

FOR IMMEDIATE RELEASE



JOINT NEWS RELEASE

**WestFire Energy and Orion Oil & Gas Announce a Strategic Merger Creating a Uniquely Positioned Intermediate Producer Focusing on the Viking Light Oil Resource Play**

Calgary, Alberta, May 11, 2011 - WestFire Energy Ltd. ("**WestFire**") (TSX:WFE) and Orion Oil & Gas Corporation ("**Orion**") (TSX:OIP) are pleased to jointly announce that they have entered into an arrangement agreement (the "**Arrangement Agreement**") whereby WestFire will acquire all of the issued and outstanding shares of Orion on a market-to-market basis (the "**Transaction**"). The merger of the two companies will create a uniquely positioned intermediate-sized producer focusing on the world-class Viking oil resource play in Alberta and west central Saskatchewan.

Pursuant to the Transaction, Orion shareholders will, for each common share of Orion (an "**Orion Share**") held, receive at their election, either 0.125 of a WestFire common share (a "**WestFire Share**") or 0.125 of a non-listed, non-voting convertible share (a "**WestFire Non-Voting Share**"), which may be converted into a WestFire Share on a one for one basis in certain circumstances. The 0.125 exchange ratio reflects a deemed price of \$8.00 per WestFire Share and \$1.00 per Orion Share.

Sprott Resource Corp. ("**SRC**"), which currently controls approximately 71% of the Orion Shares on a fully diluted basis, has agreed to elect to receive WestFire Non-Voting Shares to the extent that will result in SRC not owning more than 19.9% (no less than 19%) of the basic WestFire Shares outstanding at closing of the Transaction. It is anticipated that, at closing, WestFire will have approximately 86.0 million fully diluted WestFire Shares outstanding (including approximately 15.2 million WestFire Non-Voting Shares, all or substantially all of which will be owned by SRC). SRC has further agreed not to sell any of its WestFire Shares issued on completion of the Transaction for at least 18 months following the closing of the Transaction, unless otherwise approved by WestFire.

The Transaction will be completed by way of Plan of Arrangement and is subject to customary regulatory approvals and the requisite approvals of WestFire and Orion shareholders. Closing of the Transaction is expected to occur in late June or early July, 2011.

The Board of Directors of each of WestFire and Orion have unanimously approved the Transaction, have determined that the Transaction is in the best interests of their respective shareholders and have resolved to recommend that their respective shareholders vote in favour of the Transaction. Holders of in excess of 19% of the WestFire Shares and 92% of the Orion Shares have entered into support agreements pursuant to which they have agreed to vote their respective shares in favour of and to support the Transaction. Both WestFire and Orion have agreed to not solicit or initiate discussions regarding any other business combination or sale of material assets and each has been granted the right to match any superior proposals. The Arrangement Agreement provides for a reciprocal \$15 million non-completion fee payable to WestFire or Orion, as the case may be, in certain circumstances if the Transaction is not completed.

## SUMMARY OF THE ACQUISITION

WestFire is focused on exploiting the Viking light oil resource play at Redwater and Provost in Alberta and at Plato and Doddsland in west central Saskatchewan. The Company has assembled a prospective drilling inventory of over 1,100 net Viking locations representing over \$1.3 billion of future capital projects. At its current pace of activity, this inventory would take approximately 15 years to exploit.

WestFire has been seeking non dilutive opportunities to accelerate the development of this project inventory for the benefit of its shareholders. This Transaction gives WestFire that opportunity.

Orion possesses a predictable, long reserve life, highly focused asset base which is 55% weighted to oil and liquids. Orion's assets are substantially 100% operated, high working interest properties (averaging over 90%) and include ownership in key strategic processing infrastructure. Additionally, Orion has been able to enhance its cash flow netbacks by maintaining a low cost structure with operating costs of approximately \$12.00 per boe.

WestFire has identified a number of growth opportunities on the Orion asset base including infill drilling at Kaybob and development at Redwater. The Orion asset base is characterized by low declines and favourable operating costs, and production can be maintained by deploying a low percentage of generated cash flow. WestFire's current plan is to maintain existing production on the Orion asset base while redirecting the bulk of Orion's free cash flow into WestFire's Viking drilling inventory to accelerate its development and production growth. WestFire's current production mix is 70% oil and liquids with the Viking making up approximately 40% of total corporate production.

Within 18 months of redeploying Orion's free cash flow into the Viking, WestFire anticipates being able to restore Viking production back to approximately 40% of total corporate production, resulting in a substantially larger entity with production at over 12,000 boe/d with approximately 85% of its Viking inventory left to drill at that time.

Orion's key asset is its 91% interest in the Kaybob South Beaverhill Lake Gas Unit #1, which is a liquids rich (125 bbl per MMcf), large gas-in-place legacy asset with substantial infill drilling and enhanced recovery potential. The stable production base at Kaybob, which has been on production since 1968, provides high liquids yield and premium heat content gas, generating attractive operating netbacks. Additionally, Orion contributes key strategic interests at Redwater, where WestFire has identified at least 40 Viking locations as well as other opportunities in the Ellerslie formation.

