

FAIRBORNE ENERGY LTD.
Notice of Annual Meeting of Shareholders
to be held on May 27th, 2009

The Annual Meeting (the "**Meeting**") of the shareholders of Fairborne Energy Ltd. (the "**Corporation**") will be held in the McMurray Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta on the 27th day of May, 2009 at 3:00 p.m. (Calgary time) to:

1. receive and consider the financial statements of the Corporation for the year ended December 31, 2008, together with the auditors' report thereon;
2. fix the number of directors to be elected at the Meeting at seven members;
3. elect the directors of the Corporation;
4. appoint auditors and to authorize the directors to fix their remuneration as such; and
5. transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular accompanying this notice.

Shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1. In order to be valid and acted upon at the Meeting, forms of proxy must be received at the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.

Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.

The board of directors of the Corporation has fixed the record date for the Meeting at the close of business on April 20th, 2009 (the "**Record Date**"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 24 day of April, 2009.

**BY ORDER OF THE BOARD OF DIRECTORS
OF FAIRBORNE ENERGY LTD.**

(signed) Steven R. VanSickle
President and Chief Executive Officer

FAIRBORNE ENERGY LTD.

Information Circular - Proxy Statement

for the Annual Meeting
to be held on May 27th, 2009

SOLICITATION OF PROXIES

This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by the management of FAIRBORNE ENERGY LTD. ("Fairborne" or the "Corporation") for use at the Annual Meeting of the shareholders of the Corporation (the "**Meeting**") to be held on the 27th day of May, 2009 at 3:00 p.m. (Calgary time) in the McMurray Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual Meeting. Forms of proxy must be received by Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting at the close of business on April 20th, 2009 (the "**Record Date**"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

Unless otherwise stated, the information contained in this Information Circular – Proxy Statement ("**Information Circular**") is given as at April 20, 2009.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the enclosed Instrument of Proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than the persons designated, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.

BENEFICIAL HOLDERS OF SHARES

The information set forth in this section is provided to beneficial holders of common shares ("**Common Shares**") of the Corporation who do not hold their Common Shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and

provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

REVOCABILITY OF PROXY

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

PERSONS MAKING THE SOLICITATION

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual Meeting and this Information Circular - Proxy Statement will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor.

EXERCISE OF DISCRETION BY PROXY

The shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Annual Meeting. At the time of printing this Information Circular, management of the Corporation knows of no such amendment, variation or other matter.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at seven members and to elect seven directors to hold office until the next annual meeting or until their successors are elected or appointed. There are currently seven directors of the Corporation, each of whom retires from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at seven members and in favour of the election as directors of the seven nominees hereinafter set forth:

Richard A. Walls
Steven R. VanSickle
Greg Bay
Robert B. Hodgins

Johannes J. Nieuwenburg
Carl J. Tricoli
Rodney D. Wimer

The names, municipality of residence and age of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directed or controlled, directly or indirectly, the offices held by each in the Corporation, the period served as a director and the principal occupation for the past five years of each are set forth below. The information as to shares beneficially owned, directed or controlled, is based upon information furnished to the Corporation by the nominees as of April 20, 2009.

<u>Nominee for Election as Director</u>	<u>Age</u>	<u>Director Since</u>	<u>Common Shares Owned, Controlled or Directed⁽¹⁾</u>
Richard A. Walls Calgary, Alberta, Canada	60	Jan. 9, 2002	2,801,146

Chairman of the Board

Member of:

- Reserves Committee
- Risk Management Committee

Chairman of Fairborne since May, 2005; President and Chief Executive Officer of Fairquest Energy Limited ("**Fairquest**") (a public oil and natural gas company) from May, 2005 to June, 2007; prior thereto, President and Chief Executive Officer of Fairborne from May 2002 to May 2005; prior thereto, special advisor to Duke Energy Field Services Canada Ltd. ("**Duke Energy**") (a public oil field services company) from May 2001 to January 2002; prior thereto, from April 1999 to May 2001 President and Chief Executive Officer of Canadian Midstream Services Ltd. ("**CMSL**") (a private oil and natural gas midstream company); and prior thereto, from July 1993 to November 1998 President and Chief Executive Officer of Pan East Petroleum Corp. ("**Pan East**") (a public oil and natural gas company).

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed⁽¹⁾
Steven R. VanSickle Calgary, Alberta, Canada President and Chief Executive Officer	44	May 30, 2005	1,301,310
			President and Chief Executive Officer of Fairborne since May, 2005; prior thereto, Senior Vice-President, Exploration of Fairborne from May 2002 to May 2005; prior thereto, Vice-President, Business Development of Duke Energy from May 2001 to May 2002; prior thereto, Vice-President, Business Development of CMSL from April 1999 to May 2001; and prior thereto, Manager, Business Development of PanEast from January 1998 to November 1998.
	Age	Director Since	Common Shares Owned, Controlled or Directed⁽¹⁾
Greg Bay⁽³⁾ Vancouver, British Columbia, Canada Member of: - Audit Committee - Compensation Committee ⁽²⁾	50	Sept. 15, 2008	-
			Founding partner, President & CEO at Cypress Capital Management (a private investment firm) (from 1998 to present).
	Age	Director Since	Common Shares Owned, Controlled or Directed⁽¹⁾
Robert B. Hodgins Calgary, Alberta, Canada Member of: - Audit Committee ⁽²⁾ - Reserves Committee - Corporate Governance Committee	57	May 30, 2005	30,126
			Private investor and corporate director since 2004; prior thereto, Chief Financial Officer of Pengrowth Energy Trust (a public oil and gas trust) from 2002 to 2004; prior thereto from 1998 to 2001, Vice President and Treasurer of Canadian Pacific Limited (a public company managing oil and gas, railroad, mining, hotel and shipping interests); and prior thereto, Chief Financial Officer of TransCanada Pipelines Limited (a public pipeline and transportation company) from 1993 to 1998 and held various other senior positions at TransCanada commencing in 1981.
	Age	Director Since	Common Shares Owned, Controlled or Directed⁽¹⁾
Johannes J. Nieuwenburg Calgary, Alberta, Canada Lead Director Member of: - Reserves Committee ⁽²⁾ - Compensation Committee - Risk Management Committee	54	May 30, 2005	119,400
			General Partner of KERN Partners Ltd. (a private investment company) since October 2008; prior thereto, private businessman and corporate director since 2001; prior thereto, President and Chief Executive Officer of Petromet Resources Limited (a public oil and natural gas company) from May, 1998 to May, 2001 and Executive Vice President and Chief Operating Officer thereof from March, 1998; prior thereto, Vice President, Asset Management of Norcen Energy Resources Limited (a public oil and gas company) from March, 1997 to March, 1998; and prior thereto, held various positions with Amoco Energy Group, North America (a public oil and gas company) from May, 1980 to March, 1997, with the last position being General Manager, Business Development.

<u>Nominee for Election as Director</u>	<u>Age</u>	<u>Director Since</u>	<u>Common Shares Owned, Controlled or Directed⁽¹⁾</u>
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Carl J. Tricoli ⁽⁴⁾ Houston, Texas, U.S.A.	53	Dec. 19, 2007	(4)
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Member of:

- Corporate Governance Committee
- Risk Management Committee⁽²⁾

Senior Managing Director of Denham Capital Management LP ("**Denham**") (a private investment firm) and its predecessor since August 2004; prior thereto President of GeosCapital LLC (a private venture capital firm) from January 2002 to August 2004; prior thereto Vice President at Enron Corporation (a public energy trading company) from April 1999 to January 2002; prior thereto Managing Director at Koch Industries (a public oil and gas company) from September 1997 to April 1999; prior thereto President of Black Hawk Resources from August 1996 to September 1997; and prior thereto held various positions at NationsBank Capital Markets (a public financial institution) with the last position being Managing Director and Head of Energy Corporate Finance.

<u>Age</u>	<u>Director Since</u>	<u>Common Shares Owned, Controlled or Directed⁽¹⁾</u>
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Rodney D. Wimer Bend, Oregon, U.S.A.	59	May 31, 2002	124,757
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Member of:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee⁽²⁾

President, Mazama Capital Partners (a private investment firm) since January 2002; prior thereto, from March 2001 to January 2002, President, Commercial Power Division of Dynegy, Inc. (a public power supply company) and from January 1997 to March 2001, President and Chief Executive Officer of Dynegy Canada Inc.

Notes:

- (1) Certain nominees also hold options for Common Shares, Restricted Units and Performance Units and Retention Awards. See "Remuneration of Directors".
- (2) Chairman of committee.
- (3) Greg Bay was appointed as a director of the Corporation effective September 15, 2008.
- (4) Carl J. Tricoli is a Senior Managing Director of Denham Capital Management LP, the investment advisor to Denham Commodity Partners Fund IV LP, a principal shareholder of the Corporation. See "Information Concerning the Corporation – Voting Shares and Principal Holders Thereof".
- (5) All of directors will hold office until the next annual meeting of shareholders or until their successor is duly elected or appointed, unless their office is earlier vacated.

Cease Trade Orders, Bankruptcies Penalties or Sanctions

To our knowledge, no proposed director: (i) is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer (including the Corporation) that, (a) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "**order**"), (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer, chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (ii) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or

become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets; or (iii) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of KPMG LLP, Chartered Accountants, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. KPMG LLP has been the Corporation's auditors since the formation of the Corporation.

INFORMATION CONCERNING THE CORPORATION

Pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Reorganization**") involving, among others, Fairborne Energy Trust ("**Trust**"), the Corporation and securityholders of the Trust that was effective December 19, 2007, securityholders of the Trust received Common Shares in exchange for trust units of the Trust ("**Trust Units**") and exchangeable shares. As a result of the Reorganization, the Corporation owns, directly or indirectly, all the existing assets and assumed all the liabilities of the Trust. Information herein respect of the Corporation includes information in respect of the Trust prior to completion of the Reorganization to the extent applicable unless the context otherwise requires.

