

# Guide Exploration Ltd. to Acquire WestFire Energy Ltd. Becoming A Leading Intermediate Oil and Gas Company

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[Guide Exploration Ltd.](#) (TSX:GO) ("Guide") and [WestFire Energy Ltd.](#) (TSX:WFE) ("WestFire") are pleased to jointly announce the acquisition of WestFire by Guide in an all share merger transaction (the "Transaction") to become a leading intermediate oil and gas company renamed "[Long Run Exploration Ltd.](#)" ("Long Run").

Long Run will be led by Guide's current management team, including William E. Andrew as Executive Chair and Chief Executive Officer, and Dale A. Miller as President. This team has a successful track record in managing growth from junior explorer to senior producer in the Canadian oil industry. The Board of Directors of Long Run ("the Directors") will be comprised of William E. Andrew, Dale A. Miller, Jeffrey E. Errico, Michael Graham, Brad R. Munro and Patricia Newson from Guide, Ed Chwyl and Michael McGovern from WestFire, John Brussa from Guide and WestFire and Paul Dimitriadis from Sprott Resource Corp., a significant shareholder of Guide and WestFire.

The Transaction will result in a company with a rich asset base in light oil focused resource areas, including Montney oil at Normandville and Girouxville in Alberta and Viking oil at Redwater, Alberta, and Plato, Saskatchewan as well as complementary low decline gas production in Boyer and Kaybob in Alberta. Following completion of the Transaction, Long Run will have oil and natural gas liquids comprising 50% of its total production, greater than 1.8 million net acres of land, an extensive inventory of drilling opportunities in emerging resource areas and tax pools of approximately \$1.3 billion.

The proposed exchange ratio represents a 6% premium to WestFire shareholders based on the 20 day volume weighted average trading prices of Guide and WestFire on the Toronto Stock Exchange (the "TSX").

## HIGHLIGHTS OF THE NEW COMPANY

### Key attributes of Long Run include:

- top-tier management team and board of directors with expertise in successfully growing intermediate oil and gas companies through acquisition and exploration;
- estimated production of approximately 26,000 BOE/d, of which 50% is light oil and natural gas liquids;
- annualized projected cash flow of approximately \$225 million, based on current commodity price strips;
- operating costs of \$13.75 per BOE;
- a large inventory of light oil drilling locations focused on key high working interest resource play areas in the Triassic Montney formation in the Peace River area of northwest Alberta, and the Viking formation at Redwater, Alberta and Plato, Saskatchewan;
- proved plus probable reserves of approximately 100 MMBOE (51% oil and natural gas liquids) and proved reserves of approximately 61 MMBOE (47% oil and natural gas liquids), estimated as of December 31, 2011 and adjusted for production to August 1, 2012, based on the independent engineering evaluations for each of Guide and WestFire;
- extensive landholdings totaling 1.8 million net acres;
- net debt, estimated at closing, of approximately \$430 million and a debt to cash flow ratio of 1.9;
- a large tax pool position estimated at \$1.3 billion; and
- greater market liquidity which will allow access to a broader investor base.

## TRANSACTION OVERVIEW

The Transaction will be completed by way of a plan of arrangement in accordance with the provisions of the Business Corporations Act (Alberta) (the "Arrangement") pursuant to an arrangement agreement entered into between Guide and WestFire (the "Arrangement Agreement"). The Arrangement is structured as a reverse take-over of Guide by WestFire with WestFire being the continuing entity. Accordingly, Guide shareholders will receive 0.4167 of a WestFire common share for each Guide common share.

Completion of the Arrangement is subject to the satisfaction of a number of conditions, including the approval of the shareholders of each of Guide and WestFire at special meetings to be held in October 2012.

Guide shareholders will be asked to approve the Arrangement, requiring approval by at least 66 2/3% of the votes cast by Guide shareholders, voting in person or by proxy, at the Guide meeting.

WestFire shareholders will be asked to approve the issuance of the WestFire Shares to the holders of Guide Shares, the name change to "Long Run Exploration Ltd.", the creation of a new unissued class of preferred shares and the election of the Directors. The share issuance and election of the Directors requires approval by a majority of the votes cast by WestFire shareholders and the name change and the creation of the preferred shares requires approval by at least 66 2/3% of the votes cast by WestFire Shareholders, voting in person or by proxy, at the WestFire meeting.

The Board of Directors of each of WestFire and Guide have unanimously approved the Arrangement, have determined that the Arrangement is in the best interests of their respective shareholders and have resolved to recommend that their respective shareholders vote in favour of the Arrangement. Holders of approximately 45% of WestFire Shares and 23% of Guide Shares have entered into support agreements pursuant to which they have agreed to vote their respective shares in favour of and to support the Arrangement. Under the terms of the Arrangement Agreement, each of WestFire and Guide has agreed that it will not solicit or initiate any inquiries or discussions regarding any other business combination or sale of assets, subject in each case, to its fiduciary duty in the event of a superior offer. Each of WestFire and Guide has granted the other a 72 hour right to match any superior proposal. The Arrangement Agreement also provides, under certain circumstances, for the payment of a non-completion fee of \$15 million payable to Guide by WestFire and a non-completion fee of \$10 million payable to WestFire by Guide.

