel, that such amendments and

modifications shall not be prejudicial to the rights or interests of the holders of the Exchangeable Shares; or

- (c) making such changes in or corrections to such agreement which, on the advice of counsel to the Corporation, are required for the purpose of curing or correcting any ambiguity, defect, inconsistent provision, clerical omission, mistake or manifest error contained therein, provided that the Board of Directors shall be of the good faith opinion, after consultation with counsel, that such changes or corrections shall not be prejudicial to the rights and interests of the holders of the Exchangeable Shares.

ARTICLE 13

LEGEND; CALL RIGHTS; WITHHOLDING RIGHTS

- 13.1 The certificates evidencing the Exchangeable Shares shall contain or have affixed thereto a legend in form and on terms approved by the Board of Directors, with respect to the Support Agreement, the Call Rights and the Voting and Exchange Trust Agreement (including the provisions with respect to the voting rights and exchange rights thereunder).
- 13.2 Each holder of an Exchangeable Share, whether of record or beneficial, by virtue of becoming and being such a holder shall be deemed to acknowledge each of the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right, in each case, in favour of Marathon and CallCo, and the overriding nature thereof in connection with the liquidation, dissolution or winding-up of the Corporation or the retraction or redemption of Exchangeable Shares, as the case may be, and to be bound thereby in favour of Marathon and CallCo as therein provided.
- 13.3 The Corporation, Marathon, CallCo and the Transfer Agent shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Exchangeable Shares such amounts as the Corporation, Marathon, CallCo or the Transfer Agent is required to deduct and withhold with respect to such payment under the Tax Act or any provision of provincial, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Exchangeable Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a holder exceeds the cash consideration otherwise payable to the holder, if any, the Corporation, Marathon, CallCo and the Transfer Agent are hereby authorized to sell or otherwise dispose of such portion of the consideration (including Marathon Shares) as is necessary to provide sufficient funds to the Corporation, Marathon, CallCo or the Transfer Agent, as the case may be, to enable it to comply with such deduction or withholding requirement and the Corporation, Marathon, CallCo or the Transfer Agent shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

ARTICLE 14

SPECIFIED AMOUNT

- 14.1 The amount specified in respect of each Exchangeable Share for the purposes of subsection 191(4) of the Tax Act shall be an amount equal to \$ ● .

ARTICLE 15

NO FRACTIONAL ENTITLEMENTS

15.1 Notwithstanding anything contained in these share provisions including, without limitation, Articles 4, 5 or 6, no holder of an Exchangeable Share shall be entitled to and neither the Corporation, Marathon, CallCo nor the Trustee shall deliver fractions of Marathon Shares. Where the application of the provisions of these share provisions, including, without limitation, Articles 4, 5 and 6 would otherwise result in a holder of Exchangeable Shares receiving a fraction of a Marathon Share, such holder of Exchangeable Shares shall only be entitled to receive the nearest whole number of Marathon Shares.

ARTICLE 16

NOTICES

16.1 Any notice, request or other communication to be given to the Corporation by a holder of Exchangeable Shares shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by fax or by delivery to the registered office of the Corporation and addressed to the attention of the Chief Executive Officer of the Corporation. Any such notice, request or other communication, if given by mail, fax or delivery, shall only be deemed to have been given and received upon actual receipt thereof by the Corporation.

16.2 Any presentation and surrender by a holder of Exchangeable Shares to the Corporation or the Transfer Agent of certificates representing Exchangeable Shares in connection with the liquidation, dissolution or winding-up of the Corporation or the retraction or redemption of Exchangeable Shares shall be made by registered mail (postage prepaid) or by delivery to the registered office of the Corporation or to such office of the Transfer Agent as may be specified by the Corporation, in each case, addressed to the attention of the Chief Executive Officer of the Corporation. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by the Corporation or the Transfer Agent, as the case may be. Any such presentation and surrender of certificates made by registered mail shall be at the sole risk of the holder mailing the same.

16.3 Any notice, request or other communication to be given to a holder of Exchangeable Shares by or on behalf of the Corporation shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by delivery to the address of the holder recorded in the register of shareholders of the Corporation or, in the event of the address of any such holder not being so recorded, then at the last known address of such holder. Any such notice, request or other communication, if given by mail, shall be deemed to have been given and received on the third Business Day following the date of mailing and, if given by delivery, shall be deemed to have been given and received on the date of delivery. Accidental failure or omission to give any notice, request or other communication to one or more holders of Exchangeable Shares shall not invalidate or otherwise alter or affect any action or proceeding to be taken by the Corporation pursuant thereto.

SCHEDULE A
RETRACTION REQUEST

To 1339971 Alberta Ltd., Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited

This notice is given pursuant to Article 4 of the provisions (the “**Share Provisions**”) attaching to the Exchangeable Shares of 1339971 Alberta Ltd. represented by the enclosed certificate. All capitalized words and expressions used in this notice that are defined in the Share Provisions have the meanings ascribed to such words and expressions in such Share Provisions.

The undersigned hereby notifies 1339971 Alberta Ltd. that, subject to the Retraction Call Right referred to below, the undersigned desires to have 1339971 Alberta Ltd. redeem in accordance with Article 4 of the Share Provisions:

ALL SHARE(S) REPRESENTED BY THE ENCLOSED CERTIFICATE; OR _____ SHARE(S) OF THE SHARES REPRESENTED BY THE ENCLOSED CERTIFICATE.

NOTE: The Retraction Date shall be the date that is five Business Days after the date upon which this notice is received by 1339971 Alberta Ltd.

The undersigned acknowledges the overriding Retraction Call Right of Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited to purchase all but not less than all the Retracted Shares from the undersigned and that this notice is and shall be deemed to be a revocable Retraction Offer by the undersigned to sell the Retracted Shares to Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited in accordance with the Retraction Call Right on the Retraction Date for the Purchase Price and on the other terms and conditions set out in Section 4.3 of the Share Provisions. This Retraction Request, and this Retraction Offer to sell the Retracted Shares to Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited, may be revoked and withdrawn by the undersigned only by notice in writing given to 1339971 Alberta Ltd. at any time before the close of business on the Business Day immediately preceding the Retraction Date.

The undersigned acknowledges that if, as a result of liquidity or solvency provisions of applicable law, 1339971 Alberta Ltd. is unable to redeem all Retracted Shares, the undersigned will be deemed to have exercised the Exchange Rights (as defined in the Voting and Exchange Trust Agreement) so as to require Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited to purchase the unredeemed Retracted Shares.

The undersigned hereby represents and warrants to 1339971 Alberta Ltd., Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited that the undersigned:

is _____

(select one)

is not _____

a Non-Resident. The undersigned acknowledges that in the absence of an indication that the undersigned is not a non-resident of Canada, withholding on account of Canadian tax may be made from amounts payable to the undersigned on the redemption or purchase of the Retracted Shares.

The undersigned hereby represents and warrants to 1339971 Alberta Ltd., Marathon Oil Corporation and Marathon Canadian Oil Sands Holding Limited that the undersigned has good title to, and owns, the

share(s) represented by this certificate to be acquired by 1339971 Alberta Ltd. as the case may be, free and clear of all liens, claims and encumbrances.

(Date)

(Signature of Shareholder)

(Guarantee of Signature)

- Please check box if the securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares are to be held for pick-up by the shareholder from the Transfer Agent, failing which the securities and any cheque(s) will be mailed to the last address of the shareholder as it appears on the register.

NOTE: This panel must be completed and the enclosed certificate, together with such additional documents as the Transfer Agent may require, must be deposited with the Transfer Agent. The securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares will be issued and registered in, and made payable to, respectively, the name of the shareholder as it appears on the register of 1339971 Alberta Ltd. and the securities and any cheque(s) resulting from such retraction or purchase will be delivered to such shareholder as indicated above, unless the form appearing immediately below is duly completed.

Date: _____

Name of Person in Whose Name Securities
Are to be Registered or Delivered (please print): _____

Signature of Shareholder: _____

Social Insurance Number: _____

Street Address or P.O. Box: _____

City, Province and Postal Code: _____

Signature Guaranteed by: _____

NOTE: If this Retraction Request is for less than all of the shares represented by the enclosed certificate, a certificate representing the remaining share(s) of 1339971 Alberta Ltd. represented by the enclosed certificate will be issued and registered in the name of the shareholder as it appears on the register of 1339971 Alberta Ltd. unless the Share Transfer Power on the share certificate is duly completed in respect of such share(s).

APPENDIX E — FAIRNESS OPINION OF GOLDMAN, SACHS & CO.

PERSONAL AND CONFIDENTIAL

July 30, 2007

Board of Directors
Western Oil Sands Inc.
Suite 2400, Ernst & Young Tower
440 - 2nd Avenue S.W.
Calgary, Alberta T2P 5E9

Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to the holders of the outstanding common shares (the "Company Shares") of Western Oil Sands Inc. (the "Company") of the Cash Consideration, Marathon Share Consideration and Exchangeable Share Consideration (each as defined below) to be received by such holders, taken in the aggregate, pursuant to the Arrangement Agreement, dated as of July 30, 2007 (the "Agreement"), by and among Marathon Oil Corporation ("Marathon"), 1339971 Alberta Ltd., a wholly owned subsidiary of Marathon ("AcquisitionCo"), WesternZagros Resources Inc. ("WesternZagros") and the Company. The Agreement provides that holders of Company Shares may elect to receive, for each Company Share held (i) CAD \$35.50 in cash (the "Cash Consideration"), (ii) 0.5932 of a common share (the "Marathon Shares") of Marathon (the "Marathon Share Consideration"), or (iii) in the case of Canadian residents, 0.5932 of an exchangeable share (the "Exchangeable Shares") of AcquisitionCo (the "Exchangeable Share Consideration"), in each case subject to pro ration as provided in the Agreement, provided that (x) the maximum aggregate Cash Consideration will be CAD \$3,807,847,771, (y) the maximum aggregate Marathon Share Consideration will be a total of 34,300,000 Marathon Shares and (z) the maximum aggregate Exchangeable Share Consideration will be a total of 29,400,000 Exchangeable Shares, as to which pro ration we are expressing no opinion. Holders of Company Shares will also receive one share (the "WesternZagros Shares") of WesternZagros and one tenth of a warrant to acquire one WesternZagros Share (the "WesternZagros Warrants") for each Company Share held.

Goldman, Sachs & Co. and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman, Sachs & Co. and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and

other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of the Company, WesternZagros, Marathon and their respective affiliates or any currency or commodity that may be involved in the Transaction for their own account and for the accounts of their customers. We have acted as financial advisor to the Company in connection with, and have participated in certain of the negotiations leading to, the Transaction. We expect to receive fees for our services in connection with the Transaction, the principal portion of which is contingent upon consummation of the Transaction, and the Company has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement. We have provided certain investment banking and other financial services to Marathon and its affiliates from time to time. We also may provide investment banking and other financial services to the Company, WesternZagros, Marathon and their respective affiliates in the future. In connection with the above-described services we have received, and may receive, compensation.

In connection with this opinion, we have reviewed, among other things, the Agreement; annual reports to shareholders and the Annual Information Forms of the Company and Annual Reports on Form 10-K of Marathon for the five years ended December 31, 2006; certain unaudited interim reports to shareholders of the Company and Marathon; certain publicly available equity research reports for the Company and Marathon; certain reports with respect to the estimated reserves and resources of the Company prepared by GLJ Petroleum Consultants Ltd. and Norwest Corporation (collectively, the "Reports"); a report with respect to estimated upgrader costs and product prices prepared by Purvin & Gertz Inc.; certain documents and forecasts relating to the Athabasca Oil Sands Project ("AOSP") and other projects prepared by the other owners of the AOSP; certain other communications from the Company and Marathon to their respective shareholders; and certain internal financial analyses and forecasts for the Company prepared by its management (the "Forecasts"). We also have held discussions with members of the senior managements of the Company and Marathon regarding the past and current business operations, financial condition and future prospects of their respective companies. In addition, we have reviewed the reported price and trading activity for the Company Shares and Marathon Shares, compared certain financial and stock market information for the Company and Marathon with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent transactions in the oil and gas industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as we considered appropriate.

For purposes of rendering this opinion, we have relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information provided to, discussed with or reviewed by us. In that regard, we have assumed with your consent that the Forecasts have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company. As you are aware, the management of Marathon did not make available its projections of expected future financial performance of Marathon. With your consent, our review of such matters has been limited to discussions with management of Marathon about their assessment of such matters, including discussions with respect to certain publicly available equity research reports regarding the future financial performance of Marathon. With your approval, for purposes of this opinion and performing the related analyses, we have treated the Marathon Shares and the Exchangeable Shares as identical in all meaningful respects. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of the Company,

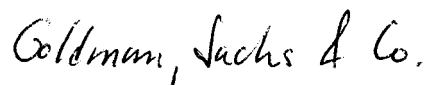
Board of Directors
Western Oil Sands Inc.
July 30, 2007
Page Three

Marathon or any of their respective subsidiaries and, except for the Reports, we have not been furnished with any such evaluation or appraisal. With respect to the bitumen reserves and resources information, we are not experts in the evaluation of bitumen reserves and resources and, with your consent, have relied without independent verification solely upon the Reports and certain internal reserve and resource information prepared and provided to us by the management of the Company. Senior management of the Company has provided to us, in a certificate dated the date hereof, representations regarding, among other things, the accuracy of information, data and other materials (financial or otherwise) provided to us by or on behalf of the Company and the absence of changes thereto. We also have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or Marathon or on the expected benefits of the Transaction in any way meaningful to our analysis. Our opinion does not address any legal, regulatory, tax or accounting matters.

Our opinion does not address the underlying business decision of the Company to engage in the Transaction or the merits of the Transaction as compared to any strategic alternatives that may be available to the Company. We express no opinion as to the prices at which the Marathon Shares, WesternZagros Shares or WesternZagros Warrants will trade at any time or about any compensation received or to be received in connection with the Transaction by any of the Company's officers, directors or employees. Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof and we assume no responsibility for updating, revising or reaffirming this opinion based on circumstances, developments or events occurring after the date hereof. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the Transaction and such opinion does not constitute a recommendation as to how any holder of Company Shares should vote or make any election with respect to such Transaction or any other matter. This opinion has been approved by a fairness committee of Goldman, Sachs & Co.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Cash Consideration, Marathon Share Consideration and Exchangeable Share Consideration to be received by the holders of Company Shares, taken in the aggregate, pursuant to the Agreement is fair from a financial point of view to such holders.

Very truly yours,



(GOLDMAN, SACHS & CO.)

APPENDIX F — FAIRNESS OPINION OF TD SECURITIES INC.



TD Securities Inc.
Home Oil Tower
324-8 Avenue S.W., Suite 800
Calgary, Alberta T2P 2Z2

July 30, 2007

The Board of Directors
Western Oil Sands Inc.
2400 Ernst & Young Tower
4400 Second Avenue SW
Calgary, Alberta T2P 5E9

To the Board of Directors:

TD Securities Inc. (“TD Securities”) understands that Western Oil Sands Inc. (“Western” or the “Company”) is considering entering into an arrangement agreement (the “Arrangement Agreement”) with WesternZagros Resources Inc. (“WesternZagros”), Marathon Oil Corporation (“Marathon”), and a wholly-owned subsidiary of Marathon providing for, by way of a plan of arrangement (the “Plan of Arrangement”) under Section 193 of the Alberta Business Corporations Act, the acquisition by Marathon of all of the issued and outstanding common shares of Western (“Western Common Shares”), and the contemporaneous distribution of all of the issued and outstanding common shares of WesternZagros (“WesternZagros Common Shares”) owned by Western plus one tenth of a warrant to acquire one WesternZagros Common Share at a price of C\$2.50 per share (“WesternZagros Warrants”) to the holders of Western Common Shares on a one-for-one basis. We also understand that pursuant to the Arrangement Agreement, holders of Western Common Shares can exchange their Western Common Shares for, at the option of the holder, one of (i) C\$35.50 cash, or (ii) 0.5932 common shares of Marathon (“Marathon Common Shares”), or (iii) in the case of taxable Canadian residents, 0.5932 exchangeable shares in the capital of a Canadian subsidiary of Marathon (“Exchangeable Shares”) or (iv) any combination of the above subject to proration such that the holders of Western Common Shares will receive total cash consideration of C\$3,807,847,771 and a total of 34.3 million Marathon Common Shares and Exchangeable Shares. The maximum number of Exchangeable Shares to be issued under the Plan of Arrangement will be 29.4 million. The Exchangeable Shares will be exchangeable at any time at the option of the holder, on a one-for-one basis, for Marathon Common Shares and carry the same voting rights and other material attributes as Marathon Common Shares. We also understand that, prior to the consummation of the transactions contemplated by the Plan of Arrangement, WesternZagros will receive C\$82.6 million of capital from Western and that certain directors, officers and employees of WesternZagros will purchase approximately 3.7 million WesternZagros Common Shares at a price of C\$2.50 per share pursuant to a private placement (the “Private Placement”). Certain members of the board of directors of Western who are not directors of WesternZagros have agreed to exercise any WesternZagros Warrants received under the Plan of Arrangement. The above description is summary in nature. The specific terms and conditions of the Plan of Arrangement are set out in the Arrangement Agreement and will be more fully described in the management information and proxy circular (the “Management Information Circular”) which will be mailed to holders of Western Common Shares in connection with the Plan of Arrangement.

The board of directors of Western (the “Board of Directors”) has retained TD Securities to provide advice and assistance to it in, among other things, evaluating the Plan of Arrangement, including the preparation and delivery to the Board of Directors of its opinion (the “Fairness Opinion”) as to the fairness, from a financial point of view, of the cash consideration and share consideration (collectively, the “Consideration”) to be paid by Marathon under the Plan of Arrangement to the holders of Western

Common Shares. TD Securities has not prepared a valuation of the Company or Marathon or any of their securities or assets and the Fairness Opinion should not be construed as such.

ENGAGEMENT OF TD SECURITIES

TD Securities was engaged by Western pursuant to an engagement agreement dated September 20, 2006 (the "Engagement Agreement"). The terms of the Engagement Agreement provide that TD Securities will receive a fee for its services, a portion of which is contingent on completion of the Plan of Arrangement or certain other events, and is to be reimbursed for its reasonable out-of-pocket expenses. In addition, the Company has agreed to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities incurred in connection with the provision of its services.

CREDENTIALS OF TD SECURITIES

TD Securities is a Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment management and investment research. TD Securities has participated in a significant number of transactions involving public and private companies and has extensive experience in preparing valuations and fairness opinions.

The Fairness Opinion is the opinion of TD Securities and its form and content have been approved by a committee of senior investment banking professionals of TD Securities, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

RELATIONSHIP WITH INTERESTED PARTIES

Neither TD Securities, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario) (the "Securities Act") of the Company, Marathon, or any of their respective associates or affiliates (collectively, the "Interested Parties").

Neither TD Securities nor any of its affiliates is an advisor to any Interested Party with respect to the Plan of Arrangement other than to the Company pursuant to the Engagement Agreement. In September, 2006 Western engaged TD Securities to advise it with respect to financial and strategic initiatives. In November, 2006 Marathon engaged TD Securities to advise it with respect to entering into arrangements with Canadian bitumen suppliers with respect to possible joint ventures or other crude oil supply arrangements. At that time, TD Securities advised Marathon that TD Securities had a relationship with Western. Marathon and TD Securities agreed that TD Securities would not provide advice to Marathon with respect to any potential joint venture or other crude oil supply arrangement in regards to Western and would not receive any fee from Marathon if Marathon entered into such an arrangement with Western.

TD Securities and its affiliates have not been engaged to provide any financial advisory services, have not acted as lead or co-lead manager on any offering of securities of the Company or any other Interested Party, or had a material financial interest in any transaction involving the Company or any other Interested Party during the 24 months preceding the date on which TD Securities was first contacted in respect of the Offer other than as described herein. TD Securities acted as financial advisor to the Company in September 2005 with respect to takeover defence preparedness planning and strategic planning initiatives, and in June 2006 with respect to a potential strategic investment. There are no understandings or agreements between TD Securities and the Company or any other Interested Party with respect to future financial advisory or investment banking business. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company or any other Interested Party. The Toronto-Dominion Bank, the parent company of TD Securities, provides credit facilities and other banking services to the Company and may provide such services to other Interested Parties from time to time in the ordinary course of its business.

TD Securities and its affiliates act as a trader and dealer, both as principal and as agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, TD Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Plan of Arrangement, the Company or any other Interested Party.

SCOPE OF REVIEW

In connection with the Fairness Opinion, TD Securities reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

1. a draft dated July 30, 2007, of the Arrangement Agreement;
2. a draft dated July 30, 2007, of the Plan of Arrangement;
3. the Joint Venture Agreement and the Participation and Area of Mutual Interest Agreement amongst Western, Shell Canada Limited and Chevron Corporation governing the Athabasca Oil Sands Project (the "Project") dated December 6, 1999 and various amendments to these agreements;
4. Annual Reports of Western, including the audited annual financial statements and management's discussion and analysis contained therein, for the years ended December 31, 2004, 2005, and 2006;
5. Annual Reports on Form 10-K of Marathon, including the audited annual financial statements and management's discussion and analysis contained therein, for the years ended December 31, 2004, 2005, and 2006;
6. Quarterly Interim Reports of Western, including the unaudited financial statements and management's discussion and analysis contained therein, for the quarters ended March 31, 2007 and June 30, 2007;
7. Quarterly Report on Form 10-Q of Marathon, including the unaudited financial statements and management's discussion and analysis contained therein, for the quarter ended March 31, 2007;
8. draft Quarterly Report of Marathon including the unaudited financial statements and management's discussion and analysis contained therein, for the quarter ended June 30, 2007;
9. Annual Information Forms for Western for the fiscal years ended December 31, 2005 and 2006;
10. various presentations, strategic plans and budgets prepared by the management of the Company for the Board of Directors;
11. projected operating and financial results for Western prepared by management of the Company for each of the years ending December 31, 2007, through December 31, 2056;
12. various business plans, feasibility studies, asset development plans, front-end development documents, forecasts and other Project documents prepared by Shell Canada Limited in its capacity as operator of the Project;
13. minutes of meetings of, and presentations prepared for, various committees of the Project;
14. reports prepared by GLJ Petroleum Consultants Ltd. for the Company including the most recent reports: *Reserves Assessment and Evaluation of the Athabasca Oil Sands Project* effective December 31, 2006, and *Reserves and Contingent Resources Assessment and Evaluation of Certain Athabasca Oil Sands Mining Leases* effective December 31, 2006;

15. reports prepared by Norwest Corporation for the Company including the following: *Evaluation of Selected Oil Sands Leases — Athabasca Oil Sands Project* dated January 30, 2007, and *Regional Assessment* dated March 15, 2007;
16. the take-over bid circular and director's circular regarding Royal Dutch Shell plc's offer to purchase Shell Canada Limited, both dated February 8, 2007;
17. a report prepared by Purvin & Gertz Inc. entitled *Upgrader Cost and Price Analysis* dated February 2007;
18. various joint venture partner presentations prepared by Chevron Corporation regarding the Ells River project;
19. the application to the Alberta Energy and Utilities Board for the Muskeg River Mine Expansion Project dated April 2005;
20. discussions with senior management and the Board of Directors with respect to the information referred to above and other issues deemed relevant;
21. representations contained in a certificate dated as of the date hereof from senior officers of Western as to the matters set out in Appendix A;
22. discussions with senior management of Marathon with respect to the information referred to above and other issues deemed relevant;
23. discussions with the Company's legal counsel;
24. various research publications prepared by equity research analysts regarding the Canadian oil sands industry and selected public companies and income trusts considered relevant;
25. public information relating to the business, operations, financial performance and securities trading history of selected public companies and income trusts considered relevant;
26. public information with respect to certain other transactions of a comparable nature considered relevant; and
27. such other corporate, industry, and financial market information, investigations and analyses as TD Securities considered necessary or appropriate in the circumstances.

TD Securities has not, to the best of its knowledge, been denied access by the Company to any information requested by TD Securities.

ASSUMPTIONS AND LIMITATIONS

With the Company's acknowledgement and agreement as provided for in the Engagement Agreement, TD Securities has relied upon the accuracy, completeness and fair presentation of all data and other information obtained by it from public sources, provided to it by or on behalf of the Company, provided to it by or on behalf of Marathon, or otherwise obtained by TD Securities, including the certificate provided by senior officers of the Company (collectively, the "Information"). The Fairness Opinion is conditional upon such accuracy, completeness and fair presentation. Subject to the exercise of professional judgment, and except as expressly described herein, TD Securities has not attempted to verify independently the accuracy, completeness or fair presentation of any of the Information.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities notes that projecting future results is inherently subject to uncertainty. TD Securities has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein which TD Securities has been advised are (or were at the time of preparation and continue to be) in the opinion of the Company reasonable in the circumstances.