Voting Shares and Principal Holders Thereof

As at April 20, 2009, there were 87,032,405 Common Shares of the Corporation issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than two persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, no person or company beneficially owned or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

Name and Address	Number of Voting Shares	Percentage of Class (%)
Denham Commodity Partners Fund IV LP Boston, MA	16,224,254 Common Shares	18.6%
Resolute Funds Limited Toronto, ON	13,250,000 Common Shares	15.2%

Note:

- (1) Based on information provided by, or in public filings made by, the above entities and as at the date of the last public filing or information provided by such entity. Resolute Funds Limited ("**Resolute**") is the manager of a fund that holds the above shares and in respect of which shares Resolute has power to exercise investment control or direction, but is not the beneficial owner.

Statement of Executive Compensation

Compensation Discussion and Analysis

Role and Composition of the Compensation Committee

The Corporation's executive compensation program is administered by the compensation committee (the "**Compensation Committee**") of the Board. The Compensation Committee's mandate includes reviewing and making recommendations to the Board in respect of compensation matters relating to our executive officers, employees and directors, including the "Named Executive Officers" which are identified in the "Summary Compensation Table" below. The Compensation Committee is comprised of Messrs. Bay (Chair), Nieuwenburg and Wimer. All these directors are "independent" for the purposes of National Instrument 58-201-Corporate Governance Guidelines.

The President and Chief Executive Officer of the Corporation (the "**CEO**") provides recommendations to the Compensation Committee with respect to compensation of executive officers (including the CEO) and employees of the Corporation. In making such recommendations, the CEO reviews a number of factors including compensation data compiled by management for its peer group, corporate performance as well as individual performance. Prior to submitting recommendations to the Compensation Committee, the recommendations are reviewed and discussed with the chairman of the Compensation Committee and adjustments may be made as a result of those discussions. The chairman of the Compensation Committee interviews certain key employees including certain executive officers of the Corporation during this process to receive their input and expectations as to compensation and related matters. The Compensation Committee reviews the data and information provided and recommendations for compensation are then made by the Compensation Committee to the full Board for consideration. Discussions, both formal and informal, may ensue between both the Compensation Committee and the Board and the CEO with respect to the recommendations and adjustments may be made prior to final approval by the Board.

Objectives and Principles of Executive Compensation Program

The objectives of the Corporation's executive compensation program are twofold, namely: (i) to enable the Corporation to attract and retain highly qualified and experienced individuals to serve as executive officers (including the Named Executive Officers); and (ii) to align the compensation levels available to the executive officers to the successful implementation of the Corporation's strategic plans. The Corporation's executive compensation program is designed to reward the executive officers where they have contributed to the success and growth of the Corporation.

A significant component of Fairborne's compensation program is based on a "pay-for-performance" philosophy which supports the Corporation's commitment to delivering strong performance for its shareholders. Our compensation policies are designed to attract, recruit and retain individuals of high caliber to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long-term interests of the Corporation's shareholders and enhancement in share value. Compensation of all executive officers, including the CEO, is based on the underlying philosophy that such compensation should be competitive with other corporations of similar size and should be reflective of the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. Our Compensation Committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

Our executive compensation program is comprised of the following principal components: (a) base salary; (b) short-term incentive compensation comprised of cash bonuses; and (c) long-term incentive compensation comprised of share options. Together, these components support our long-term growth strategy and are designed to address the key objectives of our compensation program.

Compensation and Market Position

During 2008, management and the Compensation Committee continued to utilize the independent "Mercer Total Compensation Survey for the Energy Sector" in selecting comparable entities as the comparator group and as the principal source of compensation information of our comparator group. These entities were chosen based on the following criteria:

- The entities are industry peers, both income trusts and corporations;
- The production volumes, used as a measure of entity size, are comparable to Fairborne; and
- The peer entities compete for talent with Fairborne.

The peer group has annual gross revenues in the \$100 to \$500 million range; daily production rates of 10,000 to 25,000 boe/day and total employees of between 75 to 350. Currently, the peer group of comparator entities consists of the following:

Comparator Group of Entities	
Advantage Energy Income Fund	Paramount Energy Trust
Birchcliff Energy Ltd.	Paramount Resources Ltd.
Daylight Resources Trust	Peyto Energy Trust
Galleon Energy Inc.	Progress Energy Trust
Highpine Oil & Gas Limited	Tristar Oil and Gas Limited
Iteration Energy Ltd.	Triology Energy Trust
NAL Oil & Gas Trust	Vermillion Energy Trust
NuVista Energy Ltd.	

These entities represent the "market" in which Fairborne competes for senior management talent and for which competitive information is available. Management and the Compensation Committee regularly review the comparator group and market data to ensure compensation effectiveness. Changes to the comparator group occurs regularly given the nature of the oil and gas industry as companies merge, are acquired and change over time. In addition, changes to the comparator group may be made from time to time as recommended by management and approved by the Compensation Committee.

The competitiveness of the NEOs compensation is assessed based on total compensation defined as the aggregate of salary, bonuses and long-term incentives valued as of the time of grant. It is Fairborne's philosophy to target total compensation for the NEOs at the 50th percentile of that of the comparator group based on available market data with the potential for increase depending on both individual and corporate performance.

Elements of Compensation

The executive officers' compensation package provides a balanced set of elements designed to deliver the objectives of the compensation philosophy and includes strong performance orientation. The fixed elements, salary, perquisites and the matched Group Savings Plan (as hereinafter defined), provide a competitive base of secure compensation necessary to attract and retain executive talent. The variable elements, bonus and long-term incentives, are designed to balance short-term goals with the long-term interests of Fairborne and motivate superior performance of both. The long-term incentive plan also aligns executive officers with shareholders and helps retain executive talent. The combination of the fixed elements and the variable incentive opportunities delivers a competitive, performance-orientated compensation package as compared to the comparator group.

Base Salaries

The first element of the Corporation's compensation program is the payment of base salaries. The payment of base salaries is a fundamental component of the Corporation's compensation program and serves to attract and retain highly qualified executives. In addition, executive officers are paid a base salary to compensate those officers for providing the leadership and skills necessary to fulfill their responsibilities.

Salaries are reviewed annually based on a review of corporate and personal performance and individual levels of responsibility. Salaries for executive officers are not determined based on benchmarks, performance goals or a specific formula. The base salaries for the financial year ended December 31, 2008, were set to be competitive with industry levels and the Compensation Committee had regard to the contributions made by the executive officers.

The following sets forth the base salaries paid to the Named Executive Officers in 2007 and 2008 and the percentage increase between the two years.

Name and position	2007 Base Salary (\$)	2008 Base Salary (\$)	Increase
Steven R. VanSickle President and Chief Executive Officer	277,750	282,000	1.5%
David L. Summers Chief Operating Officer	216,625	220,000	1.6%
Aaron G. Grandberg Chief Financial Officer	188,063	197,687	5.1%
Gary M. Poirier Vice President Production	171,250	179,500	4.8%
David E. T. Pyke Vice President Land	171,250	179,500	4.8%
David S. Cymbalisty Vice President Engineering	171,250	179,500	4.8%

Bonus Plan

Our Compensation Committee recommends to the Board for consideration and approval an annual bonus amount for all employees and specific bonus amounts for executive officers (including NEOs). Seventy-five percent of the bonus entitlement is determined based upon debt adjusted growth over 5% (the "**Threshold Amount**") in proven reserves per share, production per share and cash flow per share (as combined, the "**Growth Factor**") of benchmark levels established at the end of the prior year. The bonus performance metrics are designed to reflect key operating and financial metrics that have a significant impact on achieving our business plan and are aligned to the creation of shareholder value. The remaining 25% of the bonus entitlement is at the discretion of the Board.

The maximum bonus that can be paid to the President and Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer under the bonus plan is 100% of their respective annual salary. For the remaining NEOs, the maximum bonus payment is 75% of their respective annual salary.

The 2008 bonus performance metrics as they pertain to the 75% performance component are set forth below:

	Weighting	2007 Benchmark	2008 Actual	% Change	Contribution to Growth Factor
Proven Reserves/YE '000 Debt Adj. Shares ⁽¹⁾	40%	266	273	2.78	1.11%
Production/Million Weighted Avg. Debt Adj. Shares ⁽²⁾	40%	115	104	(9.56)	-
Cash Flow/Weighted Avg. Debt Adj. Shares ⁽³⁾	20%	106	1.42	33.96	6.79%
Total Growth Factor					7.98%
Threshold Amount					5.00%
Weighted Average Less Threshold					2.98%

Notes:

- (1) % reserve growth is based on December 31 total proven reserves and year end debt adjusted shares
- (2) % production growth is based on annual production and annual weighted average debt adjusted shares.
- (3) % cash flow growth is based on annual cash flow and annual weighted average debt adjusted shares.

Based on the defined performance metrics, the calculated growth factor in 2008 was 7.98% or 2.98% above the Threshold Amount, resulting in the aggregate amount of the performance portion of the 2008 bonus being approximately \$650,000.

The Compensation Committee in consultation with the other Board members determined to defer the determination of whether any of the discretionary portion of the bonus pool would be paid in respect of 2008 pending further clarification of the Corporation's cash position through 2009 and of general market conditions. The Compensation Committee and the Board had regard to the current share price and economic environment in which the Corporation operates in determining to defer consideration. The Compensation Committee and the Board also noted, however, the successful completion of various elements of the Corporation's business plan in 2008 including Fairborne's successful conversion from a trust to a corporation, 2008's aggressive capital program of \$238 million, the successful completion of the acquisition of Grand Banks Energy Corporation resulting in the creation of a new core area for the Corporation at Sinclair, absolute year-over-year growth in production and reserves of 20% and 27% respectively, development of the Nordegg horizontal drilling program and the monetization of the sulphur block at West Pembina.

The following table summarizes bonuses paid to our NEOs for the years ended December 31, 2007 and 2008.

