

## November 4, 2009 – Fairborne Energy Ltd. Announces 2009 Third Quarter Financial and Operating Results

## 2009 THIRD QUARTER HIGHLIGHTS

*Financial* (\$thousands, except per share amounts)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Petroleum and natural gas revenue	55,244	97,489	182,219	253,777
Funds generated from operations <sup>(1)</sup>	37,236	55,307	105,948	148,866
Per share – basic	\$0.43	\$0.64	\$1.22	\$1.74
Per share – diluted	\$0.43	\$0.63	\$1.22	\$1.73
Cash flow from operations (including changes in working capital)	40,048	65,598	102,483	150,105
Per share – basic	\$0.46	\$0.76	\$1.18	\$1.76
Per share – diluted	\$0.46	\$0.76	\$1.18	\$1.75
Net income (loss)	(497)	19,182	(22,521)	33,044
Per share – basic	\$(0.01)	\$0.22	\$(0.26)	\$0.38
Per share – diluted	\$(0.01)	\$0.22	\$(0.26)	\$0.38
Exploration and development expenditures	19,232	97,244	87,802	186,869
Acquisitions, net of dispositions	(8,400)	86	(9,005)	135,757
Working capital (surplus) deficit	(1,539)	64,814	(1,539)	64,814
Bank indebtedness	204,046	161,302	204,046	161,302
Convertible debentures	96,027	94,020	96,027	94,020

*Operations* (Units as noted)

Average production				
Natural gas (Mcf per day)	56,797	62,601	63,648	59,659
Crude oil (bbls per day)	3,292	3,312	3,480	2,746
Natural gas liquids (bbls per day)	563	580	589	596
Sulphur (tonnes per day) <sup>(2),(4)</sup>	100	129	86	148
Total (BOE per day)	13,421	14,454	14,763	13,432
Average sales price				
Natural gas (\$ per Mcf) <sup>(3)</sup>	5.28	8.62	5.68	8.96
Crude oil (\$ per bbl) <sup>(3)</sup>	68.35	100.62	63.21	99.73
Natural gas liquids (\$ per bbl)	32.19	76.55	28.70	67.01
Sulphur (\$ per tonne) <sup>(3)</sup>	–	496.67	96.07	329.78
Netback per BOE (\$ per BOE)				
Petroleum and natural gas sales <sup>(3)</sup>	40.53	68.34	41.24	67.39
Royalties	(1.40)	(12.49)	(3.19)	(12.20)
Operating expenses	(9.05)	(10.91)	(10.72)	(9.66)
Transportation	(1.25)	(1.11)	(1.11)	(0.99)
Operating netback	28.83	43.83	26.22	44.54
Wells drilled (gross)	24	75	43	105
Undeveloped land (net acres)	218,293	234,816	218,293	234,816

(1) Funds generated from operations is calculated using cash flow from operations as presented in the consolidated statement of cash flows before non-cash working capital and asset retirement expenditures.

(2) A BOE conversion ratio has been calculated using a conversion rate of one tonne of sulphur to one barrel.

(3) Excludes the change in fair value of the derivative asset and revenue from the sale of inventory at the West Pembina sulphur block.

(4) Excludes the sale of inventory at the West Pembina sulphur block.

## 2009 Third Quarter Interim Report and News Release

### 2009 THIRD QUARTER HIGHLIGHTS

- ▶ Quarterly production of 13,421 BOE per day, a 7% decrease from the third quarter of 2008, reflecting the Company's decision to shut in approximately 7.2 MMcf (1,200 BOE) per day of natural gas for the entire third quarter due to low natural gas prices.
- ▶ Funds generated from operations of \$37.2 million (\$0.43 per share) a 4% increase over second quarter 2009.
- ▶ Continued strong operating netback of \$36.15 per BOE, an increase of 19% over the second quarter of 2009 (including sulphur block sales).
- ▶ Operating costs of \$9.05 per boe, a reduction of 13% over the preceding quarter and down 27% from the first quarter of 2009.
- ▶ Reduced net debt, excluding convertible debentures, to \$202.5 million at the end of the third quarter, down 10% (\$21.7 million) from the year end 2008 level of \$224.2 million.
- ▶ Subsequent to the end of the quarter, the Company received approval from its banking syndicate to maintain its borrowing base at the current level of \$285 million.
- ▶ Subsequent to the end of the quarter, Fairborne closed a \$69 million equity financing, with net proceeds from the issue used to reduce net debt to an estimated \$135 million, leaving approximately \$150 million of available credit on existing bank lines.
- ▶ Including the equity financing, Fairborne's current estimated net debt is \$135 million, (excluding convertible debentures), which represents a current debt to annualized third quarter cash flow of 0.9 times, (1.6 times including convertible debentures).
- ▶ Third quarter activity included drilling 24 (20.9 net) successful wells with \$19.2 million in capital spending, including \$1.3 million on land and seismic and \$6.1 million on facilities and infrastructure.
- ▶ Successfully drilled the third Wilrich horizontal well (75% working interest) on the Company's Marlboro property which has tested at 5.7 MMcf per day.
- ▶ During the third quarter and subsequent to the end of the quarter, Fairborne closed five transactions (two dispositions and three acquisitions), with net proceeds of \$5.6 million. The transactions had no net impact on production.
- ▶ Strong hedge position heading into the fourth quarter with 26 MMcf per day hedged at \$7.79 per Mcf.

### PRODUCTION

In reaction to weak gas prices at the beginning of the third quarter, Fairborne made the economic decision to temporarily shut-in approximately 1,200 BOE per day, mainly consisting of sour gas production from the Wild River and West Pembina areas. Third quarter production reflected this decision, averaging 13,421 BOE per day, down 13% from the preceding quarter and 7% from the third quarter of 2008.

Despite the decrease in production volumes, the decision had a positive effect on cash flow for the quarter and helped contribute to a reduction in operating costs compared to the immediately preceding quarter. Third quarter production consisted of 56.8 MMcf per day of natural gas, 3,855 bbls per day of oil and natural gas liquids and 100 tonnes per day of sulphur.

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### OPERATIONS

#### *Harlech*

At the end of the third quarter, Fairborne spud the fifth horizontal well targeting the Nordegg formation at Harlech. Fairborne has a 30% working interest in this well which is located approximately six miles west of the producing Nordegg wells. The well will be drilled to a total measured depth of 4,900 meters, with a planned horizontal length of 1,250 meters, qualifying it for significant incentives under the Alberta government's new Royalty Framework, including a 5% royalty on the first 0.5 Bcf of production, \$4.1 million in deep gas drilling credits and an additional \$1.0 million under the \$200 per meter royalty drilling credit. The well is planned to be completed and production tested by year end.

#### *Marlboro*

Fairborne followed up on its initial horizontal well in Marlboro with two new successful wells targeting the same Wilrich formation. The second horizontal well at 13-25 (38% working interest) was completed using multi-stage fracturing and tied-in at the end of September. The well was tested at a rate of 6.1 MMcf per day, which is very similar to the original well at 1-19. The third Wilrich horizontal well at 13-32 (75% working interest) was spud in early September and successfully drilled to a total measured depth of 4,200 meters, including a horizontal length of 1,517 meters. The well was fracture stimulated over 10 intervals and production tested at a rate of 5.7 MMcf per day.

Drill, case and completion costs for the two recent horizontal wells averaged \$5.4 million per well. The wells are eligible for significant royalty incentives, including a 5% royalty on the first 0.5 Bcf of production, \$3.3 million in deep gas drilling credits and an additional \$0.9 million under the \$200 per meter royalty drilling credit.

Fairborne currently owns 29 sections (17.4 net) of land on the Wilrich play and has development plans that include drilling three wells per section to effectively drain the reservoir.

#### *Sinclair, Manitoba*

During the third quarter, Fairborne drilled and tied in four wells (4.0 net) in the Sinclair operating area (Sinclair, Antler, Frys, Kingsford), bringing current production for this area to 880 BOE per day. Each well had a horizontal length in excess of 1,400 meters and has averaged approximately 70 bbls per day of initial production.

As a result of a major infrastructure project that included a central battery, water disposal well, gathering pipelines and the electrification of wellsites, operating costs at Sinclair have been substantially reduced. With the majority of Sinclair's production coming from horizontal wells drilled under the province's royalty holiday programs, there is also minimal royalty expense associated with this production. As a result, Sinclair represents Fairborne's highest netback, light oil property and is a focus for on-going development activities.

Fairborne holds 42 sections (41.5 net) of undeveloped land at Sinclair and plans to drill up to four horizontal wells per section to develop this resource. The Company currently has 43 producing wells at Sinclair and estimates primary recovery between 5% and 7%. An application for a pilot waterflood project covering two sections has been submitted and capital has been allocated for implementation during the fourth quarter, provided approval is received prior to the end of the year.



