



### Notice of Annual Meeting of the Shareholders

**TO: THE SHAREHOLDERS OF WESTFIRE ENERGY LTD.**

TAKE NOTICE that the Annual Meeting (the "**Meeting**") of the shareholders of WestFire Energy Ltd. ("**WestFire**" or the "**Corporation**") will be held at the Westwinds Meeting Room located on the second floor at 555 – 4th Avenue S.W., Calgary, Alberta on the 25<sup>th</sup> day of May, 2011 at 1:30 p.m. (Calgary time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 2010, the auditors' report thereon and the report of the Board of Directors;
2. To fix the number of directors to be elected at the Meeting at six (6);
3. To elect the directors of the Corporation;
4. To appoint auditors and to authorize the directors to fix their remuneration as such; and
5. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular – Proxy Statement which accompanies and forms part of this Notice.

**Shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with the Secretary of the Corporation, c/o Valiant Trust Company, Stock Transfer Department, Suite 600, 750 Cambie Street, Vancouver, BC V6B 0A2. In order to be valid and acted upon at the Meeting, forms of proxy must be received at the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.**

**Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.**

The Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on April 7, 2011 (the "**Record Date**"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 7<sup>th</sup> day of April, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*Lowell E. Jackson*"  
Lowell E. Jackson  
President and Chief Executive Officer



## Information Circular – Proxy Statement

for the Annual Meeting  
to be held on May 25, 2011

Dated: April 7, 2011

### SOLICITATION OF PROXIES

This Information Circular – Proxy Statement is furnished in connection with the solicitation of proxies by the management of WestFire Energy Ltd. (the "**Corporation**") for use at the Annual Meeting of the shareholders of the Corporation (the "**Meeting**") to be held on the 25<sup>th</sup> day of May, 2011 at 1:30 p.m. (Calgary time) at the Westwinds Meeting Room located on the second floor at 555 – 4th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual Meeting. Instruments of Proxy must be received by the Secretary of the Corporation, c/o Valiant Trust Company, Stock Transfer Department, Suite 600, 750 Cambie Street, Vancouver, BC V6B 0A2, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting at the close of business on April 7, 2011 (the "**Record Date**"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

Unless otherwise stated, the information contained in this Information Circular – Proxy Statement is given as at April 7, 2011.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than the persons designated, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.**

### BENEFICIAL HOLDERS OF SHARES

The information set forth in this section is provided to beneficial holders of shares of the Corporation who do not hold their shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial 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 nominees for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions,

the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form 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.

#### **REVOCABILITY OF PROXY**

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing deposited either at the registered office of the Corporation 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, and upon either of such deposits, the proxy is revoked.

#### **PERSONS MAKING THE SOLICITATION**

**The solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual Meeting and this Information Circular – Proxy Statement will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor.

#### **EXERCISE OF DISCRETION BY PROXY**

The shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

**In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument**

**of Proxy and Notice of Annual Meeting. At the time of printing this Information Circular – Proxy Statement, management of the Corporation knows of no such amendment, variation or other matter.**

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **Election of Directors**

At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at six (6) members and to elect six (6) directors to hold office until the next Annual Meeting or until their successors are elected or appointed. There are currently six directors of the Corporation, each of whom retires from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at six (6) members and in favour of the election as directors of the six (6) nominees hereinafter set forth:

Lowell E. Jackson	Ed Chwyl
John A. Brussa	Christopher L. Fong
Raymond T. Chan	Michael Y. McGovern

The names, provinces or states and countries of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned or controlled or directed, directly or indirectly, the offices held by each in the Corporation, the period served as director and the principal occupation, business or employment of each are set forth below. The information as to shares beneficially owned or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the nominees as of April 7, 2011.

<b>Name, Province and Country of Residence and Position with the Corporation</b>	<b>Principal Occupation during the Five Preceding Years</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly</b>
Lowell E. Jackson Alberta, Canada President, Chief Executive Officer and Director	President and Chief Executive Officer of WestFire since December 2007. Prior thereto, President and Chief Executive Officer of Real Resources Inc. from 1997 to 2007.	December 13, 2007	464,576 Common Shares
John A. Brussa <sup>(2)</sup> Alberta, Canada Director	Partner, Burnet, Duckworth & Palmer LLP (law firm).	December 13, 2007	143,403 Common Shares
Raymond T. Chan <sup>(1)</sup> Alberta, Canada Director	Executive Chairman of Baytex Energy Corp. (previously Baytex Energy Ltd.) (Baytex Energy Trust) since January 1, 2009. Prior thereto, President of Baytex Energy Ltd. (Baytex Energy Trust) from September 2003 to November 2007 and Chief Executive Officer of Baytex Energy Ltd. (Baytex Energy Trust) from September 2003 to December 2008.	December 13, 2007	68,945 Common Shares

<b>Name, Province and Country of Residence and Position with the Corporation</b>	<b>Principal Occupation during the Five Preceding Years</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly</b>
Ed Chwyl <sup>(2)(3)</sup> British Columbia, Canada Director	Lead Independent Director of Baytex Energy Corp. (previously Baytex Energy Ltd.) (Baytex Energy Trust) since February 17, 2009. Prior thereto, Chairman of the Board of Directors of Baytex Energy Ltd. (Baytex Energy Trust) since 2003.	December 13, 2007	425,367 Common Shares
Michael Y. McGovern <sup>(1)(2)(3)</sup> Texas, U.S.A. Director	Executive Advisor to Cadent Energy Partners LLC since January 2008. Prior thereto, President and Chief Executive Officer of Pioneer Companies Inc. from 2002 to 2007.	July 4, 2008	48,404 Common Shares
Christopher L. Fong <sup>(1)(3)</sup> Alberta, Canada Director	Independent businessman since May 2009. Prior thereto Global Head Corporate Banking, Energy with RBC Capital Markets.	March 29, 2011	3,404 Common Shares

*Notes:*

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee.
- (3) Member of the Reserves, Safety and Environmental Committee.
- (4) WestFire does not have an executive committee of its board of directors.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To WestFire's knowledge, other than as disclosed herein, to the knowledge of the Corporation, no proposed director: (i) is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer (including the Corporation) that, (a) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, (b) was subject to an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, which resulted, after that person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, or (c) while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to 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; (ii) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets; or (iii) 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 security holder in deciding whether to vote for a proposed director.