Name and principal position	2007 Bonus (\$)	2008 Bonus⁽¹⁾ (\$)	2008 Bonus as a % of 2008 Base Salary⁽¹⁾
Steven R. VanSickle President and Chief Executive Officer	150,000	42,300	15.0%
David L. Summers Chief Operating Officer	120,000	33,000	15.0%
Aaron G. Grandberg Chief Financial Officer	100,000	30,000	15.2%
Gary M. Poirier Vice President Production	80,000	20,000	11.1%
David E. T. Pyke Vice President Land	80,000	20,000	11.1%
David S. Cymbalsty Vice President Engineering	80,000	20,000	11.1%

Note:

- (1) This does not include the discretionary portion of the bonus pool as the Compensation Committee and the Board have deferred the determination as to whether any amount would be payable thereunder.

In determining entitlement to bonuses in respect of 2008, the Compensation Committee recommended that the bonus plan be reviewed in the coming year to ensure that the metrics and other criteria utilized continued to have the intended result of encouraging strong performance by executive officers and other employees in a manner aligned to the creation of shareholder value.

Share Option Plan

The Corporation's share option plan (the "**Option Plan**") permits the granting of options ("**Options**") to purchase Common Shares, as described under "Incentive Plans – Share Option Plan". The Option Plan is designed to motivate all employees to focus on our long-term growth and success. It also provides an effective retention tool.

Awards of Options increase the pay-at-risk component for executives and align their interests with the interests of the shareholders. The size of the Option award to individual executives is determined by considering individual performance, level of responsibility, authority and overall importance to the Corporation and the degree to which each executive's potential and contribution will be critical to the long-term success of Fairborne. The Compensation Committee and the Board has flexibility in the determination of the size of the award and takes into account all

relevant circumstances, including the value of Fairborne's Option awards in comparison with its competitors and other components of the compensation previously received by the executive, including prior Option grants. An initial grant of Options is normally made upon commencement of employment. Additional grants are normally made on an annual basis in connection with the determination of compensation levels for the ensuing year. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation.

The initial grant of Options pursuant to the Option Plan in July, 2008 were issued with an exercise price of \$12.85 per share. In connection with the grant of these Options, substantially all holders of the Retention Awards, including all of the executive officers and directors of the Corporation, agreed to cap the Exercise Price (as defined under "Incentive Plans – Retention Award Plan") of all Retention Awards held by them at a price of \$12.85 and the amount payable pursuant to such Retention Awards will therefore be the difference between the lesser of the Exercise Price determined on the date of exercise or deemed exercise of the Retention Awards and \$12.85, less the Grant Price (as defined under "Incentive Plans – Retention Award Plan"). See "Incentive Plans – Retention Award Plan".

Group Savings Plan and Other Perquisites

The Corporation also provides executive officers with certain perquisites and other benefits, including participation in the employee savings plan in order to ensure that the compensation package is competitive with our peers. See "Incentive Plans – Group Savings Plan".

Previous Incentive Plans - Performance Units, Restricted Units and Retention Awards

The outstanding Performance Units and Restricted Units are held by members of the Board and each of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer who agreed to waive their right to accelerated vesting of such securities as a result of the Reorganization (the "**Non Vesting Participants**"). All Trust Units issuable pursuant to Performance Units and Restricted Units, other than those held by Non Vesting Participants were issued pursuant to the restricted unit and performance unit incentive plan of the Trust (the "**Trust Incentive Plan**") in connection with the Reorganization. The Non Vesting Participants continue to hold their Restricted Units and Performance Units under the terms of the Trust Incentive Plan and are entitled to receive Common Shares as issuable thereunder upon vesting in accordance with the normal vesting periods provided in the Trust Incentive Plan. Upon completion of the Reorganization, no further Performance Units or Restricted Units have or will be issued. See "Incentive Plans – Trust Incentive Plan".

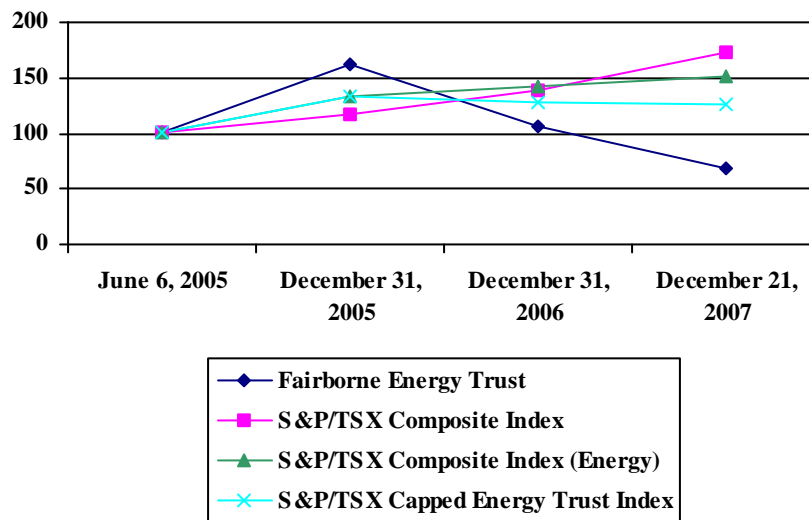
On completion of the Reorganization, the Corporation adopted a cash based retention award plan (the "**Retention Award Plan**"), which provides for the granting of retention awards ("**Retention Awards**"), as described under "Incentive Plans – Retention Award Plan". The Retention Award Plan was adopted in order to "bridge the gap" created on completion of the Reorganization until a share option plan was adopted and approved by shareholders. In connection with the grant of Options in July, 2008, substantially all holders of Retention Awards agreed to cap the Exercise Price of the Retention Awards held by such grantees at the exercise price of the Options granted, being \$12.85. As a result, the Exercise Price of all Retention Awards held by all Named Executive Officers were capped at a price of \$12.85 per Retention Award and the amount payable pursuant to such Retention Awards is equal to the difference between the lesser of the Exercise Price as determined at the date of exercise or deemed exercise of the Retention Awards and \$12.85, less the Grant Price. As a result of the adoption of the Option Plan and approval thereof by shareholders of the Corporation, the Corporation advised that it did not intend to grant any further Retention Awards under the Retention Award Plan. See "Incentive Plans - Retention Award Plan".

Performance Graph

The Trust was created on June 6, 2005 and its Trust Units traded on the Toronto Stock Exchange (the "TSX") until the Reorganization and its reconversion to the Corporation which was effective December 19, 2007. Pursuant to the Reorganization, all outstanding Trust Units were exchanged for Common Shares on a one-for-one basis effective on December 19, 2007 and the Trust Units ceased trading on the TSX on December 21, 2007.

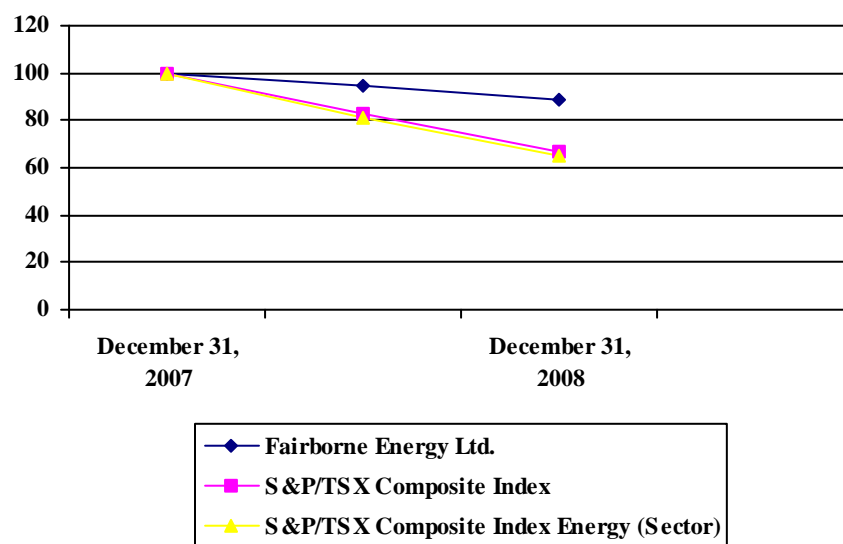
The following graph illustrates the change in cumulative unitholder return as measured by the closing price of the Trust Units at the end of each of the financial years for periods illustrated, determined from the date that the Trust Units commenced trading on the TSX, assuming an initial investment of \$100 in Trust Units on June 6, 2005, compared to the S&P/TSX Composite Index, the S&P/TSX Composite Index Energy (Sector) and the S&P/TSX Capped Energy Trust Index, with all dividends and distributions reinvested.

**Cumulative Total Return on \$100 Investment
(June 6, 2005 – December 21, 2007)**



	June 6, 2005	December 31, 2005	December 31, 2006	December 21, 2007
Fairborne Energy Trust	100	162	107	69
S&P/TSX Composite Index	100	118	138	173
S&P/TSX Composite Index Energy (Sector)	100	134	143	151
S&P/TSX Capped Energy Trust Index	100	133	128	126

The following graph illustrates the change in cumulative shareholder return, as measured by the closing price of our Common Shares at the end of the financial years illustrated, assuming an initial investment of \$100 on December 31, 2007, compared to the S&P/TSX Composite Index and the S&P/TSX Composite Index Energy (Sector) assuming reinvestment of distributions and dividends where applicable.



	December 31, 2007	December 31, 2008
Fairborne Energy Ltd.	100	89
S&P/TSX Composite Index	100	67
S&P/TSX Composite Index Energy (Sector)	100	65

While a significant portion of the compensation of our executive officers is performance based, it is difficult to correlate compensation to the trends shown in the above performance graphs. As described under "Compensation Discussion and Analysis", base salaries are not determined on benchmarks, performance goals or a specific formula but are set to be competitive with industry levels. A significant portion of the Corporation's cash bonus plan is performance driven as 75% of the amount that can be earned is based on exceeding a threshold in growth in certain performance metrics. These may or may not be totally reflected in share price. The value of Options granted pursuant to the Corporation's Option Plan are directly affected by changes in share price.

Summary Compensation Table

The following table sets forth, for the year ended December 31, 2008, information concerning the compensation paid to our Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") and the four most highly compensated executive officers, other than the CEO and CFO, for the year ended December 31, 2008 whose total compensation was more than \$150,000 (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**").