The combined company will be led by the existing WestFire management team and Board of Directors. As part of the Transaction, WestFire has agreed to appoint two existing Orion directors (currently contemplated to be Messrs. Wayne Thomson and Roger Thomas) to the Board of Directors of WestFire.

Key attributes of Orion are as follows:

Production (estimated at closing):	5,500 boe/d (55% oil and liquids)
Proved Reserves <sup>(1)</sup> :	15.2 MMboe (47% oil and liquids)
P+P Reserves <sup>(1)</sup> :	23.5 MMboe (47% oil and liquids)
Reserve Life Index:	7.6 years (Proved), 11.7 years (P+P)
Estimated Future Drilling, Recompletion or Reactivation Locations:	108 (50 booked at year-end 2010)
Operating Netback (estimated) <sup>(2)</sup> :	Greater than \$39.00/boe

Notes:

- (1) Reserves evaluated by GLJ Petroleum Consultants as at December 31, 2010, mechanically updated to March 31, 2011 for Orion.
- (2) Based on May 10, 2011 forward strip pricing of US\$104.83/bbl WTI, CDN\$3.91/mcf AECO and \$1.05US\$/CDN\$ FX and uses estimated production at closing of 5,500 boe/d, a 15% royalty rate, \$12.00/boe operating costs and transportation of \$0.40/boe and excludes the impact of Orion's hedge book.

## ACQUISITION METRICS

Based on a deemed price per WestFire Share of \$8.00 and the assumption of approximately \$54.9 million in net debt (as at March 31, 2011, including transaction costs), the purchase price of Orion is approximately \$360.0 million, resulting in acquisition metrics as follows:

Production:	\$65,457/boe/d of current production
Proved Reserves <sup>(1)</sup> :	\$23.70/boe of proved reserves
P+P Reserves <sup>(1)</sup> :	\$15.32/boe of P+P reserves
P+P Recycle Ratio <sup>(2)</sup> :	2.6 times
Cash Flow Multiple <sup>(3)</sup> :	5.4 times

Notes:

- (1) Reserves evaluated by GLJ Petroleum Consultants as at December 31, 2010, mechanically updated to March 31, 2011 for Orion.
- (2) Utilizing the operating netback shown above.
- (3) Based on May 10, 2011 forward strip pricing of US\$104.83/bbl WTI, CDN\$3.91/mcf AECO and \$1.05US\$/CDN\$ FX, production of 5,500 boe/d and excluding the impact of Orion's hedge book.

## STRATEGIC RATIONALE

The Transaction is transformational for WestFire as it significantly enhances and accelerates WestFire's ability to develop its world-class Viking light oil resource play at Redwater and Provost in Alberta and at Dodsland and Plato in west central Saskatchewan. Orion adds an important attribute of long-life, low-decline, liquids-rich natural gas and light oil production that provides strong strategic fit at Redwater and significant free cash flow to deploy toward WestFire's large drilling inventory.

The successful completion of the Transaction will result in an entity with the following key attributes:

- Market capitalization of approximately \$675 million with production of approximately 9,000 boe/d (60% oil and liquids). Production is targeted to grow to over 12,000 boe/d (65% oil and liquids) at the end of 2012;
- One of the select intermediate-sized, light oil resource play focused, growth entities and the only one focused on the world class Viking play;
- Over 150,000 net acres of undeveloped land on the Viking with over 1,100 identified low risk drilling locations;
- A large original-gas-in-place, liquids-rich legacy asset at Kaybob with significant infill drilling and enhanced recovery potential;
- A new WestFire with added size and scale and substantial free cash flow for accelerated development of its Viking resource play;

- An exceptionally strong balance sheet allowing WestFire to self-finance its capital programs without the requirement for equity financing for the foreseeable future;
- The Transaction is immediately accretive to WestFire on the following measures:
  - 37% on run rate cash flow per share;
  - 43% on current production per share;
  - 50% on reserves per share (proven plus probable);
  - Reduces operating costs by 14% to \$13.36 per boe; and
  - Reduces total cash costs by 11% to \$16.19 per boe.

Lowell Jackson, WestFire's President and CEO, said, "The merger with Orion is a transformational step for WestFire. We have assembled an enviable asset position on the Viking resource play and have been focused on how best to monetize its value for WestFire shareholders. The substantial free cash flow the Orion asset base generates can be redeployed into the Viking, accelerating our 15-year inventory much faster than WestFire could do on its own. Our Viking weighted production mix will be restored within 18 months, positioning us as the 'go-to intermediate' for light oil exposure".

Gary Guidry, Orion's President and CEO said, "Orion has built a focused, high quality, low cost, low-decline, liquids-rich asset base. We have considerable enhanced recovery potential through infill drilling on our own assets; however, a merger with WestFire gives our shareholders exposure to the Viking light oil resource play while still maintaining an interest in the upside on our own asset base". "We would like to thank our staff for their dedication and exceptionally hard work and look forward to what Lowell and his team can do on the combined asset base".