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### *Clive*

The Company's 2009 CBM drilling program began late in the second quarter and continued with 20 (16.9 net) new wells drilled in the third quarter. Most of these wells were tied-in and on production late in the third quarter with the balance on production by November 1st. An additional three (2.6 net) wells are planned for the fourth quarter with all wells benefiting from the Alberta royalty drilling credit of \$200 per meter drilled. The Company also continues to work with its partner, Enhance Energy, to advance the CO<sub>2</sub> project at Clive, which will benefit from recently announced Federal and Alberta government funding programs.

### **2010 CAPITAL PROGRAM**

Consistent with 2009, Fairborne's capital expenditure program in 2010 will be funded substantially within funds generated from operations. The Board of Directors has approved an initial capital budget of \$150 million for 2010, with spending allocated \$65 million for the first six months of the year and \$85 million allocated to the last half of the year.

Drilling plans for 2010 include an estimated 66 gross wells allocated as follows: 10 wells at Harlech including both horizontal Nordegg wells and vertical Viking/Gething wells, a 30 well CBM program in Clive and Haynes, seven new locations in Marlboro, 10 wells in the Sinclair area and nine wells in other areas. In addition to planned drilling expenditures of approximately \$117 million, Fairborne plans to allocate approximately \$10 million to land and seismic and an additional \$23 million to equipping and facility costs. Actual wells drilled and allocation of capital during 2010 will be dependent on financial and operational results obtained.

Management's initial capital budget for 2010 was determined based on the following key operating assumptions: average production of 14,000 to 14,700 BOE per day; average realized prices of CDN\$79.00 per bbl for crude oil and CDN\$6.70 per Mcf for natural gas, including in-place hedging contracts; 14% average royalties and operating costs between \$10.25 and \$10.50. With capital spending budgeted to not exceed funds generated from operations, management expects year end debt in 2010 to not exceed year end debt in 2009.

### **OUTLOOK – FINANCIAL STRENGTH**

Fairborne's continued focus on managing financial resources has resulted in a material improvement in the Company's financial position. Recent transactions, which have significantly strengthened our balance sheet, include non-core property dispositions, the active management of our capital spending within cash flow, and completion of a \$69 million equity financing. The net impact of these recent transactions combined with a successful hedging program and the continued application of our sulphur block proceeds to bank indebtedness has resulted in current net debt of \$135 million, drawn on a credit facility of \$285 million. This strengthened balance sheet positions the Company for growth in 2010.

Cash flow through the balance of 2009 and 2010 will continue to benefit from Fairborne's risk management programs. Fairborne currently has 42% of our natural gas production hedged for the remainder of 2009 at an average price of \$7.79 per Mcf and 36% of our oil production hedged at an average floor price of CDN\$53.33 per bbl. In addition, 35% of natural gas production for 2010 is hedged at an average of \$6.67 per Mcf and 36% of 2010 crude oil production is hedged at an average floor price of CDN\$60.00 per bbl. We will continue to pursue a carefully designed capital expenditure program, including acquisitions and dispositions, which allow us to add production, reserves and cash flow in a cost effective manner while maintaining a level of flexibility in our balance sheet.



*Steven R. VanSickle*

President and CEO

November 3, 2009

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") was prepared at, and is dated, November 3, 2009. This document is provided by the management of Fairborne Energy Ltd. ("Fairborne" or the "Company") to review third quarter 2009 activities and results as compared to the same period in the previous year, and should be read in conjunction with the unaudited interim consolidated financial statements including selected notes for the three and nine months ended September 30, 2009 and the audited consolidated financial statements including notes for the year ended December 31, 2008 and 2007. The MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2008, as disclosure which is unchanged from the December 31, 2008 MD&A has not been duplicated herein. Additional information relating to Fairborne, including Fairborne's annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Nature of Business:** Fairborne is a growth-oriented exploration and production company resulting from the reorganization of Fairborne Energy Trust (the "Trust") on December 19, 2007 (the "Reorganization"). If the context requires, reference herein to "Fairborne" also includes a reference to the Trust prior to the Reorganization.

The Company maintains its head office in Calgary and is engaged in the business of exploring for, developing, acquiring and producing crude oil and natural gas in Western Canada. Fairborne follows a strategy of balancing risk and reward by focusing on opportunities by geographic area and prospect type. Within these selected areas, the Company develops a portfolio of exploration and development prospects in conjunction with an active acquisition strategy.

**Forward Looking Statements:** This document contains forward-looking statements. Management's assessment of future plans and operations, drilling plans and the timing thereof and anticipated incentives to be received in connection therewith, anticipated timing to bring on additional production, use of proceeds from the recently completed financing and timing and renunciation of flow through expenditures to subscribers, timing of the waterflood project at Sinclair, planned capital expenditures, nature of capital expenditures, timing of capital expenditures and methods of financing capital expenditures (and assumptions related thereto) and expected commodity prices may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward looking statements. Forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Fairborne believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Fairborne operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; Fairborne's ability to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and Fairborne's ability to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or at the Company's website ([www.fairborne-energy.com](http://www.fairborne-energy.com)). Included herein is an estimate of Fairborne's year end net debt based on assumptions as to cash flow, capital spending in 2010 and the other assumptions utilized in arriving at the 2010 capital budget. To the extent such estimate constitutes a financial outlook, it was approved by management of Fairborne on November 3, 2009 and such financial outlook is included herein to provide readers with an understanding of estimated capital expenditures and the effect thereof on debt levels and readers are cautioned that the information may not be appropriate for other purposes.

Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**Non-GAAP Terms:** This document contains the terms "funds generated from operations", "funds generated from operations per share", "cash flow from operations per share", "net debt" and "netbacks" which are non-GAAP terms. The Company uses these measures to help evaluate its performance. The Company uses net debt (bank indebtedness plus working capital) as an alternative measure of outstanding debt. The Company considers corporate netbacks a key measure as it demonstrates its profitability relative to current commodity prices. The Company considers funds generated from operations a key measure as it demonstrates Fairborne's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds generated from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Fairborne's performance. Fairborne's determination of funds generated from operations may not be comparable to that reported by other companies. The reconciliation between cash flow from operations and funds generated from operations can be found in the statement of cash flows in the consolidated financial statements with funds generated from operations calculated before non-cash working capital and asset retirement expenditures. Fairborne also presents funds generated from operations per share and cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of income (loss) per share.

**BOE Conversions:** Barrel of oil equivalent ("BOE") amounts 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 one tonne of sulphur to one barrel. This conversion ratio of six thousand cubic feet of natural gas to one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.



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### THIRD QUARTER 2009 FINANCIAL RESULTS

#### Production

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2009	2008	change	2009	2008	change
Natural gas (Mcf per day)	56,797	62,601	(9%)	63,648	59,659	7%
Crude oil (bbls per day)	3,292	3,312	(1%)	3,480	2,746	27%
Natural gas liquids (bbls per day)	563	580	(3%)	589	596	(1%)
Sulphur (tonnes per day) <sup>(1),(2)</sup>	100	129	(22%)	86	148	(42%)
Total (BOE per day)	13,421	14,454	(7%)	14,763	13,432	10%
Natural gas % of production	71%	72%	–	72%	74%	–

(1) A BOE conversion ratio has been calculated using a conversion rate of one tonne of sulphur to one barrel.

(2) Excludes the sale of inventory at the West Pembina sulphur block.

Fairborne reported average production of 13,421 BOE per day for the third quarter of 2009, a 13% decrease from the preceding second quarter of 2009 (15,372 BOE per day), and 7% lower than the comparative third quarter of 2008 (14,454 BOE per day). The decline in the third quarter production was due to the shut in of sour gas production on the Company's Wild River and West Pembina properties as well as the disposition of properties in the Lambert/Hinton area of the Deep Basin.

Natural gas production of 56.8 MMcf per day during the third quarter of 2009 was 15% lower than the preceding second quarter of 2009 (66.7 MMcf per day) and 9% lower than the same period in 2008 (62.6 MMcf per day) reflecting the shut in of sour gas production as well as property dispositions. Compared to 2008, the increase in year to date natural gas production reflects the Company's successful drilling program on its Harlech, Marlboro and Clive properties.

Crude oil and NGL production of 3,855 bbls per day for the third quarter of 2009 was 8% lower than the preceding second quarter of 2009 (4,184 BOE per day) reflecting property dispositions and natural declines. Third quarter 2009 production was essentially unchanged from the third quarter of 2008 (3,892 BOE per day), primarily due to the successful development of the Sinclair property, which offset natural declines.

