



FOR IMMEDIATE RELEASE – CALGARY, ALBERTA
August 27, 2003

Fairborne Energy Ltd. Announces 2003 Second Quarter Results

Fairborne Energy Ltd. is pleased to present the results of its operations for the first six months of 2003. During this period, production grew steadily and cash flow improved aided by strong commodity prices. Fairborne conducted an extensive capital program on both core properties and new exploration projects. During the second quarter of 2003, Fairborne entered into an agreement for a corporate transaction that resulted in the Company meeting its stated objective to reach a production level of approximately 5,000 barrels of oil equivalent per day (boe/day) within 12 to 18 months from commencement of operations in June, 2002. On May 4, 2003 the Company and Pivotal Energy Ltd. ("Pivotal") entered into an Arrangement Agreement to merge the two companies and continue as a publicly listed company named Fairborne Energy Ltd. The merger was approved by the shareholders of each company on July 2, 2003 and Fairborne commenced trading on the Toronto Stock Exchange effective July 7, 2003 under the trading symbol "FEL". As the transaction did not close until after June 30, 2003, the Fairborne financial statements and results of operations for the six months ended June 30, 2003 presented in this report do not include the results of Pivotal. This transaction significantly added to the Company's production base (primarily adding natural gas production), expanded Fairborne's existing prospect inventory and enhanced shareholder liquidity.

The merged company will have the advantage of a significant production base and strong financial resources thereby giving the Company the ability to aggressively pursue existing drilling prospects on the existing Pivotal and Fairborne properties as well as new drilling and property acquisition opportunities. Fairborne's current production, including the Pivotal assets, totals 4,900 boe/d consisting of 13.7 Mmcf/d of natural gas and 2,600 bbls/day of light crude oil and NGLs. The Company also has approximately 500 to 600 BOE per day of production awaiting tie-in over the next three to four months.

Selected Results from Operations for the Three and Six Months Ended June 30, 2003
(Please note that these results do not include the merger with Pivotal effective July 2, 2003)

	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003
Production		
Crude oil and NGLs (bbls/d)	1,709	1,684
Natural gas (Mcf/d)	7,283	6,444
Barrels of Oil Equivalent (boe/d)	2,922	2,758
Prices		
Crude oil and NGLs (\$/Barrel)	\$35.69	\$38.15
Natural gas (\$/Mcf)	\$6.75	\$6.76
Barrels of Oil Equivalent (\$/BOE)	\$37.78	\$39.14
Financial (unaudited)		
Revenue (\$000)	\$10,154	\$19,686
Cash Flow From Operations (\$000)	\$5,986	\$11,687
Cash Flow per Share	\$0.30	\$0.59
Net Income (\$000)	\$2,751	\$4,980
Net Income Per Share	\$0.14	\$0.25

Clive/Wood River Area

The optimization and work-over program initiated last summer continues in the Clive field with 29 work-over/re-completions completed in 2002 and 27, to date, in 2003. The work-over program last year targeted primarily oil, however, the focus changed after the start of 2003 to concentrate on natural gas.

Preliminary technical analysis indicates several potential Leduc/Nisku drilling locations in under-exploited areas of the Clive field. To further define these potential drilling locations, a 3D survey has been purchased on the southern portion of the Clive pool and a 16 square mile, 3D seismic program was shot in January over the middle portion of the Clive Field. Processing and interpretation of this program have been completed and a total of eight wells are being licensed with the first four to be drilled over the summer and early fall.

Seven shallow gas wells have been drilled to date in 2003 with a 100% success rate. Four of these wells are on production and the remaining three will commence production in September.

The Company has also recompleted a total of five wells in the Basal Colorado Zone. This has resulted in four producing gas wells and one non-producer. These four wells currently produce approximately 1.3 Mmcf/d net to Fairborne. An additional six locations have been identified for recompletion.