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards ⁽¹⁾ (Options/RAs) (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation ⁽³⁾	Total compensation (\$)
					Annual incentive plans ⁽²⁾	Long-term incentive plans			
Steven R. VanSickle President and Chief Executive Officer	2008	282,000	-	Nil / \$168,700	42,300	-	-	33,447	526,447
David L. Summers Chief Operating Officer	2008	220,000	-	Nil / -	33,000	-	-	27,266	280,226
Aaron G. Grandberg Chief Financial Officer	2008	197,687	-	Nil / -	30,000	-	-	21,304	248,991
Gary M. Poirier Vice-President, Production	2008	179,500	-	Nil / -	20,000	-	-	18,592	218,092
David E.T. Pyke Vice-President, Land	2008	179,500	-	Nil / -	20,000	-	-	18,890	218,390
David S. Cymbalisty Vice-President, Engineering	2008	179,500	-	Nil / -	20,000	-	-	18,934	218,434

Notes:

- (1) "**Options**" are options issued under the Option Plan and "**RAs**" are Retention Awards issued under the Retention Award Plan (see "Incentive Plans"). A number of Options equal to 80% of the number of initial Retention Awards granted to each of the Named Executive Officers were granted in the year ended December 31, 2008. The number of Options granted compared to the Retention Awards was arrived at in order to give effect to the different tax treatment the holder receives on exercise of Options versus Retention Awards. In connection with the grant of such Options, each of the Named Executive Officers agreed to cap the Exercise Price of all Retention Awards held by them at a price of \$12.85 per Retention Award (being the exercise price of the Options granted) and the amount payable pursuant to such Retention Awards will therefore be equal to the difference between the lesser of the Exercise Price determined at the date of exercise or deemed exercise of the Retention Awards and \$12.85, less the Grant Price. See "Incentive Plans – Retention Award Plan". Such Options were granted to in essence replace the Retention Awards at a price in excess of \$12.85 and therefore were not granted as an award or payment of compensation. Therefore the value thereof in the above table are reflected as nil. If the fair value of the Options were estimated at the date of grant using a Black-Scholes Option Pricing Model the value thereof would have been \$1,142,160, \$951,800, \$951,800, \$747,843, \$747,843 and \$747,843 in respect of Messrs. VanSickle, Summers, Grandberg, Poirier, Pyke and Cymbalisty, respectively. In such calculations, the following assumptions are utilized: risk free interest rate of 3%, volatility of 37% average expected life of three years and dividend rate of nil. The value of the Retention Awards granted to Mr. VanSickle in the above table is estimated at the date of grant using a Black-Scholes Option Pricing Model based on the same assumptions.
- (2) The non-equity incentive plan is the cash bonus plan of the Corporation. Amounts shown is the performance component earned in 2008. The Compensation Committee and the Board have deferred the determination of whether any of the 25% discretionary portion of the cash bonus pool will be paid. See "Compensation Discussion and Analysis – Elements of Compensation – Bonus Plan".
- (3) All other compensation includes company matching contributions to the Group Savings Plan, life insurance premiums, provincial health care premiums and parking benefits and the amounts included in the table represents the incremental cost to the Corporation. Included in the foregoing is \$25,380, \$19,800, \$13,838, \$12,565, \$12,565 and \$12,565 paid by the Corporation as matching contributions by the executive to the Group Savings Plan, in the case of Messrs. VanSickle, Summers, Grandberg, Poirier, Pyke and Cymbalisty, respectively.

Incentive Plans

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted average exercise price of outstanding options, warrants and rights (b)		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)	
	PTUs and RTUs ⁽¹⁾	Option Plan	PTUs and RTUs ⁽¹⁾	Option Plan	PTUs and RTUs ⁽¹⁾	Option Plan
Equity compensation plans approved by securityholders	278,985	6,903,500	N/A	12.74	Nil	1,789,780
Equity compensation plans not approved by securityholders	-	-	-	-		
Total	278,985	6,903,500			Nil	1,789,780

Notes:

- (1) Includes Common Shares issuable pursuant to outstanding Restricted Units and Performance Units held by Non Vesting Participants. No further Restricted Units or Performance Units are issuable pursuant to the Trust Incentive Plan.
- (2) The maximum number of Common Shares issuable on exercise of Options outstanding at any time is limited, in aggregate, to 10% of the issued and outstanding Common Shares. See "Share Option Plan".

Share Option Plan

Shareholders of the Corporation approved the Corporation's Option Plan at the annual and special meeting of shareholders held on May 29, 2008.

The Option Plan is intended to afford persons who provide services to Fairborne an opportunity to obtain an increased proprietary interest in Fairborne by permitting them to purchase Common Shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with Fairborne. The Option Plan permits the granting of Options to officers, directors, employees, consultants and other service providers ("**Optionees**") of Fairborne and its subsidiaries. The Option Plan is administered by the Board or a committee of the Board appointed from time to time by the Board to administer the Option Plan (the Board or, if appointed, such committee, is referred to as the "**Committee**").

The maximum number of Common Shares issuable on exercise of Options outstanding at any time shall be limited, in the aggregate, to 10% of the issued and outstanding Common Shares. Options that are cancelled, terminated or expired prior to exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to the Option Plan. As the Option Plan is a "rolling" plan, the exercise of Options will also give rise to additional availability under the Option Plan.

The number of Common Shares issuable pursuant to Options granted under the Option Plan or any other stock compensation arrangements of Fairborne: (i) to insiders at any time may not exceed 10% of the outstanding Common Shares; and (ii) issued to insiders within any one year period may not exceed 10% of the outstanding Common Shares. In addition, the number of Common Shares issuable at any time pursuant to Options to directors that are not officers or employees of Fairborne or its subsidiaries may not in the aggregate exceed 1% of the outstanding Common Shares. Options granted under the Option Plan are not assignable.

Options have a term not to exceed five years and, subject to the terms of the Option Plan, shall vest in such manner as determined by the Committee. In the absence of any determination to the contrary, Options will vest and be

exercisable as to one third on each of the first, second and third anniversaries of the date of grant, subject to acceleration of vesting in the discretion of the Committee. If an Option is set to expire within seven (7) business days following the end of, a Black Out Period (as such term is defined in the Option Plan) and the Optionee is subject to the Black Out Period, the expiry date of the Option shall be extended for seven business days following the end of the Black Out Period.

The exercise price of any Options granted will be determined by the Committee at the time of grant, provided that the exercise price shall not be less than the volume weighted average trading price of the Common Shares on the TSX (or other stock exchange on which the Common Shares may be listed) for the five trading days immediately preceding the date of grant.

The Option Plan provides Optionees with an election, if permitted by the Committee, for a cashless exercise ("**Cashless Exercise**") of an Optionee's vested and exercisable Options. If an Optionee elects a Cashless Exercise the Optionee shall surrender its Options in exchange for the issuance by Fairborne of that number of Common Shares equal to the number determined by dividing the Market Price (as defined in the Option Plan and as calculated as at the date of exercise) into the difference between the Market Price and the exercise price of such Option. In addition, the Option Plan also provides that an Optionee has the right to make an offer (the "**Surrender Offer**") to Fairborne to surrender any of the Options held by such person for an amount (not to exceed the Market Price on a per share basis as calculated on the date of surrender) specified therein by the Optionee and Fairborne may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required.

If an Optionee ceases to be a director, officer, employee of, or service provider to, Fairborne or a subsidiary of Fairborne for any reason, the Optionee shall have a period not in excess of six months as prescribed at the time of grant (12 months in the case of death), following the Optionee ceasing to be a director, officer, employee or consultant or other service provider to exercise Options held; provided that the number of Common Shares that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date shall be the number of Common Shares which the Optionee was entitled to purchase on the date the Optionee ceased to be an officer, director, employee, consultant or other service provider, as the case may be.

Without the prior approval of the shareholders of Fairborne, as may be required by the TSX, the Board may not: (i) make any amendment to the Option Plan to increase the percentage of Common Shares issuable on exercise of outstanding Options at any time, (ii) reduce the exercise price of any outstanding Options, (iii) extend the term of any outstanding Option beyond the original expiry date of such Option, (iv) increase the maximum limit on the number of securities that may be issued to insiders, (v) increase the maximum number of Common Shares issuable to directors who are not officers or employees of Fairborne or its subsidiaries, (vi) make any amendment to the Option Plan to permit an Optionee to transfer or assign Options to a new beneficial Optionee other than in the case of death of the Optionee, or (vii) amend the restrictions on amendments that are provided in the Option Plan. Subject to the restrictions set out above, the Board may amend or discontinue the Option Plan and Options granted thereunder at any time without shareholder approval; provided any amendment to the Option Plan that requires approval of any stock exchange on which the Common Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Option Plan or Options granted pursuant to the Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously granted to such Optionee.

Pursuant to the requirements of the TSX, the grant of unallocated Options pursuant to the Option Plan is required to be approved by shareholders every three years.

Retention Award Plan

On completion of the Reorganization, the Corporation adopted a cash based retention award plan (the "**Retention Award Plan**"), which provides for the granting of retention awards ("**Retention Awards**" or "**RAs**") to directors, officers, employees, consultants and other service providers of Fairborne and its subsidiaries. Upon vesting, each Retention Award entitles the holder to a cash payment based upon the appreciation in value of the Common Shares, such payment being equal to the difference between the grant price (the "**Grant Price**") of the applicable Retention Award and the exercise price (the "**Exercise Price**") at the date of exercise or deemed exercise of the Retention Awards (as determined in accordance with the Retention Award Plan). The Exercise Price and the Grant Price are

based on a weighted average trading price of the Common Shares (or if the Common Shares are not listed, as determined by the Board) or, in the case of the Grant Price, such price as determined by the Board. Unless otherwise provided, the Retention Awards vest as to one-third of the number of Retention Awards granted on each of the first, second, and third anniversaries of the date of grant (subject to acceleration in certain instances including in the event of a change of control (as defined in the Retention Award Plan) and in the discretion of the Board) and any unexercised Retention Awards will be deemed to be exercised on the third anniversary of the date of grant. If a grantee ceases to be a service provider (other than by reason of death or termination for cause), all vested but unexercised Retention Awards held by such grantee will be deemed to be automatically exercised on the date of termination of employment and all unvested Retention Awards will be deemed to be cancelled without any payment thereunder. If a grantee ceases to be a service provider by reason of termination for cause, all rights of such grantee in respect of Retention Awards are forfeited and terminated without any payment. In the event of the death of a grantee, all Retention Awards held by the grantee on the date of death vest and such Retention Awards will be automatically exercised on the date of death. The Retention Award Plan is solely cash based and, accordingly, the Corporation will not issue any Common Shares in connection with the Retention Award Plan.