#### Commodity Prices & Risk Management Activities

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2009	2008	change	2009	2008	change
<b>Average Prices</b>						
Natural gas (\$ per Mcf) <sup>(1)</sup>	5.28	8.62	(39%)	5.68	8.96	(37%)
Crude oil (\$ per bbl) <sup>(1)</sup>	68.35	100.62	(32%)	63.21	99.73	(37%)
Natural gas liquids (\$ per bbl)	32.19	76.55	(58%)	28.70	67.01	(57%)
Sulphur (\$ per tonne) <sup>(2)</sup>	–	496.67	–	96.07	329.78	(71%)
BOE (\$ per BOE) <sup>(1), (2)</sup>	40.42	67.88	(40%)	41.07	66.78	(38%)
<b>Benchmark Prices</b>						
AECO Daily Index (Cdn\$ per Mcf)	2.98	7.74	(61%)	3.78	8.64	(56%)
AECO Monthly Index (Cdn\$ per Mcf)	3.02	9.25	(67%)	4.11	8.58	(52%)
Edmonton par (Cdn\$ per bbl)	71.72	112.58	(36%)	62.03	115.65	(46%)
Nymex Calendar Average (US\$ per bbl)	68.30	117.98	(42%)	57.00	113.29	(50%)

(1) Excludes change in fair value of the derivative asset.

(2) Excludes revenue from the sale of inventory at the West Pembina sulphur block.

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### *Risk Management – Physical Sales Contracts*

Fairborne's risk management strategy is based on the following objectives:

- protect shareholder return on investment;
- reduce risk exposure in budgeted annual funds flow projections; and
- help ensure transaction economics on acquisitions.

### NATURAL GAS

During the third quarter of 2009, Fairborne's realized natural gas prices were 39% lower than the average price received during the same period in the prior year. The decrease from the previous year was due to lower average spot prices received in 2009; however, Fairborne's third quarter realized prices were 77% higher than the AECO daily benchmark reference price due to corporate hedging activities and the higher heat content of Fairborne's production. An average of 26,716 Mcf per day was sold under fixed price physical sales contracts during the third quarter of 2009 representing 47% of the Company's natural gas production. Risk management activities during the third quarter of 2009 increased the Company's natural gas revenue by \$11.3 million which had an effect of increasing Fairborne's realized natural gas price by \$2.17 per Mcf to \$5.28 per Mcf.

The following table summarizes the outstanding fixed price physical sales and derivative contracts for natural gas, including contracts outstanding at September 30, 2009 as well as contracts entered into after September 30, 2009:

	Q4/2009	2010
<b>Swaps</b>		
Volume (Mcf per day)	26,743	20,949
Average price (\$ per Mcf)	7.79	6.67

*Conversion factor: 1 Mcf = 1.122 GJ*

Fairborne has also locked in the AECO basis on 5,000 mmbtu per day at NYMEX less US\$0.765 per mmbtu which has a remaining term of October 1, 2009 to October 31, 2009. This basis swap, along with a previous crude oil derivative contract that was converted to a natural gas swap, have been accounted for as derivative contracts and the mark-to-market value of the contracts has been recorded as an asset of \$2.7 million at September 30, 2009. Subsequent to September 30, 2009 Fairborne has fixed the AECO basis on an additional 5,000 mmbtu per day at Nymex less US\$0.11 per mmbtu for the period November 1, 2009 to March 31, 2010.

### CRUDE OIL

During the third quarter of 2009, Fairborne had an average of 1,500 bbls per day of crude oil under fixed price physical sales contracts representing 46% of crude oil production. Risk management activities, including option costs for puts purchased during the second quarter of 2009 had no significant impact on the Company's crude oil revenue. The Company's realized crude oil price of \$68.35 per bbl for the third quarter of 2009 represented a decrease of 32% from the same period in 2008, reflecting the overall decrease in average market prices.



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The following table summarizes the outstanding fixed price physical sales and derivative contracts on crude oil, including contracts outstanding at September 30, 2009 as well as contracts entered into after September 30, 2009:

	Q4/2009	2010
<b>Collars</b>		
Volume (bbls per day)	1,500	1,500
Average floor price (CDN\$ per bbl)	\$53.33	\$60.00
Average ceiling price (CDN\$ per bbl)	\$92.35	\$103.72

At September 30, 2009, Fairborne had four crude oil collars that were accounted for as derivative contracts and the combined mark-to-market value of these contracts was recorded as an asset of \$0.4 million at September 30, 2009.

### SULPHUR

Due to the significant decrease in sulphur prices, Fairborne did not receive revenue for its sulphur production in the third quarter of 2009 (excluding sulphur block sales), compared to the average realized price of \$128.16 per tonne in the preceding second quarter of 2009 and \$496.67 per tonne in the third quarter in 2008. On a year to date basis, the 2009 sulphur price was increased by revenue adjustments recorded which related to sulphur sales from prior periods when prices were at a higher level.

### FOREIGN EXCHANGE

Fairborne entered into a foreign exchange forward contract from March to December, 2009 for US\$1.0 million per month at a fixed exchange rate of CDN\$1.2804:US\$1.00. The fair value of this contract at September 30, 2009 was as asset of \$0.6 million and is included in the derivative asset.

### Petroleum and Natural Gas Revenue

(\$thousands except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Petroleum and natural gas sales:						
Natural gas	27,590	49,640	(44%)	98,624	146,424	(33%)
Crude oil	20,698	30,659	(32%)	60,048	75,022	(20%)
Natural gas liquids	1,666	4,083	(59%)	4,614	10,936	(58%)
Sulphur	(45)	5,888	(101%)	2,247	13,382	(83%)
Total	49,909	90,270	(45%)	165,533	245,764	(33%)
Per BOE	\$40.42	\$67.88	(40%)	\$41.07	\$66.78	(38%)
Other revenue items:						
Sulphur block	9,034	4,270	112%	20,351	4,270	377%
Change in fair value of derivative asset	(3,833)	2,335	(264%)	(4,330)	1,489	(391%)
Other income	134	614	(78%)	665	2,254	(70%)
Total	5,335	7,219	(26%)	16,686	8,013	108%
Total petroleum and natural gas revenue	55,244	97,489	(43%)	182,219	253,777	(28%)
Per BOE	\$44.74	\$73.31	(39%)	\$45.21	\$68.95	(34%)

Fairborne reported petroleum and natural gas revenue of \$49.9 million for the third quarter of 2009, a decrease of 10% when compared to the preceding second quarter of 2009 (\$55.4 million) and a 45% decrease when compared to the third quarter of 2008 (\$90.3 million). The decision to shut in natural gas production, combined with weakened commodity prices throughout 2009,

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resulted in a significant decrease in Fairborne's reported revenue. This decrease was partially offset by increased revenue from the sale of inventory at the West Pembina sulphur block received in 2009.

The change in fair value of the derivative asset represents the change in the mark-to-market value during the three and nine months ended September 30, 2009. The \$3.8 million reduction recorded during the third quarter of 2009 reflects both the changes in the unrealized value of existing contracts as well as a reduction for amounts realized on contracts that settled during the period. Fairborne's risk management program, including derivative contracts and physical sales contracts, increased the Company's realized revenue by \$11.3 million during the third quarter of 2009.

### Royalties

<i>(\$thousands except as noted)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Crown	131	12,978	(99%)	7,362	35,939	(80%)
Freehold and overriding	1,598	3,635	(56%)	5,498	8,972	(39%)
Total	1,729	16,613	(90%)	12,860	44,911	(71%)
Crown (% of P&NG sales)	0.3%	14.4%	(98%)	4.4%	14.6%	(70%)
Freehold and overriding (% of P&NG sales)	3.2%	4.0%	(20%)	3.3%	3.7%	(11%)
Total (% of P&NG sales)	3.5%	18.4%	(81%)	7.8%	18.3%	(57%)
Per BOE	\$1.40	\$12.49	(89%)	\$3.19	\$12.20	(74%)

Fairborne reported royalties of \$1.7 million for the third quarter of 2009 representing a royalty rate of 3.5%, a 36% decrease from the 5.5% royalty rate reported in the second quarter of 2009. Freehold and overriding royalties remain consistent averaging between 3% and 4%. Consistent with the second quarter, Fairborne's risk management program in the third quarter of 2009 increased natural gas revenues resulting in higher realized prices than the prices utilized in calculating royalties. Fairborne also recorded a prior period royalty adjustment of \$0.5 million related to 2008 royalty holiday program on the Company's Marlboro and Harlech properties. Actual crown royalty rates throughout the first nine months of 2009 have also been substantially lower than prior years due to significantly depressed natural gas prices and the resulting impact on crown royalty calculations under the new royalty regime which was effective January 1, 2009.