Peace River Arch

Since the combination of Fairborne and Pivotal, five wells have been recompleted and three prospects have been drilled with a 100% success rate. Two of these wells will be on production in mid September, while the balance are sour gas wells that will require further regulatory approvals before commencement of tie in and production operations.

The Company remains active in this core area acquiring seismic, land and farm-in opportunities. It is expected that additional wells will be drilled on a number of prospects through the remainder of 2003.

Weyburn

Production at Weyburn remains stable and a development drilling and recompletion program will begin in September. The Company plans to drill two wells and recomplete five existing wells. The results of this program will determine if a number of other opportunities currently in inventory will proceed during the fourth quarter of 2003.

The growing production levels and strong commodity prices detailed above resulted in total revenue of \$19,686,000 for the six months ended June 30, 2003. This revenue combined with declining unit costs resulted in funds generated from operations of \$11,687,000 (\$0.59 per share) and net income of \$4,980,000 (\$0.25 per share) for the six month period in 2003. For the last six months of 2003, with the addition of the Pivotal assets, Fairborne anticipates substantially higher funds generated from operations as production levels will average in excess of 5,000 boe/day.

Management's Discussion and Analysis

This management discussion and analysis ("MD&A") should be read in conjunction with the accompanying financial statements of Fairborne Energy Ltd. ("Fairborne" or the "Company") along with the related notes thereto for the six months ended June 30, 2003 and the Company's audited financial statements, notes thereto and MD&A for the period ended December 31, 2002. Per barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel. The reader should be aware that historical results are not necessarily indicative of future performance.

This MD&A contains forward-looking statements. Forward looking statements are based on current expectations that involve a number of risks and uncertainties which could cause events or results to differ materially from those reflected in the MD&A. Forward looking statements are based on the estimates and opinions of Fairborne's management at the time the statements were made. Fairborne assumes no obligation to update forward-looking statements should circumstances or management's estimates change.

Fairborne is now a publicly traded company with its head office in Calgary and is engaged in the business of acquiring crude oil and natural gas properties and exploring for, developing and producing crude oil and natural gas in Western Canada. The Company was incorporated as a private company in early 2002 and in June, 2002 commenced active operations. The report presented and comments thereon are based on the results of operations of Fairborne for the six months ended June 30, 2003. As Fairborne only had active operations for one month of the comparative six month period in 2002, no comparative analysis will be discussed.

On July 2, 2003, the shareholders of Fairborne agreed to the merger of Fairborne with a publicly listed company called Pivotal Energy Ltd. ("Pivotal") pursuant to which Pivotal shareholders received 0.485 of a Fairborne common share for each Pivotal share. Concurrent with this merger, Fairborne's common shares commenced trading on the Toronto Stock Exchange under the trading symbol "FEL". As this transaction closed subsequent to June 30, 2003, the results of operations and financial assets of Pivotal are not included in the financial statements for this report. Comments will be made as to the effect that Pivotal results will have on future operations.

Revenue

Revenues for the six month period of 2003 totaled \$19,686,000 from sales of crude oil, natural gas and NGL. Crude oil and NGL production averaged 1,684 bbls/day and natural gas averaged

6.4 million cubic feet ("Mmcf") per day for a total of 2,758 Boe/day. This compares favourably with the 2,396 Boe/day recorded in the seven month of operations in 2002. In the second quarter of 2003 (the three months ended June 30, 2003) production averaged 2,922 Boe/day consisting of 1,709 bbls/day of crude oil and NGL and 7.3 Mmcf/day of natural gas. In 2003, the capital program has been orientated more to natural gas which is reflected in the increasing levels of production. With the addition of Pivotal production in the third quarter, production is currently averaging about 4,900 Boe/day consisting of 2,600 bbls/day of crude oil and NGL and 13.7 Mmcf/day of natural gas. The Company also has approximately 500 to 600 boe/day of production awaiting tie-in over the next three to four months.

