



PRESS RELEASE

FAIRBORNE ENERGY TRUST AND FAIRQUEST ENERGY LIMITED JOINTLY ANNOUNCE A BUSINESS COMBINATION AND FAIRBORNE ENERGY TRUST ANNOUNCES A CHANGE IN DISTRIBUTION POLICY

March 12, 2007. CALGARY, ALBERTA. Fairborne Energy Trust ("Fairborne" or the "Trust") (TSX: FEL.UN) and Fairquest Energy Limited ("Fairquest") (TSX: FQE) are pleased to jointly announce that they have entered into an arrangement agreement in connection with a transaction (the "Transaction") pursuant to which the Trust will acquire, subject to certain conditions, by way of plan of arrangement (the "Arrangement"), all of Fairquest's issued and outstanding common shares on the basis of 0.39 Trust Units of Fairborne ("Trust Units") for each Fairquest common share. The combined entity will have a pro forma fully diluted market capitalization and enterprise value of approximately \$677 million and \$932 million, respectively, total proved plus probable reserves of 49.4 million barrels of oil equivalent ("BOE"), current estimated production of 13,200 BOE per day ("BOE/d"), and over 400 development drilling locations with approximately 240,000 net acres of undeveloped land and \$445 million of tax pools .

Fairborne's strategy since inception has been and will continue to be focused on operating under a sustainable business model. Pursuant to this model, cash flow of the Trust is used to effectively develop internally generated drilling opportunities to maintain production and to fund monthly distributions to unitholders. The Trust will prudently manage its business so that its combined distributions and capital expenditures are approximately equal to its cash flow. Consistent with this strategy, to fully exploit the expanded drilling opportunities resulting from the acquisition of Fairquest and based on the current outlook for commodity prices, Fairborne has determined to revise its monthly distribution from \$0.13 per unit to \$0.09 per unit, effective for the March 2007 distribution to be paid in April 2007. Fairborne's revised distribution policy results in a pro forma payout ratio before capital expenditures of approximately 45% to 50% based on projected 12 month forward cash flow, compared to its historical payout ratio of 60% to 70%.

PLAN OF ARRANGEMENT

Under the terms of the Transaction, each issued and outstanding common share of Fairquest will be exchanged for 0.39 Trust Units. Based on Fairborne's March 9, 2007 closing price of \$9.61 per Trust Unit, the consideration to be paid in Trust Units is approximately \$3.75 per common share of Fairquest, representing a premium of approximately 19% over the March 9, 2007 closing price of \$3.15 per Fairquest share. Based on this exchange ratio, Fairborne will issue approximately 15.9 million Trust Units for total equity consideration of approximately \$152 million. In addition, Fairborne will assume approximately \$45 million of net debt at closing. The Arrangement requires the requisite approval of Fairquest shareholders along with customary regulatory, court and other approvals. An information circular outlining the Arrangement will be mailed to Fairquest shareholders in connection with the shareholder's meeting relating to such approvals to be held in late May 2007 with a closing scheduled for early June 2007.

COMBINATION RATIONALE

Strategically, the combination further strengthens Fairborne's position as a leading, sustainable natural gas focused trust. The Transaction maintains Fairborne's focused production base, simplifies its operating structure, and consolidates its working interest in its major growth properties. In addition, with over 400 identified drilling prospects, Fairborne's portfolio of organic

growth opportunities is enhanced. The combined entity will also benefit from greater scale and diversification, allowing for the more efficient allocation of its capital program and enhanced flexibility to pursue acquisitions and other growth prospects.

As part of the Trust conversion completed in June 2005, Fairborne entered into a farm-out arrangement and technical services agreement with Fairquest to drill exploration wells on Fairborne's undeveloped land. In the 21 months since the farm-out agreement was entered into, Fairquest has drilled 23 of the 25 wells committed with a 91% success rate. Fairquest is currently drilling two wells under the farm-out agreement and this will fulfill its obligations prior to completion of the Arrangement.

"The farm-out arrangement from Fairborne to Fairquest proved beneficial to both companies and led to the successful delineation of significant new reserves and production mainly in the Columbia/Harlech area," commented Steve VanSickle, President & CEO of Fairborne. "Numerous future development locations have been defined as a result of this success. With the high overlap of our properties and our current knowledge and understanding of this area, Fairquest provides an attractive and strategic acquisition for Fairborne."

Following completion of the Arrangement, there will be no change to Fairborne's management team or Board of Directors and Dr. Richard Walls will remain as Chairman of the Board of Fairborne.