### Operating Costs

<i>(\$thousands except as noted)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Operating costs						
Natural gas	8,229	10,291	(20%)	31,195	26,010	20%
Oil and NGLs	2,945	4,222	(30%)	11,993	9,540	26%
Total	11,174	14,513	(23%)	43,188	35,550	21%
Per BOE	\$9.05	\$10.91	(17%)	\$10.72	\$9.66	11%

Fairborne recorded operating costs of \$11.2 million (\$9.05 per BOE) during the third quarter of 2009, a decrease of 13% when compared to the preceding second quarter of 2009 (\$10.44 per BOE). Third quarter operating costs were reduced as a result of the cost reduction initiatives implemented in the first half of 2009, which included a central oil battery at Sinclair and a water disposal pipeline at Wild River. In addition, lower costs were realized with the shut-in of sour gas production which has above-average operating costs as a result of third-party processing fees.



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On a year to date basis, operating costs in 2009 (\$10.72 per BOE) are 11% higher than 2008 (\$9.66 per BOE) reflecting additional water trucking at the Company's Wild River and Sinclair properties, prior to cost reduction operations on these properties, as well as increased processing charges at third party operated plants.

### Transportation Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Transportation (\$thousands)	1,541	1,470	5%	4,480	3,633	23%
Per BOE	\$1.25	\$1.11	13%	\$1.11	\$0.99	12%

Transportation costs of \$1.5 million (\$1.25 per BOE) for the third quarter of 2009 included clean oil trucking, trucking of natural gas liquids, certain third party fuel charges and transportation and fuel costs associated with the usage of natural gas pipelines. Compared to the second quarter of 2009 (\$0.96 per BOE), transportation costs increased primarily due to prior period NGL trucking costs as well as additional trucking costs at Sinclair as a result of spring road bans. On a year to date basis, transportation costs have increased from 2008 due to clean oil and NGL trucking costs associated with the Company's Sinclair and Harlech properties.

### Operating Netbacks

(\$ per BOE)	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Petroleum and natural gas sales <sup>(1)</sup>	40.42	67.88	(40%)	41.07	66.78	(38%)
Other income	0.11	0.46	(76%)	0.17	0.61	(72%)
Royalties	(1.40)	(12.49)	(89%)	(3.19)	(12.20)	(74%)
Operating costs	(9.05)	(10.91)	(17%)	(10.72)	(9.66)	11%
Transportation	(1.25)	(1.11)	13%	(1.11)	(0.99)	13%
Operating netback	28.83	43.83	(34%)	26.22	44.54	(41%)

(1) Excludes change in fair value of the derivative asset and sulphur block revenue.

Fairborne's operating netback of \$28.83 per BOE increased 10% when compared to second quarter of 2009 (\$26.16 per BOE). The increase in the third quarter of 2009 is attributable to lower royalties and lower operating costs partially offset by the increase in transportation costs. The decrease year over year in the operating netback largely reflects weaker commodity prices partially offset by the decrease in royalties.

### General and Administrative ("G&A") Expenses

(\$thousands except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
G&A expenses, net of recoveries	3,315	3,709	(11%)	8,632	9,915	(13%)
Compensation costs	401	(1,762)	123%	16,090	17,495	(8%)
Total G&A expenses	3,716	1,947	91%	24,722	27,410	(10%)
G&A expenses, net of recoveries, per BOE	\$2.68	\$2.79	(4%)	\$2.14	\$2.69	(20%)
Compensation costs, per BOE	\$0.32	\$(1.33)	124%	\$3.99	\$4.76	(16%)

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Fairborne recorded \$3.3 million of G&A expenses, net of recoveries, in the third quarter of 2009, consistent with the preceding second quarter of 2009 (\$3.2 million). The 11% decrease from the comparable quarter in 2008 (Q3 2008 – \$3.7 million) was due to the elimination of an accrual for the employee bonus program in 2009. Fairborne does not capitalize G&A expenses, other than recoveries permitted under joint operating agreements.

During the third quarter of 2009, Fairborne recorded \$0.4 million of compensation expense associated with stock options and remaining Restricted Units and Performance Units. The Company's recovery of \$1.8 million recorded in the third quarter of 2008 reflected the change in the intrinsic value of the retention award program partially offset by the compensation expense associated with the stock options and the remaining Restricted Units and Performance Units.

On a year to date basis, 2009 non-cash compensation expense of \$16.1 million includes \$12.6 million of accelerated compensation expense for 6.6 million stock options that were surrendered on June 1, 2009, \$0.2 million of amortization related to the Restricted Units and Performance Units and \$3.3 million of compensation expense related to the stock option plan. As at September 30, 2009, the intrinsic value of the retention award program was zero. Compensation expense recorded during the comparative period in 2008 included \$13.1 million representing the intrinsic value of the retention award program on September 30, 2008, \$1.3 million related to the amortization of the Restricted Units and Performance Units and \$3.0 million related to the stock option plan.

### Interest

(\$thousands except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Interest expense	4,082	3,542	15%	11,290	9,413	20%
Accretion of convertible debentures	502	521	(4%)	1,505	1,565	(4%)
Total interest	4,584	4,063	13%	12,795	10,978	17%
Per BOE	\$3.71	\$3.06	21%	\$3.17	\$2.98	6%

Fairborne recorded \$4.1 million in interest expense in the third quarter of 2009 which was 14% higher than the interest expense recorded during the preceding second quarter of 2009 (Q2 2009 – \$3.6 million). The increased interest expense reflected the increase in borrowing margins and stamping fees initiated by the Company's lenders with the May 2009 borrowing base renewal. Compared to the prior year, the increase in interest expense in 2009 primarily reflects an overall increase in the Company's debt levels from \$161.3 million at the end of the third quarter of 2008 to \$204.0 million at September 30, 2009. Also included in interest expense is the accretion of convertible debentures. The costs associated with the debenture offering along with the amount allocated to the conversion feature are included in interest expense over the term of the debentures.

### Depletion, Depreciation and Accretion (DD&A)

(\$thousands)	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Depletion, depreciation and accretion	32,876	32,399	1%	108,153	85,339	27%
Per BOE	\$26.63	\$24.36	9%	\$26.83	\$23.18	16%

## 2009 Third Quarter Interim Report and News Release

Fairborne recorded \$32.9 million in depletion and depreciation of capital assets and accretion of asset retirement obligations during the third quarter of 2009. On a BOE basis, the 2009 third quarter DD&A rate of \$26.63 per BOE was comparable to the second quarter of 2009 (\$26.98 per BOE) and 9% higher than the average DD&A rate for the third quarter of 2008 (\$24.36 per BOE). Capital expenditures in 2009 increased reserves at a higher cost than the average cost of reserve additions during the third quarter of 2008, resulting in an increased DD&A rate in 2009.

### Taxes

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Future tax expense (reduction) ( <i>\$thousands</i> )	<b>121</b>	7,302	(98%)	<b>(1,458)</b>	12,912	(111%)
Per BOE	<b>\$0.10</b>	\$5.49	(98%)	<b>\$(0.36)</b>	\$3.51	(110%)

Fairborne recorded a future tax expense of \$0.1 million in the third quarter of 2009 compared to a future tax expense of \$7.3 million recorded during the third quarter of 2008, both of which reflect a provision for future tax at tax rates expected to apply when the related temporary differences reverse. The decline in tax expense from 2008 is consistent with the decline in net earnings before taxes.

### Net Income (Loss) and Funds Generated from Operations

<i>(\$thousands except as noted)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	change	2009	2008	change
Funds generated from operations	<b>37,236</b>	55,307	(33%)	<b>105,948</b>	148,866	(29%)
Per share – basic	<b>\$0.43</b>	\$0.64	(33%)	<b>\$1.22</b>	\$1.74	(30%)
Per share – diluted	<b>\$0.43</b>	\$0.63	(32%)	<b>\$1.22</b>	\$1.73	(29%)
Cash flow from operations (including changes in working capital)	<b>40,048</b>	65,598	(39%)	<b>102,483</b>	150,105	(32%)
Per share – basic	<b>\$0.46</b>	\$0.76	(39%)	<b>\$1.18</b>	\$1.76	(33%)
Per share – diluted	<b>\$0.46</b>	\$0.76	(39%)	<b>\$1.18</b>	\$1.75	(33%)
Net income (loss)	<b>(497)</b>	19,182	(103%)	<b>(22,521)</b>	33,044	(168%)
Per share – basic	<b>\$(0.01)</b>	\$0.22	(105%)	<b>\$(0.26)</b>	\$0.38	(168%)
Per share – diluted	<b>\$(0.01)</b>	\$0.22	(105%)	<b>\$(0.26)</b>	\$0.38	(168%)

The following table provides a reconciliation between cash flow from operations and funds generated from operations.