With the present tight international supply situation for crude oil and continuing uncertainty in the Middle East, commodity prices for crude oil and NGL have been strong over the first six months of 2003. Fairborne's crude oil and NGL price averaged \$38.15 per barrel during the six months however on a quarter by quarter basis, the prices have declined from \$40.70 per barrel recorded in the first quarter to \$35.69 recorded in the second quarter.

With continuing supply uncertainty, natural gas prices have remained high. Fairborne's average natural gas price during the six months was \$6.76 per Mcf with prices virtually unchanged from first quarter to second quarter.

During the first six months of 2003, Fairborne hedged an average of 753 bbls/day (45 percent of total crude oil production) and 2.0 Mmcf/day (31 percent of natural gas production). For the remainder of 2003 Fairborne has hedged an average of 650 bbls/day of crude oil (approximately 25 percent of anticipated second half of 2003 average production) at an average price of U.S.\$ 24.65 per barrel and 2.7 Mmcf per day of natural gas (approximately 20 percent of anticipated second half of 2003 average production) at an average price of Cdn. \$5.75 per Mcf. In addition, Fairborne has hedged U.S.\$760,000 of foreign exchange exposure at Cdn.\$ 1.482 to U.S.\$ 1.00 (U.S.\$0.6748 to Cdn.\$1.00).

Expenses

Royalties consist of payments made to the Alberta government, freehold landowners and overriding royalties. A significant percentage of the Fairborne properties are located on freehold lands on which royalty rates tend to be lower. As such, royalties totaled \$3,436,000 for the six months ended June 30, 2003 which reflects an overall royalty rate of 17.5 percent which is consistent with the 18.1 percent rate recorded in the seven month period of 2002. On a BOE basis, the average royalty rate is \$6.88 per BOE for the six months ended June 30, 2003 which is higher than 2002 but reflects the higher commodity prices received. The Pivotal properties have

higher royalty rates therefore the royalty rate for the last six months of 2003 is expected to increase to just over 20 percent.

Fairborne operates in excess of 95 percent of its production and consequently has control over these costs. On a BOE basis, operating costs were \$6.47 per BOE or \$3,233,000 in total during the first six months of 2003. Important to shareholders, Fairborne has reduced unit operating expenses from approximately \$7.00 per BOE in 2002 and the first three months of 2003 to average \$5.95 per BOE in the second quarter of 2003. Although the majority of Pivotal production is operated, the production is less concentrated than Fairborne and has higher levels of operating costs thereby creating opportunities for Fairborne to enhance operating efficiencies. For the last six months of 2003, operating costs for the combined Fairborne and Pivotal operations are expected to average \$6.75 per BOE.

In the first six months of 2003, Fairborne's general and administrative costs totaled \$1,168,000 or \$2.34 per BOE including payments under the Fairborne bonus plan to all staff reflecting the positive first half of results. As the company grows and adds additional staff required to operate the Pivotal production, these costs will increase on an absolute basis but Fairborne does anticipate reducing these costs, on a BOE basis, to less than \$1.75.

At June 30, 2003 Fairborne had not drawn on its available line of credit with a major Canadian bank however, with the merger with Pivotal, Fairborne now has approximately \$8.0 million of bank lines drawn. In connection with the purchase of the certain oil and gas assets located at Clive and Wood River, the Company assumed a capital lease on compression equipment. Interest on this lease totals \$132,000 or \$0.26 per BOE. The term of this capital lease continues into early 2004. The interest expense in the last six months of 2003 will increase to reflect the drawn bank lines and capital lease.

Fairborne purchased the oil and gas assets located at Clive and Wood River at competitive prices and has added significant reserves through its technical analysis and work-over program at relatively modest costs. Consequently, depletion and depreciation rates averaged \$7.76 per BOE for the six month period. The provision for site restoration costs is \$1.02 per BOE and reflects the anticipated costs of restoring the sites associated with current wells and facilities. Both of these expenses will increase on a BOE basis with the acquisition of Pivotal but the increases are estimated to be limited to less than 15 percent.