The mailing of a joint information circular to the respective shareholders of WestFire and Guide for the special meetings is expected to occur in early September 2012, with such meetings and closing of the Arrangement to occur mid-October 2012, provided that all shareholder, court and regulatory approvals are obtained.

The Arrangement is also subject to the approval of the TSX and the Court of Queen's Bench of Alberta, as well as applicable regulatory approvals and the satisfaction of certain other closing conditions customary for transactions of this nature.

Complete details of the Arrangement are set out in the Arrangement Agreement, which will be filed by each of WestFire and Guide on SEDAR and will be available for viewing under their respective SEDAR profiles on [www.sedar.com](http://www.sedar.com).

## PRO FORMA KEY METRICS OF LONG RUN

Market Capitalization (\$)	627 million (1)
Basic Shares Outstanding	126 million
Estimated Net Debt (\$)	430 million (2)
Enterprise Value (\$)	1.1 billion
Estimated Production (BOE/d)	26,000
Annualized Cash Flow (\$)	225 million (3)
Net Debt to Cash Flow Ratio	1.9
Proved Plus Probable Reserves (BOE)	100 million

(1) Market Capitalization is calculated based on August 8, 2012 closing share price for Guide of \$2.08 adjusted for the exchange ratio to represent an implied pro forma share price of \$4.99 for each WestFire share.

(2) Includes transaction costs and fees.

(3) Based on current commodity price strips.

## **ADVISORS**

Scotia Waterous Inc., BMO Capital Markets and National Bank Financial Inc. are acting as financial advisors to Guide with respect to the Arrangement. BMO Capital Markets has provided the Board of Directors of Guide with its opinion, to the effect that, as of the date hereof, the consideration to be received by Guide pursuant to the proposed Arrangement is fair from a financial point of view, to Guide shareholders.

Cormark Securities Inc. is acting as exclusive financial advisor to WestFire with respect of the Arrangement and has provided the Board of Directors of WestFire with its opinion, that, as of the date hereof, the Arrangement is fair, from a financial point of view, to the WestFire shareholders.

## **ADVISORIES**

### **Forward-Looking Statements:**

Certain information in this news release including management's assessment of future plans and operations, the effect of the Arrangement on WestFire and Guide, timing of matters related to the approval of the Arrangement and implementation thereof, production levels, funds from operations, operating costs, reserves estimates, commodity mix, debt levels, tax pools, business strategy, future development and growth opportunities, prospects and anticipated benefits from the Arrangement are forward-looking statements under applicable securities laws. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties including, without limitation, the risks associated with the oil and gas industry in general such as operational risks in development, exploration, production, marketing and transportation; loss of markets; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, cost and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; inability to retain drilling rigs and other services; capital expenditure costs, including drilling, completion and facilities costs; unexpected decline rates in wells; delays in projects and/or operations resulting from surface conditions; wells not performing as expected; incorrect assessment of the value of acquisitions including the Arrangement; failure to realize the anticipated benefits of acquisitions including the Arrangement; ability to access sufficient capital from internal and external sources; delays resulting from or 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 Arrangement, including failure to realize anticipated production increases and anticipated cost savings and other synergies; risks regarding the integration of WestFire and Guide; incorrect assessment of the value of WestFire and/or Guide; and failure to obtain the required shareholder, court, regulatory and other third party approvals. This press release also contains forward-looking information concerning the anticipated completion of the Arrangement and the anticipated timing thereof. WestFire and Guide have provided these anticipated times in reliance on certain assumptions that it believes are reasonable, 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 Arrangement. 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 Arrangement. In addition, there are no assurances the Arrangement will be completed. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements and readers should not place undue reliance on the forward-looking information contained in this press release.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although WestFire and Guide believe 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 and Guide can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which WestFire and Guide operate; the timely receipt of any required regulatory and shareholder approvals; the ability to obtain financing on acceptable terms; the performance of existing wells; the success obtained in drilling new wells; future well production rates, decline rates and reserve volumes; the ability to replace and expand oil and natural gas reserves; the timing and costs of pipeline, storage and facility construction and expansion and the ability to secure adequate product transportation; future oil and natural gas prices; the sufficiency of budgeted capital expenditures in carrying out planned activities; the

availability and cost of labour and services; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which WestFire and Guide operate; and the ability to successfully market oil and natural gas products.

Readers are cautioned that the foregoing list of factors and assumptions is not exhaustive. Additional information on these and other factors that could affect Long Run's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) under WestFire's or Guide's respective profiles, at WestFire's website ([www.westfireenergy.com](http://www.westfireenergy.com)) and Guide's website ([www.guidex.ca](http://www.guidex.ca)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and WestFire and Guide do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

#### **Non-IFRS Measures:**

This news release includes references to financial measures commonly used in the oil and gas industry such as funds from operations and net debt, which do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). Management believes that in addition to net income, funds from operations and net debt are useful supplemental measures as they are a measure of a company's ability to generate the cash necessary to repay debt or fund future growth through capital investment. However, investors are cautioned that these measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of Long Run's performance. The method of calculating these measures may differ from other companies and, accordingly, they may not be comparable to similar measures used by other companies. For these purposes, "funds from operations" is defined as cash provided by operations before changes in non-cash working capital and "net debt" is defined as long-term bank debt plus working capital (adjusted for the fair value of financial instruments and future taxes).

#### **BOES:**

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. Given that the value ratio based on the current price of crude oil as compared to natural gas 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.

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