GUIDE EXPLORATION LTD.

Management's Discussion and Analysis

March 31, 2012

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This Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Guide Exploration Ltd. ("Guide" or the "Corporation") for the three months ended March 31, 2012, with comparisons to the three months ended March 31, 2011 and as at December 31, 2011. The MD&A has been prepared by management and should be read in conjunction with the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2012 and 2011, and the audited consolidated financial statements for the year ended December 31, 2011. The MD&A should also be read in conjunction with the Corporation's MD&A for the year ended December 31, 2011, as disclosure which is unchanged from December 31, 2011 may not be duplicated herein.

Petroleum and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil. BOEs may be misleading, particularly if used in isolation. The forgoing conversion ratio 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 than the energy equivalency of six to one, utilizing a conversion on a six to one basis may be misleading as an indication of value.

Amounts are shown in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes.

This MD&A is based on information available as of, and is dated, May 4, 2012.

Non-GAAP Measurements

The MD&A contains terms commonly used in the oil and gas industry, such as funds flow from operations, funds flow from operations per share, and operating netback. These terms are not defined by International Financial Reporting Standards (IFRS) and 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 Guide's performance. Management believes that in addition to net earnings, funds flow from operations is a useful financial measurement which assists in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Guide's determination of funds flow from operations may not be comparable to that reported by other companies. All references to funds flow from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. The Corporation calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of Class A shares outstanding.

Guide uses the term net debt in the MD&A and presents a table showing how it has been determined. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

Forward-Looking Statements

Statements that are not historical facts may be considered forward looking statements, including management's assessment of future plans and operations, development plans, drilling plans and the timing thereof, plans for construction of facilities, the expectation that the Corporation will not pay income tax in 2012, the effect of certain hedges, and the expected continued volatility in commodity prices and stock markets and the effects thereof.

These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's

objectives, goals or future plans are forward-looking statements. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, Guide's actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

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 the Corporation 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 the Corporation 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 the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Corporation has an interest in to operate the field in a safe, efficient and effective manor; the ability of the Corporation 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 costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its 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 Guide's operations and financial results are included elsewhere herein and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at Guide's website (www.guidex.ca). Furthermore, the forward-looking statements contained herein are made as at the date hereof and Guide 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 may be required by applicable securities laws.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended March 31	
	2012	**2011**
Financial		
($000s except per share amounts)		
Petroleum and natural gas revenue	47,384	48,042
Funds flow from operations [1]	18,818	26,842
Per share – basic	0.19	0.32
Per share – diluted	0.19	0.32
Net income (loss)	(12,157)	(13,297)
Per share – basic	(0.12)	(0.16)
Per share – diluted	(0.12)	(0.16)
Capital expenditures	54,410	48,121
Net acquisitions of oil and gas properties	52,071	681
Total assets	776,372	885,286
Net debt [1,2]	224,144	173,540
Total non-current financial liabilities	21,125	10,823
Shareholders' equity	417,382	567,529
Weighted average shares outstanding		
Basic	101,339,531	83,980,083
Diluted	101,339,531	83,980,083
Operating		
Average daily production		
Light oil (Bbl/d)	3,859	2,832
Heavy oil (Bbl/d)	984	948
NGLs (Bbl/d)	442	368
Natural gas (Mcf/d)	54,579	53,398
Total (BOE/d)	14,382	13,048
Average selling prices [3]		
Light oil ($/Bbl)	78.57	83.14
Heavy oil ($/Bbl)	70.11	64.08
NGLs ($/Bbl)	65.71	67.84
Natural gas ($/Mcf)	2.19	3.98
Total ($/BOE)	36.21	40.91
Average selling prices, after financial derivative contracts [4]		
Crude oil ($/Bbl)	72.83	75.02
Natural gas ($/Mcf)	3.42	5.21

[1] *See "Non-GAAP Measurements"*
[2] *Net debt includes bank indebtedness and working capital, but excludes financial derivatives and other liability*
[3] *The average prices reported are prior to financial derivatives and transportation charges*
[4] *The average prices reported are after financial derivatives and prior to transportation charges*

Total petroleum and natural gas revenue, before royalties and financial derivatives, was $47.4 million in the first quarter of 2012, a decrease of $0.6 million from $48.0 million in Q1 2011. The benefit of higher

crude oil and NGL production volumes during the quarter was offset by the impact of lower prices for natural gas.

Crude oil and NGL production volumes of 5,285 Bbl/d in Q1 2012 increased 27% or 1,137 Bbl/d from 4,148 Bbl/d in Q1 2011.

Natural gas production averaged 54.6 Mmcf/d in the first three months of 2012, compared to 53.4 Mmcf/d in the same period of the prior year. The 2% increase reflects the acquisition of gas properties at Boyer, Alberta on January 31, 2012, which has offset declines in natural gas production resulting from Guide's decision to focus the 2012 capital program on oil projects.

The average price for natural gas, before transportation and financial derivative contracts, was $2.19/Mcf in Q1 2012, 45% lower than the $3.98/Mcf price received in Q1 2011. Crude oil prices, before transportation and financial derivative contracts, decreased 2% in the first quarter of 2012 to $76.84/Bbl from $78.41/Bbl in the first quarter of 2011.

Realized gains on financial derivative contracts were $4.4 million in Q1 2012, compared to $4.8 million in Q1 2011. The $6.1 million gain realized on natural gas derivative contracts in 2012 raised the effective gas price received during the quarter by $1.23/Mcf to $3.42/Mcf, before transportation.

Funds flow from operations of $18.8 million in the three months ended March 31, 2012 was $8.0 million or 30% lower than the funds flow of $26.8 million recorded in the first three months of 2011. Funds flow was impacted by lower natural gas and crude oil prices, operating costs associated with higher oil production, and by additions to the technical staff at Guide.

Results of Operations

Three months ended March 31	2012		2011	
	1,308,736 BOE		1,174,344 BOE	
($000s)		$/BOE		$/BOE
Revenues	47,384	36.21	48,042	40.91
Realized gain on financial derivatives	4,363	3.33	4,771	4.06
Royalties	(8,410)	(6.43)	(9,310)	(7.93)
GCA[1]	1,114	0.85	3,171	2.70
Transportation costs	(2,312)	(1.77)	(2,200)	(1.87)
Operating costs	(15,946)	(12.18)	(12,342)	(10.51)
Net	**26,193**	**20.01**	**32,132**	**27.36**
G&A	(4,791)	(3.66)	(3,156)	(2.69)
Interest costs	(2,105)	(1.61)	(1,857)	(1.58)
Exploration expenses	(413)	(0.31)	(215)	(0.18)
Capital and other taxes	(66)	(0.05)	(62)	(0.05)
Funds flow from operations[2]	**18,818**	**14.38**	**26,842**	**22.86**

[1] *GCA means Gas Cost Allowance*
[2] *See "Non-GAAP Measurements"*

Petroleum and Natural Gas Revenue ***(before royalties)***

Three months ended March 31	2012		2011	
($000s)		%		%
Light oil	27,566	58	21,175	44
Heavy oil	6,275	13	5,472	11
NGLs	2,643	6	2,247	5
Natural gas	10,792	23	19,089	40
Royalty income	108	-	59	-
Total	**47,384**	**100**	**48,042**	**100**

Revenues for the three months ended March 31, 2012 were $47.4 million, compared to $48.0 million during the same period of the prior year. Crude oil revenues increased $7.2 million, reflecting higher crude oil production volumes in Q1 2012. Gas revenues decreased by $8.3 million in Q1 2012 compared to Q1 2011 as a result of lower gas prices.

Crude oil and NGL revenues were 77% of total revenues in the first quarter of 2012 compared to 60% of total revenues for the first quarter of 2011.

Production

	Three months ended March 31			
	2012		2011	
	BOE/d	%	BOE/d	%
Light oil (Bbls/d)	3,859	27	2,832	22
Heavy oil (Bbls/d)	984	7	948	7
NGLs (Bbls/d)	442	3	368	3
Natural gas (Mcf/d)	54,579	63	53,398	68
BOE/d (6:1)	**14,382**	**100**	**13,048**	**100**

Average production was 14,382 BOE/d during Q1 2012, 10% higher than the average production of 13,048 BOE/d in Q1 2011. By product, production volumes increased as follows: light oil production by 36%, heavy oil production by 4%, natural gas liquids production by 20% and natural gas production by 2%.

In the first quarter of 2012 crude oil and NGLs accounted for 37% of average daily production compared with 32% in Q1 2011.

The average production reflects an effective date for the Boyer natural gas acquisition of January 31, 2012. With Boyer included, Guide's average production for March 2012 was 15,699 BOE/d, of which 5,350 BOE/d (34%) was crude oil and NGLs.

Commodity Pricing and Marketing

Petroleum products are sold to major Canadian marketers at spot reference prices or prices subject to commodity contracts based on US WTI for crude oil and AECO for natural gas. As a means of managing the risk of commodity price volatility and improving netback cash flows, Guide has entered into several natural gas and crude oil financial contracts. Guide's policy on hedging is to hedge up to a maximum of 75% of the production after royalties for a term of not more than 24 months.

