



NEWS RELEASE

FAIRBORNE ENERGY TRUST AND FAIRBORNE ENERGY LTD. ANNOUNCE COMPLETION OF CONVERSION TO A GROWTH ORIENTED E&P COMPANY AND A \$100 MILLION EQUITY PRIVATE PLACEMENT

CALGARY, ALBERTA, December 19, 2007 – Fairborne Energy Trust (the "**Trust**") and Fairborne Energy Ltd. ("**Fairborne Energy**") are pleased to announce the successful completion of the previously announced plan of arrangement (the "**Arrangement**") pursuant to which the Trust has been converted into a growth oriented exploration and production company and the issuance by Fairborne Energy, on a private placement basis, of approximately 13.4 million common shares ("**Common Shares**") of Fairborne Energy to Denham Commodity Partners Fund IV LP ("**Denham**"), a U.S. - based private equity fund advised by Denham Capital Management LP, at a subscription price of \$7.45 per share, for aggregate proceeds of approximately Cdn\$100 million (the "**Private Placement**").

The Arrangement was overwhelmingly approved by over 98% of the votes cast by securityholders of the Trust at a special meeting of securityholders held on December 18, 2007. Pursuant to the Arrangement, previous holders of trust units of the Trust ("**Trust Units**") are entitled to receive an equal number of Common Shares and previous holders of exchangeable shares of Fairborne Energy ("**Exchangeable Shares**") are entitled to receive Common Shares based on the exchange ratio in effect on completion of the Arrangement.

After giving effect to the Arrangement and the completion of the Private Placement, Fairborne Energy has approximately 84.3 million Common Shares issued and outstanding of which, immediately following completion of the Private Placement, Denham owns or controls 13,422,820 Common Shares representing approximately 15.9% of the issued and outstanding Common Shares.

In connection with the completion of the Arrangement, Fairborne Energy has assumed all of the covenants and obligations of the Trust under the outstanding convertible debentures of the Trust bearing interest at a rate of 6.5% per annum and maturing on December 31, 2011 (the "**Debentures**"). The Debentures are now convertible into Common Shares, rather than Trust Units, at the same conversion price that previously existed for the Trust Units, being a conversion price of \$13.50 per Common Share, subject to adjustment as provided in the Debentures.

Fairborne Energy is also pleased to announce the appointment of Carl J. Tricoli to the board of directors of Fairborne Energy. Mr. Tricoli is the senior managing director of Denham Capital Management LP. Denham Capital Management LP is a private equity firm focused on the global energy and commodities sectors, including natural resources, power and utilities and energy related infrastructure and services and Denham has advised that it acquired the Common Shares for strategic purposes in order to participate in the western Canadian oil and natural gas sector. The Common Shares were issued to Denham pursuant to a share subscription agreement dated as of October 22, 2007. Denham has advised that it may in the future take such actions in respect of its shareholdings in Fairborne Energy as it may deem appropriate in light of the circumstances then existing, including the purchase of additional Common Shares or other securities of Fairborne Energy through open market purchases or privately negotiated transactions, or the sale of all or a portion of its holdings in the open market or in privately negotiated transactions to one or more purchasers.

Letters of Transmittal have been forwarded to securityholders of the Trust to be utilized in order to exchange their Trust Units and Exchangeable Shares for Common Shares.

Within two to three business days of the TSX confirming receipt of all necessary documents in connection with the closing of the transaction and related matters, the Trust Units and Exchangeable Shares will be de-listed from the TSX. Concurrent with the de-listing of the Trust Units and Exchangeable Shares, the Common Shares of Fairborne Energy will be listed on the TSX under the symbol "FEL", which listing is anticipated to commence during the week of December 24-28, 2007. The Debentures will continue to trade on the TSX under the symbol "FEL.DB".

Denham will be filing a report (as contemplated by National Instrument 62-103 – *The Early Warning System and Related Takeover Bid and Insider Reporting Issues*) in connection with its acquisition of Common Shares pursuant to the Private Placement. For further information, or to obtain a copy of such report, please contact Denham Capital Management LP at the contact information below.

FOR FURTHER INFORMATION ON FAIRBORNE ENERGY LTD. PLEASE CONTACT:

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