TD Securities expresses no independent view as to the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

In preparing the Fairness Opinion, TD Securities has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to TD Securities, conditions required to implement the Plan of Arrangement will be met, all consents, permissions, exemptions or orders of relevant regulatory authorities or third parties will be obtained without adverse condition or qualification, the Management Information Circular will be distributed to the holders of Western Common Shares in accordance with all applicable laws, and the disclosure in the Management Information Circular will be accurate, in all material respects, and will comply, in all material respects, with the requirements of all applicable laws. In its analysis in connection with the preparation of the Fairness Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities, the Company, Marathon or their respective affiliates. Among other things, TD Securities has assumed the accuracy, completeness and fair presentation of, and has relied upon, the financial statements forming part of the Information.

The Fairness Opinion has been provided for the use of the Board of Directors and is not intended to be, and does not constitute, a recommendation to any holders of Western Common Shares as to whether to vote Western Common Shares in favour of the Plan of Arrangement. The Fairness Opinion may not be used or relied upon by any person other than the Board of Directors without the express prior written consent of TD Securities. The Fairness Opinion does not address the relative merits of the Plan of Arrangement as compared to other transactions or business strategies that might be available to the Company, nor does it address the underlying business decision to enter into the Arrangement Agreement. In considering fairness, from a financial point of view, TD Securities considered the Plan of Arrangement from the perspective of holders of Western Common Shares generally and did not consider the specific circumstances of any particular shareholder, including with regard to income tax considerations. The Fairness Opinion is rendered as of July 30, 2007, on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of the Company and its affiliates as they were reflected in the Information provided or otherwise available to TD Securities. Any changes therein may affect the Fairness Opinion and, although TD Securities reserves the right to change or withdraw the Fairness Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or to update the Fairness Opinion after such date.

The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. TD Securities believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Fairness Opinion. Accordingly, this Fairness Opinion should be read in its entirety.

CONCLUSION

Based upon and subject to the foregoing, TD Securities is of the opinion that, as of July 30, 2007, the Consideration under the Plan of Arrangement is fair, from a financial point of view, to the holders of Western Common Shares.

Yours very truly,

TD Securities Inc.

TD SECURITIES INC.

Appendix A

Certificate of Western Oil Sands Corporation

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have represented to TD Securities in a certificate dated July 30, 2007, that:

- (i) To the best of the knowledge, information and belief of such officers, the information, data, documents, opinions, appraisals, valuations and other information and materials of whatsoever nature or kind respecting the Company, its subsidiaries and the Plan of Arrangement (collectively, the "Company Information") provided orally by, an officer or employee of the Company or in writing by the Company or any of its subsidiaries (as such term is defined in the Securities Act) or their respective agents to TD Securities for the purpose of preparing the Fairness Opinion was, at the date the Company Information was provided to TD Securities, and is at the date hereof complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Offer and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Offer necessary to make the Company Information or any statement contained therein not misleading in light of the circumstances under which the Company Information was provided or any statement was made.
- (ii) Since the dates on which the Company Information was provided to TD Securities, except as disclosed in writing to TD Securities, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Company Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion.
- (iii) To the best of the knowledge, information and belief of such officers after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its subsidiaries or any of their respective material assets or liabilities which have been prepared as of a date within the two years preceding the date hereof and which have not been provided to TD Securities.
- (iv) Since the dates on which the Company Information was provided to TD Securities, no material transaction has been entered into by the Company or any of its subsidiaries except as disclosed.
- (v) Such officers have no knowledge of any facts not contained in or referred to in the Company Information provided to TD Securities by the Company which would reasonably be expected to affect the Fairness Opinion, including the assumptions used, the scope of the review undertaken or the conclusions reached.
- (vi) Other than as disclosed in the Company Information, to the best of the knowledge, information and belief of such officers after reasonable inquiry, the Company does not have any material contingent liabilities and there are no actions, suits, proceedings or inquiries pending or threatened in writing against or affecting the Company or any of its subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may in any way materially adversely affect the Company and its subsidiaries taken as a whole.
- (vii) All financial material, documentation and other data concerning the Plan of Arrangement, the Company and its subsidiaries, including any projections or forecasts (based on assumptions management of the Company believes to be reasonable), provided to TD Securities do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such financial material, documentation or data or any statement contained therein not

misleading in light of the circumstances in which such financial material, documentation and data was provided to TD Securities or any statement therein was made.

- (viii) To the best of the knowledge, information and belief of such officers after due inquiry, no verbal or written offers for all or a material part of the properties and assets owned by, or the securities of, the Company or any of its subsidiaries have been received and no negotiations have occurred relating to any such offer within the two years preceding the date hereof which have not been disclosed to TD Securities.
- (ix) There are no agreements, undertakings, commitments or understandings (written or oral, formal or informal) relating to the Offer, except as have been disclosed to TD Securities.
- (x) The contents of all disclosure documents prepared by the Company in connection with the Arrangement are true and correct in all material respects and do not contain any misrepresentation (as defined in the Securities Act) and those disclosure documents comply with all requirements under applicable laws.

Capitalized terms not otherwise defined herein have the meaning ascribed thereto in the fairness opinion dated July 30, 2007, of TD Securities Inc. addressed to the Board of Directors of Western Oil Sands Inc.

APPENDIX G — INFORMATION CONCERNING NEW WESTERNZAGROS

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SCHEDULES

- A — Pro Forma Consolidated Financial Statements of WesternZagros Resources Ltd.
- B — Consolidated Financial Statements of WesternZagros Resources Inc.
- C — Audited Balance Sheet of WesternZagros Resources Ltd. as at August 31, 2007
- D — Geological Report of Sproule International Limited

NOTICE TO READER

As at the date hereof, New WesternZagros has not carried on any active business. The Arrangement provides Western Shareholders with the opportunity to participate in New WesternZagros. The Arrangement Agreement provides that it is a mutual condition precedent to the consummation of the transactions contemplated thereunder that, among other things, Marathon and Western shall be satisfied that the Subsequent Transactions will be completed immediately following the Effective Time on terms and conditions mutually acceptable to Western and Marathon. Assuming the Arrangement Resolution is approved, immediately following the Effective Time, New WesternZagros will, among other things, acquire all of the issued and outstanding WesternZagros Shares. Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the acquisition of all of the issued and outstanding WesternZagros Shares by New WesternZagros has been completed.

All capitalized terms used in this Appendix but not otherwise defined herein have the meanings set forth in the “Glossary of Terms” in the Information Circular.

In this Appendix, dollar amounts are expressed in U.S. dollars unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements. All statements other than statements of historical fact contained in this Appendix are forward-looking statements, including but not limited to operational information, future exploration and development plans and anticipated future production and resources. Reference is made to “Information Circular—Forward-Looking Statements” in the body of the Information Circular for information regarding forward-looking statements. The forward-looking statements contained in this Appendix are expressly qualified in their entirety by the cautionary statements set forth in the body of the Information Circular under “Information Circular—Forward-Looking Statements”. Readers are cautioned not to place undue reliance on forward-looking statements contained in this Appendix, which reflect the analysis of the management of New WesternZagros only as of the date of the Information Circular. None of Western, New WesternZagros or Marathon undertakes any obligation to release publicly the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date of the Information Circular or to reflect the occurrence of unanticipated events, except as required by Applicable Canadian Securities Laws.

CORPORATE STRUCTURE

New WesternZagros was incorporated under the ABCA on August 22, 2007. Prior to the Effective Date, New WesternZagros will amend its articles to add the New WesternZagros Preferred Shares and an additional class of preferred shares to its authorized capital. Its registered office is located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2 and its principal business office is located at 2400, 440 - 2nd Avenue S.W., Calgary, Alberta T2P 5E9.

WesternZagros was incorporated under the ABCA on September 21, 2004. Its registered office is located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2 and its principal business office is located at 2400, 440 - 2nd Avenue S.W., Calgary, Alberta T2P 5E9. WesternZagros is currently a wholly-owned subsidiary of Western.

Intercorporate Relationships

As at the date hereof, New WesternZagros does not have any subsidiaries. Assuming the Arrangement Resolution is approved at the Meeting, following the Effective Time and completion of the Subsequent Transactions, New WesternZagros will own all of the issued and outstanding WesternZagros Shares and will have the material wholly-owned subsidiaries shown below.



GENERAL DEVELOPMENT OF THE BUSINESS

New WesternZagros was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Following completion of the Arrangement and the Subsequent Transactions, New WesternZagros and its subsidiaries will carry on the business currently carried on by WesternZagros and its subsidiaries. WesternZagros and its subsidiaries are collectively referred to herein as “WesternZagros”.

A complete description of the business of WesternZagros is provided in this Appendix. Pro forma financial information concerning New WesternZagros after the acquisition of the WesternZagros Shares and the completion of the New WesternZagros Private Placement as to subscriptions received to date is

provided in the pro forma consolidated financial statements attached as Schedule "A" to this Appendix. Attached as Schedule "B" to this Appendix are the historical consolidated financial statements for WesternZagros for the years ended December 31, 2006 and 2005 and the six month periods ended June 30, 2007 and June 30, 2006. Attached as Schedule "C" to this Appendix is an audited balance sheet of New WesternZagros as at August 31, 2007.

Pursuant to the Arrangement, a Western Shareholder will receive, for each Western Share held, one New WesternZagros Share and one-tenth of a New WesternZagros Warrant, with each whole New WesternZagros Warrant entitling the holder thereof to purchase one New WesternZagros Share at a price of Cdn\$2.50 until the date which is three months from the Effective Date.

The Subsequent Transactions will be effected sequentially forthwith after the Effective Time to: (i) issue additional WesternZagros Shares to Western for cash subscription proceeds of Cdn\$81,533,877; (ii) transfer all of the issued and outstanding WesternZagros Shares to New WesternZagros in consideration for the issuance by New WesternZagros of New WesternZagros Preferred Shares; (iii) cause the redemption or purchase for cancellation of such New WesternZagros Preferred Shares in consideration for the issuance of a demand non-interest bearing promissory note of New WesternZagros; (iv) cause the redemption or purchase for cancellation of the Class B Shares of Western held by New WesternZagros at that time in consideration of the cancellation of such New WesternZagros promissory note; and (v) cause the redemption or purchase for cancellation of the Class C Shares of Western held by New WesternZagros at that time in consideration of the payment by Western to New WesternZagros of Cdn\$1 million.

Following the completion of the Arrangement and the Subsequent Transactions, New WesternZagros will complete the New WesternZagros Private Placement to directors, officers and employees of New WesternZagros and persons associated with them of up to 5 million New WesternZagros Shares at a price of Cdn\$2.50 per share for gross proceeds to New WesternZagros of up to Cdn\$12.5 million. Certain persons have committed to participate in the New WesternZagros Private Placement as to Cdn\$9.4 million. No finders fees or commissions will be paid in connection with the New WesternZagros Private Placement. The purpose of the New WesternZagros Private Placement is to provide additional capital for use by New WesternZagros in its exploration and development activities and to provide a mechanism whereby directors, officers and employees of New WesternZagros can increase their ownership position within New WesternZagros. The price at which the New WesternZagros Shares will be sold is consistent with the exercise price for the New WesternZagros Warrants and the attributed issue price of the New WesternZagros Shares being issued pursuant to the Arrangement, each of which is Cdn\$2.50 per share. The subscription price of Cdn\$2.50 per share is New WesternZagros' best estimate of the "market price" of a New WesternZagros Share prior to the Effective Date, but may not reflect the market price for New WesternZagros Shares once they begin trading. The New WesternZagros Private Placement is being undertaken in accordance with applicable corporate law, applicable securities laws and TSX-V regulations and policies.

The TSX-V has conditionally approved the listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V. Listing will be subject to New WesternZagros fulfilling all of the listing requirements of the TSX-V. Trading in both the New WesternZagros Shares and the New WesternZagros Warrants is expected to commence concurrently with the delisting of the Western Shares on the TSX.

Upon completion of the Arrangement, New WesternZagros will become a reporting issuer in certain Canadian provinces, and will become subject to the informational reporting requirements under Applicable Canadian Securities Laws. New WesternZagros Shares and New WesternZagros Warrants to be issued to Western Shareholders pursuant to the Arrangement will generally not be subject to any resale restrictions under Applicable Canadian Securities Laws. The New WesternZagros Shares and New WesternZagros Warrants (but not the New WesternZagros Shares issuable upon the exercise thereof) issued in the Arrangement will be freely transferable under U.S. Securities Laws, except for

New WesternZagros Shares and New WesternZagros Warrants held by Persons who are deemed to be “affiliates” (for purposes of U.S. Securities Laws) of Western or Marathon prior to or after the Arrangement. See “The Arrangement — Canadian Securities Law Matters” and “— United States Securities Law Matters” in the Information Circular.

DESCRIPTION OF THE BUSINESS

New WesternZagros was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Following completion of the Arrangement and the Subsequent Transactions, New WesternZagros and its subsidiaries will carry on the business currently carried on by WesternZagros and its subsidiaries who are for the purposes herein collectively referred to as “WesternZagros”.

WesternZagros is an international natural resources company formed for the purpose of engaging in the business of acquiring properties and exploring for, developing and producing crude oil and natural gas. WesternZagros is party to an Exploration and Production Sharing Agreement (the “EPSA”) with the Kurdistan Regional Government (the “KRG”) in respect of a 2,120 square kilometre exploration project area in the Kurdistan Region of Iraq.

In 2003, Western began examining oil and gas exploration and development opportunities in Iraq with a focus on the Kurdistan Region. In November 2004, WesternZagros signed a Memorandum of Understanding (“MOU”) with the KRG Sulaymaniya Administration in order to conduct an exploration study in an area within the southern Kurdistan Region. In March 2005, WesternZagros also signed an MOU with the federal Ministry of Oil in Baghdad with respect to the same exploration study and other technical cooperation projects. This MOU was later expanded to include an additional development project study in central Iraq.

Following the completion of these studies and the adoption by national referendum of the Iraq Constitution in October 2005, WesternZagros proposed and negotiated the EPSA for part of the exploration study area with the KRG. The EPSA was originally signed in Sulaymaniya on May 4, 2006. The EPSA provides for the exploration of conventional oil and gas in the Kurdistan Region. On May 8, 2006, the two antecedent administrations in the Kurdistan Region (located in the cities of Sulaymaniya and Erbil) merged as a united KRG. The EPSA was reviewed in late 2006 and early 2007 by the Minister of Natural Resources of the united KRG and, as a result of this review and with the agreement of WesternZagros, the EPSA was amended to, among other things, reduce the contract area with a corresponding reduction in WesternZagros’ work commitment. The amended and revised EPSA was signed in Erbil by WesternZagros and the KRG and ratified by the Prime Minister of the Kurdistan Region on behalf of the Council of Ministers (Cabinet) of the KRG on February 26, 2007.

The area covered by the EPSA (the “EPSA Lands”) consists of 2,120 square kilometres (approximately 524,000 acres) on the Kalar-Bawanoor Block in the Kurdistan Region and is on trend with, and adjacent to, a number of historic oil and gas discoveries. See “Principal Properties”.

Strategy

The main focus of WesternZagros’ business is the exploration and development of the EPSA Lands. The area of Iraq comprising the Kurdistan Region has been both under-explored and under-developed relative to the rest of Iraq and it provides an early stage entry opportunity on trend with several large fields, including the Kirkuk field. See “Industry Conditions” and “Principal Properties”.

The objective of WesternZagros is to be recognized, through consistently superior business performance and operations excellence, as one of the leading independent oil and gas companies active in Iraq. In executing its strategy, WesternZagros has made it a priority to recruit and retain local personnel. WesternZagros believes that it has developed a strong reputation among government authorities and the

business community in the Kurdistan Region that has been significant in providing access to opportunities and obtaining the cooperation needed to successfully execute projects. WesternZagros is in the process of developing and implementing its corporate social responsibility policies and practices in the Kurdistan Region.

INDUSTRY CONDITIONS

The following is a brief summary of the economic and energy market conditions encountered in conducting oil and natural gas operations in the Kurdistan Region of Iraq. The industry related information in this section and in the rest of this Appendix has been taken from public sources, including the Arab Oil and Gas Directory and data compiled by IHS Inc.

Historical

Oil exploration started in Iraq in the late 19th century when a number of oil accumulations were discovered. In 1914 a consortium of companies formed a joint subsidiary, the Turkish Petroleum Company which subsequently became the Iraq Petroleum Company (“IPC”). In 1927, IPC made the first commercial discovery in Iraq at the Kirkuk field. Following the “Red Line Agreement” in 1928, IPC was comprised of a consortium of Shell, BP, CFP (now Total), Near East Development (a Mobil/Exxon joint company) and Partex (Gulbenkian). The entirety of Iraq fell within three concessions held by the IPC Group in the names of Mosul Petroleum Company (northern areas west of the Tigris), Basra Petroleum Company (southern Iraq) and IPC itself (northern areas east of the Tigris and including the area of Iraq currently comprising the Kurdistan Region).

In 1933, exports commenced from the Kirkuk field to the Mediterranean at a rate of 1,600 bbls/d. The country’s second major oilfield, Rumaila, was discovered by IPC in 1953 and was developed in the 1970’s. The Zubair, Bai Hassan, Jambar and Qayarah fields as well as other smaller fields were developed in the 1950’s and two other large fields, Buzurgan and Abu Ghirab came on stream in 1976.

During the period from 1950 to 1955, Iraq’s oil production reached 697,000 bbls/d from an initial production level of 50,600 bbls/d in 1950. In the 1970s, production reached 3.5 million bbls/d. By a process of nationalization of the IPC interest which began in 1961, the Iraq petroleum industry ultimately came under complete State control in 1975 and since this time the nationalized industry has expanded exploration and development activities.

Many of the large fields in Iraq were not developed due to a number of factors, including the 1980-1988 war with Iran, the 1990 Gulf crisis and war, international sanctions which were imposed on Iraq and the 2003 invasion by the United States. Two fields were developed in the 1990s; the Khabbaz field in 1994 and the large West Quurna field in 1998.

The Iraq petroleum industry outside the Kurdistan Region is currently operated by the Ministry of Oil of the Republic of Iraq through subordinate State companies: the Northern Oil Company for the development and production in the north and central regions; and the Southern Oil Company for the remainder of the country, with various other State companies involved in marketing and refining. Refineries are situated in Baghdad, Basra, al-Hadithah, Khanaqin, Kirkuk and Qayarah.

Current

Iraq has numerous large undeveloped fields and unexplored areas. Out of the 73 oil fields discovered, only 15 are producing. Six of the 73 oil fields are classified as super-giant (over 5 billion bbls), 23 as giant (500 million to 5 billion bbls), and 44 as medium to large (50 to 500 million bbls) or small (less than 50 million bbls). Iraq has approximately 115 billion bbls (approximately 75 billion bbls undeveloped) of proven oil reserves and 220 billion bbls of proven and probable reserves. Over 80% of Iraq’s oil reserves are located in the Cretaceous formations as approximately two-thirds of the oilfields have only been drilled

to that formation. The remaining reserves are essentially found in the Tertiary formations (Kirkuk). Iraq's total oil production in February 2007 was reported to be almost 2 million bbls/d, of which 1.5 million bbls/d was exported. Iraq has established oil export routes to the Mediterranean via Turkey and directly to the Persian Gulf. See "Oil Transportation Infrastructure". The Rumaila field in southern Iraq has a daily capacity of approximately 1.25 million bbls/d and the Kirkuk field has a capacity of approximately 0.85 million bbls/d. The International Energy Agency projects that Iraq production will reach 3.2 million bbls/d in 2010, 5.4 million bbls/d in 2020 and 7.9 million bbls/d in 2030.

WesternZagros' business plan does not contemplate the development of natural gas fields until a natural gas market is developed. It is anticipated that a natural gas market within Iraq and a natural gas export market to Turkey and Europe may develop over the next 10 years. If so, value could be created through development of natural gas opportunities if natural gas is discovered within the EPSA Lands as the EPSA provides for future gas development.

Of the seven Iraq natural gas fields currently earmarked by Iraq's Ministry of Oil for development, four lie in relative proximity to the EPSA Lands (i.e. Mansuriyah, Kor Mor, Jeria Pika, and Chemchemical). Consequently, if WesternZagros' exploration efforts should discover associated or non-associated natural gas/condensate discoveries, there may be potential for WesternZagros to monetize its gas resources.

Industry Structure

WesternZagros is currently one of a small number of oil and gas companies/consortia working in the Kurdistan Region. Other industry participants include DNO ASA, a Norwegian exploration company, Dana Gas PJSC, a UAE company, TTOPCO Taq Taq Operating Company (the joint operating company of Genel Energy International Limited and Addax Petroleum International Limited), PetPrime and A&T Energy, two US-Turkish joint ventures, and Hunt Oil Company of Kurdistan Region (a subsidiary of Hunt Oil Company), which executed a production sharing agreement with the KRG in September 2007. In addition, a number of other international and multinational companies are actively seeking opportunities in the Kurdistan Region. WesternZagros is holding discussions with a number of such companies with respect to their potential participation in the EPSA. WesternZagros has not made any determination at this time as to whether it will bring a participant into the EPSA.

Iraq is currently engaged in an exercise to update its existing petroleum legislation, which dates back to the nationalization of its then concession-based petroleum industry. A draft Federal Iraq Oil & Gas Law was prepared by a committee comprising representatives of the Kurdistan Region and the parties included in the federal Council of Representatives (Cabinet). This committee reached consensus on a draft Federal Oil & Gas Law on February 15, 2007. However, certain material issues remained to be resolved, such as completion of the annexes to the law, the structure of certain federal institutions, such as the Ministry of Oil and the Iraq National Oil Company, the terms of the model petroleum agreements that are contemplated by the draft Federal Oil & Gas Law, and the terms of a law governing revenue sharing for petroleum activities. A consensus was reported to have been reached on a revenue sharing law on June 21, 2007, however, certain issues remain to be resolved. There are political differences within Iraq as to the terms of the draft Federal Oil & Gas Law, in particular as to the authority of the federal Regions over petroleum resources and the issue of foreign investment/production sharing in Iraq's upstream petroleum resources. Disagreements have recently been reported to exist between the Iraq minister of oil and officials of the KRG in relation to the terms of the draft Federal Oil & Gas Law.

The Iraq Constitution and the draft Federal Oil & Gas Law contemplate a role for Regional governments in awarding petroleum contracts for certain types of operations, and regulating those petroleum operations occurring within the regions. The KRG developed a Kurdistan Region Oil & Gas Law that appears consistent with such a role and in conformity with the principles reflected in the proposed Federal Oil & Gas Law in February 2007 and the proposed Federal Revenue Sharing Law in June 2007. On August 6, 2007, the Kurdistan Region Parliament (also known as the Kurdistan National

Assembly) approved the Kurdistan Region Oil & Gas Law (Kurdistan Region Law No. 22 of 2007) which came into force in the Kurdistan Region with effect from August 9, 2007. WesternZagros' activities under the EPSA fall within the jurisdiction of the Kurdistan Region Oil & Gas Law. Certain officials of the federal Iraq government have expressed an opinion that the Kurdistan Regional Oil & Gas Law is invalid. KRG officials maintain that the Kurdistan Regional Oil & Gas Law is in fact consistent with the Iraq Constitution.

The Kurdistan Region Oil & Gas Law, as enacted by the Kurdistan Region Parliament, creates a Regional Council (for Oil & Gas) comprising the KRG Prime Minister, the KRG Deputy Prime Minister, the KRG Ministers of Finance and Economy and Natural Resources and the KRG Planning Minister.

The law also includes a stipulation introduced during the parliamentary process that all the exploration and production sharing contracts which were executed by the KRG before this law came into force will be reviewed by the Regional Council in order to ensure that any such exploration and production sharing contracts are consistent with this law, taking into consideration the related circumstances when the contracts were signed. Any contracts which are not consistent with the law and not approved by the Regional Council may therefore be considered to be invalid or require amendment. The KRG has asked WesternZagros and other existing production sharing contract holders in the Kurdistan Region to make proposals which would bring the EPSA into broad conformity with its recently published Model Production Sharing Agreement and the KRG's published guidelines for commercial terms for production sharing agreements.

On the basis of the reassurances given by the KRG in the context of the EPSA revision process which occurred in February 2007 and subsequently, WesternZagros believes that the integrity of the basic fiscal and business terms of the EPSA will be upheld and honoured as being consistent with the provisions of the Kurdistan Region Oil & Gas Law even though the form of the EPSA may require some amendment to make it consistent with the KRG's standard form for production sharing agreements entered into after the enactment of the Kurdistan Region Oil & Gas Law.