As indicated above, the Company was efficient in purchasing and developing its crude oil and natural gas base but this has left Fairborne with higher levels of taxable income. Fairborne's effective income tax rate is 32 percent consisting primarily of future income taxes. This rate was

reduced to 28 percent during the quarter from the 36 percent recorded in the first quarter by the effect of the reduction in future income tax rates by the Federal government. Large corporation tax was relatively minor at \$30,000. In 2003, Fairborne does not envision paying cash income taxes but depending on the level of expenditures, current taxes may be payable in 2004.

Cash Flow and Net Income

The combination of production levels, commodity prices and expenses detailed above resulted in funds generated from operations of \$11,687,000 (\$0.59 per share) and net income of \$4,980,000 (\$0.25 per share) for the six month period in 2003. For the last six months of 2003, with the addition of the Pivotal assets, Fairborne's funds generated by operations are expected to increase substantially as production levels are budgeted to average in excess of 5,000 boe/day.

Liquidity and Capital Resources

Fairborne's capital program in the first six months of 2003 totaled \$8,553,000 which was primarily targeted in the Clive and Wood River areas and significant land expenditures on new prospect areas. Expenditures in Clive and Wood River were approximately one-half of the capital expenditures and included the drilling of three wells, 23 work-overs and additional equipment and pipeline connections. This program was funded from cash generated from operations. For the second half of 2003, Fairborne anticipates incurring capital expenditures between \$16,000,000 and \$18,000,000. Fairborne has developed an extensive inventory of new projects and combined with Pivotal projects, will have a busy remainder of 2003.

Fairborne commenced 2003 with working capital totaling \$2,255,000, a capital lease obligation of \$2,698,000 and has an undrawn bank line in the amount of \$15,000,000. With the capital expenditures and cash flow in the first six months of 2003, Fairborne's financial position at June 30, 2003 was working capital of \$5,327,000, a capital lease obligation of \$2,637,000 and undrawn bank lines. The bank completed a review of the additional reserves of crude oil and natural gas added in 2002 and increased the amount of the line to \$30 million. Pivotal has a bank line of \$17 million of which they had drawn approximately \$12 million, therefore Fairborne is in an excellent financial position with \$47 million of combined bank lines of which approximately \$8 million is drawn. These undrawn bank lines, combined with cash flow, means the Company does have the ability to increase its capital expenditure program substantially but that will depend on available opportunities.

Business Environment and Risk

The business risks the Company are exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Fairborne's operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, exchange risks, competition and government regulations - all of these govern the business and influence the controls and management at the Company. Fairborne manages these risks by:

- attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company;
- operating properties in order to ensure efficient and cost effective operations;
- employing risk management instruments to minimize exposure to volatility of commodity prices, interest rates and foreign exchange rates;
- maintaining a strong financial position; and
- maintaining strict environmental and safety practices.

Fairborne Energy Ltd.
Interim Consolidated Balance Sheets

	June 30 2003 <i>(unaudited)</i>	December 31 2002
Assets		
Current assets:		
Cash and cash equivalents	\$5,329,526	\$3,586,747
Accounts receivable	6,318,005	4,430,697
Prepaid expenses and deposits	1,551,450	980,928
	<u>13,198,981</u>	<u>8,998,372</u>
Fixed assets		
Petroleum and natural gas properties and equipment	51,419,880	43,210,759
Office furniture and equipment	376,693	325,771
Accumulated depletion and depreciation	(8,024,914)	(4,149,402)
	<u>43,771,659</u>	<u>39,387,128</u>
	<u>\$56,970,640</u>	<u>\$48,385,500</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$7,871,916	\$6,743,395
Equipment lease	2,636,881	124,979
	<u>10,508,797</u>	<u>6,868,374</u>
Equipment lease	-	2,573,332
Provision for site restoration	1,301,053	1,086,027
Future income taxes	3,305,000	982,000
Shareholders' Equity		
Capital stock (Note 2)	34,437,004	34,437,004
Retained earnings	7,418,786	2,438,763
	<u>41,855,790</u>	<u>36,875,767</u>
Subsequent event (note 4)	<u>\$56,970,640</u>	<u>\$48,385,500</u>

See accompanying notes to consolidated financial statements.