<i>(\$thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash flow from operations	<b>40,048</b>	65,598	<b>102,483</b>	150,105
Change in non-cash working capital	<b>(2,819)</b>	(11,071)	<b>2,374</b>	(2,316)
Asset retirement expenditures	<b>7</b>	780	<b>1,091</b>	1,077
Funds generated from operations	<b>37,236</b>	55,307	<b>105,948</b>	148,866

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### BOE Analysis

	Three months ended September 30,			
	2009		2008	
	(\$thousands)	(\$ per BOE)	(\$thousands)	(\$ per BOE)
Petroleum and natural gas revenue <sup>(1)</sup>	55,244	44.74	97,489	73.31
Royalties	(1,729)	(1.40)	(16,613)	(12.49)
Operating expenses	(11,174)	(9.05)	(14,513)	(10.91)
Transportation	(1,541)	(1.25)	(1,470)	(1.11)
Change in fair value of derivative asset	3,833	3.11	(2,335)	(1.75)
General & administrative <sup>(2)</sup>	(3,315)	(2.68)	(3,709)	(2.79)
Interest expense <sup>(3)</sup>	(4,082)	(3.31)	(3,542)	(2.67)
Funds generated from operations	37,236	30.16	55,307	41.59
Change in fair value of derivative asset	(3,833)	(3.11)	2,335	1.75
Compensation expense – non-cash	(401)	(0.32)	1,762	1.33
Accretion of convertible debentures	(502)	(0.40)	(521)	(0.39)
Depletion, depreciation and accretion	(32,876)	(26.63)	(32,399)	(24.36)
Future tax reduction (expense)	(121)	(0.10)	(7,302)	(5.49)
Net income (loss)	(497)	(0.40)	19,182	14.43

(1) Including the change in fair value of the derivative asset (non-cash) and revenue from the sale of inventory at the West Pembina sulphur block.

(2) Net of compensation expense (non-cash).

(3) Net of accretion on convertible debentures (non-cash).

	Nine months ended September 30,			
	2009		2008	
	(\$thousands)	(\$ per BOE)	(\$thousands)	(\$ per BOE)
Petroleum and natural gas revenue <sup>(1)</sup>	182,219	45.21	253,777	68.95
Royalties	(12,860)	(3.19)	(44,911)	(12.20)
Operating expenses	(43,188)	(10.72)	(35,550)	(9.66)
Transportation	(4,480)	(1.11)	(3,633)	(0.99)
Change in fair value of derivative asset	4,330	1.08	(1,489)	(0.40)
General & administrative <sup>(2)</sup>	(8,632)	(2.14)	(9,915)	(2.69)
Compensation expense <sup>(3)</sup>	(151)	(0.03)	–	–
Interest expense <sup>(4)</sup>	(11,290)	(2.80)	(9,413)	(2.56)
Funds generated from operations	105,948	26.30	148,866	40.45
Change in fair value of derivative asset	(4,330)	(1.08)	1,489	0.40
Compensation expense – non-cash	(15,939)	(3.96)	(17,495)	(4.76)
Accretion of convertible debentures	(1,505)	(0.37)	(1,565)	(0.42)
Depletion, depreciation and accretion	(108,153)	(26.83)	(85,339)	(23.18)
Future tax reduction (expense)	1,458	0.36	(12,912)	(3.51)
Net income (loss)	(22,521)	(5.58)	33,044	8.98

(1) Including the change in fair value of the derivative asset (non-cash) and revenue from the sale of inventory at the West Pembina sulphur block.

(2) Net of compensation expense (non-cash).

(3) Cash component of compensation expense which resulted from the cash settlement of Restricted Units and Performance Units.

(4) Net of accretion on convertible debentures (non-cash).



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Fairborne reported funds generated from operations of \$37.2 million for the third quarter of 2009 (Q3 2008 – \$55.3 million) and \$105.9 million for the nine months ended September 30, 2009 (for the nine months ended September 30, 2008 – \$148.9 million). The decrease in funds generated from operations from the prior year reflects the decrease in prices offset by the reduced royalty rates realized in 2009. The net loss of \$0.5 million for the third quarter of 2009 (Q3 2008 – net income of \$19.2 million) and the net loss of \$22.5 million for the nine months ended September 30, 2009 (net income for the nine months ended September 30, 2008 – \$33.0 million) reflects the reduction in cash flows as well as the \$12.6 million charge to compensation expense for the stock options that were surrendered in June 2009.

### LIQUIDITY AND CAPITAL RESOURCES

#### *Capital Expenditures*

(\$thousands)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Exploration and development				
Land and lease acquisitions	909	7,060	5,991	8,674
Geological and geophysical	400	3,048	484	3,048
Drilling, completions and workovers	11,679	73,014	56,890	139,527
Well equipment and facilities	6,117	14,078	24,201	35,406
Corporate assets	127	44	236	214
	19,232	97,244	87,802	186,869
Property acquisitions, net of dispositions	(8,400)	86	(9,005)	1,896
Corporate acquisitions	–	–	–	133,861
Total	10,832	97,330	78,797	322,626

Fairborne continues to actively manage its 2009 capital expenditure program in light of continued volatility in commodity prices and capital markets. During the third quarter of 2009, Fairborne's exploration and development expenditures were \$19.2 million with capital expenditures financed entirely through funds generated from operations. Property dispositions included the disposal of a non-core working interest at Kakwa as well as undeveloped land and small producing properties in the Deep Basin, offset by the acquisition of an additional working interest at Wild River.

Fairborne spent \$11.7 million on drilling and completion activities in the third quarter of 2009 with a total of 24 wells (20.9 net) drilled resulting in 4 oil wells (4.0 net) on Fairborne's Sinclair property and 20 natural gas wells (16.9 net) on the Clive and Haynes properties. Tangible capital expenditures of \$6.1 million during the three months ended September 30, 2009 included costs associated with the tie-in of the wells drilled during the quarter. Land and lease acquisitions of \$0.9 million during the second quarter of 2009 were primarily focused on acquiring new lands in the Harlech area.

#### *Working Capital and Bank Indebtedness*

At September 30, 2009, Fairborne had drawn \$204.0 million against its credit facilities and had a working capital surplus of \$1.5 million for a net debt position of \$202.5 million (December 31, 2008 – \$224.2 million), excluding debentures. Fairborne has structured its 2009 capital expenditure program to be substantially funded from its year-to-date 2009 cash flow from operations. On an annualized basis, Fairborne anticipates capital expenditures to be financed entirely from cash flow from operations.

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Fairborne's credit facilities at September 30, 2009 included a \$270 million extendible revolving term credit facility and a \$15 million demand operating credit facility for a total available facility of \$285 million. The extendible revolving term facility is available on a revolving basis until May 28, 2010 and, if not renewed at this date, repayment of the amounts drawn will be required on May 28, 2011. The facilities continue to be subject to semi-annual reviews.

Subsequent to September 30, 2009, the lending syndicate completed its scheduled borrowing base review, and the borrowing base was maintained at a total of \$285 million.

### Shareholders' Equity

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

On October 7, 2009 the Company closed its bought deal share financing for aggregate gross proceeds of approximately \$69.5 million, comprised of \$49.5 million through issuance of 11.6 million common shares at an issue price of \$4.25 and \$20 million through the issuance of 3.8 million flow-through common shares at an issue price of \$5.30. Net proceeds of \$66 million will be initially used to reduce debt and fund a portion of the Company's ongoing capital program with the proceeds from the issuance of the flow-through common shares used to incur eligible Canadian exploration expenditures that will be renounced to subscribers effective on or before December 31, 2009. As a result of the flow-through share issue, Fairborne has a commitment to spend \$20 million on qualifying Canadian exploration expenditures.

The following table provides a summary of outstanding common shares, warrants, convertible debentures, shares under Incentive Plans and stock options at the dates indicated:

<i>(thousands)</i>	<b>October 31, 2009</b>	<b>September 30, 2009</b>	December 31, 2008
Common shares	<b>102,462</b>	<b>87,033</b>	86,933
Warrants <sup>(1)</sup>	<b>4,406</b>	<b>4,406</b>	4,406
Convertible debentures <sup>(2)</sup>	<b>\$100,000</b>	<b>\$100,000</b>	\$100,000
Incentive plans			
Restricted Units	<b>30</b> <sup>(3)</sup>	<b>30</b> <sup>(3)</sup>	78
Performance Units	<b>92</b> <sup>(4)</sup>	<b>92</b> <sup>(4)</sup>	204
Stock options	<b>2,129</b>	<b>2,010</b>	6,904
Weighted average common shares <sup>(5)</sup>			
Basic	<b>n/a</b>	<b>87,010</b>	85,854
Diluted	<b>n/a</b>	<b>87,010</b>	86,216

(1) Each warrant entitles the holder to acquire 0.39 of a common share at an exercise price of \$8.13 per common share, exercisable until June 1, 2010.

