

FAIRBORNE ENERGY LTD.

**Notice of Annual and Special Meeting of Shareholders
to be held on May 29, 2008**

The Annual and Special Meeting (the "**Meeting**") of the shareholders of Fairborne Energy Ltd. (the "**Corporation**") will be held in the McMurray Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta on the 29th day of May, 2008 at 3:00 p.m. (Calgary time) to:

1. receive and consider the financial statements of the Corporation for the year ended December 31, 2007, together with the auditors' report thereon;
2. fix the number of directors to be elected at the Meeting at seven members;
3. elect the directors of the Corporation;
4. appoint auditors and to authorize the directors to fix their remuneration as such;
5. consider, and if thought advisable, to approve the Corporation's share option plan, all as more particularly described in the information circular – proxy statement of the Corporation dated April 18, 2008 (the "**Information Circular**"); and
6. transact such other business as may properly be brought before the Meeting or any adjournment thereof.

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

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

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

The board of directors of the Corporation has fixed the record date for the Meeting at the close of business on April 18, 2008 (the "**Record Date**"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 18th day of April, 2008.

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

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

FAIRBORNE ENERGY LTD.

Information Circular - Proxy Statement

for the Annual and Special Meeting
to be held on May 29, 2008

SOLICITATION OF PROXIES

This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by the management of FAIRBORNE ENERGY LTD. ("Fairborne" or the "Corporation") for use at the Annual and Special Meeting of the shareholders of the Corporation (the "**Meeting**") to be held on the 29th day of May, 2008 at 3:00 p.m. (Calgary time) in the McMurray Room at the Calgary Petroleum Club – 319 5th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual and Special Meeting. Forms of proxy must be received by Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting at the close of business on April 18, 2008 (the "**Record Date**"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

Unless otherwise stated, the information contained in this Information Circular – Proxy Statement ("**Information Circular**") is given as at April 10, 2008.

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

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

BENEFICIAL HOLDERS OF SHARES

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

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

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

REVOCABILITY OF PROXY

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

PERSONS MAKING THE SOLICITATION

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

EXERCISE OF DISCRETION BY PROXY

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

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

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

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

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

Richard A. Walls	Michael E.J. Phelps
Steven R. VanSickle	Carl J. Tricoli
Robert B. Hodgins	Rodney D. Wimer
Johannes J. Nieuwenburg	

The names, municipality of residence and age of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directed or controlled, directly or indirectly, the offices held by each in the Corporation, the period served as a director and the principal occupation for the past five years of each are set forth below. The information as to shares beneficially owned, directed or controlled, is based upon information furnished to the Corporation by the nominees as of April 10, 2008.

<u>Name, Age, Municipality of Residence and Position with Fairborne</u>	<u>Date First Elected or Appointed as Director of Fairborne</u>	<u>Principal Occupation</u>	<u>Number of Common Shares Owned, Directed or Controlled⁽⁵⁾</u>
Richard A. Walls Calgary, Alberta, Canada Age: 59 Chairman and a Director	January 9, 2002	Chairman of Fairborne since May, 2005; President and Chief Executive Officer of Fairquest Energy Limited (" Fairquest ") from May, 2005 to June, 2007; prior thereto, President and Chief Executive Officer of Fairborne from May 2002 to May 2005; prior thereto, special advisor to Duke Energy Field Services Canada Ltd. (" Duke Energy ") from May 2001 to January 2002; prior thereto, from April 1999 to May 2001 President and Chief Executive Officer of Canadian Midstream Services Ltd. (" CMSL ") (a private oil and natural gas midstream company); and prior thereto, from July 1993 to November 1998 President and Chief Executive Officer of Pan East Petroleum Corp. (" Pan East ") (a public oil and natural gas company).	3,573,991
Steven R. VanSickle Calgary, Alberta, Canada Age: 43 President and Chief Executive Officer and a Director	May 30, 2005	President and Chief Executive Officer of Fairborne since May, 2005; prior thereto, Senior Vice-President, Exploration of Fairborne from May 2002 to May 2005; prior thereto, Vice-President, Business Development of Duke Energy from May 2001 to May 2002; prior thereto, Vice-President, Business Development of CMSL from April 1999 to May 2001; and prior thereto, Manager, Business Development of PanEast from January 1998 to November 1998.	1,220,372

Name, Age, Municipality of Residence and Position with Fairborne	Date First Elected or Appointed as Director of Fairborne	Principal Occupation	Number of Common Shares Owned, Directed or Controlled ⁽⁵⁾
Robert B. Hodgins ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta, Canada Age: 56 Director	May 30, 2005	Private investor and corporate director since 2004; prior thereto, Chief Financial Officer of Pengrowth Energy Trust from 2002 to 2004; prior thereto from 1998 to 2001, Vice President and Treasurer of Canadian Pacific Limited; and prior thereto, Chief Financial Officer of TransCanada Pipelines Limited from 1993 to 1998 and held various other senior positions at TransCanada commencing in 1981.	27,708
Johannes J. Nieuwenburg ⁽²⁾⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada Age: 53 Director	May 30, 2005	Private businessman and corporate director since 2001; prior thereto, President and Chief Executive Officer of Petromet Resources Limited from May, 1998 to May, 2001 and Executive Vice President and Chief Operating Officer thereof from March, 1998; prior thereto, Vice President, Asset Management of Norcen Energy Resources Limited from March, 1997 to March, 1998; and prior thereto, held various positions with Amoco Energy Group, North America from May, 1980 to March, 1997, with the last position being General Management, Business Development.	96,981
Michael E.J. Phelps ⁽¹⁾⁽³⁾⁽⁴⁾ Vancouver, B.C., Canada Age: 60 Lead Director	July 19, 2002	Chairman, Dornoch Capital Inc. (a private investment company); prior thereto, Chairman and Chief Executive Officer of Westcoast Energy Inc. until its merger with Duke Energy in 2002; from 2003 to 2005, Chair of the "Wise Persons Committee" – a Committee formed to review the structure of securities regulation in Canada.	115,234
Carl J. Tricoli Houston, Texas, U.S.A. Age: 52 Director	December 19, 2007	Senior Managing Director of Denham Capital Management LP ("Denham") and its predecessor since August 2004; prior thereto President of GeosCapital LLC from January 2002 to August 2004; prior thereto Vice President at Enron Corporation from April 1999 to January 2002; prior thereto Managing Director at Koch Industries from September 1997 to April 1999; prior thereto President of Black Hawk Resources from August 1996 to September 1997; and prior thereto held various positions at NationsBank Capital Markets with the last position being Managing Director and Head of Energy Corporate Finance.	⁽⁵⁾
Rodney D. Wimer ⁽¹⁾⁽²⁾⁽³⁾ Bend, Oregon, U.S.A. Age: 58 Director	May 31, 2002	President, Mazama Capital Partners (a private investment firm) since January 2002; prior thereto, from March 2001 to January 2002, President, Commercial Power Division of Dynegey, Inc. and from January 1997 to March 2001, President and Chief Executive Officer of Dynegey Canada Inc.	152,084

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance Committee.
- (5) Carl J. Tricoli is a Senior Managing Director of Denham Capital Management LP, the investment advisor to Denham Commodity Partners Fund IV LP, a principal shareholder of the Corporation. See "Information Concerning the Corporation – Voting Shares and Principal Holders Thereof".
- (6) All of directors will hold office until the next annual meeting of shareholders or until their successor is duly elected or appointed, unless their office is earlier vacated.