TRANSACTION HIGHLIGHTS

- Based on a total acquisition cost of approximately \$197 million and net of \$31.3 million of undeveloped land value based on an independent assessment, the acquisition metrics of the transaction are approximately \$26.93 per BOE of proved reserves, \$14.71 per BOE of proved plus probable reserves and \$59,321 per BOE/d;
- The acquisition is financed with 100% equity and extends Fairborne's proved plus probable reserve life index ("RLI") from 10.0 years to 10.2 years;
- The transaction is accretive to proven and probable reserves and net asset value per unit, and is mildly dilutive to cash flow and production per unit;
- The transaction adds approximately 2,800 BOE/d of production (84% natural gas) for a combined current production of approximately 13,200 BOE/d, or an increase of approximately 27%. In addition, Fairquest has 400 BOE/d of production tested and awaiting tie-in;
- Based on the reserve evaluations prepared by GLJ Petroleum Consultants Ltd. and effective December 31, 2006, proved plus probable reserves to be acquired by Fairborne are 11.3 million barrels of oil equivalent (81% natural gas), representing an increase of 30% to Fairborne's proved plus probable reserves. In addition, management estimates that Fairquest has added approximately an incremental 1.0 million barrels of oil equivalent of proved plus probable reserves based on wells drilled and tested subsequent to the year end reserve evaluation;
- Addition of approximately 68,000 net acres (107 net sections) of undeveloped land that has been independently assessed at \$31.3 million as of February 2007, increasing Fairborne's undeveloped land position to in excess of 240,000 net acres;
- The combination allows for the optimal development of the combined entity's 400+ drilling opportunities;
- The acquisition increases Fairborne's projected 12 month forward cash flow to approximately \$150 to \$155 million, an increase of approximately 24%;

- Addition of \$148 million in tax pools for pro forma combined tax pools of approximately \$445 million as of December 31, 2006; and
- Debt to 12 month forward cash flow of approximately 1.0 to 1.1 times (excluding convertibles) and 1.6 to 1.7 times (including convertibles).

FAIRBORNE PRO FORMA

Key pro forma attributes of Fairborne, following the completion of the Arrangement, include:

	Fairborne	Fairquest	Pro Forma
Reserves (mmBOE, 12-31-06) ⁽¹⁾			
Proved	24.5	6.2	30.7
Proved & Probable	38.1	11.3	49.4
% Gas			
Proved	71%	82%	73%
Proved & Probable	72%	81%	74%
Proved Plus Probable Reserve Value (BTAX, NPV8%) (mm) ⁽¹⁾	\$663.6	\$175.3	\$839.0
Current Production (BOE/d)	10,400	2,800	13,200
RLI			
Proved	6.4	6.0	6.4
Proved & Probable	10.0	11.0	10.2
Undeveloped Land (net acres)	174,511	68,454	242,965
Estimated Debt (mm, at closing)			
Net Debt	\$110.0	\$45.0	\$155.0
Convertible Debentures	100.0	-	100.0
Total	\$210.0	\$45.0	\$255.0
Tax Pools (mm, 12-31-06)	\$297.0	\$148.0	\$445.0
Units / Shares Outstanding (mm)			
Basic	47.7	40.2	63.5
Fully Diluted ⁽²⁾	54.5	40.7	70.4

(1) As evaluated by GLJ Petroleum Consultants Ltd. and Sproule Associates Ltd. at December 31, 2006.

(2) Excluding 4,662,533 Fairquest warrants, which will, after giving affect to the Arrangement, entitle the holders to acquire an aggregate of 1,818,388 Trust Units on the basis of 0.39 Trust Units for each Fairquest share that could previously have been acquired at a price of \$8.13 per Trust Unit.

PRELIMINARY 12 MONTH OUTLOOK

Fairborne continues to execute its business plan of creating sustainable value-added growth in reserves, production and cash flow through the development of our large development inventory and selected acquisitions. A summary of the Trust's 12 month forward projections are as follows:

	Combined Outlook
Production (BOE/d)	13,500
% Production Hedged	27%
Cash Flow (mm) ⁽¹⁾	\$150 - \$155
Capital Expenditures (mm)	\$80 - \$90
Payout Ratio (%) ⁽²⁾	45% - 50%
Debt to Cash Flow (excluding convertible debentures)	1.0x – 1.1x
Debt to Cash Flow (including convertible debentures)	1.6x – 1.7x

(1) Based on US\$64.93/bbl WTI, C\$7.81/GJ AECO, US\$0.85 per Canadian dollar, C\$9.00/BOE operating costs, general and administration expense per BOE of \$1.75 for Fairborne and \$2.25 for Fairquest, and existing hedging contracts.

(2) Based on distributions divided by cash flow, before capital expenditures.