(2) The convertible debentures are convertible into common shares at a conversion price of \$13.50 per share.

(3) The Restricted Units entitle the holders to acquire an aggregate of 35,125 common shares of the Company, subject to vesting in accordance with the restricted unit and performance unit incentive plan (the "Incentive Plan").

(4) The Performance Units entitle the holders to acquire an aggregate of 84,714 common shares of the Company, subject to vesting in accordance with the Incentive Plan.

(5) Weighted average common shares are for the twelve months ended December 31, 2008 and for the nine months ended September 30, 2009.

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### BUSINESS ENVIRONMENT AND RISK

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

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

### CHANGE IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

#### *International Financial Reporting Standards ("IFRS")*

Effective January 1, 2011, Canadian public companies are required to adopt International Financial Reporting Standards ("IFRS"). In the time leading up to the conversion date, some existing Canadian standards will change to converge with IFRS. Fairborne's financial statements up to and including the December 31, 2010 financial statements will continue to be reported in accordance with Canadian GAAP as it exists on each reporting date. Financial statements for the quarter ended March 31, 2011, including comparative amounts, will be prepared on an IFRS basis.

In order to transition to IFRS, Management has established a project team and formed an executive steering committee. A transition plan has been developed to convert the financial statements to IFRS. The transition effort is proceeding as planned. Training has been provided to key employees and the Company continues to monitor the effect of the transition on information systems, internal controls over financial reporting and disclosure controls and procedures. Analysis of differences between IFRS and Fairborne's current accounting policies continues, and the impact of various alternatives is being assessed. Changes in accounting policy are likely and may materially impact the financial statements. Due to anticipated changes in IFRS prior to the conversion date, the final impact of the conversion on Fairborne's financial statements cannot be measured.

### CONTROLS AND PROCEDURES

#### *Disclosure Controls and Procedures*

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

## 2009 Third Quarter Interim Report and News Release

### *Internal Controls over Financial Reporting*

Fairborne's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

No material changes in Fairborne's internal controls over financial reporting were identified during the three months ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

## 2009 Third Quarter Interim Report and News Release

### QUARTERLY FINANCIAL INFORMATION

The following is a summary of select financial information for the quarterly periods indicated:

	Q3 2009	Q2 2009	Q1 2009	Q4 2008
<i>Financial (\$thousands, except per share amounts)</i>				
Petroleum and natural gas revenue	55,244	58,430	68,545	85,165
Funds generated from operations	37,236	35,742	32,970	40,309
Per share – basic	\$0.43	\$0.41	\$0.38	\$0.46
Per share – diluted	\$0.43	\$0.41	\$0.38	\$0.46
Cash flow from operations (including changes in working capital)	40,048	27,653	34,782	37,693
Per share – basic	\$0.46	\$0.32	\$0.40	\$0.43
Per share – diluted	\$0.46	\$0.32	\$0.40	\$0.43
Net income (loss)	(497)	(17,333)	(4,691)	11,657
Per share – basic	\$(0.01)	\$(0.20)	\$(0.05)	\$0.14
Per share – diluted	\$(0.01)	\$(0.20)	\$(0.05)	\$0.14
Total assets	961,920	1,001,840	1,023,526	1,013,177
Working capital (surplus) deficit	(1,539)	(7,227)	31,641	27,917
Bank indebtedness	204,046	232,184	209,925	196,282
Convertible debentures	96,027	95,525	95,024	94,522
<i>Operations</i>				
Average production				
Natural gas (Mcf per day)	56,797	66,744	67,520	69,460
Crude oil (bbls per day)	3,292	3,552	3,599	4,086
Natural gas liquids (bbls per day)	563	632	572	657
Sulphur (tonnes per day) <sup>(1)</sup>	100	64	93	138
Total (BOE per day)	13,421	15,372	15,517	16,458

(1) Excludes the sale of inventory at the West Pembina sulphur block.

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	Q3 2008	Q2 2008	Q1 2008	Q4 2007
<b>Financial</b> ( <i>\$thousands, except per share amounts</i> )				
Petroleum and natural gas revenue	97,489	85,670	70,618	59,976
Funds generated from operations	55,307	51,458	42,101	29,363
Per share – basic	\$0.64	\$0.60	\$0.50	\$0.43
Per share – diluted	\$0.63	\$0.60	\$0.50	\$0.43
Cash flow from operations (including changes in working capital)	65,598	41,650	42,857	36,004
Per share – basic	\$0.76	\$0.49	\$0.51	\$0.53
Per share – diluted	\$0.76	\$0.48	\$0.51	\$0.53
Net income (loss)	19,182	3,717	10,145	(1,136)
Per share – basic	\$0.22	\$0.04	\$0.12	\$(0.03)
Per share – diluted	\$0.22	\$0.04	\$0.12	\$(0.03)
Total assets	999,065	946,025	792,918	749,715
Working capital deficit	64,814	7,363	27,255	7,467
Bank indebtedness	161,302	180,977	85,634	86,866
Convertible debentures	94,020	93,499	92,977	92,455
<b>Operations</b>				
Average production				
Natural gas ( <i>Mcf per day</i> )	62,601	59,529	56,813	59,194
Crude oil ( <i>bbls per day</i> )	3,312	2,506	2,413	2,616
Natural gas liquids ( <i>bbls per day</i> )	580	610	597	524
Sulphur ( <i>tonnes per day</i> ) <sup>(1)</sup>	129	106	210	–
Total ( <i>BOE per day</i> )	14,454	13,143	12,689	13,005

(1) Excludes the sale of inventory at the West Pembina sulphur block.



## 2009 Third Quarter Interim Report and News Release

## INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(\$thousands)</i>	September 30, 2009	December 31, 2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 106	\$ 126
Accounts receivable	28,641	47,915
Derivative asset	3,693	8,023
Prepaid expenses and deposits	7,437	6,742
	<b>39,877</b>	62,806
Petroleum and natural gas properties and equipment <i>(Note 1)</i>	905,873	934,201
Goodwill	16,170	16,170
	<b>\$ 961,920</b>	\$1,013,177
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,251	\$ 88,877
Current portion of compensation plans <i>(Note 5)</i>	434	396
Deferred revenue	5,653	1,450
	<b>38,338</b>	90,723
Bank indebtedness <i>(Note 2)</i>	204,046	196,282
Convertible debentures <i>(Note 3)</i>	96,027	94,522
Compensation plans <i>(Note 5)</i>	–	111
Asset retirement obligation <i>(Note 4)</i>	11,841	11,904
Future income taxes	87,560	81,860
<b>Shareholders' Equity</b>		
Common shares <i>(Note 5)</i>	470,110	475,908
Warrants	2,721	2,721
Equity component of convertible debentures <i>(Note 3)</i>	5,581	5,581
Contributed surplus <i>(Note 5)</i>	23,165	8,513
Retained earnings	22,531	45,052
	<b>524,108</b>	537,775
Subsequent events <i>(Notes 2 and 5)</i>		
Commitment <i>(Note 5)</i>	<b>\$ 961,920</b>	\$1,013,177

See accompanying notes to the interim consolidated financial statements.

## 2009 Third Quarter Interim Report and News Release

### INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)

<i>(\$thousands except per share amounts)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
<b>Revenue</b>				
Petroleum and natural gas	\$ 55,244	\$ 97,489	\$ 182,219	\$ 253,777
Royalties	(1,729)	(16,613)	(12,860)	(44,911)
	<b>53,515</b>	<b>80,876</b>	<b>169,359</b>	<b>208,866</b>
<b>Expenses</b>				
Operating	11,174	14,513	43,188	35,550
Transportation	1,541	1,470	4,480	3,633
General and administrative	3,716	1,947	24,722	27,410
Interest	4,584	4,063	12,795	10,978
Depletion, depreciation and accretion	32,876	32,399	108,153	85,339
	<b>53,891</b>	<b>54,392</b>	<b>193,338</b>	<b>162,910</b>
<b>Income (loss) before taxes</b>	<b>(376)</b>	<b>26,484</b>	<b>(23,979)</b>	<b>45,956</b>
Future taxes (reduction)	121	7,302	(1,458)	12,912
<b>Net income (loss) and comprehensive income (loss)</b>	<b>(497)</b>	<b>19,182</b>	<b>(22,521)</b>	<b>33,044</b>
Retained earnings, beginning of period	23,028	14,213	45,052	351
<b>Retained earnings, end of period</b>	<b>\$ 22,531</b>	<b>\$ 33,395</b>	<b>\$ 22,531</b>	<b>\$ 33,395</b>
<b>Net income (loss) per share (Note 5)</b>				
Basic	\$ (0.01)	\$ 0.22	\$ (0.26)	\$ 0.38
Diluted	\$ (0.01)	\$ 0.22	\$ (0.26)	\$ 0.38

See accompanying notes to the interim consolidated financial statements.