There is no assurance that any Iraq federal law will be enacted authorizing and defining the role for Regional governments in awarding petroleum contracts such as the EPSA, or that federal law, if enacted, will be consistent with the draft Federal Oil & Gas Law. In addition, it is also possible that a subsequent review similar to the Regional Council review described above may be required under any Iraq federal law which may be enacted but this remains unknown at this time. Failure to enact federal oil and gas legislation or the enactment of federal legislation contrary to Kurdistan Region legislation could materially and adversely impact WesternZagros' interests in the Kurdistan Region. See "Risk Factors—Legislative Issues".

Oil Transportation Infrastructure

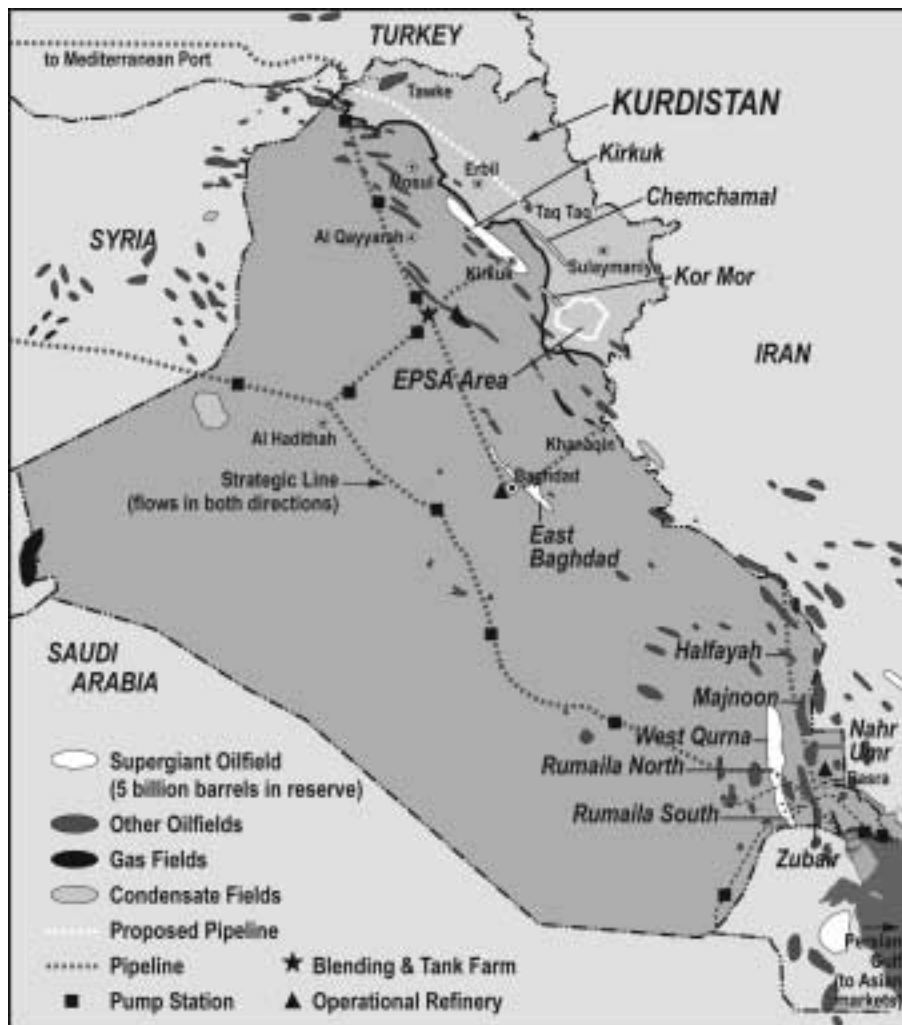
WesternZagros is currently evaluating its options to export crude from potential oil discoveries made on the EPSA Lands. In the short term, trucking crude to terminals at Kirkuk or Taq Taq may provide near-term cash flow from any oil discoveries made. WesternZagros anticipates trucking as the primary method of transportation, commencing with the first available production. However, trucking may become inadequate for the potential volumes that may be produced from the EPSA Lands, eventually requiring access to a pipeline system linked to an export terminal.

According to the International Energy Agency, the current pipeline system in Iraq has over 6 million bbls/d of crude export capacity. However, much of the existing oil infrastructure is in need of repair. Once restored to its full operating capabilities, the Iraq pipeline system is expected to have abundant capacity.

The pipeline options available to WesternZagros to export crude from the EPSA Lands are depicted below and include the Ceyham, Turkey System (1.6 MMbbls/d), the Kirkuk-Basra System (1.4 Mbbls/d),

the Kirkuk-Baniyas, Syria System (250 Mbbls/d), as well as a system proposed to be built within the Kurdistan Region.

Existing and Proposed Pipelines



A proposed Kurdistan Region pipeline project could also allow tie in from the Taq Taq field and other Kurdish Region oil discoveries to the main existing pipeline to Ceyhan at the Turkish border near Zakho. Effective execution of this planned project will require collaboration with the KRG and Iraq's Federal Government.

The proposed Kurdistan Region pipeline route is WesternZagros' preferred option for exporting crude oil from potential oil discoveries made within the EPSA Lands as it would not have the major repair and maintenance issues of certain of the other pipeline routes.

Competitive Advantages and Challenges

Although WesternZagros is a relatively small corporation in a large and competitive industry, it also has certain competitive advantages over some of the larger industry participants due to its early entrance into the region and the relationships which it has developed. As a small corporation, WesternZagros can

react to opportunities in an expeditious manner. WesternZagros has an experienced and qualified board of directors and management, especially in the areas of international oil and natural gas activity and the financing thereof. In addition, WesternZagros will continue to develop and maintain key business relationships, particularly with local partners and government representatives in the Kurdistan Region and other regions of Iraq. WesternZagros can also access current technology used in the onshore petroleum industry in North America and elsewhere.

Offsetting these advantages is the distance between the Kurdistan Region and WesternZagros' head office, requiring the establishment of branch offices with associated costs. Securing qualified staff for these operations given the remote working conditions and potential security concerns may also present a challenge. For the same reasons, equipment and services may not be readily available, thus requiring more advanced planning or commitments not otherwise required elsewhere. See "Risk Factors".

Security Matters

Security risks exist in Iraq, particularly surrounding Baghdad and a number of other cities outside of the Kurdistan Region. WesternZagros believes that the Kurdistan Region maintains the safest operating environment in Iraq. Within the Kurdistan Region, no insurgent activities against foreign individuals or companies have been documented since 2003. The security in the Kurdistan Region is a direct result of the influence of the KRG through its Kurdish Region National Guard (the "Peshmerga") and the Internal Security Agency of the KRG (the "Asaiysh"). Through the effective deployment of the Peshmerga and the Asaiysh, the KRG has been able to control its regional and international borders and maintain security in the region. Based upon the success achieved by the KRG and advice from its security advisors, WesternZagros assesses the threat level within the EPSA Lands as moderate. WesternZagros takes further precautions and obtains regular security advice and protection from several sources including D.S. Vance, a subsidiary of GardaWorld, the largest private security provider in the world. See "Risk Factors".

WesternZagros has also established relationships with local health providers in Sulaymaniya and has an agreement with International SOS for emergency medical evacuation. International SOS has also conducted an in-depth assessment of the health facilities. WesternZagros requires all of its contractors to have their own expatriate insurance, medic with ambulance vehicle and health, safety and environmental professional on site, full time in the field.

EPSA OVERVIEW AND COMMITMENTS

On February 26, 2007, WesternZagros executed the revised EPSA with the KRG. The EPSA grants WesternZagros the exclusive right to conduct oil and gas exploration operations on 2,120 square kilometres located in the Kalar-Bawanoor area in the Kurdistan Region of Iraq. Options to participate for an aggregate 5% working interest have been granted to certain participants which working interests would be subject to the same terms as WesternZagros' interest. These participants have the option to have up to 4% of their working interest funded by interest-bearing loans from WesternZagros.

Management Committee

Operations on the EPSA Lands are to be governed by a management committee to consist of two representatives of the KRG and two representatives of WesternZagros. All decisions of the management committee are required to be unanimous. Any disputes are subject to binding arbitration. The EPSA designates WesternZagros as the sole operator of the EPSA Lands.

Work Commitments and Funding

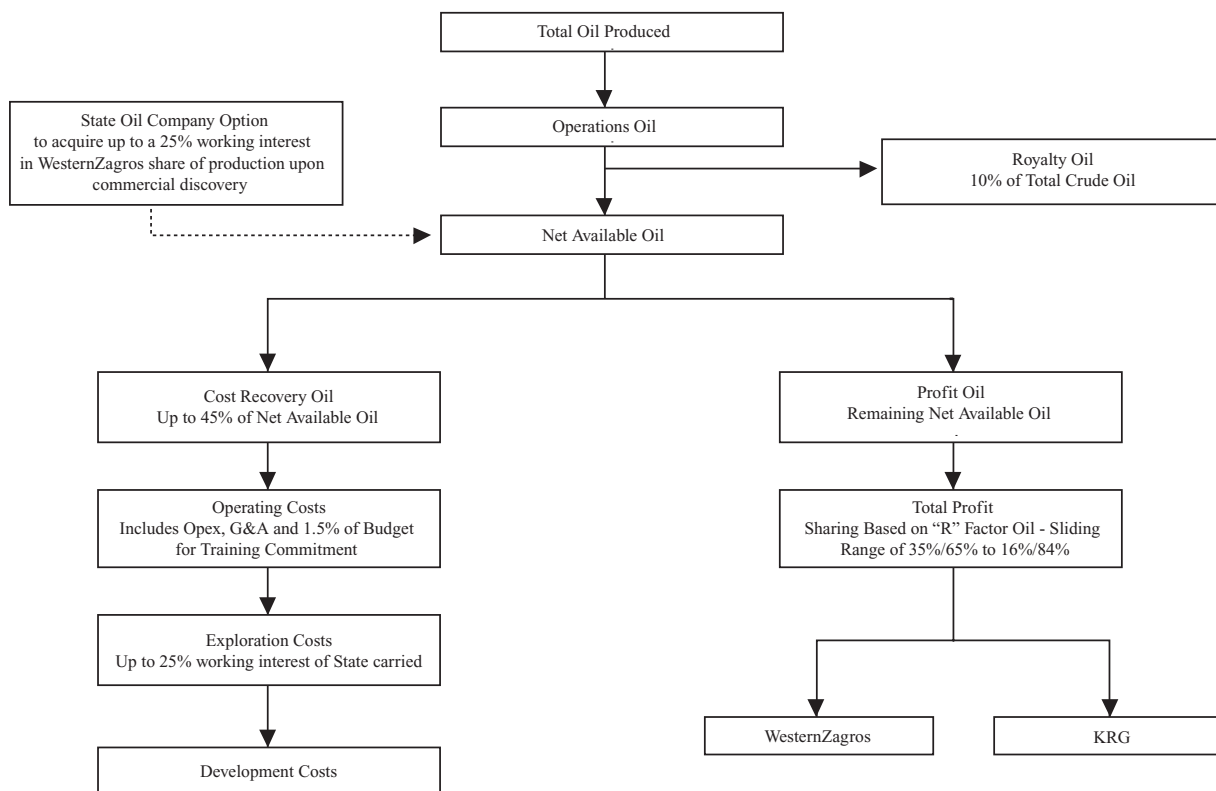
The EPSA contemplates two exploration sub-periods of three years and two years, respectively, with two possible one-year extensions. The first exploration sub-period ends December 31, 2010. During such time, WesternZagros is required to complete a minimum of 1,150 km of seismic surveying, drill two

exploration wells or spend a minimum of US\$30 million in the aggregate on seismic, geologic studies and drilling. Procurement of long lead time items is underway for the first well which must be started in February 2008. At the end of the first exploration sub-period, WesternZagros may relinquish the entire contract area (other than any discovery or development areas), or continue further exploration operations during the second exploration sub-period which ends December 31, 2012. During the second exploration sub-period WesternZagros is required to complete a minimum of 575 km of seismic and drill at least two exploration wells. At the end of the second exploration sub-period WesternZagros may relinquish the entire contract area (other than any discovery or development areas), or else continue further exploration operations during two one-year extension periods, which would extend the total exploration period to December 31, 2014. During each extension period, WesternZagros is required to drill at least one exploration well. At the end of the second exploration sub-period, and at the end of each subsequent extension period, the EPSA requires WesternZagros to relinquish 25% of the remaining undeveloped area within the EPSA Lands as selected by WesternZagros.

If a discovery is made on the EPSA Lands, there is an obligation to appraise the discovery for commerciality. If such discovery is determined to be commercial, WesternZagros is obligated to develop the discovery. The declaration of a first commercial discovery is at the discretion of WesternZagros. Discoveries that are determined to be commercial are subject to a 20-year initial term plus two five-year extension periods. WesternZagros has the ability to resurrect the EPSA for non-commercial petroleum discoveries for a period of 10 years.

Revenue

The schematic below illustrates the sharing of oil under the EPSA.



Of the “Total Oil Produced”, “Operations Oil” is available to WesternZagros for use in carrying out its obligations under the EPSA. The remaining oil is subject to a 10% royalty payable to the KRG.

Within 180 days of any declaration of a commercial discovery, the KRG has the option to acquire up to a 25% working interest, subject to the same terms and conditions as WesternZagros, and would fund its share of the capital expenditures on a go-forward basis and receive its share of contractor oil derived from the EPSA Lands.

The “Net Available Oil” is determined on a development by development basis. Up to 45% of the “Net Available Oil” is “Cost Recovery Oil” and is allocated to the recovery of costs on an orderly basis, starting with operating costs, exploration costs and lastly to development costs. The exploration costs incurred prior to a potential exercising of the KRG’s option and any remaining exploration costs related to the minimum work commitments are fully borne by WesternZagros. Such costs receive priority recovery from Cost Recovery Oil prior to any cost recovery after the potential exercise of the option. On the development costs, an arm’s length financing charge to any unrecovered costs being carried forward is allowed in computing the total.

All of the remaining Net Available Oil is then allocated to “Profit Oil”. The WesternZagros portion of “Profit Oil” is based on a sliding scale from 35% to 16% depending on the R-Factor. The R-Factor is established by reference to the ratio of WesternZagros’ cumulative revenues over cumulative costs. When the ratio is below one, WesternZagros is entitled to 35% of the Profit Oil. WesternZagros’ percentage is then reduced on a linear sliding scale to a minimum of 16% at a ratio of two or greater.

Production

Pursuant to the terms of the EPSA, WesternZagros maintains the right to market its share of oil on the world market. The price for natural gas is based on local commercial value and Iraq tariffs. There is an obligation under the EPSA to make a pro-rata share of oil production available to meet regional market demand but this obligation is capped at 20% of crude oil production. The price for such oil is a market-based oil price based on a basket of crudes.

Stability Clause

In order to mitigate the political risk of the general region, stability clauses are included in the EPSA. Such clauses guarantee the fiscal terms negotiated with the KRG and include indemnification against any new or additional government levies, taxes, royalties or other charges whether levied by the KRG or the Federal Government of Iraq. Any such new or additional charges would be borne from the KRG’s share of production and paid on behalf of WesternZagros. A receipt supporting such payment of the charges will also be provided to WesternZagros by the KRG. Furthermore, to the extent future laws within the Kurdistan Region are implemented and such laws would benefit WesternZagros, it is entitled to obtain such benefits on a prospective basis.

PRINCIPAL PROPERTIES

Overview

WesternZagros' main asset is its 100% working interest in the EPSA Lands, subject to an aggregate 5% participating interest of minority participants in the EPSA and an option of the KRG to participate for up to a 25% working interest following commercial discovery. The EPSA provides for the exploration of conventional oil and gas in the Kurdistan Region. The EPSA Lands cover 2,120 square kilometres and are on trend with, and adjacent to, a number of historic oil and gas discoveries, most of which were drilled on surface anticlines with hydrocarbon seeps. The prolific Kirkuk — Kor Mor — Chia Surkh structural trend runs through the EPSA Lands, and the Jambur — Pulkhana — Qamar trend skirts along the southern margin of the EPSA Lands. The locations of these reservoirs are shown in the figure below. These reservoirs are all located within 110 km of the EPSA Lands and most reservoirs are Tertiary and Cretaceous carbonates. Stacked reservoirs are common within a single field and single zone discoveries are rare as most have deep reservoir potential. Most reservoirs are highly fractured and fracturing is a key factor to well productivity and can significantly enhance flow rates. Carbonate reservoir porosities in the area are variable (3-36%) and facies dependent. According to information obtained from the KRG and the federal Ministry of Oil, wells at Kirkuk have flowed up to 100,000 bbls/d (average 13,500 bbls/d). Five seismically identified structures, three conceptual stratigraphic plays and additional undrilled structural leads evident from surface geology have been identified on the EPSA Lands.

Significant Hydrocarbon Accumulations Near the EPSA Lands



- ① Bai Hassen
- ② Taq Taq
- ③ Kirkuk
- ④ Naft Khaneh
- ⑤ EPSA Lands

In addition to the database of seismic and well data that was obtained from the KRG and the federal Ministry of Oil during the course of negotiating the EPSA, WesternZagros acquired over 200 km of new

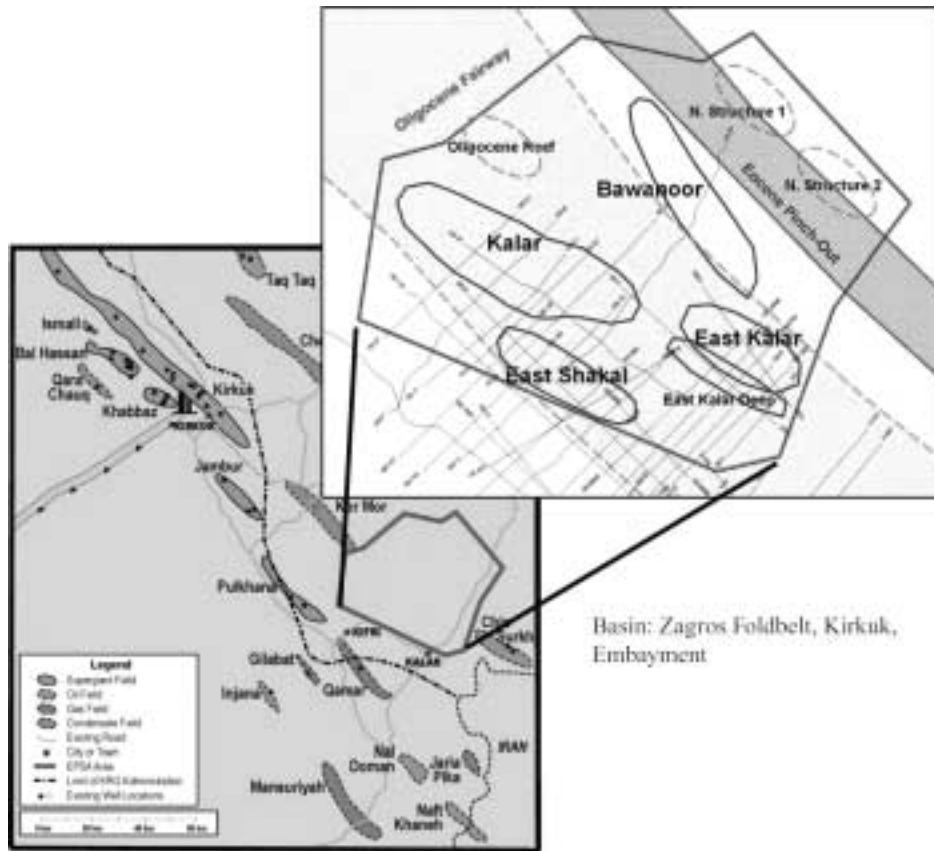
2D seismic in 2005. WesternZagros has built a seismic camp within the EPSA Lands and plans to acquire additional new 2D seismic data. An initial program of 50 km of 2D seismic, which is part of the 1,150 km EPSA work commitment, was acquired in 2006. To date in 2007, over 570 km of 2D seismic has been acquired. A further 550 km program to complete WesternZagros' seismic commitment over the EPSA Lands will be completed in late 2007 and early 2008. See "EPSA Overview and Commitments" for a discussion of WesternZagros' work commitments pursuant to the EPSA.

For purposes of the following disclosure, "undiscovered resources" are those quantities of oil estimated on a given date to be contained in accumulations yet to be discovered. See "Undiscovered Resources".

The figure below depicts WesternZagros' identified inventory of prospects, leads and plays on the EPSA Lands. These are as follows:

- Five seismically identified geologic structures which were identified through satellite imagery, seismic and field geology are located within the EPSA Lands. These structures have been internally assessed as potentially containing undiscovered resources of approximately 5.4 billion bbls, assuming that the structures contain oil and not gas or gas condensate. There is a risk that some or all of these resources may be gas and gas condensate instead of oil. The structures identified are Kalar, Bawanoor, East Shakal, East Kalar, East Kalar Deep. Additional seismic is required to define the subsurface configuration and optimum exploratory drilling location on each of these structures.
- Three conceptual stratigraphic plays are located within the EPSA Lands. These structures have been internally assessed as potentially containing undiscovered resources of approximately 4.7 billion bbls, assuming that the structures contain oil and not gas or gas condensate. There is a risk that all or some of these resources may be gas and gas condensate instead of oil. The stratigraphic plays are Eocene Pinch Out, Oligocene Pinch Out and Oligocene Reef. Additional seismic is required to define the subsurface configuration and optimum exploratory drilling location on each of these structures.
- Two northern structural leads are located within the EPSA Lands. These structural leads have been internally assessed as potentially containing undiscovered resources of approximately 1.7 billion bbls, assuming an all oil case. There is a risk that all or some of these resources may be gas and gas condensate instead of oil. WesternZagros plans to complete seismic over these features in late 2007 or early 2008, terrain conditions permitting.

Prospects, Leads and Plays



Undiscovered Resources

No petroleum exploration wells have been drilled on the EPSA Lands and, consequently, WesternZagros has not established any reserves in Iraq. WesternZagros has internally generated estimates of undiscovered resources which are summarized below. These internal estimates were prepared as of the first quarter of 2007 by WesternZagros professional personnel who are members of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). Estimates in respect of the seismically identified geologic structures have been reviewed by Sproule (see “Geological Report” below). There are numerous uncertainties inherent in estimating resources, including many factors beyond WesternZagros’ control. There is no certainty that any portion of the estimated resources will be discovered and there is no certainty at this time that if discovered, they will be economically viable or technically feasible to produce. In general, estimates of undiscovered resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain. See “Risk Factors — Internal Resource Estimates”.

According to WesternZagros’ internal estimates, the prospects, leads and plays identified below have mean undiscovered resources of approximately 11.7 billion barrels of oil, assuming an all oil case. There is the risk that all or some of these resources may be gas and gas condensate instead of oil. As used herein, “undiscovered resources” are those quantities of oil estimated on a given date to be contained in accumulations yet to be discovered.

Internal Estimate of Undiscovered Resources

	Mean Undiscovered Resources ⁽¹⁾
	(MMbbls)
Seismically Identified Structures	
Kalar	1,640
Bawanoor	1,427
East Shakal	1,177
East Kalar Deep	670
East Kalar	503
Seismically Identified Total	5,417
Stratigraphic Plays	
Miocene Pinch-Out	833
Oligocene Pinch-Out	333
Oligocene Reef	3,500
North Structures	
N. Structure 1	833
N. Structure 2	833
Total	11,749

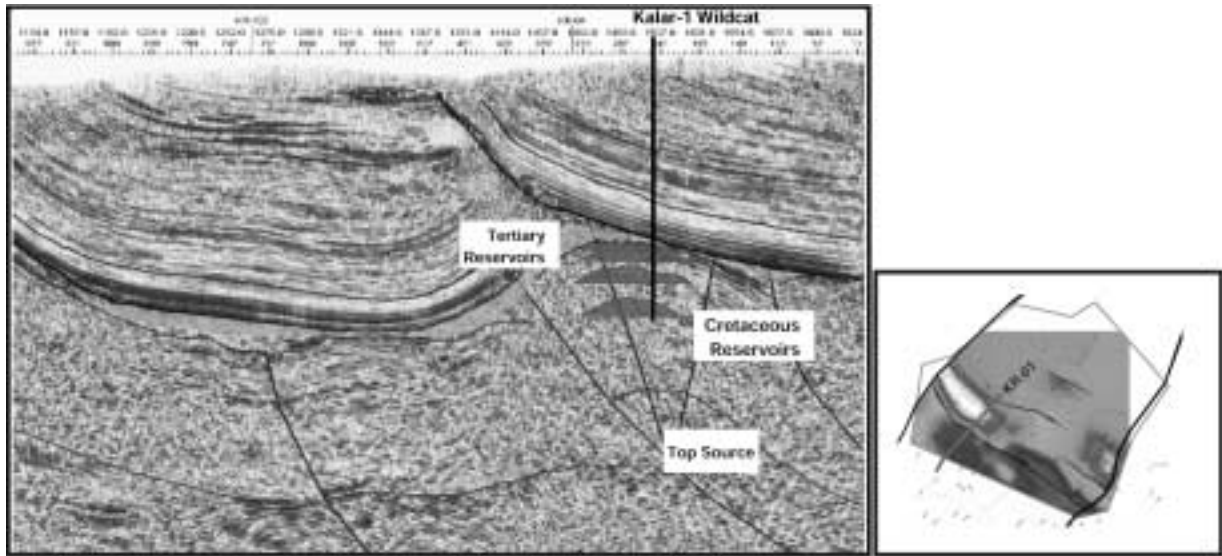
Note:

(1) Mean reflects an average confidence level with respect to the undiscovered resource estimates.