Cease Trade Orders, Bankruptcies Penalties or Sanctions

To our knowledge, no proposed director: (i) is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer (including the Corporation) that, (a) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "**order**"), (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer, chief financial officer and resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (ii) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets; or (iii) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

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

Approval of Share Option Plan

At the Meeting, shareholders will be asked to consider and, if thought advisable, approve the Corporation's share option plan (the "**Option Plan**"). A copy of the Option Plan is set out in Appendix "A" to this Information Circular.

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

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

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

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

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

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

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

If an Optionee ceases to be a director, officer, employee of, or service provider to, Fairborne or a subsidiary of Fairborne for any reason, the Optionee shall have a period not in excess of six months as prescribed at the time of grant (12 months in the case of death), following the Optionee ceasing to be a director, officer, employee or consultant or other service provider to exercise Options held to the extent that the Optionee was entitled to exercise the options at the date of such cessation.

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

The policies of the Toronto Stock Exchange (the "**TSX**") require that the Option Plan be approved every three years by shareholders of Fairborne.

If the Option Plan is approved, the board of directors of the Corporation does not intend to grant any additional Retention Awards under the Retention Award Plan (see "**Retention Award Plan**"). Upon the grant of Options pursuant to the Option Plan, Retention Awards held by Optionees granted Options may be terminated, deemed exercised or the amount payable thereunder capped depending upon the exercise price of Options granted as compared to the Grant Price of the Retention Awards. See "Retention Award Plan".

If the Option Plan is not approved by shareholders at the Meeting, the Corporation will be required to consider alternate means of attracting, retaining and encouraging the continued employment of qualified personnel, including the granting of Retention Awards under the Retention Award Plan.

At the Meeting, shareholders will be asked to consider and, if thought advisable, approve the following ordinary resolution to approve the Option Plan:

"BE IT RESOLVED THAT the Fairborne Energy Ltd. Share Option Plan, in a form substantially as set forth in Appendix "A" of the Information Circular - Proxy Statement of Fairborne Energy Ltd. dated April 18, 2008, be and the same is hereby authorized and approved."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution. Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote for approval of the foregoing resolution approving the Option Plan.

INFORMATION CONCERNING THE CORPORATION

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

Voting Shares and Principal Holders Thereof

As at April 10, 2008, there were 84,337,406 Common Shares of the Corporation issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than 2 persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as at April 10, 2008, no person or company beneficially owned or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

Name and Address	Number of Voting Shares	Percentage of Class (%)
Denham Commodity Partners Fund IV LP 200 Clarendon Street, 25 th Floor Boston, MA 02116	16,224,254 Common Shares	19.2%

Executive Compensation

Summary Compensation Table

The following table sets forth information concerning the compensation paid to our Chief Executive Officer, Chief Financial Officer, and the next four most highly compensated executive officers of Fairborne whose total salary and bonus earned in the last completed financial year exceeded \$150,000 (the "Named Executive Officers").

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus ⁽³⁾ (\$)	Other Annual Compensation (\$) ⁽⁴⁾	Awards		Payouts	
					Securities under Options/SARS Granted (#)	Securities Subject to Resale Restriction (\$)	LTIP Payouts ⁽⁷⁾⁽⁸⁾ (\$)	
Steven R. VanSickle ⁽¹⁾ President and Chief Executive Officer	2007	277,750	150,000	-	350,000 ⁽⁵⁾ /34,600 ⁽⁶⁾	Nil	Nil	Nil
	2006	255,000	150,000	-	16,100 ⁽⁵⁾	Nil	Nil	Nil
	2005	201,667	-	-	42,200 ⁽⁵⁾	Nil	Nil	Nil
David L. Summers Chief Operating Officer	2007	216,625	120,000	-	350,000 ⁽⁵⁾ /25,900 ⁽⁶⁾	Nil	Nil	Nil
	2006	204,875	150,000	-	10,200 ⁽⁵⁾	Nil	Nil	Nil
	2005	197,375	-	-	28,400 ⁽⁵⁾	Nil	Nil	Nil
Aaron G. Grandberg ⁽²⁾ Chief Financial Officer	2007	188,063	100,000	-	350,000 ⁽⁵⁾ /16,000 ⁽⁶⁾	Nil	Nil	Nil
	2006	172,500	130,000	-	10,100 ⁽⁵⁾	Nil	Nil	Nil
	2005	90,385	-	-	18,800 ⁽⁵⁾	Nil	Nil	Nil
Gary M. Poirier Vice-President, Production	2007	171,250	80,000	-	275,000 ⁽⁵⁾ /10,000 ⁽⁶⁾	Nil	186,218	Nil
	2006	156,250	82,500	-	3,900 ⁽⁵⁾	Nil	Nil	Nil
	2005	144,167	-	-	19,200 ⁽⁵⁾	Nil	Nil	Nil
David E. T. Pyke Vice-President, Land	2007	171,250	80,000	-	275,000 ⁽⁵⁾ /10,000 ⁽⁶⁾	Nil	186,218	Nil
	2006	155,000	82,500	-	3,900 ⁽⁵⁾	Nil	Nil	Nil
	2005	138,250	-	-	19,200 ⁽⁵⁾	Nil	Nil	Nil
David S. Cymbalisky Vice-President, Engineering	2007	171,250	80,000	-	275,000 ⁽⁵⁾ /10,000 ⁽⁶⁾	Nil	186,218	Nil
	2006	155,000	82,500	-	3,900 ⁽⁵⁾	Nil	Nil	Nil
	2005	139,167	-	-	19,200 ⁽⁵⁾	Nil	Nil	Nil

Notes:

