ACQUIRE ENHANCE EXPLOIT

2012 Q1 MD&A

WestFire ENERGY LTD

Management's Discussion and Analysis

The following discussion and analysis ("MD&A") of financial results is dated May 14, 2012, and should be read in conjunction with the accompanying unaudited interim financial statements and related notes for the three months ended March 31, 2012 and 2011 of WestFire Energy Ltd. ("WestFire" or the "Company") and its audited financial statements, related notes and MD&A for the year ended December 31, 2011. The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34. The reporting and the measurement currency is the Canadian dollar.

DESCRIPTION OF THE BUSINESS

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

STRATEGIC ALTERNATIVES PROCESS

Management and the Board of Directors of WestFire continue to believe there is significant value in WestFire's Viking light oil resource play that is not currently reflected in the Company's share price. The Board of Directors believe that the strategic alternatives process announced on December 19, 2011 continues to be the preferred method of enhancing shareholder value.

On March 20, 2012, WestFire opened its confidential data room to assist interested parties in their evaluation of the Company. The Company has not established a definitive schedule for completion of its strategic alternatives process, nor does it 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.

RESULTS OF OPERATIONS

Financial ***($ thousands except share and production information)***	**Three Months Ended March 31,** **2012**	 2011
Petroleum and natural gas sales	**53,486**	13,685
Cash from operating activities	**33,353**	6,546
Funds flow from operations[1]	**29,381**	6,681
Per share – basic and diluted[1]	**0.35**	0.16
Net earnings (loss)	**1,179**	(1,869)
Per share – basic and diluted	**0.01**	(0.05)
Expenditures on oil & gas properties	**69,425**	27,539
Net debt	**164,797**	1,198
Common and convertible non-voting shares		
Outstanding – basic	**82,969**	44,811
Outstanding – diluted	**83,121**	45,499
Weighted average– basic	**82,969**	41,130
Weighted average– diluted	**83,121**	41,819
Sales Volumes		
Oil and NGL (bbls per day)	**6,133**	1,676
Natural gas (Mcf per day)	**16,288**	6,579
Barrels of oil equivalent (boe per day) [2]	**8,848**	2,773

(1) The reader is referred to the section - "Non-IFRS Measurements".
(2) The reader is referred to the section - "Oil, Natural Gas Liquids and Natural Gas Conversions to Boe's".

In accordance with Canadian industry practice, production volumes, reserve volumes and revenues are reported on a Company interest basis (working interest plus royalty interest), before deduction of Crown and other royalties, unless otherwise indicated. The Company's results of operations are dependent on production volumes of crude oil, natural gas and natural gas liquids and the prices received for this production. Prices for these commodities have shown significant volatility during recent years and are determined by supply and demand factors, including weather, general economic conditions and changes in the Canadian/United States ("US") currency exchange rate.

In this MD&A, production and reserves information may be presented on a “barrel of oil equivalent” or “boe” basis with six thousand cubic feet (“mcf”) of natural gas being equivalent to one barrel (“bbl”) of crude oil or natural gas liquids. Boe’s 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 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.

Oil and gas production

	Three Months Ended March 31,		
	2012	2011	**Change**
Sales volumes			
Crude oil (bbls per day)	**5,220**	1,572	**232%**
Natural gas liquids ("NGL”) (bbls per day)	**913**	104	**778%**
Natural gas (Mcf per day)	**16,288**	6,579	**148%**
Total daily production (boe per day)	**8,848**	2,773	**219%**
Liquids as a percentage of total	**69.3%**	60.4%	
Sulphur sales (tonnes per day)	**110**	-	-

WestFire’s production for the three months ended March 31, 2012 (the “Quarter”) averaged 8,848 boe per day, and consisted of 4,759 bbls per day of light oil, 461 bbls per day of heavy oil, 913 bbls per day of natural gas liquids and 16,288 Mcf (2,714 boe) per day of natural gas. Production for the Quarter was 219 percent higher than the 2,773 boe per day recorded in the first quarter of 2011. The increase in production is in-part due to the production additions from the Orion Oil and Gas Corporation (“Orion”) acquisition on June 30, 2011 and the Viking asset acquisition in the fourth quarter of 2011, with the balance of production growth coming from the Company’s successful 2011 and first quarter 2012 drilling program.