Kalar

The Kalar prospect demonstrates anticlinal structure below Lower Fars detachment with a structural style similar to existing fields in both Iraq and Iran. The structural model is consistent with published articles and physical laboratory model. Additional seismic will be acquired to further define the northwest closure. Management's internal assessment of undiscovered resources were determined to be approximately 1,640 MMbbls, assuming an all oil case. There is the risk that all or some of these resources may be gas and gas condensate instead of oil.

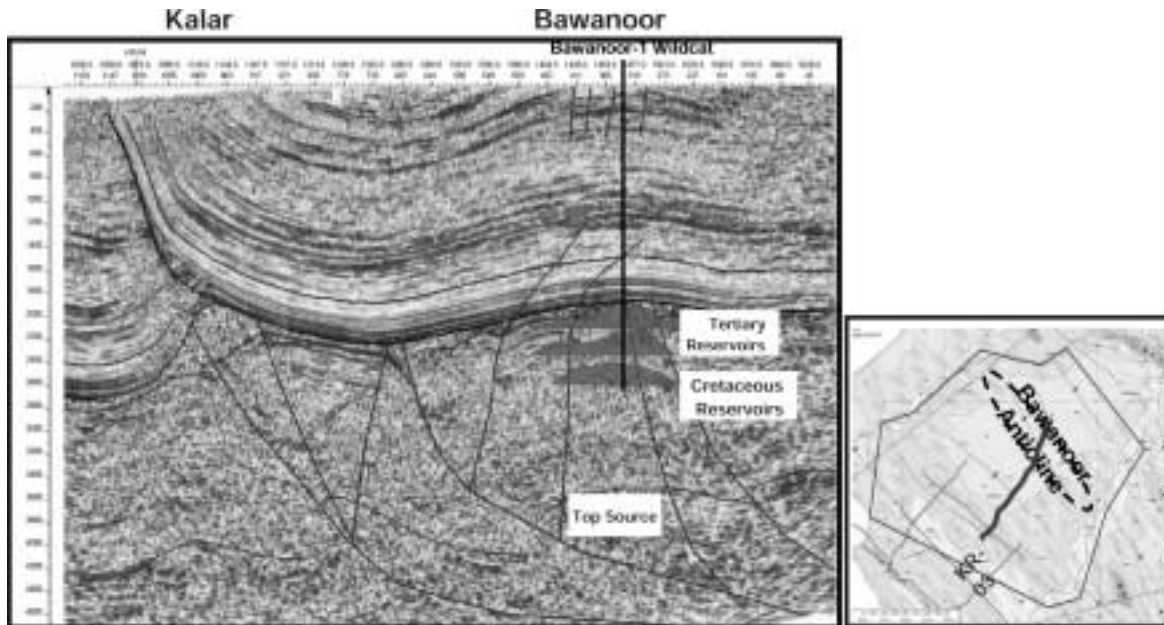
Seismic Line KR-01 over Kalar (Source: WesternZagros Seismic)



Bawanoor

The Bawanoor lead demonstrates anticlinal structure identified on a single 2D seismic line and surface geology with possible direct hydrocarbon indicators within the shallower events. WesternZagros plans to acquire a complete grid of seismic over this structure by the end of the first quarter of 2008. Management's internal assessment of undiscovered resources were determined to be approximately 1,427 MMbbls, assuming an all oil case. There is the risk that all or some of these resources may be gas and gas condensate instead of oil.

Seismic Line KR-03 over Kalar and Bawanoor (Source: WesternZagros Seismic)



General

The cost of drilling and testing initial wells in the block with a depth of between 3,500 and 4,500 meters is estimated to be between US\$20 million and US\$25 million per well.

Due to the results of exploration and the potential for unforeseen circumstances to arise, the future development and exploration plans may change significantly throughout the planning period. Readers should also be aware of the various risks related to the nature of WesternZagros' business and its present stage of development. See "Risk Factors".

Geological Report

In support of its listing application to the TSX-V, WesternZagros has engaged Sproule International Limited ("Sproule") to prepare a geological report (the "Sproule Report"). The Sproule Report covers various geological factors relating to the EPSA Lands including the regional geologic setting of the EPSA Lands, the stratigraphy of the area, source rocks, hydrocarbon migration, reservoir traps and seals. WesternZagros' exploration program was reviewed by Sproule and Sproule has determined from its review that the exploration program and associated budgets are reasonable and that in Sproule's opinion, WesternZagros is proceeding in a prudent manner.

The Sproule Report also provides that WesternZagros' preliminary analysis of its prospects, leads and plays has been reviewed by Sproule and that Sproule is of the opinion that WesternZagros' understanding of reservoir parameters, source, traps and seals is good and that it has presented a reasonable size range of potential hydrocarbon accumulations associated with each feature, based on parameters from surrounding fields, and WesternZagros' seismic control across the EPSA Lands. Volumetrics have been conducted for the structures using Petrel and @Risk Monte Carlo software. Principal uncertainties include structural closure and rock volume.

The table below sets out the details of the estimated original oil-in-place ("OOIP") in respect of the five seismically identified structures. The estimates were prepared as of the first quarter of 2007 by internal WesternZagros professional personnel and were reviewed in the Sproule Report which has an effective date of July 31, 2007. As used herein, "undiscovered resources" are those quantities of oil estimated on a given date to be contained in accumulations yet to be discovered. Based on adjacent producing fields and discoveries, it is Sproule's opinion that these undiscovered resource estimates are reasonable. There is no certainty that any portion of the estimated undiscovered resources will be discovered or that, if discovered, they will be economically viable or technically feasible to produce. See "Risk Factors — Internal Resource Estimates".

Structure	Undiscovered Resources OOIP		
	P ₁₀	Mean	P ₉₀
	(MMbbls)		
1. Kalar Prospect	2,600	1,640	833
2. East Shakal Prospect	2,200	1,177	433
3. Bawanoor Lead	2,667	1,427	467
4. East Kalar	1,067	503	133
5. East Kalar Deep	1,333	670	200
TOTAL		<u>5,417</u>	

Note: P90, Mean and P10 refer to the confidence levels of the undiscovered resource estimates, with P90 reflecting a confidence level of at least 90%, Mean reflecting an average confidence level and P10 reflecting a confidence level of at least 10%.

The complete Sproule Report is attached as Schedule "D" to this Appendix.

Expenditures

The following table summarizes the capital expenditures in U.S. dollars made by WesternZagros on the EPSA Lands to September 1, 2007.

<u>Property Acquisition Costs</u>	<u>Exploration Costs</u>	<u>Development Costs</u>
\$5,000,000	\$29,000,000	\$nil

Exploration and Development Activities

No exploratory or development wells have ever been drilled on the EPSA Lands.

See “EPSA Overview and Commitments” and “Principal Properties” for a description of WesternZagros’ current and proposed exploration and development activities.

Undeveloped Properties

The following table sets out WesternZagros’ undeveloped land position:

<u>Undeveloped</u>	
<u>Gross⁽¹⁾</u>	<u>Net⁽²⁾</u>
524,000 acres	497,800 acres

Notes:

- (1) “Gross” means the total number of acres in which WesternZagros has a working interest.
- (2) “Net” means the number obtained by multiplying the number of gross acres by WesternZagros’ percentage working interest therein, net only of the 5% interest of minority participants and prior to any exercise by the KRG to acquire up to a 25% working interest.

All of WesternZagros’ unproved properties are located in Iraq. See “Principal Properties”. The work program for WesternZagros’ properties is described under “EPSA Overview and Commitments”. WesternZagros does not expect its rights to explore, develop and exploit any of its undeveloped properties to expire within the next year.

Taxes and Exchange Controls

Revenues generated pursuant to the EPSA by WesternZagros are on a tax paid basis and therefore no income taxes are payable thereunder by WesternZagros in the Kurdistan Region and/or to the federal Iraq Government.

There are no existing exchange controls in Iraq which would affect the operation of WesternZagros.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Prior to giving effect to the Subsequent Transactions, New WesternZagros will have nil working capital. After giving effect to the Arrangement, the Subsequent Transactions, the maximum New WesternZagros Private Placement, and the exercise of all of the New WesternZagros Warrants, New WesternZagros would have total funds available to it of up to Cdn\$136.3 million as follows:

	Cdn\$'000s
Subsequent Transactions (cash received from Western)	\$ 82,500
New WesternZagros Private Placement	\$ 12,500
Exercise of New WesternZagros Warrants	\$ 41,300
	\$136,300

New WesternZagros intends to use such available funds as follows:

	Cdn\$'000s
Seismic and Drilling Costs	\$ 97,300
General and Administrative Expenses	\$ 23,000
Other Corporate and Working Capital	\$ 16,000
	\$136,300

If the Arrangement is completed, certain persons have committed to exercise a portion of the New WesternZagros Warrants which will be owned or controlled by them, directly and indirectly, representing an aggregate value of approximately Cdn\$1.4 million or 3.4% of the New WesternZagros Shares to be issued upon the exercise of the New WesternZagros Warrants which will be issued under the Arrangement. **There is no certainty that any of the other New WesternZagros Warrants will be exercised. In addition, certain persons have committed to participate in the New WesternZagros Private Placement as to Cdn\$9.4 million. In the event that not all of the New WesternZagros Warrants are exercised or proceeds from the new WesternZagros Private Placement are less than the maximum amount or the New WesternZagros Private Placement is not approved by the Western Shareholders at the Meeting, funds currently budgeted for certain activities, including seismic activity and early production facilities may be postponed until initial drilling results are received and further funds are available.**

Due to the nature of oil and gas exploration and development, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to New WesternZagros. Accordingly, while New WesternZagros anticipates that it will spend the funds available to it as stated in this Appendix, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of selected consolidated financial information for WesternZagros for the periods indicated. The following information should be read in conjunction with the historical consolidated financial statements of WesternZagros attached as Schedule “B” to this Appendix.

	Six Months Ended June 30		Year Ended December 31	
	2007	2006	2006	2005
	(US\$'000s)			
Net loss	5,923	4,441	8,222	1,439
Total assets	36,104	8,753	21,499	8,343
Total liabilities	40,779	14,628	20,251	9,781

The following is a summary of selected consolidated pro forma financial information for New WesternZagros for the period indicated. The following information should be read in conjunction with the consolidated pro forma financial statements of New WesternZagros attached as Schedule “A” to this Appendix.

	Six Months Ended June 30, 2007
	(US\$'000s, except per share amounts)
Net loss	5,923
Net loss per share	0.03
Total assets	124,772
Total liabilities	1,695

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion of financial condition and results of operations was prepared as of September 13, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the periods ended June 30, 2007 and 2006 and the audited consolidated financial statements for the years ended December 31, 2006 and 2005. The financial data have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applied consistently with prior periods and dollar amounts used herein are expressed in U.S. dollars unless otherwise stated. This discussion offers management’s analysis of the financial and operating results of WesternZagros Resources Inc. (“WesternZagros”) and contains certain forward-looking statements relating, but not limited, to operational information, future exploration and development plans and anticipated future production and resources. Forward-looking information typically contains statements with words such as “anticipate”, “estimate”, “expect”, “potential”, “could”, or similar words suggesting future outcomes. We caution readers and prospective investors of WesternZagros’ not to place undue reliance on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by WesternZagros. For additional information relating to the risks and uncertainties facing WesternZagros, see “Risk Factors”.

Overview

WesternZagros is an international natural resources company formed for the purpose of engaging in the business of acquiring properties and exploring for, developing and producing crude oil and natural gas. WesternZagros is party to an Exploration and Production Sharing Agreement (the “EPSA”) with the

Kurdistan Regional Government (the “KRG”) in respect of a 2,120 square kilometre exploration project area in the Kurdistan Region of Iraq.

WesternZagros, is a wholly-owned subsidiary of Western Oil Sands Inc. (“Western”). In 2003, Western began examining oil and gas exploration and development opportunities in Iraq with a focus on the Kurdistan Region. In November 2004, WesternZagros signed a Memorandum of Understanding (“MOU”) with the KRG Sulaymaniya Administration in order to conduct an exploration study in an area within the southern Kurdistan Region. In March 2005, WesternZagros also signed an MOU with the federal Ministry of Oil in Baghdad with respect to the same exploration study and other technical cooperation projects. This MOU was later expanded to include an additional development project study in central Iraq.

Following the completion of these studies and the adoption by national referendum of the Iraq Constitution in October 2005, WesternZagros proposed and negotiated the EPSA for part of the exploration study area with the KRG. The EPSA was originally signed in Sulaymaniya on May 4, 2006. The EPSA provides for the exploration of conventional oil and gas in the Kurdistan Region. Later in May 2006, the two antecedent administrations in the Kurdistan Region (located in the cities of Sulaymaniya and Erbil) merged as a united KRG. The EPSA was reviewed in late 2006 and early 2007 by the united KRG’s Minister of Natural Resources and, as a result of this review and with the agreement of WesternZagros, the EPSA was amended to, among other items, reduce the contract area with a corresponding decrease in the work commitment. The amended and revised EPSA was signed in Erbil by WesternZagros and the KRG and ratified by the Prime Minister of the Kurdistan Region on behalf of the Council of Ministers (Cabinet) of the KRG on February 26, 2007.

The area covered by the EPSA (the “EPSA Lands”) consists of 2,120 square kilometers (approximately 524,000 acres) on the Kalar-Bawanoor Block in the Kurdistan Region and is on trend with, and adjacent to, a number of prolific historic oil and gas discoveries.

Strategy

The main focus of WesternZagros’ business is the development and exploration of the EPSA Lands. WesternZagros’ objective is to be recognized, through consistently superior business performance and operations excellence, as one of the leading independent oil and gas companies active in Iraq. In executing its strategy, WesternZagros has made it a priority to recruit and retain local personnel and to actively participate in, and contribute to, community development projects. WesternZagros believes it has developed a strong reputation among government authorities, local communities and the business community in the Kurdistan Region that has been significant in providing access to opportunities and obtaining the cooperation needed to successfully execute projects.

Highlights

WesternZagros’ operational and financial highlights for the year ended December 31, 2006, and up to and including September 13, 2007, are as follows:

- On August 6, 2007, the Kurdistan National Assembly passed the Kurdistan Region Oil & Gas Law. This Oil & Gas Law introduced the model production sharing agreement and associated key economic terms. In addition, in June 2007, the KRG published details of approximately 40 new blocks and the basic commercial terms that it will use in negotiations to award contracts on these blocks to qualified investors.
- In August 2007, Mr. Robert Theriault joined WesternZagros as Senior Vice President, Engineering and Operations. Mr. Theriault will be instrumental in overseeing engineering and operations in Kurdistan. He brings over 30 years of international and domestic experience in upstream and midstream oil and gas operations, including senior management responsibilities for exploration, production and development.

- As announced on July 31, 2007, upon closing of the Arrangement with Marathon Oil Corporation, WesternZagros will indirectly receive approximately Cdn\$82.5 million cash from Western as part of the transaction. In addition, the parent corporation of WesternZagros following the transaction (“New WesternZagros”) will complete a private placement to directors, officers and employees of New WesternZagros and persons associated with them of up to 5 million New WesternZagros common shares at a price of Cdn\$2.50 per share for gross proceeds of up to Cdn\$12.5 million. Certain persons have committed to participate in this private placement as to approximately Cdn\$9.4 million and certain other persons have committed to exercise a portion of the warrants of New WesternZagros to be received pursuant to the Arrangement. New WesternZagros warrants issued pursuant to the Arrangement, if fully exercised, would result in additional cash proceeds of over Cdn\$41.3 million. When added to the other sources of funding, proceeds would total Cdn\$136.3 million.
- In June 2007, a consensus among representatives of the KRG and federal authorities in Iraq was reported to have been reached on a draft Federal Revenue Sharing Law. Under this proposed law, the Kurdistan Region would receive a gross 17% of all Iraq’s revenues, while the other Regions would share in 83%. While this draft law still requires final approval by the federal Council of Representatives, its provisional agreement was a significant step toward the eventual enactment in August, 2007 of the Kurdistan Region Oil & Gas Law. The Kurdistan Region Oil & Gas Law encapsulates the principles of the draft Federal Revenue Sharing Law.
- WesternZagros’ EPSA was ratified by the Prime Minister of the Kurdistan Region on February 26, 2007. As part of the ratification process, WesternZagros worked with the Minister of Natural Resources of the KRG to finalize its EPSA area boundary and other key terms in line with the then draft petroleum legislation. The final EPSA area encompasses 2,120 square kilometers (approximately 524,000 acres) and holds a number of high potential prospects.
- In September 2006, WesternZagros completed the construction of the base camp to be utilized during its first seismic program as well as a health, safety and environmental assessment to ensure the camp met WesternZagros’ required standards.
- In May 2006, WesternZagros executed a contract with a seismic contractor for completion of its first seismic program of approximately 650 kilometers of 2D seismic. At December 31, 2006, WesternZagros had completed 50 kilometers of this program, with completion of the program pending ratification of its EPSA and other key terms. In May 2007, WesternZagros recommenced this seismic program and, to date in 2007, has acquired over 570 kilometers of additional 2D seismic data.

Reserves, Resources and Land

WesternZagros’ main asset is its 100% working interest in the EPSA Lands, subject to an aggregate 5% participating interest of minority participants in the EPSA, and an option of the KRG to participate for up to a 25% working interest following commercial discovery. The EPSA provides for the exploration of conventional oil and gas in the Kurdistan Region. The EPSA Lands cover 2,120 square kilometers and are on trend with, and adjacent to, a number of historic oil and gas discoveries, most of which were drilled on surface anticlines with hydrocarbon seeps. The prolific Kirkuk — Kor Mor — Chia Surkh structural trend runs through the EPSA Lands, and the Jambur — Pulkhana — Qamar trend skirts along the southern margin of the EPSA Lands. These reservoirs are all located within 110 kilometers of the EPSA Lands and most reservoirs are Tertiary and Cretaceous carbonates. Stacked reservoirs are common within a single field and single zone discoveries are rare as most have deep reservoir potential. Most reservoirs are highly fractured and fracturing is a key factor to well productivity and can significantly enhance flow rates. Carbonate reservoir porosities in the area are variable (3% to 36%) and facies dependent. According to

information obtained from the KRG and the federal Ministry of Oil, wells at Kirkuk have flowed up to 100,000 bbls/d (average 13,500 bbls/d).

Petroleum exploration wells have not been drilled on the EPSA Lands. Consequently, WesternZagros has not yet established any reserves in Iraq, although it has identified internally generated estimates of undiscovered resources. See “Principal Properties — Undiscovered Resources”) for further discussion on the resource potential of the EPSA Lands.

Financial Performance — For the Year ended December 31, 2006

Operations

For the year ended December 31, 2006, apart from WesternZagros’ working interest in the EPSA Lands, WesternZagros had no other assets, nor did it have any other ongoing operations. WesternZagros’ operating activities ultimately depend on the outcome of its exploration efforts on its EPSA Lands. Accordingly, WesternZagros had no revenue or operating expenditures through December 31, 2006.

Capital Expenditures

During the year ended December 31, 2006, WesternZagros incurred \$13.2 million (December 31, 2005 — \$8.1 million) of capital expenditures related to the EPSA Lands. These expenditures included the construction of a base camp for seismic and, ultimately, drilling operations, costs related to the mobilization of the seismic crew, data capture and related stand-by and stand-down costs related to the seismic operations and the related in-country administrative costs.

Corporate Expenses

For the year ended December 31, 2006, WesternZagros incurred \$8.2 million (December 31, 2005 — \$1.4 million) related to charges it had under the service agreement with Western for various capital, EPSA negotiation, operational, technical, legal, general and administrative expenditures incurred and managed on behalf of WesternZagros. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed by related parties. These transactions were undertaken with the same terms and conditions as transactions with non-related parties.

Depreciation, Depletion and Amortization

For the year ended December 31, 2006, WesternZagros had \$0.01 million (December 31, 2005 — \$0.01 million) of depreciation, depletion and amortization with respect to certain administrative-related assets that it had acquired. No depletion was included as it related to Western’s exploration activities and related assets as WesternZagros has yet to determine whether or not proved reserves are attributable to the EPSA Lands.

Foreign Exchange

WesternZagros has adopted the U.S. dollar as its reporting currency since most of its expenses are or will be closely tied to the U.S. dollar and to facilitate a more direct comparison to other international crude oil and natural gas exploration and development companies. During the year ended December 31, 2006, WesternZagros incurred \$0.01 million (December 31, 2005 — \$0.01 million) of foreign exchange losses.

Income Taxes

As at December 31, 2006, WesternZagros has non-capital losses carried forward of \$6.0 million and a future income tax asset of \$1.7 million relating to the difference in the carrying value and the tax basis of the assets. Since the asset is limited to the amount that is more likely than not to be realized, no asset or associated income tax recovery has been recorded.

Revenues generated by WesternZagros pursuant to the EPSA will be on a tax paid basis and therefore no income taxes are payable thereunder by WesternZagros in Iraq.

Net Loss

During the year ended December 31, 2006, WesternZagros incurred a net loss of \$8.2 million (December 31, 2005 — \$1.4 million). As WesternZagros is currently a development stage enterprise and apart from WesternZagros' working interest in the EPSA Lands, WesternZagros has no other assets or any ongoing operations.

Financial Performance — Six Month Period Ended June 30, 2007

Operations

For the six month period ended June 30, 2007, apart from WesternZagros' working interest in the EPSA Lands, WesternZagros had no other assets or any other ongoing operations. WesternZagros' operating activities ultimately depend on the outcome of the exploration of its EPSA Lands and, accordingly, WesternZagros had no revenue or operating expenditures through June 30, 2007.

Capital Expenditures

During the six month period ended June 30, 2007, WesternZagros incurred \$12.6 million (June 30, 2006 — \$0.4 million) of capital expenditures related to the EPSA Lands. These expenditures included mainly costs related to the seismic operations and the related in-country administrative costs, as well as the bonus paid upon ratification of the EPSA.

Corporate Expenses

During the six month period ended June 30, 2007, WesternZagros incurred \$5.1 million (June 30, 2006 — \$4.2 million) related to charges it had under the services agreement with Western for various capital, EPSA negotiation, operational, technical, legal, general and administrative expenditures incurred and managed on behalf of WesternZagros. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed by related parties. These transactions were undertaken with the same terms and conditions as transactions with non-related parties.

Depreciation, Depletion and Amortization

No depletion has been included as it relates to Western's exploration activities and related assets as WesternZagros has yet to determine whether or not proved reserves are attributable to the EPSA Lands.

Foreign Exchange

WesternZagros has adopted the U.S. dollar as its reporting currency since most of its expenses are, or will be, closely tied to the U.S. dollar and to facilitate a more direct comparison to other international crude oil and natural gas exploration and development companies. During the six month period ended June 30, 2007, WesternZagros incurred \$0.8 million (June 30, 2006 — \$0.2 million) of foreign exchange losses.

Income Taxes

As at June 30, 2007, WesternZagros had non-capital losses carried forward of \$9.7 million and a future income tax asset of \$2.8 million relating to the difference in the carrying value and the tax basis of the assets. Since the asset is limited to the amount that is more than likely to be realized, no asset or associated income tax recovery has been recorded.

Revenues generated by WesternZagros pursuant to the EPSA are on a tax paid basis and therefore no income taxes are payable thereunder by WesternZagros in Iraq.

Net Loss

During the six month period ended June 30, 2007 WesternZagros incurred a \$5.9 million (June 30, 2006 — \$4.4 million) net loss. As WesternZagros is currently a development stage enterprise and apart from WesternZagros' working interest in the EPSA Lands, WesternZagros has no other assets or any ongoing operations.