Kevin Bambrough, President and CEO of Sprott Resource Corp. commented, "We expect this transaction to deliver meaningful value to all shareholders. The combined company will have a strong balance sheet and significant free cash flow, allowing it to take advantage of the growth potential in the Viking light oil resource play and accelerate the inventory of locations. This continues Sprott Resource Corp.'s commitment to partner with strong management teams and we look forward to realizing the potential in this combination".

#### **PRO FORMA OPERATING AND FINANCIAL INFORMATION**

Pro Forma Market Capitalization <sup>(1)</sup>	\$674 million
Pro Forma Shares Outstanding <sup>(2)</sup>	83.0 million
Pro Forma Net Debt <sup>(3)</sup>	\$56 million
Pro Forma Enterprise Value	\$730 million
Pro Forma Estimated Production at Closing	9,000 boe/d (60% oil and liquids)
Pro Forma Run Rate Cash Flow <sup>(4)</sup>	\$123 million
Pro Forma Net Debt to Run Rate Cash Flow	0.5 times
Pro Forma P+P Reserves <sup>(5)</sup>	37.2 MMboe

Notes:

- (1) The market capitalization is calculated based on the May 10, 2011 WestFire share price of \$8.12 and pro forma share capital.

- (2) Based on 67.8 million common shares and 15.2 million non-voting, non-listed shares outstanding at closing.
- (3) Net debt as at March 31, 2011 for WestFire and Orion (including transaction costs).
- (4) Run Rate cash flow is based on US\$104.83/bbl WTI, CDN\$3.91/mcf AECO and \$1.05US\$/CDN\$ FX and uses estimated production at closing of 9,000 boe/d, a 14% royalty rate, \$13.36/boe operating costs and transportation of \$0.67/boe and excludes the impact of hedging.
- (5) Reserves evaluated by GLJ Petroleum Consultants as at December 31, 2010, mechanically updated to March 31, 2011 for both WestFire and Orion.

## **ADVISORS**

Cormark Securities Inc. is acting as exclusive financial advisor to WestFire with respect to the Transaction. Scotia Waterous Inc. has advised the Board of Directors of WestFire that it is of the opinion, as of the date hereof, that the consideration to be payable by WestFire pursuant to the proposed Transaction is fair from a financial point of view, to the WestFire shareholders. Desjardins Securities Inc., Macquarie Capital Markets Canada Ltd. and Raymond James Ltd. are acting as strategic advisors to WestFire with respect to the Transaction.

FirstEnergy Capital Corp. is acting as exclusive financial advisor to Orion with respect of the Transaction and has provided the Board of Directors of Orion with its verbal opinion that, as of the date hereof and subject to the review of final documentation, the consideration to be received by Orion shareholders pursuant to the Transaction is fair, from a financial point of view, to the Orion shareholders.

## **READER ADVISORY**

### **Non-GAAP Measures**

The above information includes non-GAAP measures not defined under generally accepted accounting principles ("GAAP"), including net debt, operating netback, and reserve life index. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Net Debt is current liabilities less current assets, excluding the current portion of future tax assets. Operating netback is calculated as revenue minus royalties, operating expenses, transportation expenses, and taxes. Operating netback is specific to a point in time. Reserve life index is the ratio of reserves divided by the current annual production rate. Reserves life index is included for investors and operators as a measure of the company's sustainability.

### **Forward-looking Statements**

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward looking statements and information concerning the combined company and each of WestFire's and Orion's petroleum and natural gas production and reserves; undeveloped land holdings; reserve life index; future drilling locations, business strategy; future development and growth opportunities; prospects; asset base; anticipated benefits from the Transaction, including accretion to WestFire on key operational and financial measures, improved operating efficiencies, cost reductions; future cash flows; value and forecast debt levels; capital programs; forecast production; and oil and natural gas prices. The forward-looking statements and information are based on certain key expectations and assumptions made by WestFire and Orion, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates and reserve volumes; the timing of receipt of regulatory and securityholder approvals, the performance of existing wells; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost

of labour and services. Although WestFire and Orion believe that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because WestFire and Orion can give no assurances that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. There are risks also inherent in the nature of the proposed Transaction, including failure to realize anticipated synergies or cost savings; risks regarding the integration of the two entities; incorrect assessments of the values of the other entity; and failure to obtain the required securityholder, court, regulatory and other third party approvals.

This press release also contains forward-looking statements and information concerning the anticipated completion of the proposed Transaction and the anticipated timing for completion of the Transaction. WestFire and Orion have provided these anticipated times in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the necessary regulatory and court approvals and the satisfaction of and time necessary to satisfy the conditions to the closing of the Transaction. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory or court approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Transaction. In addition, there are no assurances the Transaction will be completed. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release concerning these times. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect WestFire and Orion's, or the combined company's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), WestFire's website ([www.westfireenergy.com](http://www.westfireenergy.com)) or Orion's website ([www.orionoilandgas.ca](http://www.orionoilandgas.ca)).

The forward-looking statements and information contained in this press release are made as of the date hereof and WestFire and Orion undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

### **Boe Equivalent**

Disclosure provided herein in respect of barrels of oil equivalent (boe) 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.