- (1) Mr. VanSickle was appointed President and Chief Executive Officer on May 30, 2005. Prior to that time, Mr. VanSickle was the Senior Vice-President, Exploration of Fairborne.
- (2) Mr. Grandberg was appointed Vice-President, Finance and Chief Financial Officer on May 30, 2005 and was appointed Chief Financial Officer on April 1, 2007. Amounts shown in the table for 2005 represent amounts actually paid by Fairborne in 2005 following Mr. Grandberg's commencement of employment with Fairborne.
- (3) Bonuses for performance in 2006 were paid in 2007 and bonuses for 2007 were paid in 2008.
- (4) The value of perquisites and other personal benefits received by each Named Executive Officers was not greater than \$50,000 and 10% of the total salary and bonus for the period.
- (5) Represents Retention Awards granted under the Corporation's Retention Award Plan on December 19, 2007 on completion of the Reorganization. See "Retention Award Plan" and "Retention Award Grants During the Year Ended December 31, 2007".
- (6) Represents Restricted Units granted under the Trust's Restricted Unit and Performance Unit Incentive Plan (the "Incentive Plan"). See "Restricted Units" and "Incentive Plan".
- (7) The Named Executive Officers were also granted Performance Units under the Incentive Plan. See "Performance Units" and "Incentive Plan".
- (8) See Note 1 to the table under "Performance Units – Long Term Incentive (LTIP) Awards – Performance Units". LTIP payouts in respect of Messrs. Poirier, Pyke and Cymbalisky were calculated based on the number of Trust Units issued pursuant to Performance Units held by them multiplied by the five day volume weighted average price of the Trust Units on December 18, 2007, the last trading day prior to completion of the Reorganization.

Performance Units

Long Term Incentive (LTIP) Awards – Performance Units

The following sets forth information in respect of awards of Performance Units ("PTU") to the Named Executive Officers under the Incentive Plan during the most recently completed financial year.

Name	Performance Unit Award (#)	Period Until Maturation or Payout	Estimated Future Payouts Under Non Securities Price Based Plans		
			Threshold (#)	Target (#)	Maximum (#)
Steven R. VanSickle	34,600	March 14, 2010 ⁽¹⁾	31,832 ⁽²⁾	N/A	31,832 ⁽²⁾
David L. Summers	25,900	March 14, 2010 ⁽¹⁾	23,828 ⁽²⁾	N/A	23,828 ⁽²⁾
Aaron G. Grandberg	16,000	March 14, 2010 ⁽¹⁾	14,720 ⁽²⁾	N/A	14,720 ⁽²⁾
Gary M. Poirier	10,000	N/A ⁽¹⁾	N/A	N/A	N/A
David E. T. Pyke	10,000	N/A ⁽¹⁾	N/A	N/A	N/A
David Cymbalsty	10,000	N/A ⁽¹⁾	N/A	N/A	N/A

Notes:

- (1) In connection with the Reorganization, all of the outstanding PTU's vested other than those held by members of the Board and each of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer who agreed to waive their right to accelerated vesting as a result of the Reorganization (the "Non-Vesting Participants"). All Trust Units issuable pursuant to PTU's, other than those held by Non-Vesting Participants, were issued pursuant to the Incentive Plan and in connection with the Reorganization. The number of Trust Units issued in respect of each outstanding PTU was based upon a multiplier of 0.72 adjusted to give effect to average accumulated distributions on outstanding Trust Units, resulting in the issuance of 0.92 Trust Units for each outstanding PTU. The Non-Vesting Participants continue to hold their PTU's under the terms of the Incentive Plan and are entitled to receive 0.92 of a Common Share for each outstanding PTU upon vesting in accordance with normal vesting periods provided in the Incentive Plan.
- (2) As set forth in Note (1) above, 0.92 Trust Units are issuable for each outstanding PTU. Threshold and maximum, represent an aggregate number of Common Shares issuable pursuant to PTU's held.

In addition, previously Messrs. VanSickle, Summers, Grandberg, Poirier, Pyke and Cymbalsty had been granted 42,200, 28,400, 18,800, 12,800, 12,800 and 12,800 PTU's, respectively, on June 2, 2005 and 36,700, 31,800, 18,400, 12,400, 12,400 and 12,400 PTU's, respectively, on March 7, 2006. All such PTU's were treated the same as the PTU's granted in the last financial year and as described in Note 1 to the above table.

Aggregate Performance Unit Exercises During the Year Ended December 31, 2007 and Year End Performance Unit Values

Name	Trust Units Acquired on Exercise ⁽¹⁾ (#)	Aggregate Value Realized ⁽²⁾ (\$)	Unexercised PTU's at Year End ⁽³⁾ (#) Exercisable / Unexercisable	Value of Unexercised in the Money PTU's at Year End ⁽³⁾ (\$) Exercisable / Unexercisable
Steven R. VanSickle	Nil	Nil	Nil / 113,500	Nil / 683,951
David L. Summers	Nil	Nil	Nil / 86,100	Nil / 518,839
Aaron Grandberg	Nil	Nil	Nil / 53,200	Nil / 320,583
Gary M. Poirier	32,384	186,208	Nil / Nil	Nil / Nil
David E. T. Pyke	32,384	186,208	Nil / Nil	Nil / Nil
David S. Cymbalsty	32,384	186,208	Nil / Nil	Nil / Nil

Notes:

- (1) As described in Note (1) to the table under "Long Term Incentive (LTIP) Awards – Performance Units", PTU's held by all holders thereof, other than the Non-Vesting Participants, vested and 0.92 Trust Units were issued for each PTU in connection with the Reorganization, including those held by Messrs. Poirier, Pyke and Cymbalsty. PTU's held by Messrs. VanSickle, Summers and Grandberg, as Non-Vesting Participants, each entitle them to acquire 0.92 of a Common Share for each outstanding PTU upon vesting in accordance with normal vesting periods provided in the Incentive Plan.
- (2) Based on the five day volume weighted average trading price of the Trust Units prior to December 18, 2007 of \$5.75.
- (3) At year end, each of the outstanding PTU's entitled the holder to acquire 0.92 Common Shares. Value is based on the closing price of the Common Shares on December 31, 2007 of \$6.55.

Restricted Units*Restricted Unit Grants During the Year Ended December 31, 2007*

The following sets forth information in respect of awards of Restricted Units ("RTU") to the Named Executive Officers under the Trust's Incentive Plan during the most recently completed financial year.

Name	Securities under RTU's Granted (#)	Percentage of total RTU's Granted to Employees in 2007 (%)	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying RTU's on Date of Grant (\$/security) ⁽¹⁾	Expiration Date ⁽²⁾
Steven R. VanSickle	34,600	11.2	Nil	9.18	March 14, 2010
David L. Summers	25,900	8.4	Nil	9.18	March 14, 2010
Aaron G. Grandberg	16,000	5.2	Nil	9.18	March 14, 2010
Gary M. Poirier	10,000	3.2	Nil	9.18	N/A
David E. T. Pyke	10,000	3.2	Nil	9.18	N/A
David S. Cymbalisty	10,000	3.2	Nil	9.18	N/A

Notes:

- (1) Being the five day volume weighted average trading price of the Trust Units prior to date of grant.
- (2) Trust Units issuable pursuant to RTU's held by Messrs. Poirier, Pyke and Cymbalisty were issued in connection with the Reorganization. RTU's held by Mr. VanSickle, Summers and Grandberg, as Non-Vesting Participants, will vest in accordance with normal vesting periods provided in the Incentive Plan.