Liquidity and Financial Position

After giving effect to the Arrangement, the Subsequent Transactions, the maximum New WesternZagros Private Placement, and the exercise of all of the New WesternZagros Warrants, New WesternZagros would have total funds available to it of Cdn\$136.3 million as follows:

<u>Source</u>	<u>Cdn\$'000s</u>
Subsequent Transactions (cash received from Western)	82,500
New WesternZagros Private Placement	12,500
Exercise of New WesternZagros Warrants	<u>41,300</u>
Total Source	<u>136,300</u>

New WesternZagros intends to use the available funds as follows:

<u>Use</u>	<u>Cdn\$'000s</u>
Seismic and Drilling Costs	97,300
General and Administrative Costs	23,000
Other Corporate and Working Capital	<u>16,000</u>
Total Use	<u>136,300</u>

If the Arrangement is completed, certain persons have committed to exercise a portion of the New WesternZagros Warrants which will be owned or controlled by them, directly and indirectly, representing an aggregate value of approximately Cdn\$1.4 million or 3.4% of the New WesternZagros Shares to be issued upon the exercise of the New WesternZagros Warrants which will be issued under the Arrangement. **There is no certainty that any of the other New WesternZagros Warrants will be exercised. In addition, certain persons have committed to participate in the New WesternZagros Private Placement as to Cdn\$9.4 million. In the event that not all of the New WesternZagros Warrants are exercised or proceeds from the New WesternZagros Private Placement are less than the maximum amount or the New WesternZagros Private Placement is not approved by the Western Shareholders at the Meeting, funds currently budgeted for certain activities, including seismic activity and early production facilities may be postponed until initial drilling results are received and further funds are available.**

Due to the nature of oil and gas exploration and development, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to

New WesternZagros. Accordingly, while New WesternZagros anticipates that it will spend the funds available to it as stated in this Appendix, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

Contractual Obligations and Commitments

WesternZagros has entered into various contractual obligations and commitments in the normal course of its operations. In accordance with the EPSA, there are two exploration sub-periods of three years and two years, respectively, with two possible one-year extensions. The first exploration sub-period ends December 31, 2010. During such time, WesternZagros is required to complete a minimum of 1,150 kilometers of seismic surveying and drill at least two exploration wells or spend a minimum of \$30 million in the aggregate on seismic, geologic studies and drilling. At the end of the first exploration sub-period, WesternZagros may relinquish the entire contract area (other than any discovery or development areas), or else continue further exploration operations during the second exploration sub-period which ends December 31, 2012. During the second sub-period, WesternZagros is required to complete a minimum of 575 kilometers of seismic surveying, and drill at least two exploration wells. At the end of the second exploration sub-period, WesternZagros may relinquish the entire contract area (other than any discovery or development areas), or else continue further exploration operations during two one-year extension periods, which would extend the total exploration period to December 31, 2014. During each extension period, WesternZagros is required to drill at least one exploration well. At the end of the second exploration subperiod, and at the end of each subsequent extension period, the EPSA requires WesternZagros to relinquish 25% of the remaining undeveloped area within the EPSA Lands as selected by WesternZagros.

If a discovery is made on the EPSA Lands, there is an obligation to appraise the discovery for commerciality. If such discovery is determined to be commercial, WesternZagros is obligated to develop the discovery. The declaration of a first commercial discovery is at the discretion of WesternZagros. Discoveries that are determined to be commercial are subject to a 20-year initial term plus two five-year extension periods. WesternZagros has the ability to resurrect the EPSA for non-commercial petroleum discoveries for a period of 10 years.

As part of the EPSA, WesternZagros is committed to annual training and secondment commitments of \$1.5 million and \$0.5 million, respectively.

WesternZagros will be the operator of the EPSA Lands and has granted participation options to certain third parties. Certain portions of the participation interest will be funded by interest-bearing loans granted by WesternZagros.

Risk Factors

An investment in WesternZagros should be considered highly speculative due to the nature of its activities and the present stage of its development. WesternZagros' risk factors include, but are not limited to, all the risks normally incident to the exploration, development and operation of crude oil and natural gas properties and the drilling of crude oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, fires and spills, all of which could result in personal injuries, loss of life and damage to property of WesternZagros and others, environmental risks; delays or changes in plans with respect to exploration or development projects or capital expenditures; the ability to attract and retain key personnel; and the risk of commodity price and foreign exchange rate fluctuations.

All of WesternZagros' assets are located in the Kurdistan Region of Iraq. As such, WesternZagros is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determinations or rulings by governmental authorities, changes in energy policies or the personnel

administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls, royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which WesternZagros' operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. WesternZagros' operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of WesternZagros including, among other things, adverse legislation in Iraq and/or the Kurdistan Region, a change in crude oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields. Risks also include the uncertainty involved in the estimation of undiscovered resources. There is no certainty that any portion of the internal undiscovered resource estimates contained herein will be discovered. For a complete list of risk factors please see "Risk Factors".

Critical Accounting Estimates

WesternZagros' critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of Canadian GAAP. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. WesternZagros believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. WesternZagros' significant accounting policies can be found in note 2 to its consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, recovery of exploration costs capitalized in accordance with full cost accounting, asset retirement obligations and income taxes.

Property, Plant and Equipment ("PP&E")

WesternZagros capitalizes costs related to crude oil and natural gas properties in accordance with the full cost method, whereby all costs associated with the acquisition of, exploration for and the development of crude oil and natural gas, including asset retirement obligations are capitalized and accumulated within cost centres on a country-by-country basis. Such costs include land acquisition, geological and geophysical activity, drilling and testing of productive and non-productive wells, carrying costs directly related to unproved properties, major development projects and administrative costs directly related to exploration and development activities.

Depletion on crude oil properties is anticipated to be provided over the life of proved and probable reserves (assuming such reserves are established) on a unit of production basis and commences when the facilities are substantially complete and after commercial production has begun. Other PP&E assets are depreciated on a straight-line basis over their useful lives, except for lease acquisition costs, which are amortized and depreciated over the life of proved and probable reserves once established.

Reserve estimates can have a significant impact on earnings, as they are a key component to the calculation of depletion. A downward revision in the reserve estimate would result in increased depletion and a reduction of earnings. PP&E assets are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable from estimated future cash flows. If an impairment is identified the assets are written down to the estimated fair market value. The calculation of these future cash flows are dependent on a number of estimates, which include reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. As a result, future cash flows are subject to significant management judgment. As of the date of the Information Circular, WesternZagros has not established any reserves.

WesternZagros is currently engaged in the Kurdistan Region exploration project which is in the development stage. As at June 30, 2007, \$33.3 million has been capitalized to date related to this project. No revenues have been generated from this project to date.

Asset Retirement Obligation

WesternZagros recognizes an asset and a liability for asset retirement obligations in the period in which they are incurred by estimating the fair value of the obligation. WesternZagros determines the fair value by first estimating the expected timing and amount of cash flow, using third-party costs that will be required for future dismantlement and site restoration, and then calculating the present value of these future expenditures using a credit adjusted risk free rate appropriate for WesternZagros. Any change in timing or amount of the cash flow subsequent to initial recognition results in a change in the asset and liability, which then impacts the depletion on the asset and the accretion charged on the liability. Estimating the timing and amount of third-party cash flow to settle this obligation is inherently difficult and is based on management's current experience. Currently, WesternZagros does not have any asset retirement obligations as operations are in the early stage of development.

Income Tax

WesternZagros follows the liability method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the consolidated financial statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant management judgment and changes.

Changes in Accounting Policy

Non-monetary Transactions

On January 1, 2006, WesternZagros prospectively adopted CICA Handbook Section 3831, "Non-Monetary Transactions" which replaces Section 3830, "Non-Monetary Transactions". Section 3831 establishes standards for the measurement and disclosure of non-monetary transactions. Section 3830 prescribes that exchanges of non-monetary transactions should be measured based on the fair value of the assets exchanged, while providing an exception for non-monetary exchanges in transactions which do not result in the culmination of the earnings process. Section 3831 eliminates this exception provided in Section 3830 and replaces it with an exception for exchanges of non-monetary assets that do not have commercial substance. A transaction has commercial substance when the entity's future cash flows are expected to change significantly as a result of the transaction. There is no impact on the consolidated

financial statements as WesternZagros did not have exchanges of non-monetary transactions after January 1, 2006 within the scope of Section 3831.

Implicit Variable Interests under AcG-15

On January 1, 2006, WesternZagros adopted Emerging Issues Committee Abstract 157 (“EIC-157”). EIC-157 requires that a reporting enterprise consider whether it holds an implicit variable interest in a Variable Interest Entity (“VIE”) or potential VIE. The determination of whether an implicit variable interest exists should also be based on whether the reporting enterprise may absorb variability on the VIE or potential VIE. There is no impact on the consolidated financial statements as WesternZagros did not hold any implicit interest in a VIE or potential VIE.

Conditional Asset Retirement Obligations

On January 1, 2006, WesternZagros retroactively adopted Emerging Issues Committee Abstract 159 (“EIC-159”). EIC-159 clarifies that the term “conditional asset retirement obligation” as used in CICA 3110, “Asset Retirement Obligations” refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. EIC-159 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated; an entity to apply expected present value technique if certain conditions exist indicating sufficient information to reasonably estimate conditional asset retirement obligation; and that a liability should be recognized initially in the period in which sufficient information becomes available to estimate a conditional asset retirement obligations fair value. There is no impact on the consolidated financial statements from the retroactive adoption of EIC-159.

Financial Instruments

On January 1, 2007, WesternZagros adopted the CICA Handbook Sections 3855 “Financial Instruments — Recognition and Measurement”, 3862 “Financial Instruments — Disclosures”, 3863 “Financial Instruments — Presentation”, 3865 “Hedges”, 1530 “Comprehensive Income”, and 3251 “Equity”. The adoption of the financial instruments standards has not affected the current or comparative period balances on the consolidated financial statements, as all financial instruments identified have been fair valued.

Section 3855 requires that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables and that all financial liabilities must be classified as held-for-trading or other. Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in those fair values recognized in earnings. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Derivative instruments are always carried at fair value and reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. Derivatives may be embedded in other financial instruments. Under the new financial instrument standards, derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free-standing derivative; and the combined contract is not held for trading. When an entity is unable to measure the fair value of the embedded derivative separately, the combined contract is treated as a financial asset or liability that is held-for-trading and measured at fair value with changes

therein recognized in the earnings. The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated based upon market prices at reporting date for other similar assets or liabilities with similar terms and conditions, or by discounting future payments of interest and principal at estimated interest rates that would be available to WesternZagros at the reporting date.

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. Transaction costs related to other financial instruments are generally capitalized and are then amortized over the expected life of the instrument using the effective interest method.

Hedges

Section 3865 replaces the guidance formerly in Section 1650, “Foreign Currency Translation” and Accounting Guideline 13, “Hedging Relationships” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. WesternZagros does not have any derivative instruments that have been designated as hedges.

Comprehensive Income

Section 1530 establishes new standards for reporting the display of comprehensive income, consisting of Net Income and Other Comprehensive Income (“OCI”). OCI is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events from non-owner sources and excludes those resulting from investments by owners and distributions to owners. WesternZagros has no such transactions and events which would require the disclosure of OCI. Any changes in these items would be presented in a consolidated statement of comprehensive income.

Equity

Section 3251 replaces Section 3250, “Surplus” and establishes standards for the presentation of equity and changes in equity during a reporting period, including changes in Accumulated Other Comprehensive Income (“Accumulated OCI”). Any cumulative changes in OCI would be included in Accumulated OCI and be presented as a new category of Shareholder’s Equity on the consolidated balance sheets.

Accounting Changes

On January 1, 2007, WesternZagros adopted CICA Handbook Section 1506, “Accounting Changes”, which revises and replaces former Section 1506, “Accounting Changes”. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors.

Determining the Variability to be Considered in Applying AcG-15

On January 1, 2007, WesternZagros prospectively adopted the Emerging Issues Committee issued Abstract 163, “Determining the Variability to be Considered in Applying AcG-15”, which addresses how an enterprise should determine the variability to be considered in applying AcG-15, “Consolidation of Variable Interest Entities”. The adoption of this standard has not affected the current or comparative period balances on the consolidated financial statements.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the rights, privileges, restrictions and conditions which will be attached to the New WesternZagros Shares, the New WesternZagros Preferred Shares, the Class A preferred shares of New WesternZagros and the New WesternZagros Warrants on the Effective Date.

New WesternZagros Shares

New WesternZagros is authorized to issue an unlimited number of New WesternZagros Shares. Holders of New WesternZagros Shares are entitled to one vote per share at meetings of holders of New WesternZagros Shares, to receive dividends if, as and when declared by the board of directors and to receive pro rata the remaining property and assets of New WesternZagros upon its dissolution or winding-up, subject to the rights of shares having priority over the New WesternZagros Shares.

New WesternZagros Preferred Shares

New WesternZagros will be authorized to issue an unlimited number of New WesternZagros Preferred Shares. The New WesternZagros Preferred Shares will be created prior to the Effective Date solely for the purpose of facilitating, and will only be issued in connection with, the Subsequent Transactions. See "General Development of the Business". Following completion of the Subsequent Transactions, no New WesternZagros Preferred Shares will be issued or outstanding. Each New WesternZagros Preferred Share will be redeemable by New WesternZagros or the holder thereof for an amount fixed by the board of directors of New WesternZagros as at the time of the first issuance of the New WesternZagros Preferred Shares divided by the number of New WesternZagros Preferred Shares issued at that time, plus any declared but unpaid non-cumulative dividends payable thereon as of the date of redemption (the "Redemption Amount"). Holders of the New WesternZagros Preferred Shares will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of New WesternZagros except as required by the ABCA. Holders will be entitled to receive dividends, if, as and when declared by the board of directors. In the event of the liquidation, dissolution or winding-up of New WesternZagros or other distribution of assets of New WesternZagros among its shareholders for the purpose of winding-up its affairs, the holders of the New WesternZagros Preferred Shares will be entitled, in priority to the holders of any other class of shares of New WesternZagros, to receive an amount per New WesternZagros Preferred Share equal to the Redemption Amount. After such distribution to the holders of the New WesternZagros Preferred Shares, holders of New WesternZagros Preferred Shares shall not be entitled to share in any further distribution of the assets of New WesternZagros.

Class A Preferred Shares

New WesternZagros will be authorized to issue an unlimited number of Class A preferred shares. The Class A preferred shares will be issuable in series and each series of Class A preferred shares will have such rights, restrictions, conditions and limitations as the board of directors of New WesternZagros may from time to time determine. The holders of Class A preferred shares will be entitled, in priority to holders of New WesternZagros Shares, to be paid rateably with holders of each other series of Class A preferred shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and, upon liquidation, dissolution or winding up of New WesternZagros, to be paid rateably with holders of each other series of Class A preferred shares the amount, if any, specified as being payable preferentially to holders of such series.

New WesternZagros Warrants

Each whole New WesternZagros Warrant will entitle the holder thereof to acquire one New WesternZagros Share at an exercise price of Cdn\$2.50 until the date which is three months from the Effective Date. The New WesternZagros Warrants will be issued under an indenture (the "Warrant

Indenture”) to be entered into between New WesternZagros and Valiant Trust Company on the Effective Date.

The Warrant Indenture will provide for adjustment in the number of New WesternZagros Shares issuable upon the exercise of the New WesternZagros Warrants and/or the exercise price per New WesternZagros Share upon the occurrence of certain events, including: (i) the issuance of New WesternZagros Shares or securities exchangeable for or convertible into New WesternZagros Shares at no additional cost to all or substantially all of the holders of the New WesternZagros Shares by way of a stock dividend or other distribution; (ii) the subdivision, redivision or change of the New WesternZagros Shares into a greater number of shares; (iii) the consolidation, reduction or combination of the New WesternZagros Shares into a smaller number of shares; (iv) the issuance to all or substantially all of the holders of the New WesternZagros Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase New WesternZagros Shares, or securities exchangeable for or convertible into New WesternZagros Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, of a New WesternZagros Share on the record date for such issuance; and (v) the issuance or distribution to all or substantially all of the holders of the New WesternZagros Shares of: (a) securities of New WesternZagros including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares (but excluding any rights, options or warrants outstanding for not more than 45 days); (b) evidences of indebtedness; or (c) other assets. The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the New WesternZagros Warrants and/or exercise price per security in the event of the following additional events: (i) reclassification of the New WesternZagros Shares (other than as described above); (ii) a consolidation, amalgamation, arrangement or merger of New WesternZagros with or into any other corporation or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification of the outstanding New WesternZagros Shares or a change of the New WesternZagros Shares into other securities); or (iii) the sale of property and assets of New WesternZagros as an entirety or substantially as an entirety to another corporation or other entity. No adjustment in the exercise price or the number of New WesternZagros Shares purchasable upon the exercise of the New WesternZagros Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the prevailing exercise price.

No fractional New WesternZagros Shares will be issuable upon the exercise of any New WesternZagros Warrants, but cash will be paid in lieu of any fractional share entitlement based on the “current market value”, as defined in the Warrant Indenture, of the New WesternZagros Shares, provided that New WesternZagros shall not be required to make any such cash payment that is less than Cdn\$5.00.

Warrantholders will not have any voting or pre-emptive rights or any other rights which a holder of New WesternZagros Shares would have.

The New WesternZagros Warrants and the New WesternZagros Shares issuable upon exercise thereof have not been registered under the U.S. Securities Act or the laws of any state of the United States. The New WesternZagros Warrants may not be exercised in the United States unless an exemption is available from the registration requirements of the U.S. Securities Act and any applicable state securities laws and the holder has delivered an opinion of counsel or other evidence reasonably satisfactory to New WesternZagros to such effect. See “The Arrangement — United States Securities Law Matters” in the Information Circular.

The TSX-V has conditionally approved the listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V. Listing will be subject to New WesternZagros fulfilling all of the listing requirements of the TSX-V. Trading in both the New WesternZagros Shares and the

New WesternZagros Warrants is expected to commence concurrently with the delisting of the Western Shares on the TSX.

Dividends

New WesternZagros has not declared or paid any dividends on the New WesternZagros Shares since its incorporation. Any decision to pay dividends on the New WesternZagros Shares will be made by the board of directors of New WesternZagros on the basis of the corporation’s earnings, financial requirements and other conditions existing at such future time. At present, New WesternZagros does not anticipate declaring and paying any dividends in the foreseeable future.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of New WesternZagros, effective August 31, 2007, both before and after giving pro forma effect to the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement. See the pro forma consolidated financial statements of New WesternZagros attached as Schedule “A” to this Appendix and the audited balance sheet of New WesternZagros attached as Schedule “C” to this Appendix.

<u>Designation</u>	<u>Authorized</u>	<u>Outstanding as at August 31, 2007 prior to giving effect to the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement</u>	<u>Outstanding as at August 31, 2007 after giving effect to the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement⁽¹⁾</u>
Common Shares	Unlimited	US\$942 (1,000 shares)	US\$139,326,000 (170,067,753 shares)
Preferred Shares	Unlimited	Nil	Nil
Warrants		Nil	US\$39,204,000 (16,506,775 warrants)
Debt	—	Nil	Nil

Notes:

- (1) After giving effect to the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement but prior to the exercise of any New WesternZagros Warrants. Assumes that 5,000,000 New WesternZagros Shares will be issued pursuant to the New WesternZagros Private Placement.
- (2) On a pro-forma basis, New WesternZagros had a deficit at June 30, 2007 of US\$15,584,000.

FULLY DILUTED SHARE CAPITAL

The following table sets forth the fully diluted share capital after giving effect to the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement. See the pro forma consolidated financial statements of New WesternZagros attached as Schedule “A” to this Appendix.

	Number of New WesternZagros Shares (Diluted)	Percentage of New WesternZagros Shares (Diluted)
New WesternZagros Shares issued pursuant to Arrangement	165,067,753	80.43
New WesternZagros Shares issued pursuant to the New WesternZagros Private Placement	5,000,000	2.44
New WesternZagros Shares reserved for issuance on exercise of New WesternZagros Warrants issued pursuant to Arrangement	16,506,775	8.04
New WesternZagros Shares reserved for issuance pursuant to New WesternZagros Stock Option Plan	18,657,453	9.09
FULLY DILUTED TOTAL	205,231,981	100

Note:

- (1) Assumes completion of the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement, including (a) the issuance of 5,000,000 New WesternZagros Shares pursuant to the New WesternZagros Private Placement; (b) no Dissent Rights being exercised; and (c) all of the Western Options, Western PSUs and Western DSUs being exercised or redeemed prior to the Arrangement.

OPTIONS TO PURCHASE SECURITIES

The board of directors of New WesternZagros has adopted the New WesternZagros Stock Option Plan. A summary of the New WesternZagros Stock Option Plan is set forth in the Information Circular under the heading “Other Matters of Special Business Relating To New WesternZagros — New WesternZagros Stock Option Plan” and a copy of the New WesternZagros Stock Option Plan is set out in Appendix “H” to the Information Circular. No stock options to acquire New WesternZagros Shares have been granted to date.

PRIOR SALES

On August 22, 2007, New WesternZagros issued 1,000 New WesternZagros Shares to Kent Kufeldt, a partner of Macleod Dixon LLP, at a price of Cdn\$1.00 per share to facilitate its organization. These shares will be redeemed or repurchased for cancellation in connection with the Arrangement.

ESCROWED SECURITIES

To the knowledge of New WesternZagros, as of the date of the Information Circular, no securities of any class of securities of New WesternZagros are held in escrow or are anticipated to be held in escrow following the completion of the Arrangement.

PRINCIPAL SHAREHOLDERS

All of the issued and outstanding New WesternZagros Shares are currently held by Kent Kufeldt, a partner of Macleod Dixon LLP, and will be redeemed or repurchased for cancellation in connection with the Arrangement. To the knowledge of New WesternZagros, as of the date of the Information Circular, there are no persons who will, immediately following the completion of the Arrangement and the maximum New WesternZagros Private Placement, directly or indirectly, own or exercise control or direction over, securities carrying more than 10% of the voting rights attached to any class of voting securities of New WesternZagros except as set forth below:

<u>Name and Municipality of Residence</u>	<u>Voting Securities Held</u>	<u>Percentage of Voting Securities</u>
Fidelity ⁽¹⁾⁽²⁾ Boston, Massachusetts	21,003,694 New WesternZagros Shares	12.35

Notes:

- (1) Beneficial ownership of these shares is not known by Western or New WesternZagros.
- (2) Fidelity Management & Research Company, Fidelity Management Trust Company, Boston, Massachusetts, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Boston, Massachusetts, Fidelity International Limited, Pembroke, Bermuda, collectively referred to as "Fidelity".

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address and Occupation

The names, municipalities of residence, positions with New WesternZagros and the principal occupations of the persons who will serve as directors and executive officers of New WesternZagros after giving effect to the Arrangement are set out below, together with their pro forma holdings of New WesternZagros Shares.

<u>Name and Municipality of Residence</u>	<u>Office Held</u>	<u>Principal Occupations within the Five Preceding Years</u>	<u>Pro Forma Holdings of New WesternZagros Shares⁽¹⁾⁽²⁾</u>
DAVID J. BOONE Calgary, Alberta	Director	President of Escavar Energy Inc., a private oil and gas corporation, since 2003. Prior to that, Executive Vice-President of EnCana Corporation and President of EnCana's Offshore and International Division.	20,007 shares 0.01%
DAVID A. DYCK Calgary, Alberta	Director, Senior Vice President and Chief Financial Officer	Vice-President, Finance and Chief Financial Officer of Western since April 2000.	520,487 shares 0.31%
FRED J. DYMENT Calgary, Alberta	Director	Independent businessman.	42,887 shares 0.03%
JOHN FRANGOS Calgary, Alberta	Director	Independent businessman. Executive Vice-President and Chief Operating Officer of Western from January 2002 to January 2005.	5,301,674 shares 3.12%

<u>Name and Municipality of Residence</u>	<u>Office Held</u>	<u>Principal Occupations within the Five Preceding Years</u>	<u>Pro Forma Holdings of New WesternZagros Shares⁽¹⁾⁽²⁾</u>
M. SIMON HATFIELD . . . Calgary, Alberta	Senior Vice President, Exploration & Corporate Development	Vice President and Managing Director (Oil and Gas Group) of Western since May 2005 and Managing Director (Oil and Gas Group) of Western from September 2003 to May 2005 during which time he played the principal role in the identification, negotiation and securing of the EPSA. Prior thereto, President of HCG Inc., a private consulting company focused on upstream ventures in the Middle East.	359,455 shares 0.21%
JAMES C. HOUCK Calgary, Alberta	Director, President and Chief Executive Officer	President and CEO of Western since April 2005. Previously principal of FrontStreet Partners, a private United States investment firm, since 2003. President of Chevron's Worldwide Power and Gasification Inc. from 1998 to 2003.	352,800 shares 0.21%
RANDALL OLIPHANT Toronto, Ontario	Director	Chairman and CEO of Rockcliff Group Limited, a private company investing mainly in the mining sector, since 2003. Prior thereto, served in various senior financial roles in Barrick Gold Corporation culminating in appointment as CEO in 1999, a position he held until 2003.	120,526 shares 0.07%
ROBERT J. THERIAULT . . Calgary, Alberta	Senior Vice President, Engineering & Operations	Senior Vice President, Engineering & Operations of WesternZagros. Director of Midstream and Producing Assets for Cairn India Limited (the Indian subsidiary of Scottish firm Cairn Energy Plc) in New Delhi from 1999 to August 2007.	—

Notes:

(1) Assumes completion of the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement, including (a) the issuance of 5 million New WesternZagros Shares pursuant to the New WesternZagros Private Placement; (b) no

Dissent Rights being exercised; and (c) all of the Western Options, Western PSUs and Western DSUs being exercised or redeemed prior to the Arrangement.

