



## PRESS RELEASE

### WESTFIRE PROVIDES FOURTH QUARTER AND OPERATIONAL UPDATE

#### Viking growth drives 2011 exit production to 9,300 boepd

CALGARY, Alberta, (January 30, 2012) WestFire Energy Ltd. (“WestFire” or the “Company”) (TSX: WFE) is pleased to provide the following update.

#### Highlights

- 2011 exit production of 9,300 barrels of oil equivalent per day (“boepd”), exceeding its 9,000 boepd exit rate guidance
- Fourth quarter average production of 8,618 boepd (68% liquids weighted), which is within 2% of the Company’s 8,750 boepd guidance
- Drilled 22 (19.0 net) wells during the fourth quarter with a 100% success rate
- Increased Viking production to a record level of 3,041 boepd in the fourth quarter and exited the year at 3,755 boepd
- Liquids weighted assets acquired through the Orion Oil and Gas Corporation (“Orion”) transaction continue to generate substantial cash flow that has been redeployed to finance development of the Company’s extensive Viking oil resource play
- Active first quarter 2012 drilling program with three drilling rigs currently operating in the Viking

#### Operations Update

- WestFire exited 2011 with field estimated production of 9,300 boepd, of which 65% was oil and liquids. In addition, WestFire had 12 (9.0 net) Viking horizontal oil wells awaiting completion at year-end.
- WestFire produced a quarterly record average production of 8,618 boepd in the fourth quarter for an increase of 208% over the same period in the prior year or a 46% increase on a per diluted share basis. Fourth quarter production was impacted by a major battery expansion at Redwater Alberta which required the shut-in of approximately 1,200 boepd for 15 days in November.
- Fourth quarter Viking production averaged 3,041 boepd and exited the year at 3,755 boepd with an additional 12 (9.0 net) Viking horizontal wells awaiting completion at year-end.
- With WestFire’s high netback light oil production from the Viking and its liquids-rich natural gas production from the Swan Hills formation at Kaybob South, the Company expects that its operating netback (before hedging) is approximately \$57.00 per boe based on current commodity prices.
- 22 (19.0 net) wells were drilled in the fourth quarter, bringing the year to date total to 115 (103.3 net) wells, all with a 100% success rate.

- During the fourth quarter, the Company completed the balance of its 20 well Viking vertical core hole program to better define reservoir characteristics on its extensive Viking land holdings at Redwater, Alberta and Plato, Saskatchewan. This program was successful in identifying areas of higher quality reservoir adding significant horizontal drilling inventory in the areas studied.
- Of the 115 (103.3 net) development wells drilled during 2011, 89 (77.5 net) were Viking horizontal oil wells at its core operating areas of Redwater (51/50.0 gross/net), Provost (8/8.0 gross/net), Lucky Hills (21/10.5 gross/net) and Plato (9/9.0 gross/net).
- WestFire currently has three rigs operating; two at Redwater and one at Plato. These rigs are scheduled to drill 40 (35.5 net) Viking horizontal light oil wells during the first quarter of 2012.

### **Acquisitions Update**

- The acquisition of Orion closed on June 30, 2011. Since closing the acquisition, WestFire has drilled five (4.8 net) wells on the Orion lands consisting of three (3.0 net) successful Ellerslie oil wells at Redwater and two (1.8 net) Swan Hills gas wells at Kaybob South. The first of these two Kaybob wells has been on continuous production since September and has outperformed the previous Kaybob South wells drilled in 2011, while the second well is scheduled for completion in the first quarter of 2012. Total production from the Orion assets, of which 55% is high netback liquids, has generated approximately \$32.8 million in cash flow during the second half of 2011, the vast majority of which was re-deployed into the development of WestFire's Viking oil resource play.
- Effective December 9, 2011, WestFire completed a \$40.3 million acquisition of Viking assets at Redwater, Alberta where development of the Viking resource play to date has exceeded Company expectations. These assets include 10 sections of undeveloped lands containing in excess of 100 potential horizontal drilling locations, which are complementary to the Redwater lands acquired through the Orion acquisition. The Company now holds 52.5 (49.0 net) sections of Viking lands in the Redwater area.