The Corporation has the following financial contracts in place as at March 31, 2012:

	Volume	Pricing
Natural Gas		
January 1, 2012 – December 31, 2012	22,500 GJ/d	CDN $5.00/GJ
March 1, 2012 – December 31, 2012	10,000 GJ/d	CDN $4.50/GJ
April 1, 2012 – October 31, 2012	5,000 GJ/d	CDN $4.86/GJ
Crude Oil		
Costless Collars		
January 1, 2012 – December 31, 2012	500 Bbl/d	WTI CDN $85.00-$90.00/Bbl
January 1, 2013 – December 31, 2013	500 Bbl/d	WTI CDN $98.00-$102.00/Bbl
Fixed Price		
March 1, 2012 – June 30, 2012	1,000 Bbl/d	WTI CDN $91.25/Bbl
March 1, 2012 – June 30, 2012	1,100 Bbl/d	WTI US $94.00/Bbl
Other		
July 1, 2012 – December 31, 2012	1,000 Bbl/d	WTI US $91.25/Bbl Call
July 1, 2012 – December 31, 2012	1,100 Bbl/d	WTI US $94.00/Bbl Call
January 1, 2013 – December 31, 2013	1,527 Bbl/d	WTI US $85.00/Bbl Call
January 1, 2013 – December 31, 2013	500 Bbl/d	WTI US $85.00/Bbl Swaption
January 1, 2013 – December 31, 2013	73 Bbl/d	WTI US $100.00/Bbl Call
January 1, 2014 – December 31, 2014	980 Bbl/d	WTI US $85.00/Bbl Swaption
January 1, 2014 – December 31, 2014	500 Bbl/d	WTI US $100.00/Bbl Call

Interest Rate Swap:

Notional Amount CAD $75 million — Term: February 6, 2012 – January 5, 2014
Fixed rate 1.19% - Floating rate is reset monthly against CAD-BA-CDOR

During Q1 2012, Guide recorded realized gains of $4.4 million on financial contracts, compared to gains of $4.8 million in Q1 2011. Spot prices for natural gas continued to be substantially lower than the prices Guide has secured using financial contracts.

Based on the mark to market value at March 31, 2012, an unrealized loss on financial contracts of $5.4 million was recorded in Q1 2012, compared to an unrealized loss of $19.0 million in Q1 2011. If the contracts were unwound at March 31, 2012, the Corporation would owe a net amount of $6.4 million.

Subsequent to March 31, 2012, the Corporation entered into the following financial derivative transactions:

Natural Gas		
Contract unwound April 1, 2012 – October 31, 2012	5,000 GJ/d	CDN $4.86/GJ
New contract November 1, 2012 – October 31, 2013	5,000 GJ/d	CDN $4.20/GJ

Electricity		
New contract May 1, 2012 – December 31, 2014	1.5 MW/hour	CDN $67.75/MW hour

Prices ***(prior to financial derivatives and transportation charges)***

	Three months ended March 31	
	2012	**2011**
Light oil ($/Bbl)	78.57	83.14
Heavy oil ($/Bbl)	70.11	64.08
NGLs ($/Bbl)	65.71	67.84
Natural gas ($/Mcf)	2.19	3.98

Prices realized in the first quarter of 2012 were lower for all products than those realized in the first quarter of 2011, with the exception of heavy oil, which increased by 9%. Light oil prices decreased by 5%, NGL prices decreased by 3%, and the average price received for natural gas decreased by 45%.

On January 31, 2012, Guide completed the transaction to acquire the Boyer gas property in Northwestern Alberta. This low decline dry shallow gas property added an average of 21.0 Mmcf/d of sales gas production in February and March 2012. Guide transacted a financial contract for the period March 1 through December 31, 2012 on 10,000 GJ/d at CDN $4.50/GJ.

During the three months ended March 31, 2012 differentials widened in Alberta and the average light oil price received by Guide was approximately $14.00/Bbl lower than the weighted average posted Edmonton light oil par price. By comparison, during Q1 2011, the average light oil prices received by the Corporation were approximately $5.00/Bbl lower than the weighted average posted Edmonton light oil par price. Heavy crude differentials were effectively flat at $23.00/Bbl in Q1 2012 as compared to $24.00/Bbl in Q1 2011.

Guide's policy to hedge a portion of its crude oil and natural gas production impacted funds flow in the first quarter of 2012 as follows. For natural gas, Guide's financial contracts increased the average realized price by $1.23/Mcf from $2.19/Mcf to $3.42/Mcf. Note that the 10,000 GJ/d hedge put in place for the Boyer acquisition was effective only during the final month of the quarter. This financial contract is expected to improve Guide's realized price for the remainder of 2012. Crude oil hedges decreased the average price received in Q1 2012 by $4.01/Bbl, from $76.84 to $72.83 per barrel.

Crude Oil Prices

Three months ended March 31	2012		2011	
	$000s	$/Bbl	$000s	$/Bbl
Crude oil	33,866	76.84	26,674	78.41
Realized financial contracts	(1,769)	(4.01)	(1,154)	(3.39)
Transportation	(1,036)	(2.35)	(655)	(1.93)
Net crude oil	31,061	70.48	24,865	73.09

Natural Gas Prices

Three months ended March 31	2012		2011	
	$000s	$/Mcf	$000s	$/Mcf
Natural gas	10,875	2.19	19,121	3.98
Realized financial contracts	6,133	1.23	5,915	1.23
Transportation	(1,246)	(0.25)	(1,535)	(0.32)
Net natural gas	15,762	3.17	23,501	4.89

NGL Prices

Three months ended March 31	2012		2011	
	$000s	$/Bbl	$000s	$/Bbl
NGL	2,643	65.71	2,247	67.84
Transportation	(30)	(0.75)	(10)	(0.30)
Net NGL	2,613	64.96	2,237	67.54

Production by Property

Three months ended March 31

	2012				2011			
	Gas Mmcf/d	Oil & NGLs Bbl/d	BOE/d	%	Gas Mmcf/d	Oil & NGLs Bbl/d	BOE/d	%
Peace	25.0	3,449	7,612	53	30.3	2,242	7,298	56
Smoky	11.2	447	2,319	16	15.9	575	3,227	25
Boyer[1]	13.7	-	2,287	16	-	-	-	-
Cherhill	2.3	621	1,011	7	2.1	662	1,017	8
Other areas	2.4	768	1,153	8	5.1	669	1,506	11
	54.6	**5,285**	**14,382**	**100**	**53.4**	**4,148**	**13,048**	**100**

[1] *Boyer was acquired on January 31, 2012. Monthly gas volume in February and March averaged 21.0 Mmcf/d.*

Peace Area - Includes Normandville, Girouxville, and Eaglesham

Peace Area production averaged 3,449 Bbl/d of oil and NGLs in the first quarter of 2012. This represents an increase of 54% in average daily oil and NGL production from 2,242 Bbl/d in the first quarter of 2011. During the same period, natural gas production decreased 17% from 30.3 Mmcf/d to 25 Mmcf/d. The area contributed 74% to total funds flow from operating activities in Q1 2012 based on 53% of production volumes.

Over the past 18 months, Guide confirmed the viability of oil in the Normandville/Girouxville Montney fairway and advanced this project into the development stage. During the first quarter of 2012, eight (8.0

net) wells were drilled in the Peace area and the Normandville oil facility was upgraded to handle an additional 5,000 barrels per day of oil and associated gas.

Up to a total of 19 (19.0 net) oil wells are planned in the Normandville/Girouxville Montney fairway during the remainder of the year. Plans also include the construction of a 5,000 barrels per day capacity oil facility at Girouxville.

Smoky Area – Includes Kakut

The Smoky area production averaged 447 Bbl/d of oil and NGLs and 11.2 Mmcf/d of natural gas during Q1 2012. During the same period in 2011, production averaged 575 Bbl/d of oil and NGLs and 15.9 Mmcf/d of natural gas. During the first quarter of 2012, the Smoky area contributed 12% of funds flow from operations and 16% of production volumes. Guide has suspended most of the short term development plans for the Smoky Area because of the current price of natural gas.

Two (1.5 net) wells were drilled within the Smoky area during the first quarter.

Boyer Area

On January 31, 2012, Guide completed the acquisition of the Boyer shallow gas property. This strategic acquisition provides Guide with a low decline dry gas property that can be further developed when gas prices recover. Guide commissioned a third party engineering firm to evaluate the Boyer assets effective December 31, 2011. The independent evaluator determined that the reserves attributable to the property were approximately 67.5 Bcf of proven gross natural gas reserves and 85.0 Bcf of proven plus probable gross natural gas reserves. In February and March, the Boyer property averaged gas production of 21.0 Mmcf/d, which is in line with both Guide's internal forecasts and the independent evaluation.