Fairborne Energy Ltd.
Interim Consolidated Statements of Operations and Retained Earnings
(unaudited)

	For the Three Months ended June 30, 2003	For the Six Months Ended June 30, 2003	For the Month Ended June 30, 2002
Revenue			
Petroleum and natural gas sales	\$10,154,412	\$19,685,735	\$1,924,442
Royalties	(1,770,697)	(3,436,180)	(344,987)
	8,383,715	16,249,555	1,579,455
Expenses			
Production	1,581,371	3,232,723	475,685
General and administrative	737,575	1,168,402	112,139
Interest on equipment lease	67,141	131,795	20,132
Future site restoration	253,800	508,100	95,800
Depletion and depreciation	1,922,244	3,875,512	612,928
	4,562,131	8,916,532	1,316,684
Income before taxes	3,821,584	7,333,023	262,771
Taxes			
Future income taxes	1,058,900	2,323,000	92,800
Capital taxes	12,000	30,000	5,000
	1,070,900	2,353,000	97,800
Net income for the period	2,750,684	4,980,023	164,971
Retained earnings, beginning of period	4,668,102	2,438,763	-
Retained earnings, end of period	7,418,786	7,418,786	164,971
Net income Per Share			
Basic	\$ 0.14	\$ 0.25	\$ 0.01
Diluted	\$ 0.14	\$ 0.25	\$ 0.01

See accompanying notes to consolidated financial statements.

Fairborne Energy Ltd.
Interim Consolidated Statements of Cash Flows

(unaudited)

	For the Three Months ended June 30, 2003	For the Six Months Ended June 30, 2003	For the Month Ended June 30, 2002
Cash Provided by (used in):			
Operating Activities			
Net income	\$2,750,684	\$4,980,023	\$164,971
Items not involving cash:			
Depletion and depreciation	1,922,244	3,875,512	612,928
Future site restoration provision	253,800	508,100	95,800
Future income taxes	1,058,900	2,323,000	92,800
Funds from operations	5,985,628	11,686,635	966,499
Change in non-cash working capital	(1,038,930)	(1,502,992)	287,910
	4,946,698	10,183,643	1,254,409
Financing Activities			
Issuance of common shares net of costs			33,516,000
Equipment lease payments	(30,415)	(61,430)	-
	(30,415)	(61,430)	33,516,000
Investing Activities			
Acquisition of petroleum and natural gas properties and equipment	-	-	(33,394,564)
Capital expenditures	(3,658,769)	(8,260,043)	(498,857)
Site restoration expenditures	(293,074)	(293,074)	-
Change in non-cash working capital	458,633	173,683	399,171
	(3,493,210)	(8,379,434)	(33,494,250)
Increase in Cash	1,423,073	1,742,779	1,276,159
Cash, beginning of period	3,906,453	3,586,747	-
Cash, end of period	\$5,329,526	\$5,329,526	\$1,276,159

See accompanying notes to consolidated financial statements.

Fairborne Energy Ltd.

Selected Notes to Financial Statements

For the Six Months ended June 30, 2003 (*unaudited*)

Fairborne Energy Ltd. (the "Company"), was incorporated under the laws of the Province of Alberta on January 9, 2002 and commenced active operations with the purchase of certain petroleum and natural gas properties and equipment on May 31, 2002.

The comparative reporting period for the interim consolidated statement of operations and retained earnings and the interim consolidated statements of cash flows is for the period of May 31, 2002 to June 30, 2002.