## 2009 Third Quarter Interim Report and News Release

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Cash provided by (used in):				
<i>Operating activities</i>				
Net income (loss)	\$ (497)	\$ 19,182	\$ (22,521)	\$ 33,044
Items not involving cash:				
Depletion, depreciation and accretion	32,876	32,399	108,153	85,339
Compensation expense	401	(1,762)	15,939	17,495
Future taxes (reduction)	121	7,302	(1,458)	12,912
Accretion of convertible debentures	502	521	1,505	1,565
Change in fair value of derivative asset	3,833	(2,335)	4,330	(1,489)
Asset retirement expenditures	(7)	(780)	(1,091)	(1,077)
	37,229	54,527	104,857	147,789
Change in non-cash working capital	2,819	11,071	(2,374)	2,316
	40,048	65,598	102,483	150,105
<i>Financing activities</i>				
Bank indebtedness	(28,138)	(19,675)	7,764	62,851
Issuance of common shares, net of costs	–	(45)	–	27,552
	(28,138)	(19,720)	7,764	90,403
<i>Investing activities</i>				
Expenditures on petroleum and natural gas properties	(19,232)	(97,244)	(87,802)	(186,869)
Acquisition of petroleum and natural gas properties	(1,951)	(86)	(1,951)	(1,896)
Disposition of petroleum and natural gas properties	10,351	–	10,956	–
Corporate acquisition costs	–	–	–	(102,054)
Change in non-cash working capital	(1,125)	51,505	(31,470)	51,098
	(11,957)	(45,825)	(110,267)	(239,721)
Change in cash and cash equivalents	(47)	53	(20)	787
Cash and cash equivalents, beginning of period	153	850	126	116
<i>Cash and cash equivalents, end of period</i>	\$ 106	\$ 903	\$ 106	\$ 903
Interest paid	\$ 2,290	\$ 1,629	\$ 11,127	\$ 7,213

See accompanying notes to the interim consolidated financial statements.

## 2009 Third Quarter Interim Report and News Release

### SELECTED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2009 (unaudited)

*(tabular amounts are stated in thousands and thousands of dollars except per share amounts)*

The interim consolidated financial statements of Fairborne Energy Ltd. (the “Company” or “Fairborne”) have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2008. The disclosure which follows is incremental to the disclosure included with the annual financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2008.

#### 1. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

	September 30, 2009	December 31, 2008
Petroleum and natural gas properties and equipment	\$ 1,428,955	\$ 1,350,355
Accumulated depletion and depreciation	(525,243)	(418,156)
Corporate assets	4,508	4,037
Accumulated depreciation	(2,347)	(2,035)
	\$ 905,873	\$ 934,201

As at September 30, 2009, future development costs of \$188.0 million (December 31, 2008 – \$189.0 million) were included in the depletion calculation and costs of acquiring unproved properties in the amount of \$47.1 million (December 31, 2008 – \$59.1 million) were excluded from the depletion calculation.

#### 2. BANK INDEBTEDNESS

At September 30, 2009 the Company had a \$270 million extendible revolving term credit facility and a \$15 million demand operating credit facility available from a syndicate of Canadian chartered banks, subject to the banks’ semi-annual valuation of Fairborne’s petroleum and natural gas properties. The extendible revolving term facility is available on a revolving basis until May 28, 2010 (364 day facility) at which time it may be extended, at the lenders option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving term facility are required to be repaid at the end of the term facility being May 28, 2011. Interest payable on amounts drawn under the facilities is at the prevailing bankers’ acceptance rates plus stamping fees, lenders’ prime rate or LIBOR rates plus applicable margins, depending on the form of borrowing by the Company. The margins and stamping fees vary from 0.75% to 4.25% depending on financial statement ratios and the form of borrowing. The credit facilities are secured by a general security agreement and a first ranking floating charge on the assets of the Company. At September 30, 2009 letters of credit totaling \$0.5 million were outstanding.

Subsequent to September 30, 2009, the lending syndicate completed its scheduled borrowing base review, and the borrowing base was maintained at a total of \$285 million.



## 2009 Third Quarter Interim Report and News Release

### 3. CONVERTIBLE DEBENTURES

The following table sets forth a reconciliation of the convertible debentures for the nine months ended September 30, 2009:

	Number of Debentures	Debt component	Equity component
Balance, beginning of period	100,000	\$ 94,522	\$ 5,581
Accretion	–	1,505	–
Balance, end of period	<b>100,000</b>	<b>\$ 96,027</b>	<b>\$ 5,581</b>

### 4. ASSET RETIREMENT OBLIGATION

The following table sets forth a reconciliation of the asset retirement obligation for the nine months ended September 30, 2009:

Balance, beginning of period	\$ 11,904
Liabilities incurred	274
Liabilities settled	(1,091)
Accretion expense	754
Balance, end of period	<b>\$ 11,841</b>

### 5. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

#### a) Common Shares

The following table sets forth a reconciliation of the common shares issued and outstanding for the nine months ended September 30, 2009:

	Number of Shares	Amount
Balance, beginning of period	86,933	\$ 475,908
Tax effect of flow through shares issued in 2008	–	(7,158)
Issued on vesting of Restricted Units and Performance Units	100	1,360
Balance, end of period	<b>87,033</b>	<b>\$ 470,110</b>

On October 7, 2009 the Company issued 11.6 million common shares for gross proceeds of approximately \$49.5 million and 3.8 million flow-through common shares for gross proceeds of approximately \$20.0 million. As a result of the flow-through financing, Fairborne has a commitment to spend \$20 million on qualifying Canadian exploration expenditures. The expenditures will be renounced to investors effective on or before December 31, 2009.

## 2009 Third Quarter Interim Report and News Release

### b) Per share amounts

The following table summarizes the weighted average common shares used in calculating net income (loss) per share:

	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	2009	2008	2009	2008
Numerator				
Net income (loss) for basic & diluted net income (loss) per share	\$ (497)	\$ 19,182	\$ (22,521)	\$ 33,044
Denominator				
Weighted average shares – basic	87,033	86,933	87,010	85,492
Restricted Units	–	91	–	122
Performance Units	–	188	–	269
Denominator for diluted net income (loss) per share	87,033	87,212	87,010	85,883
Basic net income (loss) per share	\$ (0.01)	\$ 0.22	\$ (0.26)	\$ 0.38
Diluted net income (loss) per share	\$ (0.01)	\$ 0.22	\$ (0.26)	\$ 0.38

Excluded from the diluted number of shares for the three and nine months ended September 30, 2009 is the effect of convertible debentures (7.4 million shares), warrants (1.7 million shares) and stock options as they are anti-dilutive to the net loss for the period. Excluded from the diluted number of shares for the three and nine months ended September 30, 2008 is the effect of convertible debentures (7.4 million shares), warrants (1.8 million shares) and stock options which are anti-dilutive to net income.

### c) Equity and liability based compensation plans

#### i) INCENTIVE PLAN

The following table sets forth a reconciliation of the restricted and performance incentive plan activity for the nine months ended September 30, 2009:

	Number of Restricted Units	Number of Performance Units	Total
Balance, beginning of period	78	204	282
Exercised	(48)	(112)	(160)
Balance, end of period	30	92	122
Exercisable, end of period	–	–	–
Equivalent common shares, end of period <sup>(1)</sup>	35	85	120

(1) Including additional common shares to be issued for accumulated distributions earned and adjusted for the set performance factor.

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Pursuant to the terms of the plans, settlements of restricted and performance units can be made in cash, common shares or some combination thereof at the discretion of the Board of Directors. Prior to January 1, 2009, all settlements were in the form of equity, either in trust units or common shares. During the nine months ended September 30, 2009, 60,000 RTU's and PTU's were settled for \$0.1 million cash. As such, the incentive plan is accounted for as a liability based plan rather than an equity based plan resulting in the recognition of a \$0.4 million liability on reclassification of the plan to a liability settled award with a corresponding reduction in contributed surplus. As future awards vest a liability will be recorded equal to the number of awards vested multiplied by the Company's share price at the balance sheet date. Included in the current liability for compensation plans at September 30, 2009 is \$0.4 million (December 31, 2008 – \$nil).