Cherhill Area - Includes Alexis and St Anne

Production in the Cherhill area averaged 621 Bbl/d of oil and NGLs and 2.3 Mmcf/d of natural gas during the first three months of 2012. During the same period in 2011, production averaged 662 Bbl/d of oil and NGLs and 2.1 Mmcf/d of natural gas. In Q1 2012, the Cherhill area contributed 10% of the funds flow from operations and 7% of production volumes.

Oil assets at Alexis and St. Anne continue to be exploited and optimized with two (0.4 net) wells drilled in this area during the first quarter.

Royalties

Three months ended March 31	2012	2011
($000s, except as indicated)		
Crown	5,815	7,341
Freehold	1,655	1,115
GORR and other	940	854
Gross royalties	**8,410**	**9,310**
GCA	(1,114)	(3,171)
Net royalties	**7,296**	**6,139**
% of revenue	**17.7**	**19.4**
% of revenue net of GCA	**15.4**	**12.8**

Gross royalties were 17.7% of revenues during the first quarter of 2012, compared to 19.4% for the same period in 2011. By product, gross royalties were 17.0% for light oil, 13.8% for natural gas, 23.6% for heavy oil, and 28.2% for liquids. For the three months ended March 31, 2011, gross royalties were 19.7% for light oil, 17.4% for natural gas, 20.6% for heavy oil, and 30.0% for liquids.

Total royalties, net of GCA, were 15.4% during the three months ended March 31, 2012, compared to 12.8% during Q1 2011.

Operating Costs

Operating costs were $12.18/BOE during 2012, an increase of 16% from $10.51/BOE in Q1 2011. This increase was mainly due to an increase in light oil production with higher operating costs associated with new oil wells on production.

General and Administration Expenses

Three months ended March 31	2012		2011	
($000s)	$000s	$/BOE	$000s	$/BOE
Gross	7,025	5.37	4,367	3.72
Capitalized overhead	(1,852)	(1.42)	(822)	(0.70)
Overhead recoveries	(382)	(0.29)	(389)	(0.33)
Net	**4,791**	**3.66**	**3,156**	**2.69**

Gross general and administration (G&A) expenses increased $2.7 million in Q1 2012 compared to Q1 2011. Guide has increased the number of technical staff in the development and production areas. In addition, transaction costs related to the Boyer acquisition were incurred in Q1 2012.

During the three months ended March 31, 2012 gross G&A expenses by category were: salary and employee – 61%, acquisition transaction costs – 9%, office – 14%, consulting – 3%, computer – 5%, shareholder costs – 2%, audit, engineering and legal – 2%, and corporate – 4%.

Share-Based Compensation

Share-based compensation was a non-cash expense of $0.9 million during Q1 2012, of which $0.3 million was capitalized. During the three months ended March 31, 2011, share-based compensation expense was $0.8 million, of which $0.2 million was capitalized.

During the quarter ended March 31, 2012, the Corporation granted 2,006,300 stock options at an average exercise price of $2.38, having fair values between $0.63 and $1.33 per option.

During Q1 2012, options totalling 297,001 having an average exercise price of $4.22 were forfeited.

At March 31, 2012, there were 10,437,632 stock options outstanding at an average exercise price of $3.47 per share.

Interest

Interest expense was $2.1 million during the three months ended March 31, 2012, compared to $1.9 million recorded in the same period of the prior year. As at March 31, 2012, an amount of $182.1 million was drawn against the Corporation's credit facilities, compared to $138.2 million at December 31, 2011.

Exploration Expenses

Expenditures incurred before the Corporation has obtained the legal right to explore are expensed. Seismic expenditures of $413,000, relating to lands not owned by the Corporation, were expensed in the three months ended March 31, 2012 (March 31, 2011 - $0.2 million).

Accretion

Accretion expense on the Corporation's decommissioning liabilities was $1.2 million during the three months ended March 31, 2012, compared to $0.8 million in Q1 2011.

Derecognition Expense

The carrying amount of an asset is derecognized on disposal or when future economic benefits are no longer expected from its use or disposal, with the resulting gain or loss recognized in the statement of earnings. During the three months ended March 31, 2012, costs of $2.2 million associated with expiring land leases were expensed, compared to $3.4 million expensed during the same period of 2011.

Depletion and Depreciation

Depletion and depreciation expense was $23.3 million or $17.82/BOE during Q1 2012, compared to $20.7 million or $17.67/BOE for Q1 2011. Petroleum and natural gas reserves were estimated internally as at March 31, 2012.

Capital expenditures of $33.9 million (March 31, 2011 - $50.5 million) related to undeveloped land and seismic have been excluded from, and $200.4 million (March 31, 2011 - $350.8 million) of future development costs have been added into, the cost bases for depletion purposes. Estimated residual values of $27.9 million have been excluded from costs subject to depletion (March 31, 2011 - $48.6 million).

In addition, as at March 31, 2012, the Corporation has exploration and evaluation assets of $12.5 million which are not depleted (March 31, 2011 - $Nil).

Capital and Deferred Taxes

The first quarter 2012 and 2011 current tax provisions of $66,000 and $62,000, respectively, relate to Saskatchewan capital and resource tax, and were based upon revenues earned in Saskatchewan. It is not expected that Guide will pay income taxes in 2012.

The Q1 2012 deferred income tax recovery was $1.8 million on a loss before tax of $13.9 million. At March 31, 2012, the Corporation has an unrecognized deferred income tax asset of approximately $21.0 million. A deferred income tax recovery of $4.3 million on a loss before tax of $17.5 million was recorded in Q1 2011.

Capital Expenditures

Exploration and evaluation assets, property and equipment, net	($000s)
Balance at December 31, 2011	617,543
Additions	55,145
Acquisitions	92,480
Disposals	(17,970)
Derecognition expense	(2,235)
Depletion and depreciation	(23,328)
Balance at March 31, 2012	**721,635**

Three months ended March 31	2012		2011	
($000s)		%		%
Land	3,997	7	8,056	17
Geological and geophysical	1,179	2	647	1
Drilling and completion	35,276	65	34,012	71
Plant and facilities	12,979	24	4,868	10
Inventory	493	1	523	1
Other assets	486	1	15	-
Exploration & evaluation assets, property & equipment investing activity	**54,410**	100	**48,121**	**100**

Capital expenditures during the first three months of 2012 were $54.4 million. Drilling and completions expenditures comprised 65% of capital activity. The Corporation drilled 17 (14.2 net) wells, resulting in 14 (11.7 net) oil wells, 1 (0.5 net) natural gas well, and 2 (2.0 net) dry & abandoned wells, for a success rate of 88% (85.9% net) during the quarter.

During the three months of 2012, the Corporation purchased interests in certain natural gas properties in the Boyer area of Alberta for cash consideration of $62.0 million, as well as interests in petroleum and natural gas properties in the Peace area of Alberta for cash consideration of $6.1 million.

On March 30, 2012, properties in the Senex area of Alberta were disposed of for net proceeds of $16.2 million, with no gain or loss recognized on disposal.

Liquidity and Capital Resources

As at March 31	2012	2011
($000s)		
Bank debt	182,073	146,025
Working capital deficiency [1]	42,071	27,515
Total net debt [2]	**224,144**	**173,540**

[1] *Excludes fair value of financial derivatives and other liability*
[2] *See "Non-GAAP Measurements"*

Funding of Capital Program

Three months ended March 31	2012	2011
($000s)		
Acquisition of properties	(68,282)	(119)
Disposals of properties	16,211	800
Funds flow from operations [1]	18,818	26,842
Issuance of Class A shares , net of costs	34,545	-
Repurchase of Class A shares	(891)	-
Change in bank debt	43,825	10,343
Change in working capital and other	10,184	10,255
Exploration & evaluation assets, property & equipment investing activity	**54,410**	**48,121**

[1] *See "Non-GAAP Measurements"*

On January 24, 2012, the Corporation issued 12,000,000 Class A shares at $3.05 per share for gross proceeds of $36.6 million, or $34.5 million net of issuance costs.

During the quarter ended March 31, 2012, under the Normal Course Issuer Bid, the Corporation purchased 394,000 Class A shares for $891,000. The shares were cancelled subsequent to March 31, 2012.

As at March 31, 2012, the Corporation had $250 million in credit facilities available, consisting of a $225 million extendible 364 day revolving term facility and a $25 million non-revolving facility. The $25 million facility is available subject to mutual approval of the banking syndicate and the Corporation, including repayment terms. Collateral for the facilities consists of a demand debenture for $500 million collateralized by a first floating charge over all of the property, plant and equipment of the Corporation. At March 31, 2012, an amount of $182.1 million was drawn against the revolving credit facility. (December 31, 2011 - $138.2 million).

The facilities bear interest at the bank's prime or banker's acceptance rates plus a rate margin. The margins ranged from 1.25% per annum to 5.25% per annum, based upon the Corporation's debt to cash flow ratio. For the three months ended March 31, 2012, the effective interest rate was 4.8% (March 31, 2011 – 5.2%).