(2) Before giving effect to the exercise of any New WesternZagros warrants.

Each of the directors of New WesternZagros will hold office until the first annual meeting of the holders of New WesternZagros Shares or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with New WesternZagros' articles or by-laws. The recently established New WesternZagros board of directors has assembled a diverse management team to lead New WesternZagros and continues to assess the corporation's longer-term strategy and organizational needs. Each member of the current management team is expected to hold office unless a successor is duly appointed by the directors of New WesternZagros as a result of this assessment process. Changes in officers or in the offices held could occur prior to the Effective Date. All officers of New WesternZagros will meet the high standards as set by the board of directors of New WesternZagros which include, but are not limited to, strong business ethics, adherence to proper corporate governance and knowledge of public company compliance.

Assuming: (i) the issuance of 5 million New WesternZagros Shares pursuant to the New WesternZagros Private Placement; (ii) no Dissent Rights are exercised; and (iii) all of the Western Options, Western PSUs and Western DSUs are exercised or redeemed prior to the Arrangement, it is anticipated that the directors and executive officers of New WesternZagros, as a group, will beneficially own, directly or indirectly, or exercise control or direction over 6,717,836 New WesternZagros Shares and 303,985 New WesternZagros Warrants, or approximately 3.95% of the number of New WesternZagros Shares and approximately 1.84% of the number of New WesternZagros Warrants that will be outstanding immediately following completion of the Arrangement, the Subsequent Transactions and the New WesternZagros Private Placement.

Other Reporting Issuer Experience

The following table sets out the directors and officers of New WesternZagros, that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

<u>Name</u>	<u>Name and Jurisdiction of Reporting Issuer</u>	<u>Name of Trading Market</u>	<u>Position</u>	<u>From</u>	<u>To</u>
David J. Boone	Harvest Energy Trust	TSX	Director	2006	current
	Viking Energy Trust	TSX	Director	2003	2006
	Western	TSX	Director	2005	current
David A. Dyck	CE Franklin Ltd.	TSX, AMEX	Director	2000	current
	Western	TSX	CFO	2000	current
Fred J. Dymont	ARC Energy Trust	TSX	Trustee	2003	current
	Tesco Corporation	TSX, NASDAQ	Director	1996	current
	Transglobe Energy Corporation	TSX, AMEX	Director	2004	current
	Western	TSX	Director	2007	current
	ZCL Composites Inc.	TSX	Director	2002	current
John Frangos	Western	TSX	COO	2002	2005
James C. Houck	Western	TSX	CEO	2005	current
Randall Oliphant . . .	Western	TSX	Director	2005	current
	Western Goldfield Inc.	TSX, NASDAQ	Chairman	2006	current
	Adolf Coors & Co.	NYSE	Director	2003	2005
	Barrick Gold Corp.	TSX, NYSE	President, CEO and Director	1997	2003

Prior to the Effective Date, the New WesternZagros Board will appoint an audit committee whose composition will comply with the requirements of the ABCA, Applicable Canadian Securities Laws and the TSX-V. The board of directors of New WesternZagros may from time to time establish additional committees. The mandates of each of the committees will be established following completion of the Arrangement and will be in compliance with applicable legal and regulatory requirements.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of New WesternZagros, no director or officer of New WesternZagros, or shareholder holding a sufficient number of securities of New WesternZagros to affect materially the control of New WesternZagros is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director or officer of any company (including New WesternZagros) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to its own bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

other than Simon Hatfield who resigned as an officer of Chauvco Resources International Ltd. (“Chauvco International”) in June, 1998 after serving for six months. On January 26, 1999, a bankruptcy receiving order was granted by the Alberta Court of Queen’s Bench against Chauvco International and it was subsequently ceased traded for failing to file financial statements and other related documents.

Penalties or Sanctions

To the knowledge of New WesternZagros, no director or officer of New WesternZagros, or shareholder holding a sufficient number of securities of New WesternZagros to affect materially the control of New WesternZagros, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of New WesternZagros, no director or officer of New WesternZagros, or shareholder holding sufficient securities of New WesternZagros to affect materially the control of New WesternZagros, or a personal holding company of any such persons has, within 10 years before the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of New WesternZagros will be subject in connection with the operations of New WesternZagros. In particular, certain of the directors and officers of New WesternZagros are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of New WesternZagros or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of New WesternZagros. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As at the date of the Information Circular, New WesternZagros is not aware of any existing or potential material conflicts of interest between New WesternZagros and any director or officer of New WesternZagros.

BACKGROUNDS OF DIRECTORS AND MANAGEMENT

Profiles of the directors and officers and other key personnel of New WesternZagros are set forth below.

David J. Boone, Director, Age 51

Mr. Boone has over 28 years of broad Canadian and international energy experience in the upstream industry with past positions including President, Offshore and International Operations for EnCana Corporation; Executive Vice-President and Chief Operating Officer of PanCanadian Energy and co-founder, President, and a director of Escavar Energy, a private oil and gas company. Mr. Boone holds a Civil Engineering degree from Queen's University. He is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and is Chairman of the Canadian Association of the World Petroleum Council.

Fred Dymont, Director, Age 58

Mr. Dymont has over 30 years of experience in the oil and gas industry. He spent the majority of his career at Ranger Oil Limited holding the positions of Controller, Vice President Finance, Chief Financial Officer and finally Chief Executive Officer. After Ranger Oil was sold to Canadian Natural Resources in 2000, he served as Chief Executive Officer of Maxx Petroleum Company from 2000 to 2001. Mr. Dymont is currently an independent businessman and serves on the Board of Directors of Tesco Corporation and ZCL Composites Inc., two design, manufacture and service companies. In addition, Mr. Dymont is a director of ARC Energy Trust and Transglobe Energy Corporation. Mr. Dymont also served as Governor of the Canadian Association of Petroleum Producers (CAPP) from 1995 to 1997. He holds a Chartered Accountant designation.

John Frangos, Director, Age 66

Mr. Frangos was the co-founder of Western. From 2002 to 2005, he served as Western's Executive Vice President and Chief Operating Officer and played a key role in negotiations with the KRG. Prior to forming Western, Mr. Frangos was employed with BHP and predecessor corporations for 28 years and was Vice-President, International Business Development for BHP's Minerals Business Unit. He holds a Diploma in Mechanical and Electrical Engineering, an Associate Diploma in Mechanical Engineering and a Masters of Business Administration degree.

Randall Oliphant, Director, Age 48

Mr. Oliphant is the Chairman and Chief Executive Officer of Rockcliff Group Limited, a private corporation actively involved in the strategic planning and corporate development of its investee companies, principally in the mining sector. He is on the Advisory Board of Metalmark Capital LLC (formerly Morgan Stanley Capital Partners) and serves on the boards of a number of public and private companies and not-for-profit organizations. Until 2003, he was the President and Chief Executive Officer of Barrick Gold Corporation, and served in senior financial positions since joining the company in 1987 prior to being appointed Chief Executive Officer in 1999. Mr. Oliphant holds a Bachelor of Commerce Degree from the University of Toronto and is a Chartered Accountant.

James C. Houck, Director, President and Chief Executive Officer, Age 59

Mr. Houck has been the President and Chief Executive Officer of Western since April 2005 and has over 37 years of experience in the energy industry. Before joining Western, he was a principal of FrontStreet Partners, a U.S.-based, privately-held investment firm and prior to that, Mr. Houck spent the majority of his career with ChevronTexaco Inc. where he held various senior level positions within the exploration and production segments, including global gas and power, business development, production and operations, research and development and strategic planning. As part of his tenure with ChevronTexaco Inc., Mr. Houck was Assistant Division Manager for all of Texaco's U.S. producing operations, President of Texaco Development Corporation and President of Worldwide Power and Gasification. Mr. Houck holds a Bachelor's degree in Engineering Science from Trinity University in San Antonio and a Master of Business Administration degree from the University of Houston. Mr. Houck will be employed as President and Chief Executive Officer on a full-time basis.

David A. Dyck, Director, Senior Vice President and Chief Financial Officer, Age 46

Mr. Dyck has substantial oil and gas industry experience, including 22 years of experience in all areas of accounting, finance, tax, budgeting, planning and investor relations. He has been the Vice President, Finance and Chief Financial Officer of Western since 2000 and under his guidance, Western completed the financing for its first phase of development of the AOSP which involved over 22 successful debt and equity financings raising in excess of \$3.5 billion. In addition, Mr. Dyck was responsible for heading up the necessary funding arrangements for the first expansion of the AOSP, the cost of which is approximately \$2.2 billion to Western. Mr. Dyck holds a Bachelor of Commerce degree from the University of Saskatchewan, is a Chartered Accountant and a member of the Alberta and Canadian Institutes of Chartered Accountants and the Financial Executives Institute. Mr. Dyck will be employed as Senior Vice President and Chief Financial Officer on a full-time basis.

M. Simon Hatfield, Senior Vice President, Exploration & Corporate Development, Age 53

Mr. Hatfield has over 30 years of international and domestic oil and gas experience in technical, managerial and executive positions with Imperial Oil, Exxon Production Research Company, Petro-Canada, Chauvco Resources and Talisman Energy and has had extensive experience in Iraq since 1995. Mr. Hatfield initiated the Kurdistan Region opportunity for WesternZagros and led the technical and business process which successfully concluded the signing and ratification of the EPSA. He holds a Bachelor of Science (Honours) degree in Geology with Physics from the University of London, UK, a Masters of Science degree in Geology from the University of Reading, UK, and has completed the Executive Development Program at the University of Calgary. He is a member of the Association of International Petroleum Negotiators. Mr. Hatfield will be employed on a full-time basis.

Robert J. Theriault, Senior Vice President, Engineering & Operations, Age 52

Mr. Theriault has over 30 years of international and domestic experience in upstream and midstream oil and gas operations for several companies. Prior to joining WesternZagros in August 2007, he was with Cairn India Limited in Chennai and New Delhi since 1999, where his most recent role was Director of Midstream and Producing Assets. Previously, Mr. Theriault was Manager International Development with Husky Oil in Calgary for three years. His experience also includes management assignments with Pertamina-Husky in Indonesia and with CSR Petroleum in Indonesia and Australia after starting his career with Suncor in Calgary. He holds a Bachelor of Science, Mechanical Engineering from the University of Calgary and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Theriault will be employed on a full-time basis.

Dr. George Pinckney, General Manager, Petroleum Exploration, Age 58

Dr. Pinckney is currently responsible for all of WesternZagros' geotechnical work in Iraq including successful completion of the Kurdistan Region area evaluation. Dr. Pinckney has extensive international experience and has spent the majority of his 32 year career with Mobil Oil and ExxonMobil in locations throughout Canada, the United States and Southeast Asia. He was educated in the United Kingdom and holds a PhD degree in Geology and a Bachelor of Science degree (Honours) in Geology, both from Queen Mary College, University of London. He is a member of the Association of Professional Engineers, Geologists, and Geophysicists of Alberta, the Canadian Society of Petroleum Geologists, the American Association of Petroleum Geologists, the Geological Society of London (Fellow), the Yorkshire Geological Society, the Indonesian Petroleum Association, the Southeast Asia Petroleum Exploration Society and the Canadian Gas Potential Committee (East Coast Sub-Committee). Dr. Pinckney will be employed on a full-time basis.

Matt Swartout, Senior Drilling Manager, Age 49

Mr. Swartout has over 25 years of oil and gas industry experience in drilling engineering, construction, supervision and management. He was previously employed by High Arctic Energy Services Trust. Mr. Swartout is renowned as an industry expert with respect to under balance drilling and is an inventor and holder of two United States patents used in Advance Well Control, Under Balance Drilling and Managed Pressure Drilling, with one patent pending. He holds a Bachelor of Science in Petroleum Engineering from the Montana College of Mineral Science and Technology and a Diploma of Petroleum Technology (Honours) from the Southern Alberta Institute of Technology. Mr. Swartout will be employed on a full-time basis.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

To date, New WesternZagros has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by New WesternZagros to its executive officers or directors and none will be paid until after the Subsequent Transactions are completed. Following completion of the Subsequent Transactions, it is anticipated that the executive officers of New WesternZagros will be paid salaries at a level that is comparable to companies of similar size and character.

As at the date of the Information Circular, there are no employment contracts in place between New WesternZagros and any of the executive officers of New WesternZagros and there are no provisions with New WesternZagros for compensation for the executive officers of New WesternZagros in the event of termination of employment or a change in responsibilities following a change of control of New WesternZagros. It is expected that New WesternZagros will enter into employment contracts with each of the executive officers of New WesternZagros on or before the Effective Date.

New WesternZagros has not established an annual retainer fee or attendance fee for directors. However, New WesternZagros may establish directors' fees in the future and will reimburse directors for all reasonable expenses incurred in order to attend meetings. It is anticipated that directors will be compensated for their time and effort by granting them options to acquire New WesternZagros Shares pursuant to the New WesternZagros Stock Option Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There exists no indebtedness of the directors or executive officers of New WesternZagros, or any of their associates, to New WesternZagros or WesternZagros, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by New WesternZagros or WesternZagros.

INDUSTRY TRENDS

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business. The first trend is the volatility of commodity prices.

Crude oil is influenced by the world economy and OPEC's ability to adjust supply to world demand. Recently crude oil prices have been bolstered by political events causing disruptions in the supply of oil, and concern over potential supply disruptions triggered by unrest in the Middle East. Political events trigger large fluctuations in price levels.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers, triggering premium costs for their services. Acquiring land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

A further trend currently affecting the international oil and gas industry is the impact on capital markets caused by investor uncertainty in the North American economy. Generally, during the past year, the economic recovery combined with increased commodity prices has resulted in an increase in new equity financings in the international oil and gas industry. New WesternZagros realizes that it will have to compete with the numerous new companies and their new management teams and development plans in its access to capital. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. Some companies will have to rely on internally generated funds to conduct their exploration and developmental programs.

RISK FACTORS

An investment in New WesternZagros should be considered highly speculative due to the nature of its activities and the present stage of its development. New WesternZagros was incorporated for the sole purpose of participating in the Arrangement and has not carried on any material business other than in connection with the Arrangement and related matters. Following completion of the Arrangement and the Subsequent Transactions, New WesternZagros will carry on the business currently carried on by WesternZagros. Investors should carefully consider the following risk factors.

General

The oil and gas industry is very competitive and is subject to many risks. Many of these risks are outside of New WesternZagros' control. Management has identified certain key risks and their potential

impact on New WesternZagros' operations. There is no assurance that commercial quantities of oil and natural gas will be discovered by New WesternZagros.

Foreign Activities

All of WesternZagros' assets are located in the Kurdistan Region of Iraq. As such, WesternZagros is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determinations or rulings by governmental authorities, changes in energy policies or in the personnel administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which WesternZagros' operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

WesternZagros' operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of WesternZagros including, among other things, adverse legislation in Iraq and/or the Kurdistan Region, a change in crude oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields.

Political Issues

The political and security situation in Iraq (outside the Kurdistan Region) is unsettled and volatile. The Kurdistan Region is the only "Region" of Iraq as yet constitutionally established pursuant to the Iraq Constitution, which, expressly recognizes the Kurdistan Region. The political issues of federalism and the autonomy of Regions in Iraq are matters about which there are major differences between the various political factions in Iraq. These differences could adversely impact WesternZagros' interest in the Kurdistan Region.

Ability to Execute Exploration and Development Program

It may not always be possible for WesternZagros to execute its exploration and development strategies in the manner in which WesternZagros considers optimal. WesternZagros' exploration and development programs in Iraq involve the need to obtain approvals from the relevant authorities, which may require conditions to be satisfied or the exercise of discretion by the relevant authorities. It may not be possible for such conditions to be satisfied.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of WesternZagros depends on its ability to find, acquire, develop and commercially produce oil and natural gas resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects. No assurance can be given that WesternZagros will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, WesternZagros may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by WesternZagros.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, WesternZagros is not fully insured against all of these risks, nor are all such risks insurable. Although WesternZagros maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event WesternZagros could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on WesternZagros.

Operational Experience

Although the management of WesternZagros has significant experience in the oil and gas industry, the management team has not, as a group, drilled a well or developed a conventional oil and gas project. There can be no assurance that any drilling and development operations will be successful.

Project Risks

WesternZagros' ability to execute projects and market oil and natural gas will depend upon numerous factors beyond WesternZagros' control, including:

- the availability and proximity of pipeline capacity;
- security issues;
- the supply of and demand for oil and natural gas;
- the effects of inclement weather;
- the availability of drilling, production and related equipment and supplies, as well as services, all of which may be disrupted for a number of reasons;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- the availability and productivity of skilled labour;
- adverse legislation in the Kurdistan Region and/or Iraq; and

- the regulation of the oil and natural gas industry by various levels of government and governmental agencies in the Kurdistan Region and/or Iraq.

Because of these factors, WesternZagros could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it may produce.

Competition

The petroleum industry is competitive in all its phases. WesternZagros competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. WesternZagros' competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than WesternZagros. WesternZagros' ability to acquire or increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by WesternZagros is and will continue to be affected by numerous factors beyond its control including the impact that the various levels of government may have on the ultimate price received for oil and gas sales. WesternZagros' ability to market its oil and natural gas may depend upon its ability to secure transportation. WesternZagros may also be affected by deliverability uncertainties related to the proximity of its potential production to pipelines and processing facilities and operational problems affecting such pipelines and facilities as well as potential government regulation relating to price, the export of oil and natural gas and other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the feasibility of WesternZagros' business plan.

Substantial Capital Requirements

WesternZagros anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. WesternZagros' results will impact its access to the capital necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash (if any) generated by operations, would be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to WesternZagros. The inability of WesternZagros to access sufficient capital for its operations could have a material adverse effect on WesternZagros' financial condition, results of operations and prospects.

Additional Funding Requirements

WesternZagros' cash balances may not be sufficient to fund its ongoing activities at all times. There is no certainty that the New WesternZagros Private Placement will be fully subscribed or that the New WesternZagros Warrants will be fully exercised. From time to time, WesternZagros may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause WesternZagros to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.

Issuance of Debt

From time to time WesternZagros may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase WesternZagros' debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, WesternZagros may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither WesternZagros' articles nor its by-laws limit the amount of indebtedness that WesternZagros may incur. The level of WesternZagros' indebtedness from time to time, could impair WesternZagros' ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time WesternZagros may enter into agreements to receive fixed prices on any future oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, WesternZagros would not benefit from such increases. Similarly, from time to time WesternZagros may enter into agreements to fix the exchange rate of various currencies used in its business in order to offset the risk of revenue or cost related losses in the event of currency fluctuations. There is no certainty that any such currency hedges which may be entered into will benefit WesternZagros.

Foreign Exchange

WesternZagros operations costs are generally incurred in U.S. dollars and the funds it will have available to it may be in other currencies. There is a possibility that operations and development costs may increase as a result of currency fluctuation.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and supplies (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment and supplies to WesternZagros and may delay exploration and development activities.

Legislative Issues

No federal Iraq legislation has yet been agreed to or enacted by the Iraq Council of Ministers (Cabinet) and Council of Representatives (Parliament) to address the future organization of Iraq's petroleum industry or the sharing of petroleum and other revenues within Iraq. Failure to enact legislation (or the enactment of federal legislation contradictory to Kurdistan Region legislation) could materially adversely impact WesternZagros' interest in the Kurdistan Region and the EPSA. Disagreements have recently been reported to exist between the Iraq minister of oil and officials of the KRG in relation to the terms of the draft Federal Oil and Gas Law. Certain officials of the federal Iraq government have also expressed an opinion that the Kurdistan Regional Oil & Gas Law is invalid.

The Regional Council (for Oil and Gas) which was constituted pursuant to the Kurdistan Region Oil & Gas Law (which came into force in the Kurdistan Region on August 9, 2007) is required to review the EPSA to ensure it is consistent with such regional law, in addition to other review processes already undertaken. The KRG has asked WesternZagros and other existing production sharing contract holders in the Kurdistan Region to make proposals which would bring the EPSA into broad conformity with its recently published Model Production Sharing Agreement and the KRG's published guidelines for commercial terms for production sharing agreements. Should the EPSA be found to be inconsistent with the law, the Regional Council may not approve it and the EPSA may therefore be considered to be invalid

or to require amendment. WesternZagros believes that the integrity of the basic fiscal and business terms of the EPSA will be upheld and honoured as being consistent with the provisions of the Kurdistan Region Oil & Gas Law even though the form of the EPSA may still require amendment to make it consistent with the KRG's standard form for production sharing agreements entered into after the enactment of the Kurdistan Region Oil & Gas Law. There can be no certainty that the Regional Council will make the determination that the EPSA is consistent with the law. It is also possible that a subsequent review may be required under any federal Iraq legislation which may be enacted but this remains unknown at this time.

Internal Resource Estimates

There are numerous uncertainties inherent in estimating quantities of undiscovered resources. This is particularly true in the case of estimates of WesternZagros' undiscovered resources, as no proved, probable or even possible reserves have yet been discovered. The undiscovered resource estimates, set forth herein, are internal estimates and assume an all oil case. There is the risk that all or some of the undiscovered resources may include gas and gas condensate rather than oil. In general, estimates of undiscovered resources are based upon a number of variable factors and assumptions which may vary materially. For these reasons, estimates of the undiscovered resources attributable to any particular group of properties will vary from actual resources discovered and such variations could be material. The estimates of undiscovered resources set out herein have been determined internally by WesternZagros. Certain of these estimates have not been reviewed by Sproule. The Sproule Report only reviewed WesternZagros' internal estimates of certain undiscovered resources. There is no certainty that any portion of the undiscovered resource estimates will ever be discovered and there is no certainty at this time that if discovered, they will be economically viable or technically feasible to produce. Any downward adjustment in the undiscovered resources described herein could adversely affect New WesternZagros' future prospects and the market value of its securities.

Insurance and Liability

WesternZagros' involvement in the exploration for and development of oil and natural gas properties may result in WesternZagros becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although WesternZagros maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, WesternZagros may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to WesternZagros. The occurrence of a significant event that WesternZagros is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on WesternZagros.

Dividends

To date, New WesternZagros has not declared or paid any dividends on the outstanding New WesternZagros Shares. Any decision to pay dividends on the New WesternZagros Shares will be made by the board of directors of New WesternZagros on the basis of New WesternZagros' earnings, financial requirements and other conditions existing at such future time. At present, New WesternZagros does not anticipate declaring and paying any dividends in the foreseeable future.

Conflicts of Interest

Certain directors of New WesternZagros are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "Directors and Officers — Conflicts of Interest".

Dilution

New WesternZagros may make future acquisitions or enter into financings or other transactions involving the issuance of securities of New WesternZagros which may be dilutive.

Management of Growth

New WesternZagros may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of New WesternZagros to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of New WesternZagros to deal with this growth could have a material adverse impact on its business, operations and prospects.

Third-Party Credit Risk

WesternZagros is or may be exposed to third-party credit risk through its contractual arrangements with any potential joint venture partners, marketers of its petroleum and natural gas production, suppliers, contractors, and other parties. In the event such entities fail to meet their contractual obligations to WesternZagros, such failures could have a material adverse effect on WesternZagros and its cash flow from operations. In addition, poor credit conditions in the industry and of a potential joint venture partner may impact a potential joint venture partner's willingness to participate in a future WesternZagros' capital program.

Absence of Market

There is no market through which the New WesternZagros Shares and the New WesternZagros Warrants may be sold. The TSX-V has conditionally approved the listing of the New WesternZagros Shares and the New WesternZagros Warrants on the TSX-V. Listing will be subject to New WesternZagros fulfilling all of the listing requirements of the TSX-V. If the New WesternZagros Shares are not listed on the TSX-V, the New WesternZagros Shares and the New WesternZagros Warrants may not be qualified investments under the ITA for trusts governed by RRSP's, RRIF's, DPSP's and RESP's.

Reliance on Key Personnel

WesternZagros' success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on New WesternZagros. New WesternZagros does not have any key person insurance in effect for management. The contributions of the existing management team to the immediate and near term operations of WesternZagros are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that New WesternZagros will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of New WesternZagros.

LEGAL PROCEEDINGS

There are no legal proceedings to which New WesternZagros or WesternZagros is a party or in respect of which any of the assets of WesternZagros are subject, which is or will be material to New WesternZagros, and New WesternZagros is not aware of any such proceedings that are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Information Circular or this Appendix, none of the directors or executive officers of New WesternZagros or any person or company that is the direct or indirect owner of, or who exercises control or direction of, more than 10% of any class or series of New WesternZagros' or WesternZagros' outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or will materially affect New WesternZagros or WesternZagros.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of New WesternZagros are PricewaterhouseCoopers LLP, Calgary, Alberta.