	Three Months Ended March 31,		
	2012	2011	**Change**
Production by area (boe per day)			
Redwater/Provost	**4,350**	718	**506%**
Kaybob/Bigstone	**1,898**	-	**-**
West central Saskatchewan	**911**	414	**120%**
Lloydminster	**486**	585	**(17%)**
Alberta gas	**1,130**	971	**16%**
Other	**73**	85	**(14%)**
Total daily production	**8,848**	2,773	**219%**

Price risk management

The Company from time to time may enter into crude oil and natural gas financial contracts to manage the volatility of commodity prices. WestFire’s policy is to hedge no more than 50 percent of budgeted net after royalty volumes using a combination of fixed swaps and price collars, under contract terms not exceeding 24 months with only investment grade counterparties.

The fair market value of the Company’s risk management financial contracts and resulting gain (loss) are as follows:

($ thousands)	Three Months Ended March 31,	
	2012	2011
Current liability	**(7,891)**	(3,027)
Non-current liability	**(3,262)**	(758)
Total liability	**(11,153)**	(3,785)
Unrealized loss	**(5,242)**	(3,504)
Realized gain (loss)	**(1,215)**	253
Gain (loss) on risk management contracts	**(6,457)**	(3,250)

The following table describes the contracts outstanding as at March 31, 2012;

Type	Volume (bbs/d)	$/bbl or $/GJ (Cdn $)	Term From	To
Swap (WTI)	750	$97.45	January 2012	June 2012
Costless Collar (WTI)	750	$90.00-$102.00	January 2012	June 2012
Costless Collar (WTI)	200	$95.00-$115.85	January 2012	December 2012
Swap (WTI)	200	$90.60	January 2012	December 2012
Swap (WTI)	350	$91.10	April 2012	June 2012
Costless Collar (WTI)	350	$80.00-$100.45	April 2012	June 2012
Swap (WTI)	500	$105.10	April 2012	December 2012
Swap (WTI)	500	$91.25	July 2012	December 2012
Costless Collar (WTI)	500	$85.00-$95.05	July 2012	December 2012
Swap (WTI)	500	$92.75	July 2012	December 2012
Costless Collar (WTI)	100	$85.00-$97.90	July 2012	December 2012
Costless Collar (WTI)	400	$85.00-$99.15	July 2012	December 2012
Swap (WTI)	500	$106.40	July 2012	December 2012
Swap (WTI)	500	$105.10	January 2013	June 2013
Costless Collar (WTI)	400	$85.00-$109.05	January 2013	September 2013
Swap (WTI)	600	$97.05	January 2013	December 2013
Swap (WTI)	1,600	$100.30	January 2013	December 2013

Absent the above-noted contracts, the effects of changes in commodity prices on net income for the three months ended March 31, 2012 are summarized in the following table:

Commodity	Price Change	Net income change
Oil and NGL ($/bbl)	+/- $1.00	$ 465
Natural gas ($/Mcf)	+/- $0.10	$ 148

Petroleum and natural gas sales

($ thousands)	**Three Months Ended March 31, 2012**	2011
Sales		
Light oil	**38,850**	7,402
Heavy oil	**2,872**	3,314
Natural gas liquids	**7,028**	595
Natural gas	**3,400**	2,374
Sulphur	**1,336**	-
Total	**53,486**	13,685

Light oil sales increased 425 percent for the Quarter compared to the same period in 2011. The increase is a result of a 409 percent increase in volumes combined with a 3 percent increase in oil prices for the period.