The interim financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the seven months ended December 31, 2002. The disclosure, which follows, is incremental to the disclosure included with the annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes thereto for the period ended December 31, 2002.

Note 1: Bank debt

At June 30, 2003 the Company has available a \$30 million demand operating credit facility from a Canadian chartered bank subject to the bank's valuation of the petroleum and natural gas properties owned by the Company. The facility bears interest at the bank's prime rate. At June 30, 2003 no advances were drawn under the facility. The facility is secured by a first ranking floating charge on all real property of the Company and a general security agreement.

Note 2: Share Capital

a) *Common Shares and Class A voting common shares*

	Number	Amount
Balance, December 31, 2002 and June 30, 2003	19,750,000	\$ 34,437,004

b) *Per Share Amounts*

The following table summarizes the weighted average common shares and Class A voting common shares used in calculating net earnings per common share:

Common Shares and Class A voting Common shares	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2003	For the Month Ended June 30, 2002
Basic	19,750,000	19,750,000	19,750,000
Diluted	20,191,019	20,185,841	19,750,000

The reconciling items between the basic and diluted average common shares are outstanding stock options. The effect of the conversion of the outstanding warrants is anti-dilutive.

c) *Stock Options*

There are 1,975,000 share purchase options outstanding at June 30, 2003 with an exercise price of \$2.40 per share. The options expire between May 31, 2007 and March 1, 2008.

The following table sets forth a reconciliation of the stock option plan activity through to June 30, 2003.

	Number of Options	Weighted average exercise price
Balance December 31, 2002	1,902,500	2.40
Granted	72,500	2.40
Balance June 30, 2003	1,975,000	2.40

The Company accounts for its stock based compensation plan using the settlement value method. Under this method, no costs are recognized in the financial statements for share options granted to employees or directors when the options are issued at market value. As at the grant date the fair value of the options granted to employees and directors was not significant.

d) *Warrants*

There are 1,960,000 warrants to purchase common shares at \$3.50 per share exercisable at any time prior to close of business on May 31, 2006.

Note 3: Financial Instruments

The Company has a price risk management program whereby the Company sells forward a portion of its future production through fixed price sales contracts with customers.

The following table summarizes the hedges outstanding at June 30, 2003:

Commodity	Period	Volume	Price
Natural Gas	April 1 to October 31, 2003	2000 GJ/day	C \$5.50
Crude Oil	July 1 to September 30, 2003	500 bbls/day	WTI US\$24.77
Crude Oil	July 1 to December 31, 2003	200 bbls/day	WTI US\$23.93
Crude Oil	October 1 to December 31, 2003	100 bbls/day	WTI US\$24.30

Subsequent to June 30, 2003, the Company has sold forward US \$760,000 of foreign exchange exposure at Cdn \$1.482 to US \$1.00 (US \$0.6748 to Cdn\$1.00). At June 30, 2003 the estimated fair value of the foreign exchange contract is \$US 65,000 which represents the amount the Company would receive to terminate the contract at June 30, 2003. There is no carrying value recorded in the financial statements.

Note 4: Subsequent Event

On July 2, 2003 the shareholders of the Company and Pivotal Energy Ltd. ("Pivotal") approved an Arrangement Agreement to merge the two companies and continue as a publicly listed company named Fairborne Energy Ltd. As consideration for the transaction, Pivotal shareholders received 0.485 of a Fairborne common share for each Pivotal common share held. Upon closing of the arrangement, Fairborne had approximately 30.3 million common shares outstanding, of which prior Fairborne shareholders hold approximately 65% of outstanding common shares and prior shareholders of Pivotal hold approximately 35%.

CORPORATE INFORMATION

Directors

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David L. Summers
Richard A. Walls
Rodney D. Wimer

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David L. Summers
Vice President, Operations and COO

Robert A. Maitland
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Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: FEL