Transfer Agent and Registrar

Valiant Trust Company, at its principal offices in Calgary, Alberta and in Toronto, Ontario, will be the registrar and transfer agent for the New WesternZagros Shares. Valiant Trust Company, at its principal offices in Calgary, will act as warrant agent for the New WesternZagros Warrants.

MATERIAL CONTRACTS

The only contracts entered into by New WesternZagros or by WesternZagros or Western, that materially affect New WesternZagros during the past two years or to which any of them will become a party on or prior to the Effective Date, that can reasonably be regarded as material to a proposed investor in the New WesternZagros Shares, other than contracts entered into in the ordinary course of business, are as follows:

- (a) the Arrangement Agreement;
- (b) the shareholder rights plan agreement proposed to be entered into between New WesternZagros and Valiant Trust Company, as rights agent, on the Effective Date; and
- (c) the warrant indenture governing the New WesternZagros Warrants to be entered into by New WesternZagros and Valiant Trust Company, as warrant trustee, on the Effective Date.

Copies of these agreements may be inspected at the registered office of Western located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2 during normal business hours from the date of the Information Circular until the completion of the Arrangement.

SCHEDULE "A"
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF
WESTERNZAGROS RESOURCES LTD.

September 13, 2007

To the Directors of WesternZagros Resources Inc.

Dear Sirs,

We have read the accompanying unaudited pro forma balance sheet of WesternZagros Resources Ltd. (“New WesternZagros”) as at June 30, 2007 and unaudited pro forma income statements for the six months then ended and for the year ended December 31, 2006, and have performed the following procedures.

1. Compared the figures in the columns captioned “New WesternZagros” to the audited balance sheet of New WesternZagros as at August 31, 2007, and found them to be in agreement.
2. Compared the figures in the columns captioned “WesternZagros Resources Inc.” as at June 30, 2007 and for the six month period then ended to the unaudited consolidated balance sheets and consolidated statement of operations and deficit of WesternZagros Resources Inc. as at June 30, 2007 and for the six months then ended, and found them to be in agreement.
3. Compared the figures in the columns captioned “WesternZagros Resources Inc.” for the year ended to the audited consolidated statements of operations and deficit of WesternZagros Resources Inc. for the year ended December 31, 2006, and found them to be in agreement.
4. Made enquiries of certain officials of the company who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the pro forma adjustments; and
 - (b) whether the pro forma financial statements comply as to form in all material respects with a Plan of Arrangement (the “Arrangement”) pursuant to which WesternZagros Resources Inc.’s parent entity Western Oil Sands Inc. will distribute to all its existing shareholders, per share held, one share and one tenth of a warrant to purchase shares in New WesternZagros.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments, and
 - (b) stated that the pro forma statements comply as to form in all material respects with the Arrangement.
5. Read the notes to the pro forma statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

6. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned “Pro Forma Adjustments” and “Pro Forma Consolidated New WesternZagros” as at June 30, 2007 and for the six months ended June 30, 2007 and the year ended December 31, 2006, and found the amounts in the column captioned “Pro Forma Consolidated New WesternZagros” to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management’s assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) “PricewaterhouseCoopers LLP”
Chartered Accountants

WESTERNZAGROS RESOURCES LTD.
PRO FORMA CONSOLIDATED BALANCE SHEET
(United States \$ thousands)
(Unaudited)

	As at June 30, 2007				
	New WesternZagros	WesternZagros Resources Inc.	Pro Forma Adjustments	Note 2	Pro Forma Consolidated New WesternZagros
Assets					
Current Assets					
Cash	1	175	78,407	a	88,843
			1,330	b	
			8,930	c	
Accounts Receivable	—	1,917	—		1,917
	1	2,092			90,760
Property, Plant and Equipment	—	34,012	—		34,012
	1	36,104			124,772
	<u>1</u>	<u>36,104</u>			<u>124,772</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	—	1,695	—		1,695
Long-term Liabilities					
Due to Related Parties	—	39,084	(39,084)	e	—
	—	40,779			1,695
	<u>—</u>	<u>40,779</u>			<u>1,695</u>
Shareholders' Equity					
Share Capital (Note 3)	1	2	77,457	a	137,711
			1,330	b	
			8,930	c	
			39,084	e	
			10,907	d	
Contributed Surplus	—	10,907	950	a	950
			(10,907)	d	
Deficit	—	(15,584)	—		(15,584)
	1	(4,675)			123,077
	1	36,104			124,772
	<u>1</u>	<u>36,104</u>			<u>124,772</u>

See Accompanying Notes to the Pro Forma Consolidated Financial Statements

WESTERNZAGROS RESOURCES LTD.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(United States \$ thousands, except for per share amounts)
(Unaudited)

	Six months ended June 30, 2007				
	New WesternZagros	WesternZagros Resources Inc.	Pro Forma Adjustments	Note 2	Pro Forma Consolidated New WesternZagros
Revenues	—	—	—		—
Expenses					
Charges Under Service Agreement	—	5,114	—		5,114
Depreciation	—	3	—		3
Foreign Exchange Loss	—	806	—		806
Net Loss	<u>—</u>	<u>(5,923)</u>			<u>(5,923)</u>
Net Loss per Share					<u>(0.03)</u>

See Accompanying Notes to the Pro Forma Consolidated Financial Statements

WESTERNZAGROS RESOURCES LTD.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(United States \$ thousands, except for per share amounts)
(Unaudited)

	Year ended December 31, 2006				
	New WesternZagros	WesternZagros Resources Inc.	Pro Forma Adjustments	Note 2	Pro Forma Consolidated New WesternZagros
Revenues	—	—	—		—
Expenses					
Charges Under Service Agreement	—	8,208	—		8,208
Depreciation	—	8	—		8
Foreign Exchange Loss	—	6	—		6
Net Loss	—	(8,222)			(8,222)
Net Loss per Share					(0.05)

See Accompanying Notes to the Pro Forma Consolidated Financial Statements

WESTERNZAGROS RESOURCES LTD.

NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEET AND PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(Tabular amounts in United States Dollars and in thousands except for share amounts)

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated balance sheet as at June 30, 2007 and unaudited pro forma statement of operations for the six months ended June 30, 2007 and year ended December 31, 2006 (collectively the "Pro Forma Statements") of WesternZagros Resources Ltd. ("New WesternZagros") have been prepared for inclusion in the Management Information Circular (the "Circular") of Western Oil Sands Inc. ("Western") dated September 14, 2007. The Pro Forma Statements reflect the formation of a new company, WesternZagros Resources Ltd., and the acquisition of all outstanding shares in WesternZagros Resources Inc. ("WesternZagros"), a corporation incorporated on September 21, 2004 under the laws of the Province of Alberta. WesternZagros is engaged in acquiring properties and exploring for, developing and producing crude oil and natural gas. WesternZagros Limited, a wholly-owned subsidiary of WesternZagros, has an Exploration Production Sharing Agreement ("EPSA") to explore for conventional oil and gas on a 2,120 square kilometre exploration project area in the Kurdistan Region of Iraq. As announced on July 31, 2007, Western intends to proceed with a Plan of Arrangement (the "Arrangement") pursuant to which existing shareholders of Western will receive one share ("New WesternZagros Share") and one tenth of a warrant ("New WesternZagros Warrant") to purchase shares of New WesternZagros per every Western share held.

In the opinion of management, the unaudited Pro Forma Statements include all material adjustments necessary for fair presentation in accordance with Canadian generally accepted accounting principles. Accounting policies used in the preparation of the Pro Forma Statements are the same as those disclosed in the consolidated financial statements of WesternZagros as at December 31, 2006 and June 30, 2007. The Pro Forma Statements give effect to the transactions described in Note 2 as if they had occurred at the balance sheet date.

Pursuant to the Arrangement, the shareholders of Western will continue to hold their respective interest in New WesternZagros, resulting in no change of control for WesternZagros. Therefore, these Pro Forma Statements are prepared assuming continuity of business for WesternZagros, and consequently no adjustment for fair value is required.

The Pro Forma Statements are not necessarily indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in future years. These unaudited Pro Forma Statements should be read in conjunction with the consolidated financial statements of WesternZagros for the year ended December 31, 2006 and six months ended June 30, 2007, included elsewhere in the Circular.

2. PRO FORMA FINANCIAL STATEMENT ADJUSTMENTS AND ASSUMPTIONS

The unaudited pro forma balance sheet gives effect to the following assumptions and adjustments as if they had occurred on June 30, 2007. The unaudited pro forma statement of operations for the six months ended June 30, 2007 and the year ended December 31, 2006 gives effect to the following assumptions and adjustments as if they had occurred on January 1, 2007 and January 1, 2006, respectively.

- (a) Pursuant to the Arrangement, a Western shareholder will receive, for each Class A share held in Western, one New WesternZagros Share and one tenth of a New WesternZagros Warrant, with

WESTERNZAGROS RESOURCES LTD.

**NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEET
AND PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (Continued)**

(Tabular amounts in United States Dollars and in thousands except for share amounts)

2. PRO FORMA FINANCIAL STATEMENT ADJUSTMENTS AND ASSUMPTIONS (Continued)

each whole New WesternZagros Warrant entitling the holder thereof to purchase one New WesternZagros Share at a price of Cdn\$2.50 until the date which is three months from the effective date of the Arrangement. The following transactions will be effected sequentially forthwith after the effective time of the Arrangement to:

- (i) Issue additional WesternZagros Shares to Western for cash subscription proceeds of \$77.5 million (Cdn\$81.5 million);
 - (ii) Transfer all of the issued and outstanding WesternZagros Shares to New WesternZagros in consideration for the issuance by New WesternZagros of New WesternZagros Preferred Shares;
 - (iii) Cause the redemption or purchase for cancellation of such New WesternZagros Preferred Shares in consideration for the issuance of a demand non-interest bearing promissory note of New WesternZagros;
 - (iv) Cause the redemption or purchase for cancellation of the Western Class B Shares held by New WesternZagros at that time in consideration of the cancellation of such New WesternZagros promissory note;
 - (v) Cause the redemption or purchase for cancellation of the Western Class C Shares held by New WesternZagros at that time in consideration of the payment by Western to New WesternZagros of \$0.95 million (Cdn\$1.0 million); and
 - (vi) On August 22, 2007, New WesternZagros issued 1,000 New WesternZagros Shares to a third party at a price of Cdn\$1.00 per share to facilitate its organization. These shares will be redeemed or repurchased for cancellation pursuant to the Arrangement.
- (b) As noted in the Arrangement each existing Western shareholder will receive one tenth of a New WesternZagros Warrant for every Western share owned totalling 16,507,755 warrants. Each whole warrant will be exercisable into one New WesternZagros Share at an exercise price of Cdn\$2.50. New WesternZagros Warrants totalling proceeds of \$1.3 million (Cdn\$1.4 million) have been committed to be exercised by certain persons.
- (c) Following the completion of the Arrangement and the Subsequent Transactions, New WesternZagros will complete a private placement (the "New WesternZagros Private Placement") to directors, officers and employees of New WesternZagros and persons associated with them of up to 5,000,000 New WesternZagros Shares at a price of Cdn\$2.50 per share for gross proceeds to New WesternZagros of up to \$11.9 million (Cdn\$12.5 million). No finders fees or commissions will be paid in connection with the private placement. As at September 13, 2007, subscriptions for the New WesternZagros Private Placement total 3,760,000 shares for approximate proceeds of \$8.9 million (Cdn\$9.4 million).
- (d) All contributed surplus in WesternZagros has been reclassified as share capital as of June 30, 2007.
- (e) All inter-company debt between WesternZagros and subsidiaries with Western was settled with the issue of share capital.

WESTERNZAGROS RESOURCES LTD.

**NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEET
AND PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (Continued)**

(Tabular amounts in United States Dollars and in thousands except for share amounts)

2. PRO FORMA FINANCIAL STATEMENT ADJUSTMENTS AND ASSUMPTIONS (Continued)

- (f) Net loss per share amounts have been calculated based on a weighted average of 169,387,753 shares outstanding during the period for both the year ended December 31, 2006 and the six months ended June 30, 2007.
- (g) A foreign currency exchange rate of 0.95 has been used to convert amounts from Canadian dollars to United States dollars.

3. SHARE CAPITAL CONTINUITY

A continuity of New WesternZagros issued common share capital and related value, and the warrants after giving effect to the pro forma transactions described in Note 2 above is set out below:

<u>Common Shares</u>	<u>Note 2</u>	<u>Number of Shares</u>	<u>Amount \$</u>
New WesternZagros			
New WesternZagros shares issued and outstanding		1,000	1
New WesternZagros shares cancelled upon closing	a (vi)	(1,000)	(1)
New WesternZagros shares issued pursuant to Plan of Arrangement	a (ii)	165,067,753	127,451
New WesternZagros shares issued pursuant to warrants		560,000	1,330
New WesternZagros shares issued pursuant to private placement		3,760,000	8,930
Pro forma share capital at June 30, 2007		<u>169,387,753</u>	<u>137,711</u>
WesternZagros			
WesternZagros shares issued and outstanding prior to closing		2	2
WesternZagros shares issued pursuant to Plan of Arrangement	a (i)	165,067,750	77,458
Reclassification of contributed surplus to share capital	d	—	10,907
Inter-company debt settled for WesternZagros shares	e	1	39,084
Total WesternZagros shares issued and outstanding at closing		<u>165,067,753</u>	<u>127,451</u>
		<u>Number</u>	<u>of Warrants</u>
Warrants			
New WesternZagros			
New WesternZagros warrants issued pursuant to Plan of Arrangement			16,506,755
New WesternZagros warrants committed to be exercised			(560,000)
Total WesternZagros warrants issued and outstanding at closing			<u>15,946,755</u>

SCHEDULE "B"
CONSOLIDATED FINANCIAL STATEMENTS OF WESTERNZAGROS RESOURCES INC.

September 13, 2007

The Directors of WesternZagros Resources Inc.

Dear Sirs,

We have audited the consolidated balance sheets of WesternZagros Resources Inc. (the “Corporation”) as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for each of the years ended December 31, 2006, 2005 and 2004. These consolidated financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years ended December 31, 2006, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

(Signed) “PricewaterhouseCoopers LLP”
Chartered Accountants

WESTERNZAGROS RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
(United States \$ thousands)

	June 30,	December 31	
	2007	2006	2005
	(unaudited)		
Assets			
Current Assets			
Cash	175	103	7
Accounts Receivable	1,917	16	102
	2,092	119	109
Property, Plant and Equipment <i>(note 4)</i>	34,012	21,380	8,234
	36,104	21,499	8,343
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	1,695	36	1,213
Long-term Liabilities			
Due to Related Party <i>(note 5)</i>	39,084	20,215	8,568
	40,779	20,251	9,781
Shareholder's Equity			
Share Capital <i>(note 6)</i>	2	2	1
Contributed Surplus <i>(note 7)</i>	10,907	10,907	—
Deficit	(15,584)	(9,661)	(1,439)
	(4,675)	1,248	(1,438)
	36,104	21,499	8,343
Commitments and Contingencies <i>(note 10)</i>			

Approved by the Board of Directors

(Signed) "Fred Dymert"
Director

(Signed) "Randall Oliphant"
Director

See Accompanying Notes to the Consolidated Financial Statements

WESTERNZAGROS RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(United States \$ thousands)

	Six month period ended June 30		Year ended December 31		
	2007 (unaudited)	2006 (unaudited)	2006	2005	2004
Expenses					
Charges Under Service Agreement <i>(note 5)</i>	5,114	4,240	8,208	1,428	—
Depreciation	3	4	8	3	—
Foreign Exchange Loss	806	197	6	8	—
Net Loss	<u>5,923</u>	<u>4,441</u>	<u>8,222</u>	<u>1,439</u>	<u>—</u>
Deficit at Beginning of Period	9,661	1,439	1,439	—	—
Deficit at End of Period	<u><u>15,584</u></u>	<u><u>5,880</u></u>	<u><u>9,661</u></u>	<u><u>1,439</u></u>	<u><u>—</u></u>

See Accompanying Notes to the Consolidated Financial Statements

WESTERNZAGROS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(United States \$ thousands)

	Six month period ended June 30		Year ended December 31		
	2007 <u>(unaudited)</u>	2006 <u>(unaudited)</u>	2006	2005	2004
Cash Provided By (Used In)					
Cash From Operating Activities					
Net Loss	(5,923)	(4,441)	(8,222)	(1,439)	—
Non-cash Items					
Depreciation	3	4	8	3	—
	<u>(5,920)</u>	<u>(4,437)</u>	<u>(8,214)</u>	<u>(1,436)</u>	<u>—</u>
Cash From Financing Activities					
Share Issuance	—	—	10,908	—	1
Increase in Due to Related Party	18,869	6,056	11,647	8,460	108
	<u>18,869</u>	<u>6,056</u>	<u>22,555</u>	<u>8,460</u>	<u>109</u>
Cash Invested					
Capital Expenditures	(12,635)	(373)	(13,154)	(8,128)	(109)
(Increase) Decrease in Non-cash Working <i>(note 9)</i>	(242)	(1,123)	(1,091)	1,111	—
	<u>(12,877)</u>	<u>(1,496)</u>	<u>(14,245)</u>	<u>(7,017)</u>	<u>(109)</u>
Increase in Cash	72	123	96	7	—
Cash at Beginning of Period	103	7	7	—	—
Cash at End of Period	<u>175</u>	<u>130</u>	<u>103</u>	<u>7</u>	<u>—</u>

See Accompanying Notes to the Consolidated Financial Statements

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in United States \$ thousands)

1. NATURE OF OPERATIONS

WesternZagros Resources Inc. (the "Corporation") was incorporated on September 21, 2004 under the laws of the Province of Alberta. The Corporation is engaged in acquiring properties and exploring for, developing and producing crude oil and natural gas. WesternZagros Limited, a wholly-owned subsidiary of the Corporation, has an Exploration Production Sharing Agreement ("EPSA") to explore for conventional oil and gas on a 2,120 square kilometre exploration project in the Kurdistan Region of Iraq. The Corporation is considered to be in the development stage. The Corporation is a wholly-owned subsidiary of Western Oil Sands Inc. ("Western") and entered into a Consulting and Services Agreement (the "Services Agreement") on December 28, 2005, whereby Western provides certain operational, technical and other support services.

Western announced a Plan of Arrangement, subject to approvals by shareholders, court and other regulatory authorities, pursuant to which additional funds would be available to the Corporation to fund future exploration and development activities. The Corporation expects to enter into commitments for such exploration and development activities which will employ all the funds available and presumes the realization of assets and settlement of liabilities through the normal course of operations. The recoverability and classification of recorded assets or liabilities are dependent upon finding reserves for the Corporation's exploration project.

2. SIGNIFICANT ACCOUNTING POLICIES

In these Consolidated Financial Statements, unless otherwise indicated, all dollar amounts are expressed in United States ("U.S.") dollars. The Corporation has adopted the U.S. dollar as its reporting currency since most of its expenses are closely tied to the U.S. dollar and to facilitate a more direct comparison to other North American crude oil and natural gas exploration and development companies. All references herein to US\$ or to \$ are to United States dollars and references herein to Cdn\$ are to Canadian dollars.

Principles of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and include the accounts of the Corporation and its wholly-owned subsidiaries.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to unsettled transactions and events as of the date of the Consolidated Financial Statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the Consolidated Financial Statements include, but are not limited to, recovery of exploration costs capitalized in accordance with full-cost accounting, asset retirement obligations and income taxes.

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at rates of exchange in effect at the end of the period. Other assets and related depreciation, depletion and amortization, other liabilities, revenues and expenses are translated at rates of exchange in effect at the respective transaction dates. The resulting exchange gains and losses are included in earnings.

Property, Plant and Equipment

Property, plant and equipment (“PP&E”) assets are recorded at cost less accumulated provisions for depreciation, depletion and amortization.

The Corporation accounts for its petroleum and natural gas operations in accordance with the Canadian Institute of Chartered Accountants’ guideline on full-cost accounting in the oil and gas industry. Under this method, all exploration and development costs, including asset retirement obligations, are capitalized and accumulated within cost centres on a country-by-country basis. Such costs include land acquisition, geological and geophysical activity, drilling and testing of productive and non-productive wells, carrying costs directly related to unproved properties, major development projects and administrative costs directly related to exploration and development activities.

If the Corporation commences commercial production from the cost centres, capitalized costs accumulated within each cost centre will be depleted on the unit-of-production method based on the estimated proved reserves of that country using estimated future prices and costs. Proceeds from the disposal of properties are normally deducted from the full-cost pool without recognition of a gain or loss, unless that deduction would result in a change to the depletion rate by 20% or more, in which case a gain or loss is recorded.

In determining the depletion base, the Corporation includes estimated future costs to be incurred in developing proved reserves and excludes the cost of unproved properties and major development projects. Costs of major development projects and costs of acquiring and evaluating significant unproved properties are excluded, on a cost centre basis, from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties, or impairment has occurred. To date, no depletion related to the Corporation’s properties has been recorded as commercial operations have not commenced.

The Corporation reviews the carrying amount of its properties relative to their recoverable amount (the “ceiling test”) for each cost centre at each annual balance sheet date, or more frequently if circumstances or events indicate impairment has occurred. The recoverable amount is calculated as the sum of:

- the undiscounted cash flow from proved reserves using expected future prices and costs;
- the cost of unproved properties; and
- the costs of major development projects less impairment.

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the carrying amount of the properties exceeds their recoverable amount, an impairment loss is recognized in depletion equal to the amount by which the carrying amount of the properties exceeds their fair value. Fair value is calculated as the sum of:

- the cash flows from proved and probable reserves using expected future prices and costs, discounted at a risk-free interest rate; and
- the cost, less impairment, of unproved reserves and major development projects that do not have probable reserves attributable to them.

The Corporation is currently engaged in the Kurdistan Region Exploration Project, as described in note 10, which is in the development stage. As at June 30, 2007, \$33.3 million has been capitalized to date related to this project. No revenues have been generated from this project to date.

Corporate and Other

Corporate PP&E assets are depreciated on a straight-line basis over their useful lives ranging from three to five years.

Asset Retirement Obligation

The Corporation recognizes an asset and a liability for asset retirement obligations in the period in which they are incurred by estimating the fair value of the obligation. The fair value is determined by the Corporation by first estimating the expected timing and amount of cash flows, using third-party costs, that will be required for future dismantlement and site restoration, and then calculating the present value of these future expenditures using a credit-adjusted-risk-free-rate that management of the Corporation deems appropriate. Any change in timing or amount of the cash flows subsequent to initial recognition results in a change in the asset and liability. The Corporation recognizes, over the estimated life of the asset and liability, depletion on the asset and accretion on the liability. Actual expenditures when incurred will be charged against the accumulated obligation. The Corporation currently does not have asset retirement obligation, as operations are in the early stage of development.

Income Taxes

The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the Consolidated Financial Statements and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Corporation assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

3. CHANGES IN ACCOUNTING POLICIES

(a) Non-Monetary Transactions

On January 1, 2006, the Corporation prospectively adopted CICA Handbook Section 3831, "Non-Monetary Transactions" which replaces Section 3830, "Non-Monetary Transactions". Section 3831 establishes standards for the measurement and disclosure of non-monetary transactions. Section 3830 prescribes that exchanges of non-monetary transactions should be measured based on the fair value of the assets exchanged, while providing an exception for non-monetary exchanges in transactions which do not result in the culmination of the earnings process. Section 3831 eliminates this exception provided in Section 3830 and replaces it with an exception for exchanges of non-monetary assets that do not have commercial substance. A transaction has commercial substance when the entity's future cash flows are expected to change significantly as a result of the transaction. There is no impact on the Consolidated Financial Statements as the Corporation did not have exchanges of non-monetary transactions after January 1, 2006 within the scope of Section 3831.

(b) Implicit Variable Interests under AcG-15

On January 1, 2006, the Corporation adopted Emerging Issues Committee Abstract 157 ("EIC-157"). EIC-157 requires that a reporting enterprise consider whether it holds an implicit variable interest in the Variable Interest Entity ("VIE") or potential VIE. The determination of whether an implicit variable interest exists should also be based on whether the reporting enterprise may absorb variability on the VIE or potential VIE. There is no impact on the Consolidated Financial Statements as the Corporation did not hold any implicit variable interest in a VIE or potential VIE.

(c) Conditional Asset Retirement Obligations

On January 1, 2006, the Corporation retroactively adopted Emerging Issues Committee Abstract 159 ("EIC-159"). EIC-159 clarifies that the term "conditional asset retirement obligation" as used in CICA 3110, "Asset Retirement Obligations" refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. EIC-159 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated; an entity to apply expected present value technique if certain conditions exist indicating sufficient information to reasonably estimate conditional asset retirement obligation; and that a liability should be recognized initially in the period in which sufficient information becomes available to estimate a conditional asset retirement obligations fair value. There is no impact on the Consolidated Financial Statements of the Corporation from the retroactive adoption of EIC-159.