Aggregated Restricted Unit Exercises During the Year Ended December 31, 2007 and Year End Restricted Unit Values

Name	Trust Units Acquired on Exercise (#) ⁽¹⁾	Aggregate Value Realized (\$) ⁽²⁾	Unexercised RTU's at Year End (#) ⁽³⁾ Exercisable/Unexercisable	Value of Unexercised in the Money RTU's at Year End ⁽³⁾ (\$) Exercisable/Unexercisable
Steven R. VanSickle	23,855	225,020	Nil / 72,295	Nil / 473,532
David L. Summers	15,813	149,097	Nil / 51,085	Nil / 334,607
Aaron Grandberg	11,746	111,097	Nil / 35,381	Nil / 231,746
Gary M. Poirier	32,968	224,369	Nil	Nil
David E. T. Pyke	32,968	224,369	Nil	Nil
David S. Cymbalisty	32,968	224,369	Nil	Nil

Notes:

- (1) In the case of Messrs. Poirier, Pyke and Cymbalisty, includes 23,423, 23,423 and 23,423 Trust Units, respectively, acquired pursuant to RTU's in connection with Reorganization.
- (2) Based on the five day volume weighted average trading price of the Trust Unit prior to date of exercise or deemed exercise.
- (3) At year end, each outstanding RTU entitles the holder to acquire one Common Share (plus an adjustment for distributions on the Trust Units prior to the Reorganization). Value is based on the closing price of the Common Shares on December 31, 2007 of \$6.55.

Retention Awards*Retention Award Grants During the Year Ended December 31, 2007.*

On completion of the Reorganization, the Corporation adopted the Retention Reward Plan. The following sets forth information in respect of Retention Awards granted to the Named Executive Officers under the Retention Award Plan on completion of the Reorganization during the most recently completed financial year. See "Retention Award Plan"

Name	Retention Awards Granted (#)	Percentage of total Retention Awards Granted to Employees in 2007	Base Price (\$/Retention Award)	Market Value of Securities Underlying Retention Awards on the Date of Grant (\$/Retention Award) ⁽¹⁾	Expiration Date ⁽²⁾
Steven R. Van Sickle	350,000	4.7	5.75	5.75	December 19, 2010
David L. Summers	350,000	4.7	5.75	5.75	December 19, 2010
Aaron G. Grandberg	350,000	4.7	5.75	5.75	December 19, 2010
Gary M. Poirier	275,000	3.7	5.75	5.75	December 19, 2010
David E.T. Pyke	275,000	3.7	5.75	5.75	December 19, 2010
David S. Cymbalisky	275,000	3.7	5.75	5.75	December 19, 2010

Notes:

- (1) Based on the five day volume weighted average trading price prior to the date of issue.
(2) Subject to earlier expiration in the event that Options are granted to the holder of the Retention Awards (see "Retention Award Plan").

Aggregate Retention Award Exercised During the Year Ended December 31, 2007 and Year End Retention Award Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Retention Awards at Year End (#) Exercisable / Unexercisable	Value of Unexercised in the Money Retention Awards at Year End ⁽¹⁾ (\$ Exercisable / Unexercisable ⁽¹⁾)
Steven R. VanSickle	Nil	Nil	Nil / 350,000	Nil / 280,000
David L. Summers	Nil	Nil	Nil / 350,000	Nil / 280,000
Aaron Grandberg	Nil	Nil	Nil / 350,000	Nil / 280,000
Gary M. Poirier	Nil	Nil	Nil / 275,000	Nil / 220,000
David E. T. Pyke	Nil	Nil	Nil / 275,000	Nil / 220,000
David S. Cymbalisky	Nil	Nil	Nil / 275,000	Nil / 220,000

Note:

- (1) Based on the closing price of the Common Shares on December 31, 2007 of \$6.55.

Securities Authorized for Issuance under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under all of the Corporation's equity compensation plans as at December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding rights (a)	Weighted-average exercise price of outstanding rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	543,247 ⁽¹⁾	N/A	Nil ⁽¹⁾
Equity compensation plans not approved by securityholders	-	-	-
Total	543,247 ⁽¹⁾		Nil ⁽¹⁾

Notes:

- (1) Represents Common Shares issuable pursuant to outstanding Restricted Units and Performance Units held by Non-Vesting Participants. The Trust Units issuable pursuant to all other Restricted Units and Performance Units were issued in connection with the Reorganization. No further Restricted Units or Performance Units are issuable pursuant to the Incentive Plan.
- (2) See also the "*Retention Award Plan*". No securities are issuable pursuant to Retention Awards granted thereunder.

Incentive Plan

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

In connection with the Reorganization, all outstanding Performance Units, other than those held by members of the Board and each of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer who agreed to waive their right to accelerated vesting as a result of the Reorganization (being the Non-Vesting Participants), vested and the Trust Units were issued pursuant thereto. In connection therewith, the number of Trust Units issued in respect of each outstanding Trust Unit was based upon a multiplier of 0.72 adjusted to give effect to average accumulated distributions on outstanding Trust Units, resulting in the issuance of 0.92 Trust Units for each outstanding Performance Unit. The Non-Vesting Participants continue to hold their Performance Units under the terms of the Incentive Plan and will be entitled to receive 0.92 of a Common Share (rather than Trust Units) for each Performance Unit upon vesting in accordance with normal vesting periods provided in the Incentive Plan. In addition, all Trust Units issuable pursuant to outstanding Restricted Units, other than those held by Non-Vesting Participants, were issued pursuant to the Incentive Plan in connection with the Reorganization and an aggregate of 453,241 Trust Units were issued in respect of such Restricted Units (being one Trust Unit for each Restricted Unit adjusted for distributions on the Trust Units). The Non-Vesting Participants continue to hold Restricted Units under the terms of the Incentive Plan and are entitled to receive one Common Share plus additional Common Shares in respect of an adjustment for distributions on Trust Units from the grant of the applicable Restricted Unit to the date of the Reorganization (being an aggregate of 215,476 Common Shares) upon vesting in accordance with the normal vesting periods provided in the Incentive Plan.

The Non-Vesting Participants continue to hold an aggregate of 356,275 Performance Units, entitling them to acquire an aggregate of 327,771 Common Shares upon vesting. The Non-Vesting Participants also hold an aggregate of 175,711 Restricted Units entitling them to acquire an aggregate of 215,476 Common Shares upon vesting.