Heavy oil sales declined 13 percent for the Quarter compared to the same period in 2011 due to a 13 percent price increase which was partially offset by the impact of a 26 percent decrease in volumes.

NGL sales increased 1,081 percent for the Quarter compared to the same period in 2011. The increase is a result of a 778 percent increase in volumes combined with a 33 percent increase in NGL prices for the period.

Natural gas sales increased 43 percent for the Quarter compared to the same period of 2011. The increase can be attributed to a volume increase of 148 percent partially offset by a decrease in natural gas prices of 43 percent.

	Three Month Ended March 31,	
	2012	2011
WestFire average prices		
Light oil ($/bbl)	**89.70**	87.00
Heavy oil ($/bbl)	**68.51**	58.75
Natural gas liquids ($/bbl)	**84.60**	63.48
Natural gas ($/mcf)	**2.29**	4.01
Sulphur ($/tonne)	**133.04**	-
Benchmark pricing		
Light and heavy oil – WCS (Cdn $/bbl)	**81.64**	70.22
Oil and natural gas liquids – Cdn$ WTI (Cdn $/bbl)	**103.03**	94.25
Natural gas – AECO Daily index (Cdn $/gj)	**2.03**	3.56

Commodity prices

Prices realized in the Quarter were higher for all products than those realized in the first quarter of 2011, with the exception of natural gas. Light oil prices increased by three percent, heavy oil prices increased by 17 percent and NGL prices increased by 33 percent, while the realized price for natural gas decreased by 43 percent.

Crude Oil Markets

For the Quarter, the price of West Texas Intermediate (‘‘WTI’’) continued to climb, averaging US$102.94 per bbl or 9.5 percent higher than both the prior quarter average of US$94.06 and the US$94.10 per bbl average recorded in the same period in 2011. However, the increase in WTI prices during the Quarter has been more than erased by a widening of the differential price adjustment for Edmonton Light Sweet. The differential between WTI and Edmonton Light Sweet (“MSW”) widened from a discount of US$3.00 per bbl in December 2011 to a discount of US$19.85 per bbl in March 2012. The increase in the differential discount was attributed to reduced demand due to refinery turnarounds, warmer winter weather which was further exacerbated by export pipeline capacity limitations and increased production in the Bakken and Cardium regions. However this differential has narrowed in the second quarter to date.

Natural Gas Markets

For the Quarter, AECO prices averaged $2.39 per gigajoule (“gj”), a 33 percent decline from the $3.58/gj recorded in the first quarter of 2011 and 27 percent decline from the $3.29/gj recorded in the prior quarter. Natural gas prices have continued its decline to even further depressed levels in the Quarter due to significant natural gas production capacity additions coupled with the negative impact of an unseasonably warm winter period, resulting in record storage levels.

Crown and other royalties

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Crown	**1,711**	760
Freehold and overriding	**3,168**	629
Total Royalties	**4,879**	1,389
$ per boe	**6.06**	5.57
% of revenue	**9.1%**	10.2%

Total royalties have increased 251 percent for the Quarter as compared to the same period in 2011. On a per boe basis, royalties increased nine percent to $6.06 per boe compared to $5.57 in the prior year. The increase in Royalties is primarily attributed to higher royalty burdens on the Orion assets acquired in 2011.

Operating expenses

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Total	**12,767**	4,348
$ per boe	**15.86**	17.42
% of revenue	**23.9%**	31.8%

For the Quarter, operating expenses increased 194 percent to $12,767 compared to $4,348 for the same period in 2011. On a per boe basis, operating expenses decreased nine percent to $15.86 compared to $17.42 for 2011 as a result of new production in lower operating cost areas, the acquisition of Orion assets encumbered with average lower operating rates as well as expected reductions arising from increased production covering fixed operating costs of each field.