In connection with the grant of Options in July, 2008, substantially all of the holders of Retention Awards agreed to cap the Exercise Price of Retention Awards held by such grantees at the exercise of Options granted, being \$12.85. As a result, the Exercise Price of all Retention Awards held by all of the Named Executive Officers were capped at a price of \$12.85 per Retention Award and the amount payable pursuant to such Retention Awards will be equal to the difference between the lesser of the Exercise Price as determined at the date of exercise or deemed exercise of the Retention Awards and \$12.85, less the Grant Price.

As a result of approval of the Option Plan by shareholders of the Corporation, Fairborne advised that it did not intend to grant any further Retention Awards under the Retention Award Plan.

Bonus Plan

Following the Reorganization, the Corporation established a cash bonus plan for its executive officers and employees based and dependent upon, among other things, the performance of the Corporation for the applicable period. Seventy-five percent of the bonus entitlement is based upon growth over 5% in reserves per share, production per share and cash flow per share. The remaining 25% of the bonus entitlement is available at the discretion of the Board. Bonus details are reviewed annually by the Board. See "Compensation Discussion and Analysis – Elements of Compensation – Bonus Plan".

Group Savings Plan

The Corporation has a group retirement savings plan and a group non-registered savings plan (collectively referred to as the "**Group Savings Plan**" or "**GSP**") to assist employees in meeting their retirement and savings goals, pursuant to which Fairborne matches employee contributions to the GSP to a maximum of 7% of their monthly salary with the exception of Messrs. VanSickle and Summers who receive a company matching contribution of up to 9%. All employees are eligible to join the plan on their first day of employment and vesting of the Corporation's contribution is immediate. The Group Savings Plan is administered for the Corporation an independent third party retirement advisory firm. The firm provides employees the options of saving within a registered retirement savings plan ("**RRSP**"), a spousal RRSP or a non-registered savings plan. The Corporation deposits employee contributions with the advisory firm on a semi-monthly basis and thereafter all investment decisions, transfers, withdrawals and other decisions are completed directly between the employee and the advisory firm.

Trust Incentive Plan

Upon the Trust's formation on June 1, 2005, the Trust adopted the Trust Incentive Plan. The Trust Incentive Plan provided for the granting of restricted unit awards (the "**Restricted Units**" or "**RTUs**") and performance unit awards (the "**Performance Units**" or "**PTUs**") to directors, officers, employees, consultants and other service providers to the Trust and its affiliates ("**Trust Services Providers**").

In connection with the Reorganization, all outstanding Performance Units, other than those held by each of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and directors of the Corporation, each of whom agreed to waive their right to accelerated vesting as a result of the Reorganization (being the Non Vesting Participants), vested and the Trust Units were issued pursuant thereto. In connection therewith, the number of Trust Units issued in respect of each outstanding Trust Unit was based upon a multiplier of 0.72 adjusted to give effect to average accumulated distributions on outstanding Trust Units, resulting in the issuance of 0.92 Trust Units for each outstanding Performance Unit. The Non Vesting Participants continued to hold their Performance Units under the terms of the Trust Incentive Plan and are entitled to receive 0.92 of a Common Share (rather than Trust Units) for each Performance Unit upon vesting in accordance with normal vesting periods provided in the Trust Incentive Plan. In addition, all Trust Units issuable pursuant to outstanding Restricted Units, other than those held by Non Vesting Participants, were issued pursuant to the Trust Incentive Plan in connection with the Reorganization. The Non Vesting Participants continue to hold Restricted Units under the terms of the Trust Incentive Plan and are entitled to receive one Common Share plus additional Common Shares in respect of an adjustment for distributions on Trust Units from the grant of the applicable Restricted Unit to the date of the Reorganization upon vesting in accordance with the normal vesting periods provided in the Trust Incentive Plan.

The issue date of Restricted Units and Performance Units is the date upon which the Common Shares awarded thereunder shall be issued to the grantee of such units. The issue date of Restricted Units is as to one third on each of the first, second and third anniversaries of the date of grant. The issue date of Performance Units is on the third anniversary of the date of grant. A Trust Service Provider may elect on any issue date pertaining to Restricted Units or Performance Units to which such person is entitled, subject to the consent of the Corporation, to surrender the number of Common Shares otherwise issuable thereunder for an amount (the "**Settlement Amount**") in cash equal to the aggregate current market value of the Common Shares otherwise issuable under the Trust Incentive Plan. A Trust Service Provider may also agree with the Corporation that all or a portion of the Settlement Amount may be satisfied in whole or in part in Common Shares in which case the number of Common Shares that are issuable on the applicable issue date shall be acquired by Fairborne on the TSX or from the Corporation, as an issuance from treasury, or a combination thereof.

In the event of a Change of Control (as defined in the Trust Incentive Plan), the issue dates attaching to the Restricted Units and Performance Units are accelerated so that all Common Shares awarded pursuant to such Restricted Units and Performance Units that have not yet been issued as of such time shall be made issuable immediately prior to the date upon which the Change of Control is completed. The Trust Incentive Plan also provides for termination of unit awards in the event of the cessation of employment of a holder provided that in the case of disability or retirement (which is determined in accordance with the Trust Incentive Plan and does not include termination for cause, termination not for cause, voluntary resignation or death) the issue date of all Restricted Units and Performance Units is the date that the Trust Service Provider ceases to be a service provider of the Trust as a result of disability or retirement and, in the case of death, the issue date for all Common Shares awarded to the Trust Service Provider is the date of death and the number of Common Shares issuable is prorated for the number of months that the holder was a Trust Service Provider. In the event of termination of employment of a holder, other than a termination for cause, all rights to receive Common Shares under Performance Units shall be immediately terminated as of the date of the termination and, in the case of Restricted Units shall be terminated effective as of 60 days after the termination date. Restricted Units and Performance Units granted are not assignable by the grantee. In accordance with the requirements of the TSX, the Trust Incentive Plan may not be amended without securityholder approval.

As of April 20, 2009 the Non Vesting Participants hold an aggregate of 92,080 Performance Units, entitling them to acquire an aggregate of 84,712 Common Shares upon vesting. The Non Vesting Participants also hold an aggregate of 30,698 Restricted Units entitling them to acquire an aggregate of 34,940 Common Shares upon vesting.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-based Awards

The following table sets forth for each Named Executive Officer all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2008.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options/RAs (#)	Option exercise price/RA Grant Price (\$)	Option/RA expiration date	Value of unexercised in-the-money Options/RAs ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (PTUs/RTUs) ⁽²⁾ (#)	Market or payout value of share-based awards that have not vested (PTUs/RTUs) ⁽³⁾ (\$)
Steven R. VanSickle	- / 70,000 336,000 / 350,000	- / 8.43 12.85 / 5.75	- / Mar 31, 2011 Jul 4, 2013 / Dec 19, 2010	0 / 0 0 / 35,000	65,596 / 33,152	383,737 / 193,939
David L. Summers	280,000 / 350,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	0 / 35,000	53,084 / 24,023	310,541 / 140,535
Aaron G. Grandberg	280,000 / 350,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	0 / 35,000	31,648 / 16,467	185,141 / 96,332
Gary M. Poirier	220,000 / 275,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	0 / 27,500	- / -	- / -
David E.T. Pyke	220,000 / 275,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	0 / 27,500	- / -	- / -
David S. Cymbalisty	220,000 / 275,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	0 / 27,500	- / -	- / -

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on December 31, 2008 of \$5.85 and in the case of Options, the exercise price of the Options, and in the case of Retention Awards, the Grant Price of the Retention Awards.
- (2) This represents the aggregate Common Shares which would be acquired upon vesting of the Performance Units and Restricted Units. In connection with the Reorganization, all of the outstanding Performance Units and Restricted Units vested and the Trust Units issuable in connection therewith were issued, other than those held by the Non Vesting Participants (including Messrs. VanSickle, Summers and Grandberg) who waived accelerated vesting as a result of the Reorganization. The Performance Units and Restricted Units held by the Non Vesting Participants vest in accordance with the normal vesting periods provided in the Trust Incentive Plan.
- (3) Calculated based on the number of Common Shares issuable multiplied by the closing price of the Common Shares on December 31, 2008 of \$5.85.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards and share-based awards which vested during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (Options/RAs) (\$)	Share-based awards – Value vested during the year ⁽²⁾ (PTUs/RTUs) (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Steven R. VanSickle	N/A / 0	378,534 / 334,826	42,300
David L. Summers	N/A / 0	254,748 / 230,736	33,000
Aaron G. Grandberg	N/A / 0	168,636 / 159,997	30,000
Gary M. Poirier	N/A / 0	- / -	20,000
David E.T. Pyke	N/A / 0	- / -	20,000
David S. Cymbalisty	N/A / 0	- / -	20,000

Notes:

- (1) No Options vested during the year ended December 31, 2008. Value of Retention Awards is calculated based on the difference between the closing price of the Common Shares on the vesting date and the Grant Price of the Retention Awards.
- (2) Calculated by multiplying the number of Common Shares issued pursuant to the PTUs and RTUs by the weighted average trading price for the Common Shares for the five trading days preceding the vesting date.
- (3) The non-equity incentive plan is the cash bonus plan of the Corporation. Amounts shown is the performance component earned in 2008. The Compensation Committee and the Board have deferred the determination of whether any of the 25% discretionary portion of the cash bonus pool will be paid. See "Compensation Discussion and Analysis – Elements of Compensation – Bonus Plan".