### **Year-end 2011 Reserves and Financial Results**

WestFire has engaged its independent reserve evaluator to commence the preparation of its annual reserve report which is currently anticipated to be completed in early March. WestFire expects to release its fourth quarter and year-end 2011 financial and operating results on or about March 23, 2012.

### **Strategic Alternatives Process**

On December 19, 2011, WestFire announced that its Board of Directors had decided to initiate a process to identify, examine and consider a range of strategic alternatives available to the Company with a view to enhancing shareholder value. Consistent with WestFire's press release of December 19, 2011, the Company does not intend to disclose developments with respect to the process unless and until the Board of Directors has approved a specific transaction or otherwise determines that disclosure is appropriate.

WestFire expects to open a data room as soon as reasonably possible which will include its independent reserves report. However the Company has not established a definitive schedule to complete its identification, examination and consideration for completion of its strategic alternatives process.

WestFire has engaged Cormark Securities Inc. as its financial advisor and parties interested in obtaining further information regarding the process can contact Cormark Securities at [westfire@cormark.com](mailto:westfire@cormark.com).

WestFire is a Calgary based energy company primarily focused on light oil development and production in Alberta and central Saskatchewan. Common shares of WestFire are listed on the Toronto Stock Exchange under the symbol WFE.

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*The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.*

**Cautionary Statements**

**Unaudited financial information** Certain financial and operating information included in this press release for the quarter and year ended December 31, 2011, such as operating netback (before hedging) and cash flow are based on estimated unaudited financial results for the quarter and year then ended, and are subject to the same limitations as discussed under "Forward-looking information and statements" set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2011 and changes could be material. See "Non-GAAP Measurements" below.

**Forward-looking information and statements** This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following; the ongoing ability to generate cash flow and the redeployment of such cash flow to finance development of the Company's Viking oil resource play; the activity level of the drilling program in the first quarter of 2012; the amount of the Company's anticipated operating netback (before hedging); the anticipated benefits of the Company's Viking vertical core hole program; the number of drilling rigs to be operated and the number of wells to be drilled during the first quarter of 2012; the timing for completion of wells; the number of potential Viking horizontal drilling locations; the timing of the completion of the Company's independent reserve report; the timing of the release of the Company's fourth quarter and year-end financial and operating results; and the disclosure of developments relating to the Company's strategic alternatives review process and the anticipated benefits of such process.

In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of WestFire which have been used to develop such statements and information but which may prove to be incorrect. Although WestFire believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because WestFire can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: results from drilling and development activities consistent with past operations; the continued and timely development of infrastructure in areas of new production; continued availability of debt and equity financing and cash flow to fund WestFire's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which WestFire operates; the timely receipt of any required regulatory approvals; the ability of WestFire to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which WestFire has an interest in to operate the field in a safe, efficient and effective manner; the ability of WestFire to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of WestFire to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which WestFire operates; the ability of WestFire to successfully market its oil and natural gas products; that all necessary regulatory approvals will be obtained as and when required, that there will be no material adverse change in the Company's affairs or laws, rules or regulations relating to the Company, its securities or business, there will be no regulatory proceedings involving the Company or any of its directors or officers, or any cease trade or other order prohibiting or restricting trading in the Company's securities and no major national or international event will have

*occurred that has or could reasonably be expected to have a material adverse effect on financial markets or the business, operations or affairs of the Company.*

*The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of WestFire's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of WestFire or by third party operators of WestFire's properties, increased debt levels or debt service requirements; inaccurate estimation of WestFire's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in WestFire's public disclosure documents, (including, without limitation, those risks identified in this news release and WestFire's Annual Information Form filed on SEDAR).*

*The forward-looking information and statements contained in this news release speak only as of the date of this news release, and WestFire does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.*

**BOE Equivalent** *Barrel of oil equivalents or 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.*

**Non-GAAP Measurements** *Readers are cautioned that this press release includes the non-GAAP measure "operating netback (before hedging)" which is not defined under Canadian generally accepted accounting principles ("GAAP") adopted by International Financial Reporting Standards. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore the method of calculating this measure may differ from other companies and, accordingly, it may not be comparable to similar measures used by other companies. Operating netback (before hedging) is the net result of the Company's revenue, net of royalty, operating and transportation expenses and is specific to a point in time and therefore will be unique to the period stated.*