John A. Brussa was a director of Imperial Metals Limited, a corporation engaged in both oil and natural gas and mining operations, in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation and IEI Energy Inc. (subsequently renamed Rider Resources Ltd.).

Michael Y. McGovern was the Chief Executive Officer and a director of Coho Energy, Inc. ("**Coho**"), a corporation engaged in oil and gas exploitation, exploration and development, from April 2000 to December 2002. Coho filed for bankruptcy on February 6, 2002 and its assets were sold and the proceeds were distributed to Coho's secured creditors. Michael Y. McGovern was a director of Tronox, Inc. ("**Tronox**"). Tronox filed for bankruptcy on June 12, 2009 and was discharged from bankruptcy on February 14, 2011.

The trading in shares of Rimron Resources Inc. was the subject of a cease trade order in the provinces of Alberta, British Columbia and Saskatchewan for failure to file and mail to shareholders the required financial statements. Rimron Resources Inc. was involuntarily de-listed by the TSXV on April 12, 2002 for failure to meet minimum listing requirements. During the period of the cease trade order, D. Stephen Burt became Chief Financial Officer and was responsible for bringing the financial statements into compliance.

### **Appointment of Auditors**

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of PricewaterhouseCoopers LLP, Chartered Accountants, to serve as auditors of the Corporation until the next Annual Meeting of the shareholders and to authorize the directors to fix their remuneration as such. PricewaterhouseCoopers LLP has been the Corporation's auditors since December 13, 2007.

## **INFORMATION CONCERNING THE CORPORATION**

### **Voting Shares and Principal Holders Thereof**

As at April 7, 2011, there were 44,810,647 Common Shares of the Corporation issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than one person present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting. The Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on April 7, 2011.

To the knowledge of the directors and executive officers of the Corporation, as at April 7, 2011, no person or company beneficially owned or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage of Class (%)</u>
Cadent Energy Partners SARL <sup>(1)</sup>	6,723,336	15

*Note:*

- <sup>(1)</sup> Michael Y. McGovern, a director of the Corporation, is an Executive Advisor of Cadent Energy Partners, an affiliate of Cadent Energy Partners SARL.

### **Statement of Executive Compensation**

The Corporation's statement of executive compensation is set forth in Schedule "B" hereto.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans as at December 31, 2010.

Plan Category <sup>(1)</sup>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	3,118,967	\$6.22	874,564
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>3,118,967</b>	<b>\$6.22</b>	<b>874,564</b>

*Note:*

(1) The Corporation's only equity compensation plan is the Corporation's share option plan. See Schedule "B" – "Statement of Executive Compensation – Option-Based Awards".

## Indebtedness of Directors and Executive Officers

No director, executive officer, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries, or any associate of any such director, executive officer or employee is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

## Audit Committee Information

The information required by Form 52-110F1 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, including information regarding the fees billed to WestFire by PricewaterhouseCoopers, Chartered Accountants, Calgary, Alberta, is contained in WestFire's Annual Information Form for the year ended December 31, 2010, under the heading "Audit Committee Information", an electronic copy of which is available on WestFire's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Corporate Governance Practices

The Corporation's disclosure with respect to Corporate Governance Practices is set forth in Schedule "A" hereto.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any informed persons (as defined in National Instrument 51-102) of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the most recently completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

**INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2010 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management's discussion and analysis are available upon request from the Chief Financial Officer of the Corporation, (403) 718-3603 or [sburt@westfireenergy.com](mailto:sburtt@westfireenergy.com).

## SCHEDULE "A"

### WESTFIRE ENERGY LTD. CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101, entitled "Disclosure of Corporate Governance Practices" ("**NI 58-101**") requires that if management of an issuer solicits proxies from its security holders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Corporation is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of the Corporation's current corporate governance practices, relative to the Form 58-101F1 Disclosure.

#### 1. **Board of Directors**

##### (a) **Disclose the identity of directors who are independent.**

The following five (5) directors of the Corporation are independent (for purposes of NI 58-101):

Ed Chwyl (Chairman)  
John A. Brussa  
Raymond T. Chan  
Christopher L. Fong  
Michael Y. McGovern

##### (b) **Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Lowell E. Jackson is not considered to be independent as Mr. Jackson is President and Chief Executive Officer of WestFire.

##### (c) **Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the directors of the Corporation (five of the six) are independent.

##### (d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
Ed Chwyl	Baytex Energy Corp.
John A. Brussa	Baytex Energy Corp., Calamena Energy Services Inc. (formerly BlackWatch Energy Services Corp.), Cirrus Energy Corporation, Crew Energy Inc., Deans Knight Income Corporation, Enseco Energy Services Corp., Galleon Energy Inc., Midway Energy Ltd. (formerly Trafalgar Energy Ltd.), North American Energy Partners Inc., Orleans Energy Ltd., Penn West Petroleum Ltd. (Penn West Energy Trust), Progress Energy Resources Corp. (formerly ProEx Energy Ltd.), Storm Exploration Inc., Yoho Resources Inc., Equal Energy Ltd., Chinook Energy Inc., Pinecrest Energy Inc., Twin Butte Energy

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
	Ltd., Just Energy Group Inc.
Raymond T. Chan	Baytex Energy Corp., TMX Group Inc.
Christopher L. Fong	Anderson Energy Ltd., Canadian Natural Resources Limited
Michael Y. McGovern	GeoMet, Inc.

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

At the end of or during each meeting of the Board, the members of management of the Corporation and the management directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet separately. Two of such meetings of the independent directors have been held since the beginning of the Corporation's most recently completed financial year. In addition, other meetings of the independent directors may be held from time to time if required.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

The Chairman of the Board is Ed Chwyl who is an independent director. Mr. Chwyl's duties and responsibilities are outlined in detail in a position description and include the following:

- Presides at all meetings of the board and at all meetings of shareholders.
- Provides overall leadership to the Board without limiting the principle of collective responsibility and the ability of the Board to function as a unit.
- Ensures that Board meetings function satisfactorily and that each individual director's particular knowledge and competence are used as best as possible in the Board work for the benefit of the Corporation.
- Liaises with management and the Secretary of the Corporation to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for all Board and shareholder meetings.