Pension Plan Benefits

The Corporation does not have a pension plan or similar benefit program.

Termination and Change of Control Benefits

Fairborne has entered into executive employment agreements (the "**Executive Employment Agreements**") with Messrs. VanSickle, Grandberg and Summers and has entered into change of control agreements ("**Change of Control Agreements**") with its other executive officers.

The Executive Employment Agreements continue indefinitely until terminated in accordance with the terms thereof and the annual salary payable thereunder is subject to annual review. The executive is entitled to participate in and receive all rights and benefits under any savings plan, life insurance, disability, medical, dental, health and accident plans maintained by Fairborne for employees generally and executive officers. All group benefits from employment, including short term and long term disability insurance coverage, cease on the executive's last day of active employment regardless of the reason thereof.

The Executive Employment Agreements may be terminated by Fairborne at any time for just cause and in such case the executive is entitled to payment of any pro rata annual salary earned but unpaid through to the termination date along with payment of any accrued and unused vacation and expenses due and owing. The Executive Employment Agreements may be terminated by Fairborne without just cause upon payment of a retiring allowance equal to one and one-half times the executive's then annual salary plus 15% of one and a half times the then annual salary to compensate for loss of benefits and one and a half times cash bonuses paid or payable to the executive in respect of the 24 months preceding the termination date, divided by two. In the event of a change of control (as defined in the Executive Employment Agreement), if there is any adverse change, by Fairborne without the agreement of the executive, in any of the duties, powers, rights, discretions, salary, titles, lines of reporting or requirement of where the executive is based, such that immediately after such change or series of changes, the responsibilities and status of the executive, taken as a whole, are not at least substantially equivalent to those assigned immediately prior thereto or any other reason which would be considered to amount to constructive dismissal by a court of competent jurisdiction (collectively, "**Good Reason**"), the executive has the right, for a period of six months following the change of control, to terminate the agreement and be paid the foregoing retirement allowance. In each case, in order to receive the retirement allowance, the executive is required to execute and deliver a release to Fairborne releasing Fairborne and its associates and affiliates from any and all claims relating to the executive's employment, termination of such employment or termination of the Executive Employment Agreement. Pursuant to the terms of the Executive Employment Agreements the executive recognizes his obligations not to disclose confidential information to any unauthorized person during or after his employment.

Pursuant to the Change of Control Agreements, if the officer's employment is terminated or the officer is constructively dismissed within six months following a change of control (as defined therein), the officer has the right to terminate his employment and be paid a retirement allowance equal to between nine months' and 15 months' salary (depending on the length of employment with Fairborne) (which in the case of Messrs. Poirier, Pyke and Cymbalisky is 15 months) plus 15% of such officer's annual salary to compensate for loss of benefits. In exchange for the severance amount, the officer is required to provide a release to Fairborne releasing Fairborne and its affiliates from any and all claims concerning the officer's employment and the termination thereof.

Upon a change of control or termination of the Executive Employment Agreements or the Change of Control Agreements for any reason there is no automatic acceleration of, or any other benefit relating to, any Options, but certain of the Options are required to be exercised within a specified period of time upon ceasing to be a service provider. Pursuant to the Option Plan, the Board may, at its discretion, accelerate vesting of Options. Pursuant to the Trust Incentive Plan, in the event of a change of control (as defined in the Trust Incentive Plan) and in the event of cessation of employment as a result of disability or retirement, the Common Shares issuable pursuant to the Performance Units and Restricted Units held by the executive will be issued as at the date immediately prior to the date of the change of control or the date of cessation of employment, as the case may be, which in the case of Messrs. VanSickle, Grandberg and Summers would result, as at December 31, 2008, in the acceleration of the issuance of 65,596, 31,648 and 53,084 Common Shares issuable pursuant to Performance Units, respectively and 33,152, 16,467 and 24,023 Common Shares issuable pursuant to Restricted Units, respectively. Pursuant to the Retention Award Plan, in the event of a change of control (as defined in the Retention Award Plan) any unvested Retention Awards vest immediately prior to the time of change of control and all Retention Awards will be deemed to be automatically exercised on the date of the change of control. See the table below for the estimated incremental payments, payables and benefits assuming a termination or a change of control effective December 31, 2008. See "Incentive Plans".

Name	Triggering Event	Cash Payment (\$)	Restricted Units⁽²⁾ (\$)	Performance Units⁽²⁾ (\$)	Retention Awards⁽²⁾ (\$)	Options (\$)	Total (\$)
Steven R. VanSickle	Change of Control and Termination ⁽¹⁾	711,450	193,939	383,737	23,333	-	1,312,459
	Change of Control without Termination	-	193,939	383,737	23,333	-	601,009
	Termination by Corporation without Just Cause	711,450	-	-	-	-	711,450
	Disability or Retirement	-	193,939	383,737	-	-	577,676
David L. Summers	Change of Control and Termination ⁽¹⁾	582,000	140,535	310,541	23,333	-	1,056,409
	Change of Control without Termination	-	140,535	310,541	23,333	-	474,409
	Termination by Corporation without Just Cause	582,000	-	-	-	-	582,000
	Disability or Retirement	-	140,535	310,541	-	-	451,076
Aaron G. Grandberg	Change of Control and Termination ⁽¹⁾	517,500	96,332	185,141	23,333	-	822,306
	Change of Control without Termination	-	96,332	185,141	23,333	-	304,806
	Termination by Corporation without Just Cause	517,500	-	-	-	-	517,500
	Disability or Retirement	-	96,332	185,141	-	-	281,473
Gary M. Poirier	Change of Control and Termination ⁽¹⁾	260,182	-	-	18,333	-	278,515
	Change of Control without Termination	-	-	-	18,333	-	18,333
	Termination by Corporation without Just Cause	260,182	-	-	-	-	260,182
	Disability or Retirement	-	-	-	-	-	-

Name	Triggering Event	Cash Payment (\$)	Restricted Units ⁽²⁾ (\$)	Performance Units ⁽²⁾ (\$)	Retention Awards ⁽²⁾ (\$)	Options (\$)	Total (\$)
David E.T. Pyke	Change of Control and Termination ⁽¹⁾	260,182	-	-	18,333	-	278,515
	Change of Control without Termination	-	-	-	18,333	-	18,333
	Termination by Corporation without Just Cause	260,182	-	-	-	-	260,182
	Disability or Retirement	-	-	-	-	-	-
David S. Cymbalisky	Change of Control and Termination ⁽¹⁾	260,182	-	-	18,333	-	278,515
	Change of Control without Termination	-	-	-	18,333	-	18,333
	Termination by Corporation without Just Cause	260,182	-	-	-	-	260,182
	Disability or Retirement	-	-	-	-	-	-

Notes:

- (1) In the case of the Executive Employment Agreements, the payments or benefits are triggered if the executive terminates his employment within six months following a change of control if an event or events occur which constitute Good Reason. In the case of the Change of Control Agreements, the payments or benefits are triggered if the employee's employment is terminated without just cause (or constructive dismissal) within six months following a change of control.
- (2) In the case of the Restricted Units, Performance Units and Retention Awards, the amounts shown are in respect of the grants for awards whose vesting is accelerated as a result of the event. Amounts are based on the closing price of the Common Shares on December 31, 2008 of \$5.85.
- (3) In the case of resignation or termination by the Corporation for Just Cause, no amounts would be payable nor would there be any benefits receivable.

Remuneration of Directors

Director compensation is reviewed annually by the Compensation Committee. No formal survey is utilized but management assembles public data of comparable entities to arrive at compensation at a comparable level. The compensation philosophy for directors is similar to that for Named Executive Officers in that compensation includes a base retainer and participation under the Option Plan, the benefit of which is tied to shareholder return.

In 2008, each of the non-management directors of Fairborne received an annual retainer of \$20,000 (pro rated in the event that the director was a director for only a portion of the year) and \$1,500 per meeting of the Board or committee meeting attended. Each of the Chairs of their respective committees received an additional annual retainer of \$5,000. Carl J. Tricoli has waived payment of any fees or compensation for acting as a director of the Corporation.

Directors' Summary Compensation Table

The following table sets forth for the year ended December 31, 2008, information concerning the compensation paid to our directors other than directors who are also Named Executive Officers.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾⁽³⁾ (Options/RAs) (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Greg Bay ⁽¹⁾	19,500	- / -	167,371 / -	-	-	-	186,871
Robert B. Hodgins	41,500	- / -	Nil / -	-	-	-	41,500
Johannes J. Nieuwenburg	41,500	- / -	Nil / -	-	-	-	41,500
Michael E.J. Phelps ⁽⁴⁾	33,500	- / -	Nil / -	-	-	-	33,500
Carl J. Tricoli ⁽⁵⁾	-	- / -	Nil / -	-	-	-	-
Richard A. Walls	35,000	- / -	Nil / -	-	-	-	35,000
Rodney D. Wimer	41,500	- / -	Nil / -	-	-	-	41,500

Notes:

- (1) Mr. Bay was appointed as a director of the Corporation effective September 15, 2008.
- (2) The grant date fair value of Options granted to Mr. Bay is estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 3%, volatility of 37%, average expected life of three years and dividend rate of nil. This methodology was selected due to its acceptance as an appropriate evaluation model used for similar sized oil and gas companies.
- (3) A number of Options equal to 80% of the number of Retention Awards held by each of the above directors (other than Mr. Bay who does not hold any Retention Awards) were granted in the year ended December 31, 2008. The number of Options granted compared to the Retention Awards was arrived at in order to give effect to the different tax treatment the holder receives on exercise of Options versus Retention Awards. In connection with the grant of such Options, each of such directors agreed to cap the Exercise Price of all Retention Awards held by them at a price of \$12.85 per Retention Award (being the exercise price of the Options granted) and the amount payable pursuant to such Retention Awards will therefore be equal to the difference between the lesser of the Exercise Price determined at the date of exercise or deemed exercise of the Retention Awards and \$12.85, less the Grant Price. See "Incentive Plans – Retention Award Plan". Such Options were granted to in essence replace the Retention Awards at a price in excess of \$12.85 and therefore were not granted as an award or payment of compensation. Therefore the value thereof in the above table are reflected as nil. If the fair value of the Options were estimated at the date of grant using a Black-Scholes Option Pricing Model the value thereof would have been \$203,597 in respect of each such directors. In such calculations, the following assumptions are utilized: risk free interest rate of 3%, volatility of 37% average expected life of three years and dividend rate of nil.
- (4) Mr. Phelps resigned as a director effective January 9, 2009.
- (5) Mr. Tricoli has waived payment of any fees or compensation for acting as a director of the Corporation.
- (6) Mr. VanSickle, a director of the Corporation, is the President and Chief Executive Officer of the Corporation and is therefore also a Named Executive Officer. See "Summary Compensation Table" for information with respect to his compensation.