The level of the borrowing base is determined by the bank syndicate based upon their review of, among other things, the Corporation's reserves and the value thereof, utilizing commodity prices determined by the bank syndicate which will be different than that utilized by the Corporation's independent reserve evaluator.

Subsequent to March 31, 2012, the Corporation renewed its credit facilities. The available amounts under the credit facilities were maintained at a $225 million extendible 366 day revolving term facility to May 28, 2013 and a $25 million non-revolving facility. The $25 million non-revolving facility is available subject to mutual approval of the banking syndicate and the Corporation, including repayment terms. The renewed facilities bear interest at the bank's prime or banker's acceptance rates plus a rate margin. The margins range from 1.25% per annum to 5.00% per annum, based upon the Corporation's debt to cash flow ratio.

Contractual Obligations

Contractual obligations as at March 31, 2012 are as follows:

$	Total	2012	2013	2014	2015	2016	Thereafter
Bank loan	182,073	182,073	-	-	-	-	-
Operating leases	9,900	1,435	1,915	1,915	1,890	1,830	915
Firm transportation agreements	6,004	2,396	2,218	1,101	289	-	-
Flow-through share expenditures	11,300	11,300	-	-	-	-	-
Capital commitments	1,700	1,700	-	-	-	-	-
Total	210,977	198,904	4,133	3,016	2,179	1,830	915

At March 31, 2012, the Corporation is committed to future minimum lease payments of $9.9 million under operating leases for office space and $6.0 million in firm contracts relating to the transportation of natural gas.

On November 24, 2011 the Corporation issued 5,634,000 flow-through Class A shares at $3.55 per share for gross proceeds of $20.0 million. The Corporation is required to incur qualifying exploration expenses of $20.0 million prior to December 31, 2012. As of March 31, 2012, $8.7 million of the required qualifying expenditures have been incurred.

At March 31, 2012 the Corporation has entered contracts for drilling rig services under which the Corporation is committed to using services totaling $1.7 million from April 1, 2012 to January 15, 2013.

Litigation

The Corporation is involved in various claims and legal actions arising in the normal course of business. The Corporation does not expect that the outcome of these proceedings will have a material adverse effect on the Corporation as a whole.

Financial Instruments

Refer to the "Commodity Pricing and Marketing" section.

Business Risks

General

Guide is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. These conditions have caused a decrease in confidence in the global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. This volatility may in the future affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors, the overall state of the capital markets, the Corporation's credit rating, interest rates, tax burden due to new tax laws and investor appetite for investments in the energy industry and the Corporation's securities in particular. Further, if the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

Financial Risks

Financial risks include fluctuations in commodity prices, interest rates, the Canadian/US dollar exchange rate, and the cost of goods and services. The Corporation currently has financial contracts with Canadian banks (see "Commodity Pricing and Marketing" for details). The Corporation also manages these risks by maintaining a statement of financial position with prudent levels of debt measured by debt to funds flow from operations and debt coverage ratios. This allows for sufficient financial capacity to maintain exploration and development activity during a downturn in commodity prices.

Third Party Credit Risk

An additional risk is credit risk for failure of performance by counter-parties. This risk is controlled by an evaluation of the credit risk before contract initiation and ensuring product sales and delivery contracts are made with well-known and financially strong crude oil and natural gas marketers.

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Implementation of strategies for reducing greenhouse gases to meet the limits required could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Corporation and its operations and financial condition.

Critical Accounting Estimates

There are a number of critical estimates underlying the accounting policies employed in preparing the financial statements.

Oil and Gas Accounting

All expenditures incurred after the Corporation has obtained the legal right to explore associated with the exploration for and development of oil and gas properties are capitalized whether successful or not. Exploration and evaluation costs are capitalized and accumulated pending determination of technical feasibility and commercial viability. Exploration and evaluation assets are not depleted. For property and equipment, the aggregate of net capitalized costs and estimated future development costs less estimated residual values is amortized using the unit-of-production method based on estimated proved and probable oil and gas reserves.

Oil and gas accounting relies on the estimated proved and probable reserves believed to be recoverable from the oil and gas properties. Determination of reserves is a complex process involving judgments, estimates and decisions based on available geological, engineering/production and other relevant economic data. These estimates are subject to change as economic conditions change and ongoing

production and development activities provide new information. The Corporation's reserves are evaluated annually by an independent firm and by the Corporation on a quarterly basis. Reserve estimates are critical to the following accounting estimates:

- Calculation of unit of production depletion. Proved and probable reserve estimates are used to determine the depletion and depreciation rate applied to each unit of production.
- Impairment of oil and gas assets. Estimated future cash flows are determined using the estimate of proved and probable reserves.

An increase in estimated proved and probable oil and gas reserves would result in a corresponding reduction in depletion expense. A decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

The calculation of proved and probable reserves is affected by events, including the following:

- Changes to commodity prices
- Production performance of wells
- Changes to reservoir performance/pressures
- New geological and geophysical data
- Competitor production practices
- Changes to government regulations

As circumstances change and additional data becomes available, revisions are made to these estimates.

Property and equipment may be excluded from depletion until capable of operating in the manner intended by management and the estimated fair value of these assets is included in impairment calculations. Estimated residual values are also excluded from the depletion calculation.

Impairment Calculations

The Corporation is required to test the carrying value of exploration and evaluation assets for impairment if facts and circumstances suggest the carrying amount exceeds the recoverable amount, and when these assets are transferred to property and equipment. The Corporation is required to test property and equipment, including the carrying value of oil and gas assets, for impairment when indications of impairment exist. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If either of these amounts exceeds the carrying value, the asset is considered not impaired. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. The amount by which the carrying value exceeds the recoverable amount of an asset is charged to earnings. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there has been a change in facts and circumstances since the last impairment loss was recognized.

The recoverable amount of an oil and gas asset is based on estimates of fair value, reserves, production rates, petroleum and natural gas prices, future costs, recent market transactions, and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Decommissioning Liabilities

The Corporation is required to provide for future abandonment and site restoration costs. The Corporation must estimate these costs in accordance with existing laws, contracts or other policies. These estimated costs are capitalized to exploration and evaluation assets or property and equipment, as applicable. The costs capitalized to property and equipment are depleted into earnings based on units of production. The estimate of future removal and site restoration costs involves a number of estimates related to timing of abandonment, determination of economic life of the asset, costs associated with abandonment and site restoration, and review of potential abandonment methods.

Income Tax Accounting

The determination of the Corporation's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Accordingly, the actual income tax asset or liability may differ significantly from that estimated and recorded by management.

Controls and Procedures over Financial Reporting

Disclosure Controls and Procedures

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the Corporation's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Corporation.
The Corporation's CEO and CFO are required to cause the Corporation to disclose any change in the Corporation's internal controls over financial reporting that occurred during the Corporation's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

It should be noted that a control system, including the Corporation's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Share Information

The following table summarizes the outstanding shares of Guide as of March 31:

	2012	**2011**
Class A shares outstanding		
Basic	104,407,135	83,980,083
Basic, options and warrants[1]	117,144,767	90,991,416

[1] Includes 10,437,632 options and 2,300,000 warrants at March 31, 2012 (March 31, 2011 – 7,011,333 options and nil warrants). Each warrant entitles a holder to acquire one Class A share at an exercise price of $3.10 until September 15, 2014 at any time after the Class A shares have achieved a twenty day volume weighted average trading price on the Toronto Stock Exchange exceeding $5.00 per share.

At March 31, 2012, the market value of Guide's outstanding Class A shares was $230.0 million based on the March 31, 2012 closing price of $2.20 per share. As of May 4, 2012, the number of Class A shares

outstanding was 102,649,135. As of May 4, 2012, the number of options and warrants outstanding were 10,487,432 and 2,300,000, respectively.

On December 8, 2011, the Corporation received regulatory approval from the Toronto Stock Exchange for a Normal Course Issuer Bid ("Bid") to purchase in the open market for cancellation up to a maximum of 4.6 million Class A shares of the Corporation. The Bid was effective December 13, 2011 and will terminate on December 12, 2012, or such earlier time as the Bid is completed or terminated at the option of the Corporation. Copies of the Notice are available to shareholders of Guide from Guide upon request.

During the three months ended March 31, 2012, the Corporation purchased 394,000 shares for $891,000. The shares were cancelled subsequent to March 31, 2012.

Additional Information

Additional information relating to Guide, including Guide's Annual Information Form, can be accessed on-line on SEDAR at www.sedar.com, or from the Corporation's website at www.guidex.ca.