- (g) **Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for meetings and committee meetings held in 2010, subsequent to their appointment, is as follows:

Name	Board Meetings Attended / Held	Audit Committee Meetings Attended / Held	Corporate Governance and Compensation Committee Meetings Attended / Held	Reserves, Safety and Environmental Committee Meetings Attended / Held
Ed Chwyl	8 / 8	-	1 / 1	1 / 1
Lowell Jackson	8 / 8	-	1 / 1	1 / 1
John A. Brussa	8 / 8	-	-	-
Raymond T. Chan	8 / 8	4 / 4	-	-
Michael Y. McGovern	8 / 8	4 / 4	1 / 1	1 / 1
Christopher L. Fong <sup>(1)</sup>	6 / 8	3 / 4	-	1 / 1

*Note:*

(1) Mr. Fong was appointed a director of the Corporation on March 29, 2010.

2. **Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

The mandate of the Board is attached hereto as Appendix A.

3. **Position Descriptions**

(a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The Board of Directors has developed written position descriptions for the Chairman of the Board as well as the Chairman of each of the committees of the Board.

(b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The Board, with the input of the Chief Executive Officer of the Corporation, has developed a written position description for the Chief Executive Officer.

4. **Orientation and Continuing Education**

(a) **Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

Due to the size of the Board, no formal program currently exists for the orientation of new directors; existing directors provide orientation and education to new directors on an informal and ad hoc basis. In addition, new directors of WestFire will be provided with copies of the mandates of the committees of the Board and management will provide new directors with presentations respecting the nature and operations of WestFire's business.

(b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for the directors of WestFire; however, WestFire encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. WestFire will pay the costs of such courses and seminars. Each director of WestFire has the responsibility for ensuring that he maintains the skill and knowledge necessary to satisfy his duties as a director.

## 5. **Ethical Business Conduct**

### (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

WestFire has implemented a Code of Business Conduct and Ethics ("**Code of Ethics**") which outlines acceptable corporate practices. Under the Code of Ethics policy, all employees, consultants, officers and directors are obligated to annually review and sign a copy of the Code of Ethics. WestFire has also established a mechanism to support anonymous "whistleblower" action to support WestFire's Code of Ethics. To date, currently and in the future, all employees, consultants and directors have/will enjoy direct access to all of the executive officers of WestFire to discuss ethical matters and report contraventions of WestFire's Code of Ethics.

### (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

### (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

In addition to the Code of Ethics the Board has also adopted a "Whistleblower Policy" wherein employees and consultants of the Corporation are provided with the mechanics by which they may raise concerns including (but not limited to) falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

## 6. **Nomination of Directors**

### (a) **Describe the process by which the board identifies new candidates for board nomination.**

The Corporate Governance Committee is responsible for recommending suitable candidates for nominees for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Corporate Governance Committee is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

In the past, when potential candidates have been identified, they are screened to ensure that they possess the requisite qualities of integrity, areas of business and professional experience, independence considerations and other skills. The other commitments of the potential candidates are also considered to ensure that the candidate is able to fulfill his obligations as a member of the Board. Potential candidates are identified

through suggestions by members of the Board, industry contacts and, in certain cases, professional search agencies.

The Corporate Governance Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

- (b) **Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

The Corporate Governance and Compensation Committee, which is responsible for nominating directors, is comprised of three independent directors.

- (c) **If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a) above.

## 7. **Compensation**

- (a) **Describe the process by which the board determines the compensation for the issuer's directors and officers.**

See Schedule "B" – "Statement of Executive Compensation" attached hereto.

- (b) **Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Corporate Governance and Compensation Committee is comprised of three independent directors.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Corporate Governance and Compensation Committee's responsibility is to formulate and make recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation. Without limiting the generality of the foregoing, the Corporate Governance and Compensation Committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
- (ii) to review and recommend to the Board the retainer and fees to be paid to members of the Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those corporate goals and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on such evaluation;
- (iv) to recommend to the Board with respect to non-CEO officer and director compensation including to review management's recommendations for proposed stock option, share purchase plans and

other incentive-compensation plans and equity-based plans for non-CEO officer and director compensation and make recommendations in respect thereof to the Board;

- (v) to administer the stock option plan approved by the Board in accordance with its terms including the recommendation to the Board of the grant of stock options in accordance with the terms thereof;
- (vi) to determine and recommend for approval of the Board bonuses to be paid to officers and employees of the Corporation and to establish targets or criteria for the payment of such bonuses, if appropriate; and
- (vii) to prepare and submit a report of the Committee for inclusion of annual disclosure required by applicable securities laws to be made by the Corporation including the Corporate Governance Committee Report required to be included in the information circular – proxy statement of the Corporation and review other executive compensation disclosure before the Corporation publicly discloses such information.

The Corporate Governance and Compensation Committee is required to consist of at least three directors, or such greater number as the Board may determine from time to time. Two members of the Committee are required to be independent; as such term is defined for this purpose under applicable securities requirements. Pursuant to the mandate and terms of reference of the Corporate Governance and Compensation Committee, meetings of the Committee are to take place at least one time per year and at such other times as the Chair of the Corporate Governance and Compensation Committee may determine.

- (d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

During 2010 the Corporation utilized a human resources consultant, Ms. Anne Dunn to advise on general human resource matters, including the competitiveness of the Corporation's current compensation and benefits plans.

- 8. **Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function. The Board has delegated the following responsibilities to the Corporate Governance and Compensation Committee:**

In addition to the Audit Committee, WestFire has also established a Corporate Governance and Compensation Committee and a Reserves, Safety and Environmental Committee.

Make recommendations to the Board with respect to the compensation of WestFire's executives; and

Ensure that the total compensation paid to all executives is fair and reasonable and consistent with WestFire's overall compensation philosophy.

The Board has delegated, among other things, the following responsibilities to the Reserves Safety and Environmental Committee:

- Review the qualifications, experience, availability of staff, reserve audit approach and costs of independent engineering firms available to annually report on the quantity and value of WestFire's oil and natural gas reserves.

- Review WestFire's internal procedure for supplying historical volume data, operating cost data and ownership data to the independent engineering firm to be used as the basis, along with other variables, for future projections.
- Review major assumptions and resulting outcomes used by the independent engineering firms in preparation of their report on WestFire's reserves.
- Undertake an annual review of the reserve revisions with the Vice President, Engineering and the independent engineering firm.
- Review WestFire's performance with all applicable law and regulations with respect to environment health and safety.

