WestFire Energy Ltd. Announces 2012 Second Quarter Results

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Second quarter production averaged 11,549 boepd

WestFire Energy Ltd. ("WestFire" or the "Company") (TSX:WFE) is pleased to announce that it has filed its interim unaudited Financial Statements and related Management's Discussion and Analysis ("MD&A") for the three and six month periods ended June 30, 2012 on SEDAR. Selected financial and operational information is outlined below and should be read in conjunction with WestFire's unaudited interim Financial Statements and MD&A which are available for review at www.sedar.com and on our website at www.westfireenergy.com.

2012 SECOND QUARTER HIGHLIGHTS

- Production for the three months ended June 30, 2012 (the "Quarter") averaged a record 11,549 boepd (72 percent liquids) compared to 8,848 boepd in the prior quarter, a 31 percent quarter over quarter increase. Year to date production is averaging 10,198 boepd;

- Second quarter Viking light oil production averaged 5,775 boepd (93 percent oil) exiting the Quarter at 6,000 boepd;

- Drilled 25 (21.6 net) Viking horizontal oil wells in the Quarter with 100 percent success. Year to date the Company has drilled 82 (72.9 net) Viking horizontal oil wells with 100 percent success;

- Second quarter funds flow from operations of $34.4 million ($0.41 per diluted share); and

- Continued strong balance sheet with in excess of $70.0 million of available borrowing capacity on the Company's current $250 million banking facility;

2012 SECOND QUARTER FINANCIAL HIGHLIGHTS Three Months ended June 30, Six Months ended June 30,
($ thousands except per share data) 2012 2011 2012 2011
Financial
Petroleum and natural gas sales 64,025 21,377 117,511 35,062
Funds flow from operations (1) 34,385 10,641 63,766 17,322
Per share - basic 0.41 0.24 0.77 0.40
Per share - diluted 0.41 0.23 0.77 0.40
Net income 29,561 4,387 30,740 2,518
Per share - basic 0.36 0.10 0.37 0.06
Per share - diluted 0.36 0.10 0.37 0.06
Expenditures on oil & gas properties 58,538 379,736 128,099 407,075
Capital Structure
Bank debt 175,000 52,800 175,000 52,800
Working capital deficiency(2) 493 5,404 493 5,404
Net debt(1)(3) 175,493 58,204 175,493 58,204
Bank facility 250,000 200,000 250,000 200,000
Shares Outstanding, end of period (thousands)
- basic 82,969 82,969 82,969 82,969
- diluted 83,061 83,534 83,080 83,582

2012 SECOND QUARTER OPERATIONS HIGHLIGHTS Three Months ended June 30, Six Months ended June 30,
2012 2011 2012 2011
Operating (6:1 boe conversion)
Average daily production
Liquids (bbls per day) 8,291 2,243 7,212 1,961
Natural gas (Mcf per day) 19,548 6,392 17,918 6,485

Barrels of oil equivalent ("boe") per day 11,549 3,308 10,198 3,042
Average prices(4)
Oil and NGL ($/bbl) 80.55 93.74 83.61 86.19
Natural gas ($/Mcf) 1.94 4.12 2.10 4.07
Total ($/boe)(4) 60.92 71.01 63.31 63.68
Netback ($/boe)
Petroleum and natural gas revenues 60.92 71.01 63.31 63.68
Royalties (5.53) (5.24) (5.76) (5.39)
Operating expenses (15.35) (13.89) (15.57) (15.49)
Transportation expenses (1.94) (1.15) (1.86) (1.15)
Realized derivative gains (losses) 0.65 (0.46) (0.29) 0.21
Operating netback 38.75 50.27 39.83 41.86

(1) Non-GAAP (generally accepted accounting principles) measure.

(2) Working capital excludes the fair value of unrealized financial contracts and future taxes.

(3) Net debt includes bank debt and working capital.

(4) The average prices reported are before realized derivatives gains (losses) and transportation charges.

OPERATIONS UPDATE

During the Quarter, WestFire's production averaged 11,549 boepd for an increase of 249 percent over the same period in the prior year, or a 91 percent increase per diluted share. WestFire's average production for the first half of 2012 was 10,198 boepd.

During the Quarter, the Company drilled 25 (21.6 net) Viking horizontal oil wells: 15 (12.6 net) at Redwater, 8 (8.0 net) at Plato and 2 (1.0 net) at Lucky Hills. Year to date, the Company has drilled 82 (72.9 net) Viking horizontal oil wells: 47 (43.4 net) at Redwater, 24 (24.0 net) at Plato and 11 (5.5 net) at Lucky Hills. Drilling during June and July was minimal as required annual maintenance and recertification of drilling rigs was being performed. This pause allowed the Company to fine tune its capital program with plans of re-commencing drilling activities in August. Current production exceeds 11,000 boepd.

The application of WestFire's internally developed MHF technique in its operated areas of Redwater and Plato has generated marked improvements in production rates for the first half of 2012. The Company has identified opportunities to utilize the MHF technique to work over a select group of older marginal producing wells in the Redwater area. Five wells that have been refrac'ed to date have shown an average initial 30 day production increase of 50 boepd per well to 75 boepd. WestFire expects to utilize this work over technique on other underperforming wells in its producing areas. The Company also expects to apply the MHF completion technique on its extensive drilling inventory at Dodsland, Saskatchewan and Provost, Alberta, once the Company's development activities are extended to these areas.