Directors' Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth for each of our directors, other than directors who are also Named Executive Officers, all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2008.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised Options/RAs (#)	Option exercise price/ RA Grant Price (\$)	Option/RA expiration date	Value of unexercised in-the-money Options/RA ⁽²⁾ (\$)	Number of shares or units of shares that have not vested ⁽³⁾ (PTUs/RTUs) (#)	Market or payout value of share-based awards that have not vested ⁽⁴⁾ (PTUs/RTUs) (\$)
Greg Bay ⁽¹⁾	60,000 / -	10.78 / -	Sep 18, 2013 / -	- / -	- / -	- / -
Robert B. Hodgins	60,000 / 75,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	- / 7,500	7,447 / 3,556	43,565 / 20,803
Johannes J. Nieuwenburg	60,000 / 75,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	- / 7,500	7,447 / 3,556	43,565 / 20,803
Michael E.J. Phelps ⁽⁵⁾	60,000 / 75,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	- / 7,500	7,447 / 3,556	43,565 / 20,803
Carl J. Tricoli	- / -	- / -	- / -	- / -	- / -	- / -
Richard A. Walls	60,000 / 75,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	- / 7,500	7,447 / 3,556	43,565 / 20,803
Rodney D. Wimer	60,000 / 75,000	12.85 / 5.75	Jul 4, 2013 / Dec 19, 2010	- / 7,500	7,447 / 3,556	43,565 / 20,803

Notes:

- (1) Mr. Bay was appointed as a director of the Corporation effective September 15, 2008.
- (2) Calculated based on the difference between the closing price of the Common Shares at December 31, 2008 of \$5.85 and the exercise price of the Options or the Grant Price of Retention Awards, as applicable.
- (3) This represents the aggregate Common Shares which would be acquired upon vesting of the Performance Units and Restricted Units. In connection with the Reorganization, all of the outstanding Performance Units and Restricted Units vested and the Trust Units issuable in connection therewith were issued, other than those held by the Non Vesting Participants (including each of the directors of the Corporation who held Performance Units or Restricted Units) who waived accelerated vesting as a result of the Reorganization. The Performance Units and Restricted Units held by the Non Vesting Participants vest in accordance with the normal vesting periods provided in the Trust Incentive Plan.

- (4) Calculated by multiplying the number of Common Shares issuable pursuant to the PTUs and RTUs by the closing price of the Common Shares on December 31, 2008 of \$5.85.
- (5) Mr. Phelps resigned as a director effective January 9, 2009.

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each of our directors, other than directors who are also Named Executive Officers, the value of option-based awards and share-based awards which vested during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Option-based awards – Value vested during the year⁽¹⁾ (Options/RAs) (\$)	Share-based awards – Value vested during the year⁽²⁾ (PTUs/RTUs) (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Greg Bay	N/A / 0	- / -	-
Robert B. Hodgins	N/A / 0	107,640 / 68,429	-
Johannes J. Nieuwenburg	N/A / 0	107,640 / 68,429	-
Michael E.J. Phelps	N/A / 0	107,640 / 68,429	-
Carl J. Tricoli	N/A / 0	- / -	-
Richard A. Walls	N/A / 0	134,550 / 81,689	-
Rodney D. Wimer	N/A / 0	107,640 / 68,429	-

Notes:

- (1) No Options vested during the year ended December 31, 2008. Value of Retention Awards is calculated based on the difference between the closing price of the Common Shares on the vesting date and the Grant Price of the Retention Awards.
- (2) Calculated by multiplying the number of Common Shares issued pursuant to the PTUs and RTUs by the weighted average trading price of the Common Shares for the five trading days preceding the vesting date.

Directors' Common Shareholdings

The following table sets out each directors' holdings of Common Shares in Fairborne as at April 10, 2008 and as at April 20, 2009:

Director	Common Share Ownership at April 10, 2008	Common Share Ownership April 20, 2009	Value⁽³⁾ \$
Greg Bay	- ⁽¹⁾	-	-
Robert B. Hodgins	27,708	30,126	120,504
Johannes J. Nieuwenburg	96,981	119,400	477,600
Carl J. Tricoli ⁽²⁾	-	-	-
Steven R. VanSickle	1,220,372	1,301,316	5,205,264
Richard A. Walls	3,573,991	2,801,146	11,204,584
Rodney D. Wimer	152,084	124,757	499,028

Notes:

- (1) Mr. Bay was appointed a director of the Corporation effective September 15, 2008.
- (2) Carl J. Tricoli was appointed as a director of the Corporation on December 19, 2007. He is a Senior Managing Director of Denham Capital Management LP, the investment advisor to Denham Commodity Partners Fund IV LP, a principal shareholder of the Corporation. See "Information Concerning the Corporation – Voting Shares and Principal Holders Thereof".
- (3) Value is calculated using the closing price of the Common Shares on the TSX on April 20, 2009 of \$4.00.

Indebtedness of Directors and Executive Officers

No director, executive officer, employee or former director, executive officer or employee of the Corporation or any of its subsidiaries, or any associate of any such director, officer or employee is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

Corporate Governance Disclosure

The Corporation's disclosure with respect to Corporate Governance Practices is set forth in Appendix "A" hereto.

INTEREST OF MANAGEMENT AND INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, of any shareholder who beneficially owns or controls or directs, directly or indirectly, over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the most recently completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2008 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management discussion and analysis are available upon request from our Chief Financial Officer at 3400, 450 – 1st Street S.W., Calgary, Alberta, T2P 5H1, Attention: Aaron Grandberg (Telephone (403) 290-3217 or agrandberg@fairborne-energy.com).

Also see "Audit Committee" in the Corporation's annual information form for the year ended December 31, 2008 for information relating to the Audit Committee, including its mandate, composition of the Audit Committee and fees paid to the Corporation's auditors.

OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

APPROVAL

The contents and sending of this Information Circular - Proxy Statement has been approved by the Board.

DATED April 24, 2009.

APPENDIX "A"

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 entitled "*Disclosure of Corporate Governance Practices*" ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Trust is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of the Trust's current corporate governance practices, relative to the Form 58-101F1 Disclosure.

1. Board of Directors

(a) Disclose the identity of directors who are independent.

The following five directors of the Corporation are independent (for purposes of NI 58-101):

Greg Bay
Robert B. Hodgins
Johannes J. Nieuwenburg
Carl J. Tricoli
Rodney D. Wimer

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

Richard A. Walls is not independent as he was previously the President and Chief Executive Officer of Fairborne and was previously the President and Chief Executive Officer of Fairquest, which was acquired by the Corporation.

Steven R. VanSickle is not independent as he also occupies the position of President and Chief Executive Officer of Fairborne.

Carl J. Tricoli may not be considered independent for purposes of Multilateral Instrument 52-110 (Audit Committees) for purposes of serving on the Audit Committee as he is a Senior Managing Director of Denham Capital Management LP, the investment advisor to Denham Commodity Partners Fund IV LP, a principal shareholder of the Corporation which holds greater than 10% of the outstanding Common Shares (see "Information Concerning the Corporation - Voting Shares and Principal Holders Thereof") and thus he may be considered to be an "affiliated entity" of the Corporation. However, the Board does not consider such a relationship to be a material relationship which could reasonably be expected to interfere with the exercise of his independent judgment, for purposes of NI 58-101 and thus consider him to be independent for such purpose.

(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.

A majority of the directors of the Corporation (five of the seven) are independent.

- (d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors/trustees of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
Greg Bay	AGF Management Limited Mullen Group Income Fund
Robert B. Hodgins	AltaGas General Partner Inc. Enerflex Systems Ltd. Enerplus Resources Ltd. MGM Energy Corp.
Johannes J. Nieuwenburg	RIFCO Inc. Verenex Energy Inc.
Carl J. Tricoli	–
Steven R. VanSickle	Seaview Energy Inc.
Richard A. Walls	–
Rodney D. Wimer	EPCOR Power L.P.

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

At the end of each meeting of the Board, a meeting of the independent directors is convened to consider any matters arising from the meeting or otherwise that require consideration or discussion among the independent directors. Other meetings of the independent directors may be held from time to time if required.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

The Chairman of the Board is Richard A. Walls, who is not an independent member of the Board. Johannes J. Nieuwenburg, an independent member of the Board, has been appointed as Lead Director. Among other things, the Lead Director is to assist the Chairman in endeavouring to ensure that Board leadership responsibilities are conducted in a manner that will ensure that the Board is able to function independently of management. The Lead Director is to consider, and allow for, when appropriate, a meeting of all independent directors, so that Board meetings may take place without management being present. The Lead Director is to endeavour to ensure that reasonable procedures are in place for directors to engage outside advisors at the expense of the Trust in appropriate circumstances, subject to its prior approval and is to meet annually with each director to obtain insight as to where they believe the Board and its committees could operate more effectively.