Retention Award Plan

On completion of the Reorganization, the Corporation adopted a cash based retention award plan (the "**Retention Award Plan**"), which provides for the granting of retention awards ("**Retention Awards**") to directors, officers, employees, consultants and other service providers of Fairborne and its subsidiaries. Upon vesting, each Retention Award entitles the holder to a cash payment based upon the appreciation in value of the Common Shares, such payment being equal to the difference between the market price of the Common Shares at the date of grant (the "**Grant Price**") of the applicable Retention Award and the market price of the Common Shares at the date of exercise. Unless otherwise provided, the Retention Awards vest as to one-third of the number of Retention Awards granted on each of the first, second, and third anniversaries of the date of grant (subject to acceleration in certain instances) and any unexercised Retention Awards will be deemed to be exercised on the third anniversary of the date of grant. If a grantee ceases to be a service provider (other than by reason of death or termination for cause), all vested but unexercised Retention Awards held by such grantee will be deemed to be automatically exercised on the date of termination of employment and all unvested Retention Awards will be deemed to be cancelled without any payment thereunder. If a grantee ceases to be a service provider by reason of termination for cause, all rights of such grantee in respect of Retention Awards are forfeited and terminated without any payment. In the event of the death of a grantee, all Retention Awards held by the grantee on the date of death vest and such Retention Awards will be automatically exercised on the date of death. The Retention Award Plan is solely cash based and, accordingly, the Corporation will not issue any Common Shares in connection with the Retention Award Plan.

If the Option Plan is approved by shareholders of the Corporation and adopted, the Board does not intend to grant any further Retention Awards under the Retention Award Plan. See "Matters to be Acted Upon at the Meeting – Approval of Share Option Plan". Also, pursuant to the Retention Award Plan, if a grantee of Retention Awards is also granted Options under the Option Plan then:

- (a) if the exercise price of Options granted is equal to or less than the Grant Price of Retention Awards granted to the grantee, then a number of Retention Awards equal to the number of Options granted will terminate without any payment in respect thereof; and
- (b) if the exercise price of Options granted to such grantee is greater than the Grant Price of Retention Awards, then, at the option of the Board, either:
 - (i) the amount payable pursuant to a number of Retention Awards held by such grantee equal to the number of Options granted will be capped and the exercise price of the Retention Awards will be equal to the exercise price of such Options (notwithstanding any increase in the market value of the Common Shares thereafter) and such Retention Awards shall vest on the date the Options are granted;
 - (ii) a number of Retention Awards held by such grantee equal to the number of Options so granted shall vest and be deemed to have been exercised on the date of grant of such Option, and the exercise price of such Retention Awards will be equal to the exercise price of the Options so granted (provided that the vesting schedule for the Options so granted shall be the same as the Retention Awards deemed exercised pursuant to the foregoing).

The Corporation may also propose to grantees of Retention Awards that, if alternative (b)(i) is selected, prior to the grant of Options under the Option Plan, the grantee of the Retention Awards will also be required to agree that one-third of such Retention Awards held by such grantee will vest on the grant of Options and one-third of the Retention Awards held by such grantee will vest on the first and second anniversary dates of the grant of the Options.

Bonus Plan

Following the Reorganization, the Corporation established a bonus plan for its executive officers and employees based and dependent upon, among other things, the financial performance of the Corporation for the applicable period. Seventy-five percent of the bonus entitlement is based upon growth over 5% (the "**Threshold Amount**") in reserves per share, production per share and cash flow per share (as combined, the "**Growth Factor**"). The remaining 25% of the bonus entitlement is available at the discretion of the Board. Bonus details are reviewed annually by the Board. The maximum bonus that may be paid to the Named Executive Officers, including the Chief Executive Officer, under the bonus plan is 100% of their respective annual salary.

Compensation of Directors

Each of the non-management directors of Fairborne received in 2007 an annual retainer of \$20,000 and \$1,500 per meeting of the board of directors or committee meeting attended, plus expenses of attending. Each of the Chairs of our respective committees received an additional annual retainer of \$5,000. Following the acquisition by the Trust of Fairquest in June of 2007, Mr. Walls commenced receiving fees as a non-management director in accordance with the foregoing. A total of \$158,000 in fees were paid to our directors in the year ended December 31, 2007. Directors also participated in the Incentive Plan and the Retention Award Plan. Carl J. Tricoli has waived payment of any fees or compensation for acting as a director of the Corporation. Each of the Trust's non-management directors other than Mr. Tricoli, were granted 3,895 Restricted Units and 3,895 Performance Units in fiscal 2007. In addition, on completion of the Reorganization, non-management directors, other than Mr. Tricoli, were each granted 75,000 Retention Awards.

The following table sets out each director's compensation in 2007:

Director	Board Retainer (\$)	Committee Chairman Retainer (\$)	Board Attendance Fee (\$)	Total Fees Paid (\$)	RTU's Granted ⁽³⁾	PTU's Granted ⁽⁴⁾	Retention Awards Granted ⁽⁵⁾
Richard A. Walls ⁽¹⁾	10,000	-	6,000	16,000	3,895	3,895	75,000
Robert B. Hodgins	20,000	5,000	10,500	35,500	3,895	3,895	75,000
Johannes J. Nieuwenburg	20,000	5,000	10,500	35,500	3,895	3,895	75,000
Michael E.J. Phelps	20,000	5,000	10,500	35,500	3,895	3,895	75,000
Carl J. Tricoli ⁽²⁾	-	-	-	-	-	-	-
Rodney D. Wimer	20,000	5,000	10,500	35,500	3,895	3,895	75,000

Notes:

- (1) Richard A. Walls commenced receiving compensation as a director of the Corporation only following the acquisition by the Corporation of Fairquest which was effective June 4, 2007.
- (2) Carl J. Tricoli was appointed as a director of the Corporation December 19, 2007 on completion of the Reorganization and was not paid any compensation in 2007.
- (3) All of the directors of the Corporation are Non-Vesting Participants for purposes of RTU's held by them. Each RTU will entitle them to acquire one Common Share plus additional Common Shares in respect of an adjustment for distributions on Trust Units, upon vesting in accordance with the normal vesting period provided in the Incentive Plan.
- (4) All of the directors of the Corporation are Non-Vesting Participants for purposes of PTU's held by them. Each PTU will entitle them to acquire 0.92 of a Common Share upon vesting in accordance with the normal vesting period provided in the Incentive Plan.
- (5) See "Retention Award Plan". Each Retention Award granted to the non-management directors has a Grant Price of \$5.75.
- (6) Steven R. VanSickle does not receive any compensation for acting as a director of Fairborne as he is also an officer of Fairborne and compensated as such.