WestFire presently holds 244 undeveloped net sections of land on the Viking play containing in excess of 1,000 net risked (3,800 unrisked) prospective horizontal development locations representing an estimated eight year (risked) drilling inventory at the Company's current rate of activity.

FINANCIAL UPDATE

WestFire's funds flow from operations for the Quarter of $34.4 million ($0.41 per diluted share) was 17 percent higher than the prior quarter and represents a 223 percent increase over the second quarter of 2011. Year to date funds flow from operations was $63.8 million, a 268 percent increase over the same period in the prior year.

For the Quarter and year to date, the Company realized average combined petroleum and natural gas sales prices of $60.92 per boe and $63.31 per boe respectively, before hedging settlements, representing an eight percent decline over the prior quarter, and a 14 percent decline over the second quarter of 2011. WestFire's realized prices are closely correlated with WTI prices which for the Quarter averaged US$93.49 per bbl or 9.2% lower than the prior quarter of US$102.94 per bbl and 8.8% lower than the US$102.56 per bbl recorded in the same period in 2011.

Realized oil prices for the six months ended June 30, 2012 remained relatively consistent with the same period in 2011, reflecting WTI prices which averaged US$98.21 per bbl versus US$98.33 per bbl average recorded in the same period in 2011. The decrease in WTI prices during the first half of 2012 was further impacted by a widening of the price differential for Edmonton Light Sweet ("MSW") from an average of US$0.17 per bbl for the first six months of 2011 to an average of US$10.31 per bbl for the same period of 2012. During the Quarter, the MSW differential averaged a discount of US$10.12/bbl compared to an average premium of US$4.35/bbl recorded in the same period in 2011. The widening discount is attributed to reduced demand due to refinery turnarounds, warmer winter weather reducing demand, export pipeline capacity limitations and outages.

For the six months ended June 30, 2012, AECO monthly index gas prices averaged $2.06 per gigajoule ("GJ"), a 42 percent decline from the $3.56 per GJ recorded in the period of 2011. AECO gas prices for the Quarter averaged $1.74 per GJ, or 27 percent decline from the $2.39 per GJ recorded in the prior quarter and 51% lower than the $3.54 per GJ recorded in the same period in 2011. The decrease in natural gas prices during the first half of 2012 resulted from significant natural gas production capacity additions in the U.S., coupled with the negative impact on market demand from an unseasonably warm winter, leading to record high storage inventory levels in both the U.S. and Canada. Prices have rebounded somewhat since mid-June, as hot weather in the U.S. and coal-to-gas fuel switching has temporarily increased demand for gas to generate electricity to higher meet air conditioning needs, while U.S. gas production has flattened out due to a dramatic reduction in gas-directed drilling activity. As a result, the year-over-year gas storage inventory surplus has been steadily shrinking since spring.

Royalty rates for the Quarter and year to date averaged 9.1 percent (7.4 percent and 8.5 percent respectively in 2011). Alberta and Saskatchewan new well drilling incentives will continue to be primary drivers to low royalty rates in future periods. Operating costs for the Quarter declined by three percent over the prior quarter to $15.35 per boe ($15.57 year to date) reflecting the Company's continued focus on operational efficiencies further compounded by the addition of new Viking oil production with incremental operating costs of less than $5.00 per boe.

WestFire's net capital expenditures for the Quarter and year to date totaled $58.6 million and $128.2 million respectively. Year to date, the Company has invested $101.4 million into the development of the Viking; $65.5 million at Redwater, $31.3 million at Plato and $4.6 million Lucky Hills.

Net debt increased to $175.5 million at June 30, 2012 (March 31, 2012 - $164.8 million), due to acceleration of the Company's 2012 capital program. The Company continues to maintain a strong financial position with in excess of $70.0 million of excess capacity on its bank facility which was increased in April to $250 million.

ABOUT WESTFIRE

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.

CAUTIONARY STATEMENTS

Non-GAAP Measures Advisory

Readers are cautioned that the above information includes non-GAAP measures not defined under International Financial Reporting Standards ("IFRS") and prior thereto, Canadian GAAP, including net debt and funds flow from operations. 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. Funds flow from operations is calculated as cash provided by operating activities before the change in non-cash working capital. The Company considers funds flow from operations to be an important measure of WestFire's ability to generate the funds necessary to finance capital expenditures and repay debt.

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 forgoing, this news release contains forward-looking information and statements pertaining to the following: the benefits derived from the Company's MHF technology; the number of potential horizontal drilling locations; the total drilling inventory and the length of time to drill such inventory; future IP rates; the volumes and estimated value of WestFire's oil and gas reserves; the volume and product mix of WestFire's oil and gas production; future oil and natural gas production and prices; future results from operations and operating metrics; and future costs expenses and exchange rates.

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; and the ability of WestFire to successfully market its oil and natural gas products.

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 statement, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer 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, unfavourable 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.

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.

IP rates

Initial production or IP rates contained in this press release are based on the length of the specific production tests disclosed herein and are not necessarily indicative of long-term performance or ultimate recovery.

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.

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

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