9. **Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.**

The Board is responsible for reviewing the size, composition and overall performance of the directors of the Board and the committees of the Board.

## APPENDIX A

### MANDATE OF THE BOARD OF DIRECTORS

#### GENERAL

The Board of Directors (the "**Board**") of WestFire Energy Ltd. (the "**Corporation**" or "**WestFire**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of WestFire. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of WestFire;
- supervise the management of the business and affairs of WestFire with the goal of achieving WestFire's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

#### SPECIFIC

##### *Executive Team Responsibility*

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Establish processes as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

##### *Operational Effectiveness and Financial Reporting*

- Annual review and adoption of a strategic planning process and approval of WestFire's strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to WestFire and that the best practical procedures are in place to monitor and mitigate the risks.
- Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.
- Establish or cause to be established an adequate system of internal control.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding WestFire's financial and other disclosure.

- Review and approve WestFire's financial statements and oversee WestFire's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

***Integrity/Corporate Conduct***

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout WestFire.

***Board Process/Effectiveness***

- Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
- Engage in the process of determining Board member qualifications with the Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of WestFire's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which WestFire operates, or is contemplating potential operations.

Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

#### **DELEGATION**

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of WestFire, the Chairman of the Board will act as a liaison between stakeholders of WestFire and the Board (including independent members of the Board).

## SCHEDULE "B"

### WESTFIRE ENERGY LTD.

#### STATEMENT OF EXECUTIVE COMPENSATION

The following sets forth information concerning the annual and long term compensation for services rendered to the Corporation for the financial year ended December 31, 2010 in respect of each of the individuals who were the Named Executive Officers or NEOs of the Corporation during such financial year as determined in accordance with NI 51-102 and the Directors. None of the Named Executive Officers that were also directors of the Corporation received any compensation for their services as a director.

#### **Compensation Discussion and Analysis**

##### *Introduction*

The Corporate Governance and Compensation Committee of the WestFire Board (the "**Committee**") is responsible for making recommendations to the WestFire Board with respect to the compensation of the Named Executive Officers. The Committee ensures that total compensation paid to all Named Executive Officers is fair and reasonable and consistent with the WestFire's compensation philosophy. The Committee is comprised of Messrs. Ed Chwyl, John A. Brussa and Michael Y. McGovern.

##### *What are the objectives of the executive compensation program?*

Compensation plays an important role in achieving short and long-term business objectives that ultimately drives business success in alignment with long-term shareholder goals.

WestFire's compensation philosophy is based on three fundamental principles:

1. Strong link to business strategy – WestFire's short and long-term goals should be reflected in the overall executive compensation program;
2. Performance sensitive – compensation should be linked to operating and market performance of WestFire and fluctuate with performance; and
3. Market relevant – the executive compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new recruits of the highest calibre.

The objectives of the executive compensation program in compensating all Named Executive Officers are:

1. To attract and retain highly qualified executive officers with a history of proven success;
2. To align the interests of executive officers with shareholders' interests and with the execution of WestFire's business strategy;
3. To evaluate executive performance on the basis of key financial and operating measurements which closely correlate to long-term shareholder value such as revenue, cash flow, recycle ratio and relative total shareholder return; and
4. To tie compensation directly to those measurements and rewards based on achieving and overachieving predetermined objectives.

***What is the executive compensation program designed to reward?***

The executive compensation program is designed to reward corporate and individual performance.

Corporate performance is generally measured and evaluated by reviewing actual performance versus the corporate objectives approved by the WestFire Board at the commencement of the fiscal year.

Individual performance is evaluated based on individual expertise, leadership and achievement of personal performance goals and objectives. In addition, the executive compensation program is designed to reward both short term and long term performance.

***What are the elements of the executive compensation program?***

WestFire's executive compensation program consists of three principal components: base salary, annual cash bonus, and long term incentive programs. The aggregate value of these components, and related benefits, is used as a basis for assessing the overall competitiveness of an NEO's total compensation package.

***What is the purpose of each element of the executive compensation program and how is the amount (and, where applicable, the formula) of each element determined?***

*Base Salaries*

The base salary is considered the foundation of WestFire's executive compensation program. A base salary is intended to provide a fixed level of competitive pay that reflects the executive officer's primary duties and responsibilities. It also provides a foundation upon which incentive opportunities and benefit levels can be established. The Committee considers a number of factors in the determination of base salaries for executive officers, including, generally, WestFire's long term interests, financial objectives, and overall performance, and more specifically, leadership ability, level of responsibility, individual performance, years of relevant experience and salaries paid by comparable corporations and entities. Salaries of the Named Executive Officers and all other officers are reviewed annually based upon corporate and personal performance and on individual levels of responsibility.

WestFire's policy is to provide salaries that approximate the median for entities of a similar size operating in our industry. The salaries paid to the executive officers and employees are reviewed annually. There is no salary paid to the Chairman.

Along with the base salaries, WestFire also provides a company-funded employee benefits program, extended health and dental insurance, life insurance equal to two times annual base salary, group disability insurance program, equal to a 66.7% of the first \$2,500 plus 40% of the remainder of monthly earnings. The disability premiums are paid by the employees which allows disability income to be received by the employee tax free. Additionally WestFire provides a health spending account to a maximum of five hundred dollars per year per employee, a health and wellness plan and an employee and family assistance plan.

In 2010, the salaries provided to the executive officers were below the median while the salaries paid to employees approximated median values for similar sized entities operating in the same industry as WestFire. Over time as WestFire grows, salaries will increase to the comparable levels of similar sized entities in the same industry.

*Annual Cash Bonuses*

The annual cash bonus element of the executive compensation program is structured to drive and reward current year results. It is the Committee's philosophy that an individual bonus should be tied primarily to corporate goals and to that individual's contribution to achieving those goals. The granting of annual bonus amounts is at the discretion of the WestFire Board, based upon recommendations from the Committee.

WestFire's policy is to pay annual bonuses to executive officers, including the Chairman, and employees based upon WestFire's overall corporate performance on a discretionary basis as determined by the Board. Factors considered in assessing WestFire's performance include: production addition efficiency, reserve addition efficiency targets as well as cash cost per barrel of oil equivalent targets. No maximum aggregate or individual bonus amount has been established.