The following table sets out each director's equity ownership interest in the Trust prior to completion of the Reorganization and in the Corporation thereafter and changes in ownership interest since April 25, 2007:

Director	Equity Ownership at April 25, 2007		Equity Ownership at December 18, 2007 ⁽²⁾		Net Change in Equity Ownership April 25, 2007 to December 18, 2007	
	Trust Units	Exchangeable Shares ⁽²⁾	Trust Units	Exchangeable Shares ⁽²⁾	Trust Units	Exchangeable Shares
Robert B. Hodgins	6,946	-	25,630	-	18,684	-
Johannes J. Nieuwenburg	55,946	-	94,903	-	38,957	-
Michael E.J. Phelps	54,485	-	113,156	-	58,671	-
Steven R. VanSickle	915,076	-	1,185,849	-	270,773	-
Richard A. Walls	662,618	1,988,239	2,120,604	1,337,302	1,457,986	(650,937)
Carl J. Tricoli ⁽¹⁾	-	-	-	-	-	-
Rodney D. Wimer	120,534	-	150,006	-	29,472	-

Director	Equity Ownership at December 19, 2008 Common Shares ⁽³⁾	Equity Ownership at April 10, 2008 Common Shares	Net Change in Equity Ownership December 19, 2007 to April 10, 2008	Director's "Equity at Risk" Amount ⁽⁴⁾ \$
Robert B. Hodgins	25,630	27,708	2,078	215,014
Johannes J. Nieuwenburg	94,903	96,981	2,078	752,573
Michael E.J. Phelps	113,156	115,234	2,078	894,216
Carl J. Tricoli ⁽¹⁾	-	-	-	-
Steven R. VanSickle	1,185,849	1,220,372	34,523	9,470,087
Richard A. Walls	3,938,412	3,573,991	(364,421)	27,734,170
Rodney D. Wimer	150,006	152,084	2,078	1,180,172

Notes:

- (1) Carl J. Tricoli was appointed as a director of the Corporation on December 19, 2007. He is a Senior Managing Director of Denham Capital Management LP, the investment advisor to Denham Commodity Partners Fund IV LP, a principal

shareholder of the Corporation. See "Information Concerning the Corporation – Voting Shares and Principal Holders Thereof".

- (2) Holders of exchangeable shares were not eligible to receive monthly distributions, however the exchange ratio increased on a monthly basis by an amount equal to the current month's Trust Unit distribution multiplied by the then current exchange ratio and divided by the five day volume weighted average trading price of the Trust Unit at the end of each month. Exchangeable shares were convertible into Trust Unit as at April 25, 2007 at an exchange ratio of 1.23378. Exchangeable shares were convertible into Trust Units as at December 18, 2007 at an exchange ratio of 1.35931 and all exchangeable shares were exchanged for Common Shares pursuant to the Reorganization on the basis of such exchange ratio.
- (3) Pursuant to the Reorganization, each outstanding Trust Unit was exchanged for one Common Share and each exchangeable share was exchanged into 1.35931 Common Shares based on the exchange ratio in effect on such date.
- (4) "Equity at Risk" amount is calculated using the closing price of the Common Share (\$7.76 per Common Share) on the TSX on April 10, 2008.

Employment Agreements

Fairborne has entered into executive employment agreements (the "**Executive Employment Agreements**") with Messrs. VanSickle, Grandberg and Summers and has entered into change of control agreements ("**Change of Control Agreements**") with its other executive officers. The Executive Employment Agreements may be terminated by Fairborne upon payment of a retiring allowance equal to one and one-half times the executive's then annual salary plus 15% of one and a half times the then annual salary to compensate for loss of benefits and one and a half times cash bonuses paid or payable to the executive in respect of the 24 months preceding the termination date, divided by two. In the event of a change of control (as defined in the Executive Employment Agreement), if the executive is not offered a comparable position following the change of control, the executive has the right, for a period of 6 months following the change of control, to terminate the agreement and be paid the foregoing retirement allowance. Pursuant to the Change of Control Agreements, in the event of a change of control (as defined therein), if the officer's employment is terminated or the officer is constructively dismissed, the officer has the right to terminate his employment and be paid a retirement allowance equal to between nine months' and fifteen months' salary (depending on the length of employment with Fairborne) plus 15% of such officer's annual salary to compensate for loss of benefits.

Composition and Role of the Compensation Committee

Our Compensation Committee is comprised of Rodney D. Wimer (Chairman), Johannes J. Nieuwenburg and Michael E.J. Phelps. None of these persons are officers or former officers of Fairborne and all are "independent" for purposes of National Policy 58-201 – Corporate Governance Guidelines. The committee's mandate is to formally make recommendations to the Board in respect of compensation issues relating to directors, senior management and staff of Fairborne, including the compensation of the Chief Executive Officer.

Report of Compensation Committee

TO: The Shareholders of Fairborne Energy Ltd.

Our compensation policies are founded on the principal that executive and employee compensation should be aligned with securityholders' interests. The objectives of the program are to attract and retain a high quality management and employee team and to motivate performance by tying a significant portion of the compensation to enhancement in share value. Upon formation of the Trust in June, 2005, base salaries were established at the median of our peer group in the industry. On formation of the Trust, we adopted the Incentive Plan pursuant to which Restricted Units and Performance Units were granted to Trust service providers, which were subject to vesting provisions and, in the case of the Performance Units, certain performance criteria as set forth in the Incentive Plan.

In 2007, executive compensation was comprised of three elements: base salary, cash bonuses and Performance Units and Restricted Units pursuant to the Incentive Plan. Base salaries for the year ended December 31, 2007 were set at approximately the median of our industry peers, with total compensation intended to range between the 50th and 90th percentile depending on both individual and corporate performance through the grant of both Restricted Units and Performance Units. The Compensation Committee reviewed the competitiveness of our compensation by position

relative to that of similar positions in an industry peer group by comparison to salary data contained in a survey prepared by an independent human resources consulting firm. We do not have a pension plan or other form of formal retirement compensation.

Restricted Units and Performance Units were generally granted under the Incentive Plan to service providers upon commencement of service. Additional grants were made periodically to recognize exemplary performance of, or the special contribution by, eligible individuals. An annual grant was generally made to eligible individuals based on both individual and company performance during the most recently completed financial year in relation to performance expected.

Restricted Units and Performance Units granted under the Incentive Plan for the 2007 fiscal year were generally granted on a 50% Restricted Unit 50% Performance Unit basis. The total number of Performance Units and Restricted Units previously held were also a consideration in determining future grants. The criteria for executive officers, including our Chief Executive Officer, was based on the foregoing.

In respect of the year ended December 31, 2007, cash bonuses were discretionary and aggregate bonuses in the amount of \$610,000 were awarded to the Named Executive Officers in respect of 2007. The Compensation Committee established certain qualitative and quantitative performance measures that were considered in the exercise of their discretion in granting the cash bonuses including measures relating to payout ratio, exit production and reserves (both absolute and debt adjusted), operating costs and certain other metrics. In addition, qualitative matters included currency of receivables, timing and nature of monthly reporting, establishment of internal control requirements and certain other control processes. No specific weighting was placed on any one measure but all measures were considered in considering overall performance. Such matters were considered in determining bonus levels but were not pre-determined criteria or targets that were required to be met prior to certain level of bonuses being awarded. The Compensation Committee determined that overall performance both qualitative and quantitative warranted the awarding of the cash bonuses as awarded.