Transportation expenses

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Total	**1,416**	284
$ per boe	**1.76**	1.14
% of revenue	**2.6%**	2.1%

For the Quarter, transportation expenses increased 398 percent to $1,416 compared to $284 in 2011 due to higher production. As a percentage of revenue, transportation expenses have increased slightly, as volumes and prices have increased. On a per boe basis, the cost of transportation has increased over the same quarter in the prior year due to an increased weighting towards liquids production (69 percent in 2012 compared to 60 percent in 2011) which is encumbered with higher average transportation rates related to infield trucking costs.

Operating netbacks [1]

	Three Months Ended March 31,	
($ per boe)	**2012**	2011
Sales price	**66.43**	54.84
Realized derivative gains (loss)	**(1.51)**	1.02
Royalties	**(6.06)**	(5.57)
Operating expenses	**(15.86)**	(17.42)
Transportation expenses	**(1.76)**	(1.14)
Netbacks	**41.25**	31.73

(1) The reader is referred to the section - "Non-IFRS Measurements".

Operating netbacks have increased in 2012 by 30 percent over 2011 as a result of higher oil prices and lower operating costs, which combined, have more than offset the impact of increased royalties and current year losses in financial derivative contract settlements.

General and administration ("G&A") expenses

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Gross G&A expenses	**5,392**	1,841
Less: Capitalized	**(2,193)**	(811)
Net G&A expenses	**3,199**	1,030
$ per boe	**3.97**	4.13

For the Quarter, G&A expenses increased 193 percent to $5,392 compared to $1,841 for the same period in 2011. At the end of March 2012, WestFire employed 51 full-time office staff and 16 consultants, compared to 21 full-time office staff at the same time in 2011. The increased staffing level and the associated direct and indirect costs account for a significant portion of the increased G&A expenses. On a per boe basis, G&A for the Quarter decreased four percent to $3.97 per boe from $4.13 per boe for the same period of 2011. The incremental administrative costs were attributed to higher staffing levels commensurate with the growth of the Company over the period.

Finance charges

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Interest expense	**1,154**	154
Accretion expense	**330**	149
	1,484	303

In conjunction with the Orion Acquisition, WestFire secured an increase of $158 million in its credit facilities. WestFire's previous credit facility was replaced with a syndicated credit facility and an operating facility with an aggregate principal amount of $200 million. At the end of March 31, 2012, the Company's net bank debt totaled $164,797 compared to no outstanding debt at March 31, 2011. The average debt level for the Quarter was $137,343 compared to $4,045 for the same period in 2011. The increased debt levels in 2012 account for the 653 percent increase in interest expense during the same period.

Accretion expense increased during the Quarter as compared to the first quarter of 2011 due to the additional abandonment liabilities incurred from the Company's 2011 and 2012 drilling program in addition to the acquired abandonment obligation from the Orion Acquisition.

Share-based compensation

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Gross share-based compensation	**1,211**	849
Less: capitalized	**(301)**	(149)
Net share-based compensation	**910**	700

The Company's stock option plan provides for granting of options to directors, employees and consultants to a maximum of 10 percent of the total issued and outstanding voting common shares of the Company. These options have a term of five years to expiry and have a three year vesting period from the date of grant. In accordance with the Company's accounting policy, WestFire capitalizes share-based compensation expenses associated with exploration and development activities. No options were issued in the Quarter, 217,333 options were forfeited and none were exercised. As at March 31, 2012, there were 4,775,135 options outstanding compared to 3,118,967 options at March 31, 2011. For the Quarter, the Company's share-based compensation increased compared to the same period in 2011 due to an increase in the number of stock options outstanding and the related timing of the expense recognition.