Prior to payment, the Board approves the individual and aggregate bonus amounts. The Board has the right to suspend the bonus plan at any time.

In 2010, an aggregate of \$353,700 in bonuses were paid to executive officers and employees of WestFire.

#### *Long Term Incentive Plans*

The Committee believes that long term incentive compensation plays an essential role in aligning the interests of executives with the goal of maximizing shareholder value. In addition, the Committee believes long term incentives play a critical role in the attraction and retention of senior executives, particularly in the highly competitive market for oil and gas industry executives.

#### *Share Option Plan*

Stock options under the Option Plan (as defined herein) are granted to directors, executive officers, employees and certain consultants. The grants are usually made at the commencement of service by the individual. Additional grants may be made to periodically recognize exemplary performance of, or the special contribution of individuals. An annual grant may be made to individuals based on the individuals and/or WestFire's performance during the most recently completed fiscal year.

The Option Plan is designed to motivate all employees to focus on the long term interests of WestFire and its shareholders. Stock option grants are determined on an ad hoc basis and are determined by factors including the grantee's position, number of Common Shares available under the stock option plan and WestFire's future hiring plans. See "Option-Based Awards" for a description of WestFire's long-term compensation.

#### *Share Purchase Plan*

On January 1, 2010 WestFire adopted an employee share purchase plan (the "**Share Purchase Plan**") for its employees, officers and directors. The Share Purchase Plan, as amended and restated, provides for the acquisition of WestFire Shares by participants for the purpose of advancing the interests of WestFire through the motivation, attraction and retention of employees and directors of WestFire and to secure for WestFire and the shareholders of WestFire the benefits inherent in the ownership of WestFire Shares by key employees and directors of WestFire. Pursuant to the Share Purchase Plan, participants may elect to contribute up to 7.5%, before deductions, of their annual salary to the Share Purchase Plan. Each month WestFire matches the employee's contribution and those funds are used to buy Common Shares of the Corporation which are issued in the employee's name. On the second anniversary of February 15 following the year of share issuance, the restricted shares earned by the employee are released to the Participant as free-trading. The Share Purchase Plan advances the interests of WestFire through the motivation, attraction and retention of employees and directors and secures for WestFire and the shareholders of WestFire the benefits inherent in the ownership of Common Shares by key employees and directors.

#### *Cash Performance Bonus Plan*

On August 12, 2010 WestFire adopted a cash performance bonus plan (the "**Cash Performance Bonus Plan**") to provide effective long-term cash performance incentives for its employees, directors, officers or consultants to work towards and participate in the growth and development of the Corporation by providing such persons with long-term cash performance incentives related to the Corporation's share price performance on the TSX. The Cash Performance Bonus Plan permits the granting of rights by the Board ("**Performance Bonus Rights**") to receive a cash payment upon the occurrence of certain stipulated threshold trading prices of the Common Shares on the TSX described below being met. The cash payment ("**Performance Bonus Value**") is calculated for each Performance

Bonus Right by subtracting the stipulated threshold trading price of the Common Shares from the last closing price of the Common Shares on the TSX immediately preceding the grant date.

Each Performance Bonus Right shall entitle the rightholder to receive, upon vesting, an amount equal to the Performance Bonus Value (subject to any applicable withholding tax) on the terms set out in a performance bonus agreement entered into between the rightholder and the Corporation and in the Cash Performance Bonus Plan.

Subject to certain payout schedule terms in the Cash Performance Bonus Plan which are described below, Performance Bonus Rights are deemed to be automatically exercised by a rightholder (without any action on the part of the rightholder) as follows:

- (i) on and after the grant date, as to 37.2726% of the Performance Bonus Rights or any part thereof if the volume weighted average trading price of the Common Shares on the TSX for fifteen (15) trading days is at least \$12 per Common Share;
- (ii) on and after the grant date, as to an additional 32.6135% of the Performance Bonus Rights or any part thereof if the volume weighted average trading price of the Common Shares on the TSX for fifteen (15) trading days is at least \$15 per Common Share; and
- (iii) on and after the grant date, as to the remaining 30.1139% of the Performance Bonus Rights or any part thereof if the volume weighted average trading price of the Common Shares on the TSX for fifteen (15) trading days is at least \$18 per Common Share;

In the event of a change of control of the Corporation, the Performance Bonus Value a rightholder is entitled to receive, on the basis of any or all of the above threshold prices being met or exceeded, will be paid on:

- (i) the date securities are first taken up and paid for under a takeover bid;
- (ii) the date of the completion of an amalgamation, arrangement or other form of business combination, as the case may be; or
- (iii) the date of the completion of the sale, lease or exchange of all or substantially all of the property of the Corporation.

The expiry date of Performance Bonus Rights is July 1, 2014, subject to:

- (a) the right of the Board to determine at the time of grant that a particular Performance Bonus Rights will have a shorter or longer term, not to exceed five years from the grant date; and
- (b) the provisions of any performance bonus agreement relating to early expiry.

The expiry date does not relieve the Corporation from paying the Performance Bonus Value a rightholder is entitled to receive if the rightholder's Performance Bonus Rights are deemed to be automatically exercised by a rightholder prior to the expiry date.

For rightholders who are not directors, officers or managers, the Performance Bonus Value will be paid by the Corporation as follows: (a) 33.33% of the Performance Bonus Value on the month following the date where the applicable threshold price has been met or exceeded, (b) 33.33% of the Performance Bonus Value on the date that is one calendar year from (a), and (c) 33.33% of the Performance Bonus Value on the date that is one calendar year from (b), except that the payout schedule will be adjusted to payout over a number of subsequent months should any payout obligation exceed the "**Liquidity Constraints**". "Liquidity Constraints" means any of the following:

- (i) 20% of the Corporation's cash flow in a given month (described as "Funds Flow from Operations" in the Corporations financial statements), or

- (ii) violation of the Corporation's borrowing covenants, or
- (iii) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due.

For rightholders who are directors, officers or managers, the Performance Bonus Value will be paid by the Corporation as follows: (a) 33.33% of the Performance Bonus Value on the month following the date where the applicable threshold price has been met or exceeded, (b) 33.33% of the Performance Bonus Value on the date that is one calendar year from (a), and; (c) 33.33% of the Performance Bonus Value on the date that is one calendar year from (b), except that each payment period, (a), (b) and (c) will be over a six month period, or longer if the payout value exceed the Liquidity Constraints.