- (g) **Disclose the attendance record of each directors for all board and committee meetings held since the beginning of the issuer's most recently completed financial year.**

	No. of Meetings Held	G. Bay ⁽³⁾	R.B. Hodgins	M.E.J. Phelps ⁽²⁾	J.J. Nieuwenburg	C.J. Tricoli	S.R. VanSickle	R.A. Walls	R.D. Wimer
Board	11	2	11	10	11	11	11	10	11
Audit	4	1	4	3	-	-	-	-	4
Compensation	2	1	-	1	2	-	-	-	2
Governance	1	-	1	1	1	-	-	-	-
Reserves	1	-	1	-	1	-	-	-	1
Risk Management⁽¹⁾	2	-	-	-	2	2	-	2	-
Total Meetings	21	4	17	15	17	13	11	12	18
Attendance Rating		100%	100%	83%	100%	100%	100%	92%	100%

Note:

- (1) The Risk Management Committee was established in November, 2008.
(2) Mr. Phelps resigned as a director effective January 9, 2009.
(3) Mr. Bay was appointed as a director effective September 15, 2008. His attendance rating is based on meetings held since that date or, in the case of committees, his appointment to the committee.

- 2. Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

The mandate of the Board is attached to this Information Circular as Appendix "B".

3. Position Descriptions

- (a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The Board has developed written position descriptions for the Chairman of the Board, the Lead Director as well as the Chairman of each of the committees of the Board.

- (b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The Board, with the input of the Chief Executive Officer of the Corporation, has developed a written position description for the Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors have joined the Board, management has provided these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures have proved to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the members of the Board.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for the directors of the Corporation; however, the Corporation encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

5. Ethical Business Conduct

- (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct and Ethics for directors, officers and employees (the "Code").

- (i) **disclose how a person or company may obtain a copy of the code;**

A copy of the Code may be obtained from the Chief Financial Officer of the Corporation at (403) 290-3217 or agrandberg@fairborne-energy.com and is also available on the Corporation's website at www.fairborne-energy.com and on SEDAR at www.sedar.com.

- (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

All employees are provided with a copy of the Code on commencement of employment and are made aware of the consequences of violation thereof. Annual reminder that compliance with the Code is required is also provided. In addition, all senior officers of the Corporation is required to affirm in writing on an annual basis his or her agreement to abide by the Code, as to his or her ethical conduct and with respect to any conflicts of interest.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

- (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

- (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

In addition to the Code, the Board has also adopted a "Whistleblower Policy" wherein employees of the Corporation are provided with the mechanics by which they may raise concerns with respect to a possible violation of the Corporation's disclosure standards in a confidential, anonymous process.

6. **Nomination of Directors**

- (a) **Describe the process by which the board identifies new candidates for board nomination.**

The Corporate Governance Committee is responsible for recommending suitable candidates for nominees for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Corporate Governance Committee is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

The Corporate Governance Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

- (b) **Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

The Corporate Governance Committee, which is responsible for nominating directors, is comprised of only independent directors.

- (c) **If the board has nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a).

7. **Compensation**

- (a) **Describe the process by which the board determines the compensation for the issuer's directors and officers.**

See "Statement of Executive Compensation – Compensation Discussion and Analysis" and "Remuneration of Directors".

- (b) **Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Compensation Committee is comprised entirely of independent directors.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation Committee formulates and makes recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation. Without limiting the generality of the foregoing, the Compensation Committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
- (ii) to review and recommend to the Board the retainer and fees to be paid to members of the Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those corporate goals and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on such evaluation;
- (iv) to recommend to the Board with respect to non-CEO officer and director compensation including to review management's recommendations for proposed stock option or retention awards and other incentive compensation plans and equity-based plans for non-CEO officer and director compensation and make recommendations in respect thereof to the Board;
- (v) to administer the stock option plan, retention award plan and other incentive plans (collectively, the "**Incentive Plans**") approved by the Board in accordance with its terms including recommending (and if delegated authority thereunder, approving) the grant of stock options or other incentives under the Incentive Plans in accordance with the terms thereof;
- (vi) to determine and recommend for approval of the Board bonuses to be paid to officers and employees of the Corporation and its subsidiaries, as applicable, and to establish targets or criteria for the payment of such bonuses, if appropriate; and
- (vii) to prepare and submit a report of the Committee to the Board for approval of the Board and inclusion of annual disclosure required by applicable securities laws to be made by the Corporation including the Compensation Committee Report required to be included in the information circular – proxy statement of the Corporation and review other executive compensation disclosure before the Corporation publicly discloses such information.

The Compensation Committee is required to be comprised of at least three directors, or such greater number as the Board may determine from time to time. All members of the Compensation Committee are required to be independent, as such term is defined for this purpose under applicable securities requirements. Pursuant to the mandate and terms of reference of the Compensation Committee, meetings of the Committee are to take place at least one time per year and at such other times as the Chair of the Compensation Committee may determine.

- (d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

During fiscal 2008, the Corporation did not engage the services of a compensation consultant in determining compensation for the Corporation's directors and officers; however, the Corporation

did utilize the salary data contained in the 2008 "Mercer Total Compensation Survey for the Petroleum Industry" in setting benchmarks for total compensation for the respective positions within the Corporation.

8. Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Other than the audit, compensation and nominating committees, the Corporation has established a Reserves Committee, the Corporate Governance Committee (which also serves as the nominating committee) and the Risk Management Committee.

The Corporate Governance Committee also acts as the nominating committee of the Corporation and carries out the functions with respect thereto as described under Item 6(a). In addition, the Corporate Governance Committee is responsible for developing the approach of the Corporation in matters concerning corporate governance including:

- (i) annually reviewing the mandates of the Board and its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;
- (iii) preparing and recommending to the Board annually a statement of corporate governance practices to be included in the Corporation's annual report or information circular as required by the Toronto Stock Exchange and any other regulatory authority;
- (iv) making recommendations to the Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- (v) reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
- (vi) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
- (vii) developing and recommending to the Board for approval and periodically review structures and procedures designed to ensure that the Board can function effectively and independently of management;
- (viii) making recommendations to the Board regarding appointments of corporate officers and senior management;
- (ix) reviewing annually the committees' Mandates and Terms of Reference;
- (x) reviewing and considering the engagement at the expense of the Corporation of professional and other advisors by any individual director when so requested by any such director;

- (xi) establishing, reviewing and updating periodically a code of business conduct and ethics and ensure that management has established a system to monitor compliance with the code; and
- (xii) reviewing management's monitoring of the Corporation's compliance with such code.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 (Standards of Disclosure for Oil and Gas Activities) ("**NI 51-101**"), including:

- (i) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (ii) reviewing the Corporation's procedures for providing information to the independent evaluator;
- (iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (v) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (vi) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

9. The Risk Management Committee formally makes recommendations to the Board in respect of risk management issues relating to the Corporation and its subsidiaries and has the following duties:

- (i) to review the principal business risks of the Corporation and the actions taken by the Corporation to mitigate the risks;
- (ii) to review the principal financial risks of the Corporation, including but not limited to changes in commodity prices, interest rates, foreign currency exchange rates and credit;
- (iii) to review guidelines, policies and reports from Management with respect to risk assessment, risk management and major financial risk exposures, including the processes Management uses to assess and manage the Corporation's risk and exposures. If, in the Committee's view, changes in guidelines and policies are desirable, recommend such changes to the Board or Management, as applicable;

- (iv) to review the financial exposures undertaken by the Corporation together with any mitigating strategies, including hedging policies and practices and insurance, and consider these in light of the corporate risk management policies approved from time to time and related internal controls. Such exposures include physical and financial positions in commodities markets; derivatives strategies; capital commitments; sovereign and foreign exchange exposures; and exposure to interest rate fluctuations;
- (v) to review the activities of the Fairborne's treasury and marketing groups and the financial risks arising from those activities including any proposed authorities of Management from the Board for the hedging of the exposures. Review the adequacy of the policies of the treasury and marketing groups to address these risks, including key internal controls of treasury and marketing activities and receive reports on any significant breaches of the policies;
- (vi) to review a summary report of the hedging activities including a summary of the hedge-related instruments at the end of each quarter before quarterly Board meetings;
- (vii) to annually review, and if desirable, recommend changes to the insurance program including coverage for property damage, business interruption, liabilities, and directors and officers;
- (viii) to review any other significant financial exposures of the Corporation to the risk of a material financial loss including tax audits or other activities;
- (ix) to review the Corporation's financial strategy considering current and future business needs, including, capital markets and the Corporation's credit rating (if any);
- (x) to review the Corporation's capital structure including debt and equity components, current and expected financial leverage, and interest rate and foreign currency exposures and, in the Committee's discretion, make recommendations to the Board for consideration;
- (xi) to review and approve the discussion and disclosure of risks in public documents; and
- (xii) to undertake annually a review of this mandate and make recommendations to the Board and Corporate Governance Committee as to proposed changes.

10. Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Corporate Governance Committee is responsible by its terms of reference to evaluate the effectiveness of the Board, committees and individual directors and will therefore be considering this matter in the future. While no formal evaluation has been conducted to date, the Corporate Governance Committee has relied on informal evaluation of the effectiveness through both formal and informal communications with Board members and through participation with other Board members on committees and matters relating to the Board. This methodology has been both responsive and practical given the size of the Board.

APPENDIX "B"

MANDATE OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors (the "**Board**") of Fairborne Energy Ltd. (the "**Corporation**" or "**Fairborne**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Fairborne. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of Fairborne;
- supervise the management of the business and affairs of Fairborne with the goal of achieving Fairborne's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

SPECIFIC

Executive Team Responsibility

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Establish processes as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

Operational Effectiveness and Financial Reporting

- Annual review and adoption of a strategic planning process and approval of Fairborne's strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to Fairborne and that the best practical procedures are in place to monitor and mitigate the risks.
- Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.
- Establish or cause to be established an adequate system of internal control.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding Fairborne's financial and other disclosure.

- Review and approve Fairborne's financial statements and oversee Fairborne's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout Fairborne.

Board Process/Effectiveness

- Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
- Engage in the process of determining Board member qualifications with the Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of Fairborne's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which Fairborne operates, or is contemplating potential operations.

Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

DELEGATION

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of Fairborne, the Chairman of the Board and the Lead Director (if appointed) will act as a liaison between stakeholders of Fairborne and the Board (including independent members of the Board).