The following tables summarize the stock option activity through to the end of March 31, 2012;

	Number Of Options	**Weighted Average Exercise Prices**
Balance, December 31, 2010	3,118,967	$ 6.22
Granted	1,977,500	7.57
Forfeited	(217,333)	7.42
Exercised	(29,999)	6.60
Balance, December 31, 2011	4,849,135	$ 6.70
Forfeited	(74,000)	7.65
Balance, March 31, 2012	4,775,135	$ 6.69

Depletion and depreciation

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Depletion	**21,563**	4,981
Depreciation	**53**	25
Total	**21,616**	5,006
$ per boe	**26.85**	20.06

Depletion and depreciation ("D&D") expense increased 332 percent to $21,616 compared to $5,006 in 2011. The increase in depletion expense was due to the increased scale of operations as a result of corporate and asset acquisitions, combined with the Company's 2012 drilling program. The increase in depreciation expense related to the Company's furniture and fixtures is a result of leasehold improvements incurred during 2011. On a boe basis, D&D expense for the Quarter was $26.85 compared to $20.06 for the same period in 2011.

Net earnings and comprehensive income

Net earnings and comprehensive income for the Quarter was $1,179 compared to net loss and comprehensive loss for the same period in 2011 of $1,869. The basic and diluted net income per share for the Quarter was $0.01, compared to basic and diluted net loss per share of $0.05 per share for the same period in 2011. Net earnings for the Quarter was impacted by significant routine non-cash charges related to depletion and depreciation of $21,616 ($5,006 in first quarter of 2011) and unrealized losses recorded on the change in fair value of the Company's financial derivative contracts totaling $5,242 ($3,504 in first quarter of 2011).

LIQUIDITY AND CAPITAL RESOURCES

On March 9, 2011, the Company issued 4,862,000 common shares at $9.05 per common share for gross proceeds of $44,001.

On June 30, 2011 and in conjunction with the acquisition of Orion, the Company secured an increase of $158 million to its credit facilities whereby the previous credit facility was replaced with a syndicated credit facility with an aggregate principal amount of $200 million. The new credit facility is comprised of a $190 million syndicated credit facility and a $10 million operating facility. Both are revolving facilities with term-out provisions with the initial revolving period ending June 28, 2012. If the credit facilities are not renewed they will convert to 365-day term loans. The credit facilities bear interest at the prime rate, bankers' acceptance rate or LIBOR plus a spread determined by WestFire's debt-to-EBITDA ratio.

As at March 31, 2012 WestFire had a working capital deficit of $25.2 million and total net debt of $164.8 million compared to a working capital deficit of $0.8 million and total net debt of $124.8 million as at December 31, 2011 and was 82 percent drawn on the Company's bank facility with $34.7 million of remaining borrowing capacity.

In addition to debt and equity markets, the Company entered into a farmout agreement with an industry partner on WestFire lands in the west central area of Saskatchewan in the second quarter of 2011, whereby the partner committed to drill, complete and equip (or abandon) thirty horizontal wells, on or before December 31, 2012. The arrangement provides that the farmee will pay seventy-five percent of the costs of the wells to earn, and be entitled to, fifty percent of WestFire's pre-farmout working interest in the farmout lands. The Company received $5.0 million as initial consideration under this agreement, which has been recorded as deferred compensation on the statement of financial position. This deferred compensation will be recognized in the income statement on the date when the farmee has completed all commitments under the agreement on or before December 31, 2012. The farmout agreement also included the disposition by the Company of half its interest in two producing wells in the same area as the farmout lands for proceeds of $1.25 million, resulting in a loss on disposition of oil and gas properties of $201 for the period ended December 31, 2011.

The Company's investing activities for the Quarter consisted of expenditures on its capital program. Management anticipates that the Company will continue to have adequate liquidity to fund budgeted capital investments through a combination of cash flow, equity and debt.

CAPITAL INVESTMENT

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Land	**5,505**	368
Geological and geophysical	**834**	566
Drilling and completions	**53,339**	22,336
Equipment and facilities	**9,659**	4,142
Office equipment	**88**	127
Exploration and development capital	**69,425**	27,539
Divestitures	**-**	(61)
Total investing activities in oil and gas	**69,425**	27,478
Capitalized share-based compensation	**210**	149
Capitalized non-cash deferred compensation	**301**	-
Additions to asset retirement obligations	**(288)**	(349)
Capital expenditures	**69,648**	27,278

For the Quarter, WestFire drilled a total of 57 (51.3 net) Viking horizontal oil wells; 32 (30.8 net) wells at Redwater, Alberta, 16 (16.0 net) at Plato, Saskatchewan and 9 (4.5 net) wells at Lucky Hills, Saskatchewan, all with 100 percent success.