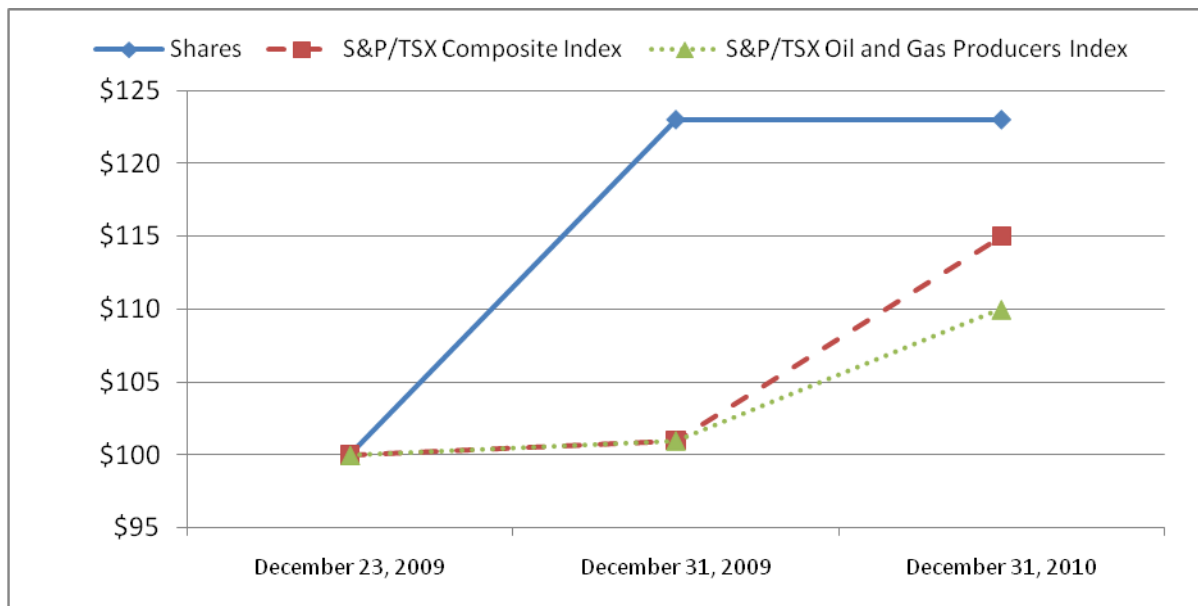
In addition to the foregoing, payments of the Performance Bonus Value in respect of the "\$12 Threshold Price" will be paid by the Corporation first, followed by payments of the Performance Bonus Value in respect of the "\$15 Threshold Price" and followed by payments of the Performance Bonus Value in respect of the "\$18 Threshold Price".

***How does each element of compensation and the company's decisions about that element fit into the overall compensation objectives and affect decisions about other elements?***

Decisions concerning appropriate salary levels are made, in most respects, wholly independently from decisions concerning other elements of compensation, because the purpose of the base salary is to provide a fixed level of competitive pay that reflects the executive officer's primary duties and responsibilities. It is the Committee's view that the decisions concerning the determination of annual bonuses and long term incentives also involve very different factors, and therefore, most decisions in this regard do not take into account the values of the other compensation components. As part of the compensation determination process, the Committee considers the proportion of each component relative to the total compensation amount and may adjust each component as necessary.

***Performance Graph***

The following graph compares the yearly change in the cumulative total shareholder return since December 24, 2009 (the date the Common Shares commenced trading on the TSX), of a \$100 investment in the Corporation's Common Shares, with the cumulative total return of the S&P/TSX Composite Index, the S&P/TSX Composite Index Energy (Sector) and the S&P/TSX Capped Energy Index for the comparable period.



	December 23, 2009	December 31, 2009	December 31, 2010
Common Shares	\$100	123	123
S&P/TSX Composite Index	\$100	101	115
S&P/TSX Oil and Gas Producers Index	\$100	101	110

The trend shown in the above graph does not provide a meaningful comparison to the trend in the Corporation's compensation paid to the Corporation's Named Executive Officers. As Options (as such term is defined herein) form a significant portion of compensation, the total compensation for the Named Executive Officers is affected by increases and decreases in the price of the Common Shares as the value of such Options decrease as the Common Share price decreases.

### Option-Based Awards

WestFire has adopted a share option plan (the "**Option Plan**") for its officers, directors, employees and other service providers. The Option Plan is intended to afford persons who provide services to WestFire an opportunity to obtain a proprietary interest in WestFire by permitting them to purchase Common Shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with WestFire. The Option Plan will permit the granting of Options to officers, directors, employees, consultants and other service providers ("**Optionees**") of WestFire and its subsidiaries.

The maximum number of Common Shares issuable on exercise of Options outstanding at any time shall be limited, in the aggregate, to 10% of the issued and outstanding Common Shares. Any increase in the issued and outstanding Common Shares (whether as a result of exercise of Options, or otherwise) will result in an increase in the number of Common Shares that may be issued on exercise of Options outstanding at any time and any increase in the number of Options granted, upon exercise, makes new grants available under the Option Plan. Options that are cancelled, terminated or expire prior to exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to the Option Plan.

The number of Common Shares issuable pursuant to Options granted under the Option Plan or any other security based compensation arrangements of WestFire: (i) to insiders at any time may not exceed 10% of the outstanding Common Shares; and (ii) issued to insiders within any one year period may not exceed 10% of the outstanding Common Shares. In addition, the number of Common Shares issuable at any time pursuant to Options to directors that are not officers or employees of WestFire or its subsidiaries may not in the aggregate exceed 1% of the outstanding Common Shares. Options granted under the Option Plan are not assignable.

Options will have a term not to exceed five years and, subject to the terms of the Option Plan, shall vest in such manner as determined by the board of directors of WestFire or a committee of the board of directors of WestFire appointed from time-to-time to administer the Option Plan (the board of directors or, if appointed, such committee is referred to as the "**Committee**"). In the absence of any determination to the contrary, Options will vest and be exercisable as to one-third on each of the first, second and third anniversaries of the date of grant, subject to the acceleration of vesting in the discretion of the Committee. If a Option is set to expire in seven (7) business days following the end of a "Black Out Period" (as such term is defined in the Option Plan) and the Optionee is subject to the Black Out Period, the expiry date of the Option shall be extended for seven (7) business days following the Black Out period.