Quarterly Highlights (unaudited)	2012	2011	2011	2011	2011	2010	2010	2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production								
Light oil (Bbl/d)	3,859	3,018	2,343	2,503	2,832	2,600	2,517	3,295
Heavy oil (Bbl/d)	984	1,028	1,245	863	948	985	1,009	1,108
Natural Gas (Mcf/d)	54,579	43,325	46,416	48,257	53,398	57,459	59,186	67,689
Liquids (Bbl/d)	442	412	374	346	368	394	433	537
BOE/d	**14,382**	**11,679**	**11,698**	**11,755**	**13,048**	**13,556**	**13,823**	**16,222**
Prices (*prior to financial derivatives and transportation charges*)								
Light oil ($/Bbl)	78.57	88.40	80.14	95.58	83.14	76.44	71.26	72.53
Heavy oil ($/Bbl)	70.11	78.23	69.16	75.80	64.08	60.32	58.13	57.76
Crude oil ($/Bbl)	76.84	85.82	76.32	90.51	78.41	72.01	67.50	68.82
Natural Gas ($/Mcf)	2.19	3.37	3.87	4.10	3.98	3.81	3.75	4.07
NGLs ($/Bbl)	65.71	70.26	66.79	74.44	67.84	58.06	49.48	53.41
Per BOE ($)								
Revenues	36.21	44.71	40.91	44.95	40.91	36.88	34.82	37.44
Royalties, net of GCA	(5.58)	(7.15)	(5.27)	(9.01)	(5.23)	(4.42)	(4.16)	(6.71)
Transportation costs	(1.77)	(1.88)	(1.90)	(1.93)	(1.87)	(1.67)	(1.66)	(1.64)
Operating costs	(12.18)	(11.53)	(11.79)	(12.64)	(10.51)	(10.11)	(10.20)	(9.03)
Net	**16.68**	**24.15**	**21.95**	**21.37**	**23.30**	**20.68**	**18.80**	**20.06**
G&A	(3.66)	(3.47)	(4.34)	(3.67)	(2.69)	(3.38)	(3.09)	(2.07)
Restructuring costs	-	-	-	-	-	-	(0.05)	(0.81)
Interest expense	(1.61)	(1.67)	(1.74)	(1.91)	(1.58)	(1.32)	(1.45)	(2.42)
Exploration expenses	(0.31)	(0.44)	(0.02)	(0.19)	(0.18)	-	-	-
Capital and other taxes	(0.05)	(0.07)	(0.06)	(0.05)	(0.05)	(0.06)	(0.05)	0.02
Realized gain (loss) on financial derivatives	3.33	4.62	9.10	3.25	4.06	1.10	1.90	3.61
Funds flow from operations [1]	**14.38**	**23.12**	**24.89**	**18.80**	**22.86**	**17.02**	**16.06**	**18.39**

[1] *See "Non-GAAP Measurements"*

Quarterly Highlights
(unaudited)

	2012	2011	2011	2011
	Q1	Q4	Q3	Q2
Financial ($000s)				
Petroleum and natural gas revenue, before royalties	47,384	48,037	44,026	48,086
Operating costs	(15,946)	(12,386)	(12,689)	(13,517)
General & administration expenses	(4,791)	(3,726)	(4,665)	(3,928)
Restructuring costs	-	-	-	-
Interest expense	(2,105)	(1,798)	(1,874)	(2,046)
Impairment of property and equipment	-	(255,000)	-	-
Impairment of goodwill	-	-	-	-
Funds flow from operations [1]	**18,818**	**24,839**	**26,789**	**20,115**
Per share, basic [1]	0.19	0.28	0.32	0.24
Per share, diluted [1]	0.19	0.28	0.32	0.24
Earnings (loss)	**(12,157)**	**(227,147)**	**17,132**	**10,505**
Per share, basic	(0.12)	(2.57)	0.20	0.13
Per share, diluted	(0.12)	(2.57)	0.20	0.13
Total assets	**776,372**	**671,057**	**898,110**	**880,379**
Weighted average outstanding Class A shares-basic	101,339,531	88,406,663	84,364,096	83,980,083
Weighted average outstanding Class A shares-diluted	101,339,531	88,406,663	84,364,096	83,980,083

[1] *See "Non-GAAP Measurements"*

Quarterly Highlights
(unaudited)

	2011	2010	2010	2010
	Q1	Q4	Q3	Q2
Financial ($000s)				
Petroleum and natural gas revenue, before royalties	48,042	45,995	44,279	55,273
Operating costs	(12,342)	(12,612)	(12,978)	(13,328)
General & administration expenses	(3,156)	(4,212)	(3,930)	(3,063)
Restructuring costs	-	-	(59)	(1,183)
Interest expense	(1,857)	(1,645)	(1,849)	(3,578)
Impairment of property and equipment	-	-	-	-
Impairment of goodwill	-	(25,333)	-	-
Funds flow from operations [1]	**26,842**	**21,227**	**20,425**	**27,146**
Per share, basic [1]	0.32	0.25	0.24	0.32
Per share, diluted [1]	0.32	0.25	0.24	0.32
Earnings (loss)	**(13,297)**	**(35,055)**	**577**	**14,587**
Per share, basic	(0.16)	(0.41)	0.01	0.17
Per share, diluted	(0.16)	(0.41)	0.01	0.17
Total assets	**885,286**	**869,652**	**886,847**	**861,436**
Weighted average outstanding Class A shares-basic	83,980,083	83,983,158	84,869,236	85,143,751
Weighted average outstanding Class A shares-diluted	83,980,083	83,983,158	84,869,236	85,143,751

[1] *See "Non-GAAP Measurements"*

Significant factors and trends that have impacted the Corporation's results during the above periods include:

Production in the first quarter of 2012 averaged 14,382 BOE/d compared to 12,040 BOE/d in the calendar year 2011. The increase in Q1 2012 in crude oil and natural gas production reflects the Corporation's capital program being weighted towards oil projects and the acquisition of gas properties in the Boyer area of Alberta in Q1 2012.

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices.

Petroleum products are sold to major Canadian marketers at spot reference prices or prices subject to commodity contracts based on US WTI for crude oil and AECO for natural gas. As a means of managing the risk of commodity price volatility and improving netback cash flows, Guide has entered into several natural gas and crude oil financial contracts. The $6.1 million gain realized on natural gas derivative contracts in Q1 2012 raised the effective gas price received during the period by $1.23/Mcf to $3.42/Mcf, before transportation.

At December 31, 2011 the Corporation recorded an impairment expense of $255.0 million related to property and equipment (December 31, 2010 - $Nil). The recoverable amounts of the Corporation's CGUs were estimated at fair value less costs to sell, based on the value of the after-tax cash flows from oil and gas reserves discounted at 10%, using reserves estimated by independent reserve evaluators, and the fair value of undeveloped land determined internally.

GUIDE EXPLORATION LTD.

Consolidated Financial Statements

March 31, 2012

GUIDE EXPLORATION LTD.
Consolidated Statements of Financial Position

($000s) (unaudited)	**March 31, 2012**	**December 31, 2011**
ASSETS		
CURRENT		
Accounts receivable (note 11)	23,040	21,259
Deposits and prepaid expenses (note 3)	2,816	9,258
Fair value of financial derivatives (note 11)	28,881	22,997
	54,737	53,514
Exploration and evaluation assets (note 4)	12,476	10,145
Property and equipment (notes 3, 5 and 6)	709,159	607,398
	776,372	**671,057**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	67,927	62,163
Bank loan (note 7)	182,073	138,248
Other liability (note 8)	1,738	3,554
Fair value of financial derivatives (note 11)	14,214	2,250
	265,952	206,215
Decommissioning liabilities (note 6)	71,913	48,055
Fair value of financial derivatives (note 11)	21,125	21,797
	358,990	276,067
SHAREHOLDERS' EQUITY		
Share capital (note 8)	638,380	606,256
Contributed surplus (note 8)	51,167	48,742
Retained earnings (deficit)	(272,165)	(260,008)
	417,382	394,990
	776,372	**671,057**

See accompanying notes

GUIDE EXPLORATION LTD.
Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

($000s, except per share amounts) (unaudited)	Three months ended March 31 2012	2011
INCOME		
Petroleum and natural gas revenue	47,384	48,042
Royalties, net of gas cost allowance	(7,296)	(6,139)
Realized gain on financial derivatives (note 11)	4,363	4,771
Unrealized loss on financial derivatives (note 11)	(5,408)	(18,959)
Other income	-	123
	39,043	27,838
EXPENSES		
Operating	15,946	12,342
Transportation	2,312	2,200
General and administration (note 9)	4,791	3,156
Share-based compensation (note 8)	600	599
Interest (note 7)	2,105	1,857
Exploration expenses	413	215
Accretion (note 6)	1,220	810
Derecognition expenses	2,235	3,400
Depletion and depreciation (note 5)	23,328	20,746
	52,950	45,325
Loss before taxes	(13,907)	(17,487)
Income taxes		
Capital and other taxes	66	62
Deferred income tax recovery	(1,816)	(4,252)
	(1,750)	(4,190)
NET LOSS AND COMPREHENSIVE LOSS	**(12,157)**	**(13,297)**
NET LOSS AND COMPREHENSIVE LOSS PER SHARE (note 8)		
Basic	(0.12)	(0.16)
Diluted	(0.12)	(0.16)
Weighted average Class A shares – basic	101,339,531	83,980,083
– diluted	101,339,531	83,980,083