DISTRIBUTION POLICY

Upon completion of the Arrangement, the Trust will continue to manage its business so that its combined distributions and capital expenditures are approximately equal to its cash flow. In order to take advantage of the expanded drilling opportunities afforded by the proposed Fairquest acquisition, Fairborne's capital expenditures will increase from current levels of approximately \$60 million to approximately \$80 to \$90 million per annum. Based on the current outlook for commodity prices, pro forma annual cash flow of approximately \$150 to \$155 million and an expanded capital program, Fairborne has determined to revise its monthly distribution from \$0.13 per unit to \$0.09 per unit. The revised distribution policy results in a pro forma payout ratio before capital expenditures of approximately 45% to 50% of 12 month forward cash flow, compared to its historical payout ratio of 60% to 70%. The March 2007 distribution will be paid on April 16, 2007 to Unitholders of record on March 31, 2007. The ex-distribution date is March 28, 2007.

BOARD RECOMMENDATIONS

The independent directors of the boards of directors of both Fairborne and Fairquest have unanimously approved the Arrangement. The Fairquest Board has concluded that the Arrangement is in the best interests of its shareholders, and has resolved to recommend that the Fairquest shareholders vote their Fairquest shares in favour of the Arrangement. Shareholders of Fairquest (including all of the officers and directors of Fairquest beneficially owning approximately 12.5% of the outstanding Fairquest shares) have agreed to enter into lock-up agreements and agreed to vote their Fairquest shares in favour of the Arrangement, subject to certain exceptions. Fairquest has also agreed that it will not solicit or initiate any discussions concerning the sale of material assets or any other business combination. Fairquest has also granted Fairborne a right to match any superior proposals. The Transaction contains a mutual non-completion fee in the amount of \$5 million which is payable by Fairquest or Fairborne to the other, as the case may be, in certain circumstances if the Arrangement is not completed.

FINANCIAL ADVISORS

Canaccord Capital Corporation and RBC Capital Markets are acting as financial advisors to Fairborne with respect to the Arrangement. Sprott Securities Inc. ("Sprott") is acting as financial advisor to the Special Committee of Fairquest with respect to the Arrangement. Sprott has provided the Special Committee and the board of directors of Fairquest with a verbal opinion that, subject to the review of the final documentation, it is of the opinion and at the date hereof, the consideration to be received by Fairquest shareholders pursuant to the proposed Arrangement is fair, from a financial point of view, to Fairquest shareholders. The information circular to be provided to Fairquest shareholders will contain the recommendation of the board of directors of Fairquest to the shareholders of Fairquest together with the fairness opinion and a formal valuation prepared by Sprott .

FAIRBORNE ENERGY TRUST

Steven R. VanSickle
President and Chief Executive Officer

FAIRQUEST ENERGY LIMITED

Richard A. Walls
President and Chief Executive Officer

FOR FURTHER INFORMATION ON FAIRBORNE ENERGY TRUST OR FAIRQUEST ENERGY LIMITED PLEASE CONTACT:

FAIRBORNE ENERGY TRUST

Steven R. VanSickle, President and Chief Executive Officer

Telephone: (403) 290-7759
Fax: (403) 290-3216
svansickle@fairbornetrust.com
www.fairbornetrust.com

FAIRQUEST ENERGY LIMITED

Richard A. Walls, President and Chief Executive Officer

Telephone: (403) 290-7754
Fax: (403) 290-3216
rwalls@fairquest-energy.com
www.fairquestenergy.com

READER ADVISORIES

Barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. A BOE conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel and is based on an energy equivalent conversion method application at the burner tip and does not represent an economic value equivalency at the wellhead.

*Forward Looking Statements - Certain information regarding Fairborne, Fairborne Energy Ltd. and Fairquest (the "**Companies**") set forth in this press release, including management's assessment of the Companies' future plans and operations, the effect of the Transaction on the Companies and on securityholders of Fairborne and Fairquest, timing of matters relating to the approval of the Arrangement and implementation thereof, production increases, levels of distributions, future cash flow, production levels, percentage of production that may be hedged, capital expenditures, payout ratio, and debt to cash flow ratios contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Companies' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility, and ability to access sufficient capital from internal and external sources, economic or industry condition changes, uncertainty related to completion of the Transaction and the effect thereof and failure to receive required securityholder and regulatory and other approvals. The Companies' actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Companies will derive therefrom. Additional information on these and other factors that could affect the Companies' results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at Fairborne's website (www.Fairbornetrust.com) or Fairquest's website (www.fairquestenergy.com). Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release, and none of the Companies undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities law.*