The exercise price of any Options granted will be determined by the Committee at the time of grant, provided that the exercise price shall not be less than the volume weighted average trading price of the Common Shares on the TSX (or other stock exchange on which the Common Shares may be listed) for the five consecutive trading days immediately preceding the date of grant. Notwithstanding the forgoing, Options granted in exchange for and substitution for Incentive Rights pursuant to or in connection with the Arrangement shall have the same exercise price as the Incentive Rights and shall vest and expiry on the same dates as previously existed under the Incentive Rights.

The Option Plan provides Optionees with an election, if permitted by the Committee, for a cashless exercise ("**Cashless Exercise**") of an Optionee's vested and exercisable Options. If an Optionee elects a Cashless Exercise the Optionee shall surrender its Options in exchange for the issuance by WestFire of that number of Common Shares equal to the number determined by dividing the Market Price (as defined in the Option Plan and as calculated as at the date of exercise) into the difference between the Market Price and the exercise price of such Option. In addition, the Option Plan also provides that an Optionee has the right to make an offer (the "**Surrender Offer**") to WestFire to surrender any of the Options held by such person for an amount (not to exceed the fair market value) specified therein by the Optionee and WestFire may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required.

If an Optionee ceases to be a director, officer, employee of, or service provider to, WestFire or a subsidiary of WestFire for any reason, the Optionee shall have a period not in excess of six months as prescribed at the time of grant (12 months in the case of death), succeeding his ceasing to be a director, officer, employee or consultant or other service provider to exercise Options held to the extent that the Optionee was entitled to exercise the options at the date of such cessation. In the case of a merger, amalgamation or certain other transactions or a take-over bid approved by the Board, WestFire has the right to satisfy any obligations to an Optionee in respect of any unexercised Options by paying to the Optionee a cash amount equal to the difference between the exercise price of all unexercised Options held and the fair market value of the securities to which the Optionee would have been entitled to receive on exercise thereof.

Without the prior approval of the shareholders of WestFire, as may be required by such exchange, the board of directors may not: (i) make any amendment to the Option Plan to increase the percentage of Common Shares issuable on exercise of outstanding Options at any time, (ii) reduce the exercise price of any outstanding Options, (iii) extend the term of any outstanding Option beyond the original expiry date of such Option, (iv) increase the maximum limit on the number of securities that may be issued to insiders, (v) increase the maximum number of Common Shares issuable to directors who are not officers or employees of WestFire or its subsidiaries, (vi) make any amendment to the Option Plan to permit an Optionee to transfer or assign Options to a new beneficial Optionee other than in the case of death of the Optionee, or (vii) amend the restrictions on amendments that are provided in the Option Plan. Subject to the restrictions set out above, the board of the directors of WestFire may amend or discontinue the Option Plan and Options granted thereunder without shareholder approval; provided in the amendment to the Option Plan the requires approval of any stock exchange on which the Common Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Option Plan or Options Grant pursuant to the Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously grant to such Optionee.

The policies of the TSX require that the Option Plan be approved every three years by shareholders of WestFire, which approval will next be required by December 24, 2012.

The Option Plan is WestFire's only equity compensation plan.

As of April 7, 2011, 3,093,135 Options to acquire 3,093,135 Common Shares are outstanding representing approximately 7% of the outstanding Common Shares on a non-diluted basis and as of such date additional Options to acquire 1,387,929 Common Shares may be issued pursuant to the Option Plan.

### **Summary Compensation Table**

The following table sets forth the compensation paid by WestFire for the years ended December 31, 2010, 2009 and 2008 in the most recently completed financial year to each of the Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(3)</sup>	Non-equity incentive plan compensation (\$)			All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans <sup>(7)</sup>	Pension value (\$)		
Lowell E. Jackson <sup>(4)</sup> President and Chief Executive Officer	2010	180,000	13,503	862,400	45,000	-	-	<sup>(1)</sup>	1,100,903
	2009	150,000	11,247	-	-	-	-	<sup>(1)</sup>	161,247
	2008	83,087	-	467,886	25,000	-	-	-	575,973
Frank P. Muller <sup>(4)</sup> Senior Vice President	2010	160,000	12,003	698,386	30,000	-	-	<sup>(1)</sup>	900,389
	2009	130,000	9,747	-	-	-	-	<sup>(1)</sup>	139,747
	2008	83,087	-	375,818	20,000	-	-	-	478,905
D. Stephen Burr VP Finance and Chief Financial Officer	2010	160,000	12,003	698,386	30,000	-	-	<sup>(1)</sup>	900,389
	2009	130,000	9,747	-	-	-	-	<sup>(1)</sup>	139,747
	2008	105,217	-	339,537	20,000	-	-	-	464,754
Darrin R. Drall <sup>(5)</sup> Vice President, Engineering	2010	160,000	12,003	698,386	30,000	-	-	<sup>(1)</sup>	900,389
	2009	130,000	9,747	-	-	-	-	<sup>(1)</sup>	139,747
	2008	102,027	-	339,537	20,000	-	-	-	461,564
Christopher J. Bennett <sup>(6)</sup> Vice President, Land	2010	39,393	2,955	330,370	-	-	-	<sup>(1)</sup>	372,718

*Notes:*

- (1) The value of perquisites and other benefits, securities or property for each Named Executive Officer was not greater than \$50,000 and 10% of such officer's salary and bonus.
- (2) The aggregate remuneration paid to the five highest officers and employees of WestFire, other than directors, during the year ended December 31, 2010 was \$4,338,200
- (3) The value of the option-based awards granted is obtained by multiplying the number of options granted by their value established according to the Black Scholes pricing model.
- (4) Messrs. Jackson and Muller's paid compensation commenced on March 22, 2008, with an annual salary of \$107,000 each.
- (5) Mr. Drall commenced employment on January 21, 2008, with an annual salary of \$107,000.
- (6) Mr. Bennett commenced employment on October 4, 2010 with an annual salary of \$160,000.
- (7) Each of the Named Executive Officers have been granted Performance Bonus Rights pursuant to the Corporation's Cash Performance Bonus Plan. If all of the Performance Bonus Rights granted to the Named Executive Officers vest in accordance with their terms, the Corporation would be required to pay an aggregate cash payment of \$7,725,003 to the Named Executive Officers.