See accompanying notes

GUIDE EXPLORATION LTD.
Consolidated Statement of Changes in Equity

($000s) (unaudited)	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, January 1, 2011	586,626	40,581	(47,201)	580,006
Share-based compensation (note 8)	-	3,514	-	3,514
Tax deduction of share issue costs (note 8)	(197)	-	-	(197)
Issue of common shares (note 8)	26,891	-	-	26,891
Shares purchased and cancelled (note 8)	(7,064)	4,647	-	(2,417)
Comprehensive loss	-	-	(212,807)	(212,807)
Balance, December 31, 2011	606,256	48,742	(260,008)	394,990
Share-based compensation (note 8)	-	895	-	895
Issue of common shares (note 8)	34,545	-	-	34,545
Shares purchased for cancellation (note 8)	(2,421)	1,530	-	(891)
Comprehensive loss	-	-	(12,157)	(12,157)
Balance, March 31, 2012	638,380	51,167	(272,165)	417,382

See accompanying notes

GUIDE EXPLORATION LTD.
Consolidated Statement of Changes in Equity

($000s) (unaudited)	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2010	586,626	40,581	(47,201)	580,006
Share-based compensation	-	820	-	820
Comprehensive loss	-	-	(13,297)	(13,297)
Balance, March 31, 2011	586,626	41,401	(60,498)	567,529

GUIDE EXPLORATION LTD.
Consolidated Statements of Cash Flows

($000s) (unaudited)	Three months ended March 31 2012	2011
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss	(12,157)	(13,297)
Items not requiring cash:		
Deferred income tax recovery	(1,816)	(4,252)
Depletion and depreciation	23,328	20,746
Derecognition expenses	2,235	3,400
Accretion	1,220	810
Share-based compensation	600	599
Other income	-	(123)
Unrealized loss on financial derivatives	5,408	18,959
Abandonment costs	(241)	(81)
Change in non-cash working capital (note 13)	2,277	1,172
	20,854	27,933
FINANCING ACTIVITIES		
Issue of common shares, net of costs (note 8)	34,545	-
Repurchase of common shares (note 8)	(891)	-
Bank loan	43,825	10,343
	77,479	10,343
INVESTING ACTIVITIES		
Exploration and evaluation expenditures (note 4)	(6,430)	-
Additions to property and equipment (note 5)	(47,980)	(48,121)
Acquisitions of oil and gas properties (note 5)	(68,282)	(119)
Disposals of oil and gas properties (note 5)	16,211	800
Change in non-cash working capital (note 13)	8,148	9,164
	(98,333)	(38,276)
CHANGE IN CASH	-	-
CASH, BEGINNING AND END OF PERIOD	-	-
SUPPLEMENTAL INFORMATION		
Cash interest paid	2,002	1,847
Cash taxes paid	75	62

See accompanying notes

Unless otherwise stated, amounts presented in these notes are in Canadian dollars and tabular amounts are in thousands of Canadian dollars, except number of shares and per share amounts.

1. REPORTING ENTITY

Guide Exploration Ltd. ("Guide" or the "Corporation") was incorporated under the *Business Corporations Act* (Alberta) on March 27, 2003 as Galleon Energy Inc. On November 1, 2011 the name of the Corporation was changed to Guide. The business of the Corporation is the acquisition of, exploration for and development of petroleum and natural gas properties in western Canada. Guide's outstanding Class A shares are listed on the Toronto Stock Exchange under the symbol "GO".

The financial statements include the accounts of the Corporation, its wholly owned subsidiary 1175176 Alberta Ltd and its indirect wholly owned partnership Guidex Partnership, on a consolidated basis.

The principal address of the Corporation is located at 400, 250 Second Street SW, Calgary, Alberta, T2P 0C1.

2. BASIS OF PREPARATION

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The interim consolidated financial statements do not include all of the information required for full annual financial statements.

The interim consolidated financial statements follow the same accounting policies as, and should be read in conjunction with, the annual audited consolidated financial statements for the year ended December 31, 2011. Changes in significant accounting policies are described in note 4 to the annual audited financial statements for the year ended December 31, 2011.

The consolidated financial statements were authorized for issue by the Board of Directors on May 4, 2012.

Basis of presentation

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value, as explained in note 11.

Estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The amounts recorded for exploration and evaluation assets, property and equipment, depletion and depreciation and impairment testing are based on estimates of proven and probable reserves, production rates, oil and natural gas prices, future costs, future prices, and other relevant assumptions.

Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves. Future price estimates are used in impairment testing. Changes in the economic environment could result in significant changes to the discount rate used to calculate net present values.

The provision for decommissioning liabilities is based on estimates of costs and expected plans for remediation. Actual costs may differ from those estimated due to changes in laws and regulations, technology, market and other conditions.

Accruals for royalties and costs are prepared based on estimates when actual amounts are not yet known. Share-based compensation amounts are determined using certain assumptions (see note 8). The fair value of financial derivatives is based on fair values provided by the counterparties with whom the transactions were completed (see note 11). By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

The provision for income and other tax liabilities, requiring the interpretation of complex laws and regulations which are subject to change, is subject to measurement uncertainty.

3. BUSINESS COMBINATIONS

Boyer area

On January 31, 2012, the Corporation purchased interests in certain natural gas properties in the Boyer area of Alberta for cash consideration of $62.0 million. At December 31, 2011, a deposit of $6.1 million paid towards the transaction was included in deposits and prepaid expenses.

Details of the transaction are as follows:

	$
Property and equipment	83,166
Decommissioning liabilities	(21,154)
Identifiable net assets acquired	62,012
Cash consideration paid	62,012

The consolidated financial statements incorporate the operations of the acquired properties commencing February 1, 2012. During the period February 1, 2012 to March 31, 2012, the Corporation recorded petroleum and natural gas revenue of $2.3 million and a net loss of $1.8 million in respect of these assets. Had the transaction closed on January 1, 2012, the incremental revenue and net income reported by the Corporation is estimated to have been approximately $1.9 million and $Nil, respectively.

Transaction costs of $0.6 million related to the acquisition are included in the consolidated statement of earnings as a general and administration expense.

Peace area

On February 15, 2012, the Corporation purchased interests in certain petroleum and natural gas properties in the Peace area of Alberta. Details of the transaction are as follows:

	$
Property and equipment	9,113
Decommissioning liabilities	(3,044)
Identifiable net assets acquired	6,069
Cash consideration paid	6,069

The consolidated financial statements incorporate the operations of the acquired properties commencing February 16, 2012. During the period February 16, 2012 to March 31, 2012, the Corporation recorded petroleum and natural gas revenue of $0.6 million and a net loss of $0.1 million in respect of these assets.

4. EXPLORATION AND EVALUATION ASSETS

	$
Balance, January 1, 2010 and December 31, 2010	-
Additions	10,145
Balance, December 31, 2011	**10,145**
Additions	6,430
Transfers to property and equipment	(4,099)
Balance, March 31, 2012	**12,476**

5. PROPERTY AND EQUIPMENT

Cost	Petroleum & natural gas properties $	Office furniture & equipment $	Total $
Balance, January 1, 2011	1,060,362	2,664	1,063,026
Additions	147,957	739	148,696
Acquisitions	7,550	-	7,550
Disposals	(13,831)	-	(13,831)
Derecognition expense	(7,538)	-	(7,538)
Balance, December 31, 2011	1,194,500	3,403	1,197,903
Additions	48,228	487	48,715
Acquisitions	92,480	-	92,480
Disposals	(28,782)	-	(28,782)
Transfers from exploration & evaluation assets	4,099	-	4,099
Derecognition expense	(2,235)	-	(2,235)
Balance, March 31, 2012	1,308,290	3,890	1,312,180

Accumulated depletion, depreciation & impairments	Petroleum & natural gas properties $	Office furniture & equipment $	Total $
Balance, January 1, 2011	244,905	1,474	246,379
Depletion & depreciation expense	90,363	303	90,666
Impairment	255,000	-	255,000
Disposals	(1,540)	-	(1,540)
Balance, December 31, 2011	588,728	1,777	590,505
Depletion & depreciation expense	23,220	108	23,328
Disposals	(10,812)	-	(10,812)
Balance, March 31, 2012	601,136	1,885	603,021

Net book value	Petroleum & natural gas properties $	Office furniture & equipment $	Total $
Balance, January 1, 2011	815,457	1,190	816,647
Balance, December 31, 2011	605,772	1,626	607,398
Balance, March 31, 2012	707,154	2,005	709,159

As at March 31, 2012, $33.9 million (March 31, 2011 - $50.5 million) of undeveloped land and seismic have been excluded from, and $200.4 million (March 31, 2011 - $350.8 million) in future development costs have been added into, the cost bases for depletion purposes. Estimated residual values of $27.9 million have been excluded from costs subject to depletion (March 31, 2011 - $48.6 million).