WestFire's net capital expenditures were $69,648 during the Quarter, representing 45 percent of its budgeted annual capital program of $155 million. A total of $61,452 was invested into the development of the Viking with $36,934 at Redwater, $21,366 at Plato and $3,152 at Lucky Hills. Another $1,925 was invested at Kaybob South, $427 at Lloydminster with the remaining $901 in non-core properties. The Company also invested $4,943 in land acquisitions in the Plato area.

WestFire currently has two drilling rigs operating with one rig operating at Redwater and one at Plato. These rigs are scheduled to drill 24 (20.5 net) Viking horizontal oil wells during the second quarter of 2012.

SUMMARY OF QUARTERLY RESULTS

	2012	2011				2010		
($ thousands, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales [1]	53,486	56,192	51,568	21,377	13,685	13,367	9,957	9,290
Net earnings (loss) [1]	1,179	(66,612)	11,427	4,387	(1,869)	(4,436)	(2,304)	(842)
Net earnings (loss) per share								
– basic and diluted	0.01	(0.80)	0.14	0.10	(0.05)	(0.11)	(0.06)	(0.02)

(1) *Second quarter 2010* - Petroleum and natural gas sales for the second quarter of 2010 decreased slightly from the first quarter of 2010 due to a decrease in commodity prices. The net loss in the second quarter of 2010 was due to the decrease in petroleum and natural gas sales, a decrease in the gain on risk management contracts and increased share based compensation.

Third quarter 2010 - For the third quarter of 2010, petroleum and natural gas sales increased from the second quarter of 2010 as a result of new production from drilling and acquisitions. The net loss was higher than the previous quarter due to increased depletion expense resulting from increased production and increased operating expenses as a result of the payment of property taxes paid to various municipalities in which WestFire operates during the third quarter of 2010.

Fourth quarter 2010 - Revenues for the fourth quarter of 2010 were significantly higher than the third quarter due to higher crude oil and NGL prices combined with higher volumes. The higher net loss was due to an increase in the loss on risk management contracts combined with higher depletion expense resulting from increased production.

First quarter 2011 - Revenues for the first quarter of 2011 were consistent with the fourth quarter of 2010. The lower net loss compared to third quarter of 2010 is due to the loss on risk management contracts and an increase in depletion and depreciation expense.

Second quarter 2011 – Revenue in the second quarter of 2011 was higher than the first quarter of 2011 due to increased production from an active drilling program. The higher revenue in the quarter resulted in net earnings as compared to a net loss in the prior quarter.

Third quarter 2011 – Revenues for the third quarter of 2011 increased over previous quarter due to acquisition of Orion and the addition of 5,146 boe per day of production. The increase in net earnings correlates with the increase in revenues for the same period.

Fourth quarter 2011 – Revenue for the fourth quarter of 2011 increased from the previous quarter as a result of higher production and higher crude oil and NGL prices. The net loss for the fourth quarter 2011 was the result of an unrealized loss on the risk management contracts and an impairment loss of $73,633 relating to two of the Company's CGUs.

First quarter 2012 - Revenue for the first quarter of 2012 was lower than the fourth quarter of 2011 as a result of an unscheduled shut-down of a third-party operated gas plant facility which resulted in the shut-in of approximately 2,650 boe of Kaybob production for 28 days.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P) and internal controls over financial reporting ("ICOFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to WestFire is made known to the CEO and CFO by others and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by WestFire under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Company.