**Incentive Plan Awards**

***Outstanding Share-Based Awards and Option-Based Awards***

The following table sets forth the value of option-based awards and share-based awards which vested during the year ended December 31, 2010 for each Named Executive Officer.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Unvested Shares (#)	Market or Payout Value of Unvested Share-Based Awards (\$)
Lowell E. Jackson	100,800	3.75	Jan. 24/2013	317,520	5,129	35,390
	55,000	5.00	May 5/2013	104,500	-	-
	105,000	6.00	Dec 4/2013	94,500	-	-
	163,000	8.03	Mar 30/2015	-	-	-
Frank P. Muller	66,000	3.75	Jan. 24/2013	207,900	4,493	31,002
	55,000	5.00	May 5/2013	104,500	-	-
	85,000	6.00	Dec 4/2013	76,500	-	-
	132,000	8.03	Mar 30/2015	-	-	-
D. Stephen Burt	54,000	3.75	Jan. 24/2013	170,100	4,493	31,002
	55,000	5.00	May 5/2013	104,500	-	-
	75,000	6.00	Dec 4/2013	67,500	-	-
	132,000	8.03	Mar 30/2015	-	-	-
Darrin R. Drall	54,000	3.75	Jan. 24/2013	170,100	2,606	31,002
	55,000	5.00	May 5/2013	104,500	-	-
	75,000	6.00	Dec 4/2013	67,500	-	-
	132,000	8.03	Mar 30/2015	-	-	-
Christopher J. Bennett	100,000	5.29	Oct 4/2015	161,000	472	3,257

Note:

<sup>(1)</sup> Calculated based on the difference between the market price of the Common Shares at December 31, 2010 and the option exercise price.

#### ***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth the value of option-based awards and share-based awards which vested during the year ended December 31, 2010, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010, for each Named Executive Officer.

Name	Option-based awards – Value of options vested during the year (as at vesting date) <sup>(1)</sup> (\$)	Share-based awards – value vesting during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Lowell E. Jackson	207,173	-	-
Frank P. Muller	157,965	-	-
D. Stephen Burt	139,033	-	-
Darrin R. Drall	139,033	-	-
Christopher J. Bennett	-	-	-

Note:

<sup>(1)</sup> Calculated based on the difference between the market price on the vesting date and the exercise price of the options.

## Termination and Change of Control Benefits

WestFire has no contract, agreement, plan or arrangement that provides for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of WestFire or a change in an NEO's responsibilities.

## Director Compensation

The Committee conducts a yearly review of directors' compensation having regard to current trends in directors' compensation and compensation data for directors of issuers of comparative size to the Corporation.

### Director Compensation Table

The following table sets forth the compensation paid by WestFire to the directors other than directors who are also Named Executive Officers as of December 31, 2010.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$) <sup>(3)</sup>	Pension value (\$)	All other compensation (\$)	Total (\$)
Ed Chwyl	12,000	24,003	259,249	-	-	-	295,252
John A. Brussa	12,000	16,000	195,760	-	-	-	223,760
Raymond T. Chan	12,000	24,000	195,760	-	-	-	223,760
Michael Y. McGovern	12,000	16,000	195,760	-	-	-	223,760
Christopher L. Fong <sup>(2)</sup>	9,000	16,000	264,540	-	-	-	289,540

#### Notes:

- (1) The value of the option-based awards granted is obtained by multiplying the number of options granted by their value established according to the Black Scholes pricing model.
- (2) Mr. Fong was appointed a director of WestFire on March 29, 2010.
- (3) Each of the directors have been granted Performance Bonus Rights pursuant to the Corporation's Cash Performance Bonus Plan. If all of the Performance Bonus Rights granted to the directors vest in accordance with their terms, the Corporation would be required to pay an aggregate cash payment of \$2,474,998 to the directors.

### Directors' Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth for each of director other than directors who are also Named Executive Officers, all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2010.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Unvested Shares (#)	Market or Payout Value of Unvested Share-Based Awards (\$)
Ed Chwyl	30,000	3.75	Jan. 24/2013	94,500	-	-
	20,000	5.00	May 5/2013	38,000	-	-
	25,000	6.00	Dec 4/2013	22,500	-	-
	30,000	3.75	Oct 14, 2014	94,500	-	-

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Unvested Shares (#)	Market or Payout Value of Unvested Share-Based Awards (\$)
	49,000	8.03	Mar 30/2015	-	-	-
John A. Brussa	20,000	3.75	Jan. 24/2013	63,000	-	-
	10,000	5.00	May 5/2013	19,000	-	-
	20,000	6.00	Dec 4/2013	18,000	-	-
	37,000	8.03	Mar 30/2015	-	-	-
Raymond T. Chan	25,000	3.75	Jan. 24/2013	78,750	-	-
	15,000	5.00	May 5/2013	28,500	-	-
	25,000	6.00	Dec 4/2013	22,500	-	-
	37,000	8.03	Mar 30/2015	-	-	-
Michael Y. McGovern	50,000	6.00	Dec 4/2013	45,000	-	-
	37,000	8.03	Mar 30/2015	-	-	-
Christopher L. Fong	50,000	8.03	Mar 30/2015	-	-	-

*Note:*

<sup>(1)</sup> Calculated based on the difference between the market price of the Common Shares at December 31, 2010 and the option exercise price.

***Directors' Incentive Plan Awards – Value Vested or Earned During the Year<sup>(1)</sup>***

The following table sets forth the value of option-based awards and share-based awards which vested during the year ended December 31, 2010, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010, for each director.

Name	Option-based awards – Value of options vested during the year (as at vesting date) <sup>(1)</sup> (\$)	Share-based awards – value vesting during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Ed Chwyl	59,998	-	-
John A. Brussa	39,999	-	-
Raymond T. Chan	51,582	-	-
Michael Y. McGovern	31,665	-	-
Christopher L. Fong	-	-	-

*Note:*

<sup>(1)</sup> Calculated based on the difference between the market price on the vesting date and the exercise price of the options.