For the three months ended March 31, 2012, $0.6 million (March 31, 2011 – $0.3 million) of geological and geophysical related compensation has been capitalized.

During the three months ended March 31, 2012, the Corporation disposed of properties in the Senex area of Alberta for net proceeds of $16.2 million, with no gain or loss recognized on disposal.

6. DECOMMISSIONING LIABILITIES

The Corporation's decommissioning liabilities result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its decommissioning liabilities is approximately $230 million, which will be incurred over the next 40 years. A credit adjusted risk free rate of 7% and an inflation rate of 2% were used to calculate the present value of the decommissioning liabilities as at March 31, 2012 (December 31, 2011 – 7% and 2%, respectively).

	Three months ended March 31, 2012	**Year ended December 31, 2011**
	$	**$**
Balance, beginning of period	48,055	39,947
Accretion expense	1,220	3,173
Liabilities incurred	24,638	1,726
Disposal of liabilities	(1,759)	(1,615)
Settlement of liabilities	(241)	(1,068)
Change in estimates	-	5,892
Balance, end of period	**71,913**	**48,055**

7. AVAILABLE CREDIT FACILITIES

The Corporation has $250 million in credit facilities available, consisting of a $225 million extendible 364 day revolving term facility and a $25 million non-revolving facility. The $25 million facility is available subject to mutual approval of the banking syndicate and the Corporation, including repayment terms. Collateral for the facilities consists of a demand debenture for $500 million collateralized by a first floating charge over all of the property, plant and equipment of the Corporation. At March 31, 2012, an amount of $182.1 million was drawn against the revolving credit facility (December 31, 2011 - $138.2 million).

The facilities bear interest at the bank's prime or banker's acceptance rates plus a rate margin. The margins range from 1.25% per annum to 5.25% per annum, based upon the Corporation's debt to cash flow ratio. For the three months ended March 31, 2012, the effective interest rate, including standby and extension fees, was 4.8% (March 31, 2011 – 5.2%).

As at March 31, 2012, the Corporation is in compliance with all covenants, obligations and conditions of its credit agreement.

8. SHARE CAPITAL

Authorized

Unlimited number of preferred shares with no par value
Unlimited number of voting Class A shares with no par value
Unlimited number of voting Class B shares with no par value

Issued

Class A Shares	Number of Shares	Amount $
Balance, January 1, 2011	**83,980,083**	**586,626**
Class A shares purchased and cancelled (a)	(1,022,100)	(2,417)
Transfer to contributed surplus on cancellation of shares (a)	-	(4,647)
Issued for cash (b)	2,300,000	6,463
Issued for cash (c) (e)	1,515,152	5,000
Issued for cash (d) (e)	5,634,000	20,001
Premium received on flow-through shares (e)	-	(3,554)
Share issue costs, net of deferred tax of $341,000	-	(1,019)
Tax deduction of share issue costs	-	(197)
Balance, December 31, 2011	**92,407,135**	**606,256**
Issued for cash (f)	12,000,000	36,600
Share issue costs, net of deferred tax of $Nil	-	(2,055)
Class A shares purchased for cancellation (a)	-	(891)
Transfer to contributed surplus on purchase of shares for cancellation (a)	-	(1,530)
Balance, March 31, 2012	**104,407,135**	**638,380**

Warrants	Number of Warrants	Weighted Average Exercise Price $
Balance, January 1, 2011	**-**	**-**
Granted (b)	2,300,000	3.10
Balance, December 31, 2011 and March 31, 2012	**2,300,000**	**3.10**

a) On November 29, 2010, the Corporation received regulatory approval for a Normal Course Issuer Bid to purchase for cancellation up to a maximum of 2,000,000 shares of the Corporation, effective December 1, 2010. The Normal Course Issuer Bid was effective on December 1, 2010 and terminated on November 30, 2011. Regulatory approval for an amendment to the Bid, increasing the maximum number of shares that could be purchased to 6,200,000 was received on October 7, 2011.

During the year ended December 31, 2011, the Corporation purchased 1,022,100 Class A shares for cancellation for $2,417,000, all of which were cancelled at December 31, 2011. Share capital was reduced and contributed surplus was increased by an additional $4,647,000, being the excess of the book value of the shares at the date of purchase and the purchase price of the shares.

On December 8, 2011, the Corporation received regulatory approval from the Toronto Stock Exchange for a Normal Course Issuer Bid ("Bid") to purchase in the open market for cancellation up to a maximum of 4.6 million Class A shares of the Corporation. The Bid was effective December 13, 2011 and will terminate on December 12, 2012, or such earlier time as the Bid is completed or terminated at the option of the Corporation.

During the three months ended March 31, 2012, the Corporation purchased 394,000 shares for cancellation for $891,000. The shares were cancelled subsequent to March 31, 2012. Share capital was reduced and contributed surplus was increased by an additional $1,530,000, being the excess of the book value of the shares at the date of purchase and the purchase price of the shares.

b) On September 16, 2011, the Corporation issued 2,300,000 units ("Units") for gross proceeds of $6.5 million under a private placement to the new management group of the Corporation and their designates. Each Unit consisted of one Class A share of the Corporation and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one Class A share of the Corporation at an exercise price of $3.10 for a period of three years. The Warrants are not exercisable until the twenty day volume weighted average trading price of the Class A shares exceeds $5.00 per share.

c) On November 16, 2011 the Corporation issued 1,515,152 flow-through Class A shares at $3.30 per share by way of a private placement for gross proceeds of $5.0 million. The Corporation met the requirement to incur qualifying development expenses of $5.0 million prior to December 31, 2011.

d) On November 24, 2011 the Corporation issued 5,634,000 flow-through Class A shares at $3.55 per share for gross proceeds of $20.0 million. The Corporation is required to incur qualifying exploration expenses of $20.0 million prior to December 31, 2012. As of March 31, 2012, $8.7 million of the required qualifying expenditures have been incurred.

e) The premium proceeds in excess of $3.00 per share for the flow-through shares were received for the tax benefits to be renounced under the flow-through share offerings. At March 31, 2012, the $1.7 million other liability represents the premium outstanding for the for the tax benefits yet to be incurred.

f) On January 24, 2012, the Corporation issued 12,000,000 Class A shares at $3.05 per share for gross proceeds of $36.6 million.

The Corporation has a share option plan which provides for the grant of options to purchase Class A shares of the Corporation. In addition, 800,000 options have been granted by the Corporation in accordance with the policies of the Toronto Stock Exchange permitting the grant of security based compensation arrangements as an inducement to a person or persons not previously employed by or an insider of the Corporation, without security holder approval and not as part of the option plan. The exercise price of each option may not be less than the closing price of the Corporation's Class A shares on the day immediately prior to the date of the grant. Compensation expense is recognized as the options vest. The vesting occurs one third on each of the next three anniversaries of the date of the grant. The options expire five years from the date of grant. The Corporation may grant up to 10% of the aggregate number of Class A shares outstanding and no one optionee is permitted to hold options entitling such optionee to purchase more than 5% of the aggregate number of issued and outstanding Class A shares.

Contributed Surplus	Three months ended March 31, 2012 $	Year ended December 31, 2011 $
Beginning of period	48,742	40,581
Share-based compensation expense	895	3,514
Transfer from share capital on purchase of shares for cancellation (a)	1,530	4,647
End of period	**51,167**	**48,742**

The fair value of options granted during the three months ended March 31, 2012 was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 1.0-1.3%; dividend yield of 0%; volatility factors of the market price of the Corporation's common shares of 48-65%; and expected option lives of two to four years. Options granted during the three months ended March 31, 2012 had fair values between $0.63 and $1.33 per option.

The fair value of options granted during the year ended December 31, 2011 was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 1.1-2.5%; dividend yield of 0%; volatility factors of the market price of the Corporation's common shares of 44-69%; and expected option lives of two to four years. Options granted during the year ended December 31, 2011 fair values of between $0.60 and $1.74 per option.

	Number of Options	Weighted Average Exercise Price $
Outstanding, January 1, 2011	**7,150,000**	**5.44**
Granted	5,912,000	2.98
Forfeited	(2,736,667)	(4.97)
Cancelled	(1,597,000)	(6.38)
Outstanding, December 31, 2011	**8,728,333**	**3.75**
Granted	2,006,300	2.38
Forfeited	(297,001)	(4.22)
Outstanding, March 31, 2012	**10,437,632**	**3.47**

The following table summarizes information regarding stock options at March 31, 2012:

	Options Outstanding			Options Exercisable	
Exercise Price $	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
2.23-3.32	7,009,300	4.6	2.75	-	-
3.49-5.22	1,987,666	3.2	4.01	901,000	4.30
5.40-6.38	1,440,666	2.6	6.24	1,011,500	6.23
	10,437,632	**4.0**	**3.47**	**1,912,500**	**5.32**

An estimated forfeiture rate of 10% was used during the three months ended March 31, 2012 when recording share-based compensation expense (March 31, 2011 – 10%).