On a go-forward basis after completion of the Reorganization, employee compensation (including that of the executive officers, including the Chief Executive Officer) will continue to be comprised of three elements: base salary, short-term incentive compensation (being cash bonuses) and long-term incentive compensation (being stock options, if the Corporation's share option plan is approved by shareholders, or Retention Awards).

In addition to base salaries, the Corporation adopted a cash bonus plan upon completion of the Reorganization, as described under "Bonus Plan". Seventy-five percent of entitlement under the bonus is based on pre-determined criteria as described and the balance is discretionary.

Upon completion of the Reorganization, the Corporation adopted the Retention Award Plan which is solely a cash based plan and no securities may be issued pursuant thereto. Initial Retention Awards were granted on completion of the Reorganization. The Retention Award Plan was adopted in order to "bridge the gap" created on completion of the Reorganization until a share option plan could be adopted and approved by shareholders. If the Corporation's Option Plan is approved by shareholders at the Meeting, it is not intended that any additional Retention Awards will be granted. Pursuant to the Retention Award Plan, if a holder of Retention Awards is granted Options, such Retention Awards may be terminated, deemed exercised or the amount payable thereunder capped depending upon the exercise of Options granted as compared to the Grant Price of the Retention Awards (see "Retention Award Plan"). If the Option Plan is approved at the Meeting, it is intended that Options would be awarded following approval and upon the commencement of employment with the Corporation based on a level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation.

The Corporation's compensation policy is intended to permit the Corporation to attract and retain a team of motivated individuals and support staff working towards the common goal of enhancing shareholder value. The Compensation Committee and the board of directors will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of the Corporation.

Submitted by the Compensation Committee:

Rodney D. Wimer (Chairman)
 Johannes J. Nieuwenburg
 Michael E. J. Phelps

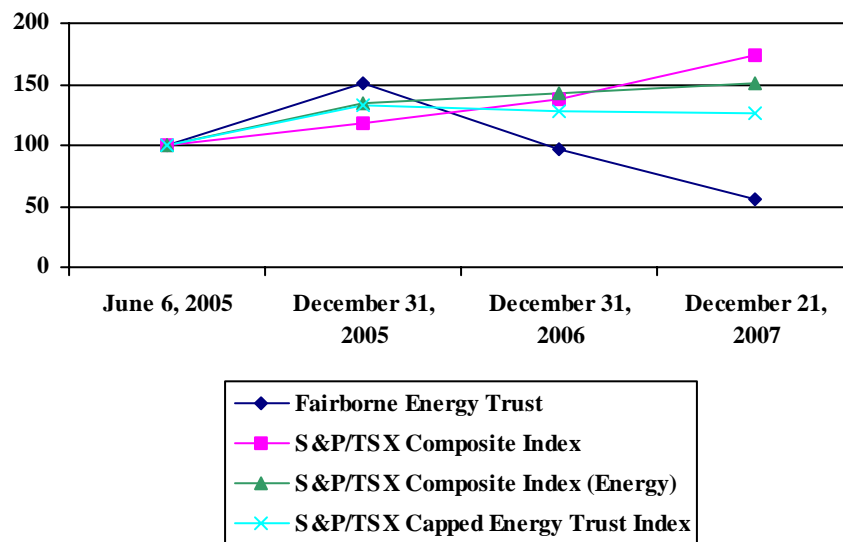
Indebtedness of Directors and Executive Officers

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

Performance Graph

The following graph illustrates the change in the cumulative unitholder return from the date the Trust Units commenced trading on the TSX, assuming an initial investment of \$100 in units of the Trust, compared to the S&P/TSX Composite Index, the S&P/TSX Composite Index Energy (Sector) and the S&P/TSX Capped Energy Trust Index, with all dividends and distributions reinvested. Pursuant to the Reorganization, all outstanding Trust Units were exchanged for Common Shares on a one-for-one basis effective December 19, 2007 and the Trust Units ceased trading on the TSX on December 24, 2007.

**Cumulative Total Return on \$100 Investment
 (June 6, 2005 – December 31, 2007)**



	June 6, 2005	December 31, 2005	December 31, 2006	December 21, 2007 ⁽⁵⁾
Fairborne Energy Trust ⁽¹⁾	100	151	96	55
S&P/TSX Composite Index ⁽²⁾	100	118	138	173
S&P/TSX Composite Index (Energy) ⁽³⁾	100	134	143	151
S&P/TSX Capped Energy Trust Index ⁽⁴⁾	100	133	128	126

Notes:

- (1) Reflects unitholder return from the date the Trust Units commenced trading on the TSX.
- (2) The S&P/TSX Composite Index was previously called the TSE 300 Index.

- (3) The S&P/TSX Composite Index Energy (sector) was previously called the TSX Oil and Gas Producers Index.
- (4) The S&P/TSX Capped Energy Trust Index was previously called the S&P/TSX Canadian Energy Trust Index.
- (5) December 21, 2007 was the last trading day that the Trust Units traded on the TSX following completion of the Reorganization and the Common Shares commenced trading thereafter.

CORPORATE GOVERNANCE DISCLOSURE

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

INTEREST OF MANAGEMENT AND INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

1. Pursuant to a plan of arrangement (the "**Fairquest Arrangement**") involving the Trust, the Corporation and Fairquest Energy Limited ("**Fairquest**") completed on June 4, 2007, the Trust acquired all of the issued and outstanding common shares of Fairquest ("**Fairquest Shares**"). Mr. Richard A. Walls, the Chairman and a director of Fairborne, was the President and Chief Executive Officer and director of Fairquest prior to completion of the Fairquest Arrangement. Mr. Walls received \$618,750 in connection with the termination of his employment with Fairquest upon completion of the Fairquest Arrangement. Mr. Walls also held (i) 150,000 options ("**Fairquest Options**") to acquire Fairquest Shares which were terminated for no consideration immediately prior to completion of the Fairquest Arrangement and (ii) 650,000 common share purchase warrants of Fairquest ("**Fairquest Warrants**") which were exchanged for Trust Unit purchase warrants in conjunction with completion of the Fairquest Arrangement based upon the same exchange ratio that Fairquest Shares were exchanged for Trust Units under the Fairquest Arrangement.

The directors and officers of Fairborne and their associates and affiliates, as a group, owned, directly or indirectly, or exercised control or direction over, an aggregate of 5,378,256 Fairquest Shares (including common shares issued upon conversion of performance shares of Fairquest immediately prior to completion of the Fairquest Arrangement) which were exchanged for an aggregate of 2,097,520 Trust Units under the Fairquest Arrangement. In addition, such individuals held in the aggregate 440,000 Fairquest Options and 2,711,334 Fairquest Warrants which were treated in the same fashion as those held by Mr. Walls as described above.