### ii) STOCK OPTION PLAN

The following table sets forth a reconciliation of the stock option plan activity for the nine months ended September 30, 2009:

	Number of awards	Weighted average exercise price
Balance, beginning of period	6,904	\$ 12.74
Granted	1,866	2.59
Forfeited	(173)	12.74
Cancelled	(6,587)	12.78
Balance, end of period	<b>2,010</b>	<b>\$ 3.32</b>
Exercisable, end of period	<b>80</b>	<b>\$ 11.97</b>

The weighted average fair value of options granted during the nine months ended September 30, 2009 was \$0.94 per option using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of one percent, expected volatility of 56 percent, average expected life of three years and dividend rate of nil. An estimated forfeiture rate of two percent has been applied to the compensation costs recognized.

During the quarter ended June 30, 2009, the Board of Directors approved a voluntary stock option surrender program. Under the program various employees, officers and directors surrendered previously issued stock options for cancellation. The options surrendered by holders were cancelled effective June 1, 2009 and had an average exercise price of \$12.78. The Company recognized the remaining unamortized stock based compensation costs associated with the cancelled options of \$12.6 million.

## 2009 Third Quarter Interim Report and News Release

The following table summarizes stock options outstanding at September 30, 2009:

Exercise Price	Options outstanding	Remaining term (years)
\$2.00 – \$4.99	1,831	4.5
\$5.00 – \$7.99	30	4.0
\$8.00 – \$10.99	63	4.0
\$11.00 – \$13.99	86	3.8
	<b>2,010</b>	<b>4.4</b>

### III) RETENTION AWARD PLAN

The following table sets forth a reconciliation of the retention award plan activity for the nine months ended September 30, 2009:

	Number of awards	Weighted average exercise price
Balance, beginning of period	8,005	\$ 5.87
Forfeited	(260)	5.75
Balance, end of period	<b>7,745</b>	<b>\$ 5.89</b>
Exercisable, end of period	<b>2,580</b>	<b>\$ 5.89</b>

Included in the current and long term compensation plan liabilities at September 30, 2009 is \$nil (December 31, 2008 – \$0.5 million) related to the Retention Award Plan.

### d) Contributed Surplus

The following table sets forth a reconciliation of the contributed surplus for the nine months ended September 30, 2009:

Balance, beginning of period	\$ 8,513
Equity based compensation	16,395
Restricted and Performance Units exercised	(1,360)
Reclassification to compensation plan liability (Note 5 (c)(i))	(383)
Balance, end of period	<b>\$ 23,165</b>

## 2009 Third Quarter Interim Report and News Release

### 6. FINANCIAL INSTRUMENTS

As at September 30, 2009, the Company's accounts receivable is aged as follows:

Current (less than 90 days)	\$ 24,540
Past due (more than 90 days)	4,101
Total	<b>\$ 28,641</b>

#### *Fair value of financial instruments:*

The carrying value of Fairborne's financial instruments, other than bank indebtedness and convertible debentures, approximate their fair value due to their short maturity. The fair value of the bank indebtedness approximates its carrying value as it bears interest at a floating rate. The fair value of the convertible debentures at September 30, 2009 was \$96.8 million (December 31, 2008 – \$74.5 million).

#### *Foreign currency exchange rate risk:*

Fairborne entered into a foreign exchange forward contract from March to December, 2009 for US\$1.0 million per month at a fixed exchange rate of CDN\$1.2804:US\$1.00. The fair value of this contract at September 30, 2009 was \$0.6 million which is included in the derivative asset.

### 7. COMMODITY CONTRACTS

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

#### *a) Commodity Contracts Recorded at Fair Value:*

At September 30, 2009 the following oil and natural gas contracts have been recorded on the balance sheet at their estimated fair value as a \$3.1 million asset (December 31, 2008 – an asset of \$8.0 million). The change in the fair value has been recorded in petroleum and natural gas sales as a change in fair value of derivative asset for the nine months ended September 30, 2009.

#### NATURAL GAS:

	Volume (per day)	Price	Settlement Index
<b>Basis Swap</b>			
Oct 1, 2009 – Oct 31, 2009	5,000 mmbtu	Nymex – \$.765US	Nymex LD
<b>AECO Swap</b>			
Oct 1, 2009 – Dec 31, 2009	15,000 GJs	6.77	AECO C Monthly

## 2009 Third Quarter Interim Report and News Release

### OIL:

	Volume (bbls per day)	Price (\$ per bbl)	Settlement Index
<b>Collars</b>			
Oct 1, 2009 – Dec 31, 2009	500	50.00 – 94.65	WTI
Oct 1, 2009 – Dec 31, 2009	500	55.00 – 94.00	WTI
Jan 1, 2010 – Dec 31, 2010	500	55.00 – 108.00	WTI
Jan 1, 2010 – Dec 31, 2010	500	70.00 – 100.15	WTI

### b) Commodity Contracts not Recorded at Fair Value:

The following crude oil and natural gas fixed price physical sales contracts outstanding at September 30, 2009 have been entered into for the purpose of physical delivery of a non-financial item; therefore, the physical delivery contracts are not fair valued. Settlements on these contracts are included in petroleum and natural gas revenue as they settle.

### OIL:

	Volume (bbls per day)	Price (\$ per bbl)	Settlement Index
<b>Collars</b>			
Oct 1, 2009 – Dec 31, 2009	500	55.00 – 88.40	WTI
Jan 1, 2010 – Dec 31, 2010	500	55.00 – 103.00	WTI



## 2009 Third Quarter Interim Report and News Release

## NATURAL GAS:

	Volume (GJs per day)	Price (\$ per GJ)	Settlement Index
<b>AECO Swaps</b>			
Oct 1, 2009 – Dec 31, 2009	5,000	7.76	AECO C Monthly
Oct 1, 2009 – Dec 31, 2009	5,000	7.50	AECO C Monthly
Oct 1, 2009 – Dec 31, 2009	2,500	7.70	AECO C Monthly
Oct 1, 2009 – Dec 31, 2009	2,500	4.51	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	5,000	5.86	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	2,500	5.67	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	1,500	5.90	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	1,500	5.86	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	1,500	5.88	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	1,500	6.00	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	4,000	6.00	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	2,000	6.13	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	2,000	6.15	AECO C Monthly
Jan 1, 2010 – Dec 31, 2010	2,000	6.16	AECO C Monthly

## 2009 Third Quarter Interim Report and News Release

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### AUDITORS

*KPMG LLP*

### RESERVE EVALUATORS

*GLJ Petroleum Consultants Ltd.*

### BANKERS

*Royal Bank of Canada*  
*National Bank of Canada*  
*Canadian Imperial Bank of Commerce*  
*Alberta Treasury Branch*

### LEGAL COUNSEL

*Burnet, Duckworth & Palmer LLP*  
*McCarthy Tetrault LLP*

### STOCK EXCHANGE LISTING

*The Toronto Stock Exchange*  
Trading Symbol: FEL  
Convertible Debentures: FEL.DB

### CORPORATE GOVERNANCE

A system of corporate governance for Fairborne has been established to provide the Board of Directors, management and shareholders of the Company with effective governance. A more detailed discussion of corporate governance is available in the Information Circular for the Annual Meeting of Shareholders.

### DIRECTORS

*Greg Bay*  
President and CEO  
Cypress Capital Management Ltd.

*Robert B. Hodgins*  
Investor and Corporate Director

*Johannes J. Nieuwenburg*  
General Partner  
KERN Partners Ltd.

*Carl J. Tricoli*  
Founder and Managing Partner  
Denham Capital Management LP

*Steven R. VanSickle*  
President and CEO  
Fairborne Energy Ltd.

*Richard A. Walls*  
Chairman  
Fairborne Energy Ltd.

*Rodney D. Wimer*  
President  
Mazama Capital Partners

### GENERAL INFORMATION

Shareholders and interested investors are encouraged to visit our web site: <http://www.fairborne-energy.com>  
Historical public documents, corporate information, latest presentation material and press releases are all available. Filings also available at: [www.sedar.com](http://www.sedar.com)

### OFFICERS

*Steven R. VanSickle*  
President  
and Chief Executive Officer

*David L. Summers*  
Chief Operating Officer

*Aaron G. Grandberg*  
Chief Financial Officer

*Jackie M. Cugnet*  
Vice President  
Finance

*David S. Cymbalisky*  
Vice President  
Engineering

*Scott W. Hadley*  
Vice President  
Exploration

*F. Tom Park*  
Vice President  
Marketing

*Gary M. Poirier*  
Vice President  
Production

*David E.T. Pyke*  
Vice President  
Land and Contracts





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