The CEO and CFO are required to cause the Company to disclose any change in the Company's ICOFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's ICOFR. No changes in ICOFR were identified during such period that have materially affected or are reasonably likely to materially affect, the Company's ICOFR.

It should be noted a control system, including the Company's DC&P and ICOFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met and it should not be expected that DC&P and ICOFR will prevent all errors or fraud.

OUTLOOK

The Company has an approved capital budget for 2012 of $155 million, of which approximately 85 percent will be directed to drilling at Redwater and Provost, Alberta and Plato, Saskatchewan where 110 (105 net) wells are planned. The remainder of the budget will be spent on land, seismic and maintenance capital on existing properties. The 2012 capital budget is a reflection of the Company's continued focus on the development of the Viking resource in both Alberta and west central Saskatchewan following on recent successes in drilling and completion techniques in 2011. WestFire currently has two rigs operating: one at Redwater and one at Plato. These rigs are scheduled to drill 24 (20.5 net) Viking horizontal light oil wells during the second quarter of 2012.

The budget is expected to generate average production of 9,750 boe per day, which represents a per share production growth of approximately 30 percent over 2011. WestFire's 2012 production mix is targeted to be 71 percent crude oil and liquids and 29 percent natural gas. Based on current strip commodity prices and exchange rates, the Company's capital program is expected to be funded primarily from funds flow from operations, thereby allowing WestFire to maintain its prudent financial strategy and sound balance sheet.

ADDITIONAL INFORMATION

Additional information regarding the Company and its business and operations, including the annual information form ("AIF") is available on the Company's profile at www.sedar.com. Copies of the AIF can also be obtained by contacting the Company at WestFire Energy Ltd. 1400, 440 – 2nd Avenue S.W., Calgary, Alberta, Canada T2P 5E9 or by e-mail at jholmgren@westfireenergy.com. This information is also accessible on the Company's web site at www.westfireenergy.com.

LEGAL ADVISORIES

Oil, Natural Gas Liquids ("NGL's), and Natural Gas - Conversions to Boe's

The calculation of barrels of oil equivalent ("boe") is based on a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil to estimate relative energy content and does not represent a value equivalency at the wellhead. Boe's may be misleading, particularly if used in isolation.

Non-IFRS measurements

Readers are cautioned that this MD&A contains the term funds flow from operations which should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with IFRS as an indicator of WestFire's performance. The reconciliation between funds flow from operations and cash provided by operating activities is as follows:

	Three Months Ended March 31,	
($ thousands)	**2012**	2011
Cash provided by operating activities	**33,353**	6,546
Change in non-cash working capital	**(3,972)**	135
Funds flow from operations	**29,381**	6,681

WestFire also presents funds flow from operations per share, whereby funds flow from operations is divided by the weighted average number of shares outstanding to determine per share amounts. Netbacks are also presented, which represents WestFire's revenue per boe, less per boe royalties, operating expenses and transportation expenses, in order to determine the amount of funds generated by each boe produced. WestFire calculates net debt as current liabilities less current assets, excluding the current portion of future tax assets.

Forward-looking statements

In the interest of providing WestFire shareholders and potential investors with information regarding the Company, including management's assessment of WestFire's future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbor" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause WestFire's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements.

These risks and uncertainties include, among other things: volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in WestFire's marketing operations, including credit risks; imprecision of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids; WestFire's ability to replace and expand oil and gas reserves; risks associated with technology; its ability to generate sufficient cash from operations to meet its current and future obligations; WestFire's ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; WestFire's ability to secure adequate product transportation; changes in environmental and other regulations or the interpretations of such regulations; political and economic conditions; terrorist threats; risks associated with potential future lawsuits and regulatory actions made against WestFire; WestFire's ability to utilize all of its tax pools and investment tax credits; other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by WestFire disclosure intentions with respect to strategic alternative review process and; the outcome of the Company's strategic alternatives process.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Although WestFire believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and WestFire does 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 required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.