(d) Financial Instruments

On January 1, 2007, the Corporation adopted the CICA Handbook sections 3855 "Financial Instruments — Recognition and Measurement," 3862 "Financial Instruments — Disclosures," 3863 "Financial Instruments — Presentation," 3865 "Hedges," 1530 "Comprehensive Income,"

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

and 3251 “Equity.” Other than the effect on Deferred Charges as described under Financial Instruments below, the adoption of the financial instruments standards has not affected the current or comparative period balances on the consolidated financial statements, as all financial instruments identified have been fair valued.

Financial Instruments

Section 3855 requires that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables and that all financial liabilities must be classified as held-for-trading or other. Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in those fair values recognized in earnings. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Derivative instruments are always carried at fair value and reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. Derivatives may be embedded in other financial instruments. Under the new financial instrument standards, derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivative are the same as those of a free-standing derivative, and the combined contract is not held for trading. When an entity is unable to measure the fair value of the embedded derivative separately, the combined contract is treated as a financial asset or liability that is held-for-trading and measured at fair value with changes therein recognized in the earnings.

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated based upon market prices at reporting date for other similar assets or liabilities with similar terms and conditions, or by discounting future payments of interest and principal at estimated interest rates that would be available to the Corporation at the reporting date.

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. Transaction costs related to other financial instruments are generally capitalized and are then amortized over the expected life of the instrument using the effective interest method.

Hedges

Section 3865 replaces the guidance formerly in Section 1650, “Foreign Currency Translation” and Accounting Guideline 13, “Hedging Relationships” by specifying how hedge accounting is

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

applied and what disclosures are necessary when it is applied. The Corporation does not have any derivative instruments that have been designated as hedges.

Comprehensive Income

Section 1530 establishes new standards for reporting the display of comprehensive income, consisting of Net Income and Other Comprehensive Income (“OCI”). OCI is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events from non-owner sources and excludes those resulting from investments by owners and distributions to owners. The Corporation has no such transactions and events which would require the disclosure of OCI for the six month period ended June 30, 2007. Any changes in these items would be presented in a consolidated statement of comprehensive income.

Equity

Section 3251 replaces Section 3250, “Surplus” and establishes standards for the presentation of equity and changes in equity during a reporting period, including changes in Accumulated Other Comprehensive Income (“Accumulated OCI”). Any cumulative changes in OCI would be included in Accumulated OCI and be presented as a new category of Shareholder’s Equity on the consolidated balance sheets.

(e) Accounting Changes

On January 1, 2007, the Corporation adopted CICA Handbook Section 1506, “Accounting Changes”, which revises and replaces former Section 1506, “Accounting Changes”. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors.

(f) Determining the Variability to be Considered in Applying AcG-15

On January 1, 2007, the Corporation prospectively adopted the Emerging Issues Committee issued Abstract 163, “Determining the Variability to be Considered in Applying AcG-15”, which addresses how an enterprise should determine the variability to be considered in applying AcG-15, “Consolidation of Variable Interest Entities”. The adoption of this standard has not affected the current or comparative period balances on the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

<u>June 30, 2007</u>	<u>Cost</u>	<u>Accum. DD&A*</u>	<u>Net</u>
Kurdistan Region Exploration Project	33,281	—	33,281
Corporate and Other	745	(14)	731
	<u>34,026</u>	<u>(14)</u>	<u>34,012</u>

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

<u>December 31, 2006</u>	<u>Cost</u>	<u>Accum. DD&A*</u>	<u>Net</u>
Kurdistan Region Exploration Project	20,646	—	20,646
Corporate and Other	745	(11)	734
	<u>21,391</u>	<u>(11)</u>	<u>21,380</u>
<u>December 31, 2005</u>	<u>Cost</u>	<u>Accum. DD&A*</u>	<u>Net</u>
Kurdistan Region Exploration Project	8,217	—	8,217
Corporate and Other	20	(3)	17
	<u>8,237</u>	<u>(3)</u>	<u>8,234</u>

* *Accumulated Depreciation, Depletion and Amortization*

All costs included in the Kurdistan Region Exploration Project are excluded from depletion, as they represent costs related to properties incurred in cost centres that are considered to be in the pre-production stage. Currently, there are no proved reserves. All costs, net of any associated revenues, have been capitalized.

Included in Corporate and Other is \$0.7 million not subject to depreciation, depletion and amortization, as the projects associated with these costs were not substantially complete and there was no commercial production associated with these projects.

5. DUE TO RELATED PARTY

During the six months ended June 30, 2007 and the year ended December 31, 2006, the Corporation was charged \$4.2 million and \$5.3 million, respectively (June 30, 2006 and December 31, 2005 — \$2.2 million and \$1.4 million, respectively), relating to operational, technical and other support expenditures incurred pursuant to the Services Agreement with Western.

During the six month period ended June 30, 2007 and the years ended December 31, 2006 and 2005, Western paid for various capital, operational, technical, legal, general and administrative expenditures on behalf of the Corporation. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed by related parties. These transactions were undertaken with the same terms and conditions as transactions with non-related parties. The amount will be settled through issuance of equity prior to the close of the Arrangement described in note 11.

6. SHARE CAPITAL

Authorized

The Corporation is authorized to issue an unlimited number of ordinary and preference shares.

The Common Shares are without nominal or par value.

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

6. SHARE CAPITAL (Continued)

Issued and Outstanding

	<u>Number of Shares</u>	<u>Amount</u>
Common Shares		
Balance at December 31, 2004 and 2005	1	1
Share Issuance	1	1
Balance at December 31, 2006	2	2
Share Issuance	—	—
Balance at June 30, 2007	2	2

7. CONTRIBUTED SURPLUS

The following table presents the reconciliation of contributed surplus for the year ended December 31:

	<u>June 30,</u> <u>2007</u>	<u>December 31</u>	
		<u>2006</u>	<u>2005</u>
Contributed Surplus Beginning of Period	10,907	—	—
Premium on Share Issued	—	10,907	—
Contributed Surplus End of Period	10,907	10,907	—

8. INCOME TAXES

As at June 30, 2007 and December 31, 2006, the Corporation has non-capital losses carried forward of \$9.7 million and \$6.0 million, respectively, and a future income tax asset of \$2.8 million and \$1.7 million, respectively, relating to the difference in the carrying value and the tax basis of the assets. Since the asset is limited to the amount that is more likely than not to be realized, no asset has been recorded.

9. CHANGES IN NON-CASH WORKING CAPITAL

<u>Source/(Use)</u>	<u>Six month period</u> <u>ended June 30</u>		<u>Year ended December 31</u>		
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Investing Activities					
Accounts Receivable	(1,901)	86	86	(102)	—
Accounts Payable and Accrued Liabilities	1,659	(1,209)	(1,177)	1,213	—
	(242)	(1,123)	(1,091)	1,111	—

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

10. COMMITMENTS AND CONTINGENCIES

Commitments

The Corporation, through WesternZagros Limited, a wholly-owned subsidiary of the Corporation, received confirmation on March 2, 2007 that its EPSA had been ratified by the Kurdistan Regional Government (“KRG”) and confirmed by the Prime Minister of the Kurdistan Region. As part of the ratification process, the Corporation worked with the Minister of Natural Resources of the KRG to finalize its EPSA area boundary and other key terms in line with the then draft petroleum legislation. The final EPSA area encompasses 2,120 square kilometers (approximately 524,000 acres) and holds a number of high potential prospects. The EPSA provides for the exploration of conventional oil and gas in the Kurdistan Region of Iraq and a work program.

Under the EPSA there are two exploration sub-periods with two possible one-year extensions. The first exploration sub-period ends December 31, 2010. During such time, the Corporation is required to complete a minimum of 1,150 km of seismic surveying and drill at least two exploration wells or spend a minimum of \$30 million in the aggregate on seismic, geologic studies and drilling. At the end of the first exploration sub-period, the Corporation may relinquish the entire contract area (other than any discovery or development areas), or else continue further exploration operations during the second exploration sub-period which ends December 31, 2012. During the second sub-period, the Corporation is required to complete a minimum of 575 km of seismic surveying, and drill at least two exploration wells. At the end of the second exploration sub-period, the Corporation may relinquish the entire contract area (other than any discovery or development areas), or else continue further exploration operations during two one-year extension periods, which would extend the total exploration period to December 31, 2014. During each extension period, the Corporation is required to drill at least one exploration well. At the end of the second exploration subperiod, and at the end of each subsequent extension period, the EPSA requires the Corporation to relinquish 25% of the remaining undeveloped area within the EPSA Lands as selected by the Corporation.

If a discovery is made on the EPSA Lands, there is an obligation to appraise the discovery for commerciality. If such discovery is determined to be commercial, the Corporation is obligated to develop the discovery. The declaration of a first commercial discovery is at the discretion of the Corporation. Discoveries that are determined to be commercial are subject to a 20-year initial term plus two five-year extension periods. The Corporation also has the ability to resurrect the EPSA for non-commercial petroleum discoveries for a period of 10 years.

As part of the EPSA, the Corporation is committed to annual training and secondment commitments of \$1.5 million and \$0.5 million, respectively.

The Corporation will be the operator of the EPSA Lands and has granted participation options to certain third parties. Certain portions of the participation interest will be funded by interest-bearing loans granted by the Corporation.

Contingencies

Regulatory

Oil and gas operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Corporation’s operations may require

WESTERNZAGROS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in United States \$ thousands)

10. COMMITMENTS AND CONTINGENCIES (Continued)

licenses and permits from various governmental authorities in the countries in which it operates. Under the EPSA, the Kurdistan Regional Government is obligated to assist in obtaining all permits and licenses from any government agencies in the Kurdistan Region, and from any other government administration in Iraq. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

11. SUBSEQUENT EVENTS

Plan of Arrangement

Western announced on July 31, 2007 a Plan of Arrangement (the "Arrangement") pursuant to which a subsidiary of Marathon Oil Corporation (NYSE: MRO) will acquire all of Western's outstanding common shares for total consideration of approximately Cdn\$6.6 billion, which includes Cdn\$736.1 million of indebtedness. As part of the Arrangement, existing shareholders of Western will receive one common share of WesternZagros Resources Ltd. ("New WesternZagros") and one-tenth of a warrant to purchase shares of New WesternZagros for each Western share held. Each whole warrant will be exercisable for one share at a price of Cdn\$2.50 for a period of three months following closing. Following the completion of the Arrangement and related subsequent transactions, the Corporation will be a wholly-owned subsidiary of New WesternZagros which will also complete a private placement to directors, officers and employees of New WesternZagros and persons associated with them of up to 5,000,000 New WesternZagros common shares at a price of Cdn\$2.50 per share for gross proceeds of up to Cdn\$12.5 million. The Arrangement is subject to approvals by shareholders, the court and other regulatory authorities.

New WesternZagros will receive approximately Cdn\$82.5 million cash from Western as part of the transaction. In addition, certain persons have committed to participate in the private placement as to approximately Cdn\$9.4 million, and certain other persons have committed to exercise a portion of the warrants of New WesternZagros to be received pursuant to the Arrangement for an additional Cdn\$1.4 million to New WesternZagros. If fully exercised, the Warrants would result in additional cash proceeds of over Cdn\$41.3 million. When added to the other sources of funding, proceeds would total Cdn\$136.3 million.

SCHEDULE "C"
AUDITED BALANCE SHEET OF
WESTERNZAGROS RESOURCES LTD.

PricewaterhouseCoopers LLP
Chartered Accountants
111 5th Avenue SW, Suite 3100
Calgary, Alberta
Canada T2P 5L3
Telephone +1 (403) 509 7500
Facsimile +1 (403) 781 1825

September 13, 2007

The Directors of WesternZagros Resources Ltd.

Dear Sirs,

We have audited the balance sheet of WesternZagros Resources Ltd. (the "Corporation") as at August 31, 2007. The preparation of the balance sheet is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the balance sheet based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Corporation as at August 31, 2007 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"
Chartered Accountants

WESTERNZAGROS RESOURCES LTD.
BALANCE SHEET
(United States \$ thousands)

	<u>August 31,</u> <u>2007</u>
Assets	
Current Assets	
Cash	1
	1
 Shareholder's Equity	
Share Capital (<i>note 2</i>)	1
	1
	=

Approved by the Board of Directors

(Signed) "Fred Dymert"
Director

(Signed) "Randall Oliphant"
Director

See Accompanying Notes to the Consolidated Financial Statements

WESTERNZAGROS RESOURCES LTD.

NOTES TO THE BALANCE SHEET

(Tabular amounts in United States \$ thousands)

1. BASIS OF PRESENTATION

WesternZagros Resources Ltd. (“New WesternZagros”) was incorporated on August 22, 2007 under the laws of the Province of Alberta. New WesternZagros was incorporated for the sole purpose of participating in the Plan of Arrangement (the “Arrangement”), as described in note 2, and has not carried on any active business other than in connection with the Arrangement and related matters. Following the completion of the Arrangement and related subsequent transactions, New WesternZagros will be in the business currently carried on by WesternZagros Resources Inc. (“WesternZagros”) of acquiring properties and exploring for, developing and producing crude oil and natural gas and is considered to be in the development stage.

The majority of New WesternZagros’ business is anticipated to be transacted in United States (“US”) dollars and, accordingly, New WesternZagros’ functional and reporting currency is US dollars.

2. PLAN OF ARRANGEMENT

Western Oil Sands Inc. (“Western”) announced on July 31, 2007 the Arrangement pursuant to which a subsidiary of Marathon Oil Corporation will acquire all of Western’s outstanding common shares. In connection with the Arrangement, New WesternZagros will acquire all outstanding shares in WesternZagros. WesternZagros Limited, a wholly-owned subsidiary of WesternZagros, has an Exploration Production Sharing Agreement (“EPSA”) to explore for conventional oil and gas on a 2,120 kilometre exploration project area in the Kurdistan Region of Iraq.

As part of the Arrangement, the existing shareholders of Western will receive one share of New WesternZagros and one-tenth of a common share purchase warrant to purchase the shares of New WesternZagros for every Western share held. Each whole warrant will be exercisable at a price of Cdn\$2.50 for a period of three months following closing. Following the completion of the Arrangement and related subsequent transactions, New WesternZagros will complete a private placement (the “New WesternZagros Private Placement”) to directors, officers and employees of New WesternZagros and persons associated with them of up to 5,000,000 New WesternZagros shares at a price of Cdn\$2.50 per share for gross proceeds to New WesternZagros of up to \$11.9 million (Cdn\$12.5 million). The Arrangement is subject to approvals by shareholders, the court and other regulatory authorities.

New WesternZagros will receive approximately Cdn\$82.5 million cash from Western as part of the transaction. In addition, certain persons have committed to participate in the New WesternZagros Private Placement as to approximately Cdn\$9.4 million, and certain other persons have committed to exercise a portion of the warrants of New WesternZagros to be received pursuant to the Arrangement for an additional Cdn\$1.4 million to New WesternZagros. If fully exercised, the warrants would result in additional cash proceeds of over Cdn\$41.3 million. When added to the other sources of funding, proceeds would total Cdn\$136.3 million.

3. SHARE CAPITAL

Authorized

New WesternZagros is authorized to issue an unlimited number of ordinary and preference shares.

The Common Shares are without nominal or par value.

WESTERNZAGROS RESOURCES LTD.
NOTES TO THE BALANCE SHEET (Continued)
(Tabular amounts in United States \$ thousands)

3. SHARE CAPITAL (Continued)

Issued and Outstanding

	Number of Shares	Amount
Common Shares		
Share Issuance	1,000	<u>1</u>
Balance at August 31, 2007	<u>1,000</u>	<u>1</u>

4. SUBSEQUENT EVENTS

(a) Acquisition of WesternZagros Shares

Following the closing of the Arrangement described in note 2 and as part of the related subsequent transactions, New WesternZagros will acquire all issued and outstanding shares of WesternZagros in consideration for the issuance by New WesternZagros of New WesternZagros Preferred Shares.

(b) Private Placement

Following the completion of the Arrangement, New WesternZagros will complete the New WesternZagros Private Placement to directors, officers and employees of New WesternZagros and persons associated with them of up to 5,000,000 New WesternZagros shares at a price of Cdn\$2.50 per share for gross proceeds to New WesternZagros of up to \$11.9 million (Cdn\$12.5 million). No finders fees or commissions will be paid in connection with the private placement. As at September 13, 2007 subscriptions for the New WesternZagros Private Placement total 3,760,000 shares for approximate proceeds of \$8.9 million (Cdn\$9.4 million).

(c) Lock-up Funding

As part of the Arrangement each existing Western shareholder will receive one-tenth of a common share purchase warrant to purchase shares in New WesternZagros for every Western share owned. Each whole warrant will be exercisable into one New WesternZagros share at an exercise price of Cdn\$2.50. Warrants totalling proceeds of \$1.3 million (Cdn\$1.4 million) have been committed to be exercised by certain persons.

(d) Listing on TSX Venture Exchange

New WesternZagros has applied to list the New WesternZagros Shares and the New WesternZagros Warrants on the TSX Venture Exchange ("TSX-V"). Such listing will be subject to New WesternZagros meeting the original listing requirements of the TSX-V.

[Camera Ready Placeholder]

[Sproule Report — Pages G-80 to G-158]

APPENDIX H — NEW WESTERNZAGROS STOCK OPTION PLAN

WESTERNZAGROS RESOURCES LTD.

STOCK OPTION PLAN

1. Purpose

The purpose of the Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to there as follows:

- (a) “**Black-Out Period**” means a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation;
- (b) “**Board of Directors**” means the Board of Directors of the Corporation;
- (c) “**Common Shares**” means common shares in the capital of the Corporation and any shares or securities of the Corporation into which such common shares are changed, converted, subdivided, consolidated or reclassified;
- (d) “**Corporation**” means WesternZagros Resources Ltd. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (e) “**Discounted Market Price**” means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (f) “**Exchange**” means the TSX Venture Exchange or any other stock exchange on which the Common Shares are listed;
- (g) “**Exchange Policies**” means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (h) “**Insider**” has the meaning ascribed thereto in Exchange Policies;
- (i) “**Option**” means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;
- (j) “**Option Period**” means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is five (5) years and ten (10) years from the date the Option is granted based on the Corporation being a Tier 2 Issuer or a Tier 1 Issuer, respectively, other than any permitted extension pursuant to Section 8 due to a Black-Out Period;
- (k) “**Optionee**” means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and

- (l) “Plan” shall mean the Corporation’s incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policy, including without limitation “Consultant”, “Employee”, “Insider”, “Investor Relations Activities”, “Management Company Employee”, “Tier 1 Issuer” and “Tier 2 Issuer”.

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

3. Administration

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

4. Eligibility

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

5. Participation

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee’s relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. Common Shares Subject to Options

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Common Shares;
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares; or
- (c) the grant to any one (1) Optionee within a twelve month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares.

Subject to Exchange Policies, the aggregate number of Common Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant (or 2% of the issued and outstanding Common Shares in the case of an Optionee who is an Employee conducting Investor Relations Activities or who is a Consultant (as such terms are defined in Exchange Policies)).

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

7. Option Agreement

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "Stock Option Agreement"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "Expiry Date"), subject to earlier termination as provided in Sections 10 and 11 hereof.

Notwithstanding the foregoing, in the event that the Expiry Date falls within a Black-Out Period or within ten (10) business days immediately after a Black-Out Period ends, the new Expiry Date of the Option shall be ten (10) business days from the date that the Black-Out Period ends.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised.

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, including, without limitation, the 1933 Act, the *United States Securities and Exchange Act of 1934, as amended*, applicable U.S. state laws, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

10. Ceasing to be a Director, Officer, Employee or Consultant

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

11. Death of Optionee

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

12. Optionee's Rights Not Transferable

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. Takeover or Change of Control

The Board of Directors shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or
- (b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Board of Directors shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Board of Directors prior to the completion of such transaction.

14. Anti-Dilution of the Option

In the event of:

- (a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change;
- (c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

15. Costs

The Corporation shall pay all costs of administering the Plan.

16. Termination and Amendment

The Board of Directors may amend from time to time or suspend, terminate or discontinue the terms and conditions of this Plan or any outstanding Option granted hereunder by resolution of the Board. Any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Except as otherwise provided, any amendment to the Plan shall take effect only with respect to Options granted after the effective date of the amendment; provided that it may apply to Outstanding Options with the mutual consent of the Corporation and the Optionee to whom such Options have been granted. The Board of Directors shall have the power and authority to approve amendments relating to the Plan or to Options at any time, without the further approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, including, without limitation, to the extent that such amendment:

- (a) is necessary to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights;
- (b) is for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (c) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
- (d) changes the terms and conditions on which Options have been granted pursuant to the Plan, including the re-pricing of such Options and changes to the length of the Option Period;
- (e) alters, extends or accelerates the terms of vesting applicable to any Option;
- (f) amends or modifies the mechanics for exercising Options, including the addition of a cashless exercise feature; or
- (g) is an amendment to the Plan of a “housekeeping nature”;

provided that in case of any alteration, amendment or variation referred to in paragraph (a) and (b) of this Section 16 the alteration, amendment or variation does not:

- (h) amend the number of Common Shares issuable under the Plan;
- (i) increase an Option Period beyond the maximum period permitted by the Exchange, other than any permitted extension thereto due to a Black-Out Period;
- (j) add any form of financial assistance by the Corporation for the exercise of any Option;
- (k) result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an Optionee; or
- (l) change the class of eligible participants to the Plan which would have the potential of broadening or increasing participation by Insiders of the Corporation;

and further provided that

- (m) disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment; and
- (n) any Options granted prior to acceptance and approval of such amendments by the Exchange shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

17. Applicable Law

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

18. Prior Plans

On the effective date (as set out in Section 19 hereof), subject to Exchange approval and, if required, shareholder approval:

- (a) the Plan shall entirely replace and supersede prior stock option plans, if any, enacted by the Corporation; and
- (b) all outstanding options shall be deemed to be granted pursuant to the Plan.

19. Effective Date

This Plan shall become effective as of and from, ● , 2007.

APPENDIX I — AUDITED BALANCE SHEET OF ACQUISITIONCO

AUDITORS' REPORT

To the directors of 1339971 Alberta Ltd.:

We have audited the balance sheet of 1339971 Alberta Ltd. as at July 30, 2007. This financial statement is the responsibility of 1339971 Alberta Ltd.'s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of 1339971 Alberta Ltd. as at July 30, 2007 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Houston, Texas
September 7, 2007

1339971 ALBERTA LTD.

BALANCE SHEET

As at July 30, 2007

Assets

Current assets

Receivable from parent company \$1

Total assets \$1

Shareholder's Equity

Share capital \$1

Total shareholder's equity \$1

See accompanying notes.

On behalf of the Board:

(Signed) "David E. Roberts, Jr."
Director

(Signed) "John H. Kousinioris"
Director

1339971 ALBERTA LTD.
NOTES TO FINANCIAL STATEMENT

1. INCORPORATION AND FINANCIAL PRESENTATION

1339971 Alberta Ltd. was incorporated pursuant to the *Business Corporations Act* (Alberta) on July 30, 2007. 1339971 Alberta Ltd, an indirectly, wholly-owned subsidiary of Marathon Oil Corporation, has not carried on active business since incorporation. This financial statement has been prepared in accordance with Canadian generally accepted accounting principles.

2. SHARE CAPITAL

Authorized

1339971 Alberta Ltd. is authorized to issue an unlimited number of voting common shares and an unlimited number of preferred shares. The common shares are without nominal or par value.

Issued

	<u>Number of Shares</u>	<u>Consideration</u>
Common shares		
Issued on initial organization on July 30, 2007	1	\$1

3. SUBSEQUENT EVENT

Pursuant to the Arrangement Agreement dated July 30, 2007 (“Arrangement”), the Company will acquire all of the issued and outstanding shares of Western Oil Sands Inc. The Arrangement is subject to regulatory, judicial and shareholder approval and is anticipated to be completed early in the fourth quarter of 2007.

APPENDIX J — SECTION 191 OF THE ABCA

SECTION 191 OF THE *BUSINESS CORPORATION ACT* (ALBERTA)

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
- (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under section 184 or 187,
- (d) be continued under the laws of another jurisdiction under section 189, or
- (e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2)

- (a) by the corporation, or
- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
- (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
- (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and examinations for discovery,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
 - (c) fixing the time within which the corporation must pay that amount to a shareholder, and
 - (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (14) On
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,

- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

Please direct all inquiries to:

Questions and Further Assistance

If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact the proxy solicitation agent at:

Georgeson

**100 University Avenue
11th Floor, South Tower
Toronto, Ontario
M5J 2Y1**

North American Toll Free Number: 1-888-605-7643