Earnings (loss) per share

	Three months ended March 31	
	2012	**2011**
Loss during the period ($000s)	(12,157)	(13,297)
Weighted average number of common shares (000s)		
Beginning of period	92,407	83,980
Issue of common shares	8,967	-
Repurchase of common shares	(35)	-
Weighted average number of common shares – basic	101,339	83,980
Basic and diluted loss per share	($0.12)	($0.16)

The diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding and in the money options are used to purchase common shares of the Corporation at their average market price for the period. For the three months ended March 31, 2012 and 2011, potential shares from all outstanding options have been excluded from the calculation of diluted loss per share as their inclusion is considered anti-dilutive in periods when a loss is incurred.

9. GENERAL AND ADMINISTRATION EXPENSES

	Three months ended March 31	
$	**2012**	**2011**
Salary and employee	4,270	2,553
Other	2,755	1,814
Gross expenses	7,025	4,367
Capitalized overhead	(1,852)	(822)
Operating recoveries	(382)	(389)
General and administration expenses	**4,791**	**3,156**

10. COMMITMENTS AND CONTINGENCIES

$	**Total**	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**
Operating leases	9,900	1,435	1,915	1,915	1,890	1,830	915
Firm transportation agreements	6,004	2,396	2,218	1,101	289	-	-
Capital commitments	1,700	1,700	-	-	-	-	-
Total	17,604	5,531	4,133	3,016	2,179	1,830	915

At March 31, 2012 the Corporation is committed to future minimum lease payments of $9.9 million under operating leases for office space.

At March 31, 2012 the Corporation is committed to $6.0 million in firm contracts relating to the transportation of natural gas.

At March 31, 2012 the Corporation has entered contracts for drilling rig services under which the Corporation is committed to using services totaling $1.7 million from April 1, 2012 to January 15, 2013.

Litigation

The Corporation is involved in various claims and legal actions arising in the normal course of business. The Corporation does not expect that the outcome of these proceedings will have a material adverse effect on the Corporation as a whole.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial assets and liabilities

The Corporation's financial instruments recognized in the statement of financial position consist of accounts receivable, accounts payable, bank loan and financial derivatives ("financial instruments"). The carrying value of accounts receivable and accounts payable approximated their fair values at March 31, 2012 due to their short-term nature. The carrying value of the bank loan approximates fair value due to the floating interest rate on the facility. The fair value of the financial derivatives is recognized on the statement of financial position as described below.

Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due, causing a financial loss. The Corporation's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal credit risks. A portion of the Corporation's production is currently sold through joint venture partners under normal industry sale and payment terms. During the three months ended March 31, 2012, three third party purchasers each marketed at least 10% of the Corporation's petroleum and natural gas revenues. As at March 31, 2012, approximately 50% of the accounts receivable balance is due from three customers, compared to 61% due from three customers at December 31, 2011. These customers are considered to have high credit worthiness. The Corporation generally grants unsecured credit but routinely assesses the financial strength of its customers and joint venture partners. No provision has been made for past due receivables as of March 31, 2012 as the Corporation has assessed there are no impaired receivables.

	March 31, 2012 **$**	**December 31, 2011** **$**
Less than 90 days	22,139	20,479
Greater than 90 days	901	780
Total	23,040	21,259

Liquidity risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient capital in order to meet its liquidity requirements at any point in time. The Corporation believes that it has access to sufficient capital through internally generated cash flows and external equity sources, and to undrawn committed credit facilities to meet current spending forecasts.

Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair value of its financial instruments. The Corporation's primary debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. Given the amount of debt employed, the Corporation's strategy may include managing interest rate risk through the use of interest rate swaps.

Market risk

Market risk is the risk of uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include commodity price risk and interest rate risk.

Financial derivative contracts

The Corporation has the following financial contracts in place as at March 31, 2012:

Natural Gas		
January 1, 2012 – December 31, 2012	22,500 GJ/d	CDN $5.00/GJ
March 1, 2012 – December 31, 2012	10,000 GJ/d	CDN $4.50/GJ
April 1, 2012 – October 31, 2012	5,000 GJ/d	CDN $4.86/GJ

Crude Oil		
Costless Collars		
January 1, 2012 – December 31, 2012	500 Bbl/d	WTI CDN $85.00-$90.00/Bbl
January 1, 2013 – December 31, 2013	500 Bbl/d	WTI CDN $98.00-$102.00/Bbl
Fixed Price		
March 1, 2012 – June 30, 2012	1,000 Bbl/d	WTI CDN $91.25/Bbl
March 1, 2012 – June 30, 2012	1,100 Bbl/d	WTI US $94.00/Bbl
Other		
July 1, 2012 – December 31, 2012	1,000 Bbl/d	WTI US $91.25/Bbl Call
July 1, 2012 – December 31, 2012	1,100 Bbl/d	WTI US $94.00/Bbl Call
January 1, 2013 – December 31, 2013	1,527 Bbl/d	WTI US $85.00/Bbl Call
January 1, 2013 – December 31, 2013	500 Bbl/d	WTI US $85.00/Bbl Swaption
January 1, 2013 – December 31, 2013	73 Bbl/d	WTI US $100.00/Bbl Call
January 1, 2014 – December 31, 2014	980 Bbl/d	WTI US $85.00/Bbl Swaption
January 1, 2014 – December 31, 2014	500 Bbl/d	WTI US $100.00/Bbl Call

Interest Rate Swap:

Notional Amount CAD $75 million — Term: February 6, 2012 – January 5, 2014
Fixed rate 1.19% - Floating rate is reset monthly against CAD-BA-CDOR

The Corporation has entered into the above contracts for the purpose of protecting funds flow generated from operations from the volatility of commodity prices and changes in interest rates.

The Corporation recognizes the fair value of its financial derivatives on the statement of financial position each reporting period with the change in fair value recognized as an unrealized gain or loss on the statement of earnings. At March 31, 2012, the fair value is estimated to be a net liability of $6.4 million, composed of a $28.9 million short term asset, a $14.2 million short-term liability, and a $21.1 million long-term liability. Of the total March 31, 2012 financial liability, $9.6 million relates to 2012, $18.3 million relates to 2013, and $7.4 million relates to 2014.

The fair value determinations for the Corporation's financial derivatives are based upon Level 3 inputs, having been provided by the counterparties with whom the transactions were completed and reviewed by the Corporation for reasonableness.

12. CAPITAL RISK MANAGEMENT

The Corporation's objective is to maintain net debt to funds flow from operations at or below a level of 1.5 to 1. While the Corporation may exceed this rate from time to time, efforts are made after a period of variation to bring the measure back in line.

The Corporation's strategy concerning capitalization is to utilize more equity than debt. This is measured by targeting total debt to total debt plus shareholders' equity at a ratio of less than 0.4 to 1.

At March 31 ($000s except ratio amounts)	Target Measure	2012	2011
Components of ratios			
Current assets (excluding fair value of financial derivatives)		25,856	28,381
Current liabilities (including short term debt and excluding other liability and fair value of financial derivatives)		250,000	201,921
Net debt		224,144	173,540
Total debt (bank loan)		182,073	146,025
Shareholders' equity (share capital plus retained earnings (deficit))		366,215	526,128
Total capitalization (total debt plus shareholders' equity)		548,288	672,153
Funds flow from operations [1] (three months ended March 31 annualized)		75,272	107,368
Net debt/funds flow from operations	< 1.5 times	3.0	1.6
Total debt/total debt plus shareholders' equity	< 0.4 times	0.3	0.2

[1] *Funds flow from operations is a non-GAAP measure and is based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures*

13. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in working capital is comprised of:

Three months ended March 31	2012 $	2011 $
Source (use) of cash:		
Accounts receivable	(1,781)	3,557
Deposits and prepaid expenses	6,442	252
Accounts payable and accrued liabilities	5,764	6,527
	10,425	10,336
Related to operating activities	2,277	1,172
Related to investing activities	8,148	9,164
	10,425	10,336

14. SUBSEQUENT EVENTS

Credit facilities

Subsequent to March 31, 2012 the Corporation renewed its credit facilities. The available amounts under the credit facilities were maintained at a $225 million extendible 366 day revolving term facility to May 28, 2013 and a $25 million non-revolving facility. The $25 million non-revolving facility is available subject to mutual approval of the banking syndicate and the Corporation, including repayment terms. The facilities bear interest at the bank's prime or banker's acceptance rates plus a rate margin. The margins range from 1.25% per annum to 5.00% per annum, based upon the Corporation's debt to cash flow ratio.

Financial derivative contracts

Subsequent to March 31, 2012, the Corporation entered into the following financial derivative transactions:

Natural Gas		
Contract unwound April 1, 2012 – October 31, 2012	5,000 GJ/d	CDN $4.86/GJ
New contract November 1, 2012 – October 31, 2013	5,000 GJ/d	CDN $4.20/GJ
Electricity		
New contract May 1, 2012 – December 31, 2014	1.5 MW/hour	CDN $67.75/MW hour

15. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the current period's consolidated financial statement presentation.