2. The directors and officers of Fairborne and their associates and affiliates, as a group, owned, directly or indirectly, or exercised control or direction over, an aggregate of 6,540,006 Trust Units and 1,473,734 Exchangeable Shares which were exchanged for an aggregate of 8,543,267 Common Shares under the Reorganization. In addition, the directors and officers of Fairborne also held an aggregate of 1,067,070 Trust Unit purchase warrants of the Trust which were adjusted so as to be exercisable for Common Shares, rather than Trust Units, following completion of the Reorganization. The directors and officers of Fairborne also held an aggregate of 286,379 Restricted Units and 555,675 Performance Units prior to completion of the Reorganization. While all outstanding Restricted Units and Performance Units vested pursuant to the terms of the Incentive Plan effective immediately prior to completion of Reorganization, the Non-Vesting Participants waived their right to accelerated vesting of their Restricted Units and Performance Units under the Incentive Plan and, accordingly, such individuals continue to hold in the aggregate 175,711 Restricted Units and 356,275 Performance Units, respectively, which continue to be held subject to the terms and conditions of the Incentive Plan but which are now exercisable for Common Shares, rather than Trust Units, at such times as they become vested.

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

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

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2007 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management discussion and analysis are available upon request from our Chief Financial Officer at 3400, 450 – 1st Street S.W., Calgary, Alberta, T2P 5H1, Attention: Aaron Grandberg (Telephone (403) 290-3217 or agrandberg@fairborne-energy.com).

Also see "Audit Committee" in the Corporation's annual information form for the year ended December 31, 2007 for information relating to the Audit Committee, including its mandate, composition of the Audit Committee and fees paid to the Corporation's auditors.

OTHER MATTERS

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

APPROVAL

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

DATED April 18, 2008.

APPENDIX "A"

SHARE OPTION PLAN

1. Purpose of Plan

The purpose of this plan is to develop the interest of officers, directors, employees of, consultants to, Fairborne Energy Ltd. and its subsidiaries or persons providing services on an ongoing basis thereto in the growth and development of the Corporation and its subsidiaries by providing them with the opportunity through share options to acquire an increased proprietary interest in the Corporation.

2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

- (a) "**Black-Out Period**" means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (b) "**Board**" means the board of directors of the Corporation;
- (c) "**Business Combination**" means a take-over bid, plan of arrangement, amalgamation, reorganization or other business combination involving the Corporation and/or shareholders of the Corporation which is consummated;
- (d) "**business day**" a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are generally not open for business;
- (e) "**Common Shares**" means the common shares of the Corporation or, in the event of an adjustment contemplated by Section 12 hereof, such other Common Shares to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;
- (f) "**Committee**" means a special committee of the board of directors appointed from time to time by the Board to administer the Plan or, if no such committee is appointed, the Board;
- (g) "**Corporation**" means Fairborne Energy Ltd., and includes any successor corporation thereof;
- (h) "**Exchange**" means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;
- (i) "**Holder**" means a person, a group of persons or persons acting jointly or in concert, or persons associated or affiliated, within the meaning of the *Securities Act* (Alberta), with any such person, group of persons or any of such persons acting jointly or in concert;
- (j) "**insider**" and "**associate**" have the meaning set forth in the *Securities Act* (Alberta);
- (k) "**Insider**" means an insider of the Corporation and any person who is an associate of an insider of the Corporation;
- (l) "**Market Price**" means the volume weighted average trading price of the Common Shares on the Exchange (or if the Common Shares are listed on more than one stock exchange, on such stock exchange as may be designated by the Committee for such purpose) for the five (5) trading days immediately preceding the date of grant of Options or on such day as is otherwise specified herein

and, for this purpose, the weighted average trading price shall be calculated by dividing the total value by the total volume of Common Shares traded for such period;

- (m) **"Options"** means options to purchase Common Shares granted pursuant to the provisions hereof;
- (n) **"Optionees"** means persons to whom Options are granted and which Options, or a portion thereof, remain unexercised;
- (o) **"Plan"** means this share option plan of the Corporation, as the same may be amended or varied from time to time;
- (p) **"Security Based Compensation Arrangements"** means (i) stock option plans for the benefit of employees, insiders, Service Providers or any one of such groups; (ii) individual stock options granted to employees, Service Providers or Insiders if not granted pursuant to a plan previously approved by the Corporation's shareholders; (iii) stock purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased; (iv) stock appreciation rights involving issuances by the Corporation of securities from treasury; (v) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation; and (vi) security purchases from treasury by an employee, Insider or Service Provider which is financially assisted by the Corporation by any means whatsoever; and
- (q) **"Service Provider"** means a person or company engaged by the Corporation to provide services for an initial, renewable or extended period of twelve months or more.

3. Administration

The Plan shall be administered by the Committee pursuant to rules of procedure fixed by the Board.

4. Granting of Options

Subject to this Section 4, the Committee may from time to time designate directors, officers, employees of, and consultants to, the Corporation or its subsidiaries and other persons providing services on an ongoing basis to the Corporation or its subsidiaries to whom Options may be granted and the number of Common Shares to be optioned to each, provided that the number of Common Shares to be optioned shall not exceed the limitations provided in Section 5 hereof.

5. Limitations to the Plan

Notwithstanding any other provision of the Plan:

- (a) the maximum number of Common Shares issuable on exercise of Options outstanding at any time shall be limited to 10% of the issued and outstanding Common Shares;
- (b) the number of Common Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements, including this Plan, shall not exceed 10% of the issued and outstanding Common Shares;
- (c) the number of Common Shares issued to Insiders, within any one year period, under all Security Based Compensation Arrangements, including this Plan, shall not exceed 10% of the issued and outstanding Common Shares; and
- (d) the maximum number of Common Shares issuable to directors of the Corporation who are not officers or employees of the Corporation or its subsidiaries at any time pursuant to outstanding Options shall be limited to 1% of the issued and outstanding Common Shares.

For the purposes of Subsection 5(a) any increase in the issued and outstanding Common Shares (whether it is a result of exercise of Options, including under Section 10 hereof, or otherwise) will result in an increase in the number of Common Shares that may be issued on Options outstanding at any time and any increase in the number of Options granted will, upon exercise, make new grants available under the Plan.

Options that are cancelled, surrendered, terminated or expire prior to the exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to this Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired Option.

6. Vesting of Options

The Committee may, in its sole discretion, determine: (i) the time during which Options shall vest; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Committee to the contrary, Options will vest and be exercisable as to one-third (1/3) of the total number of Common Shares subject to the Options on each of the first, second and third anniversaries of the date of grant (computed in each case to the nearest full share) (subject to acceleration of vesting in the discretion of the Committee).

7. Option Price

Subject to the next paragraph, the exercise price of Options granted under the Plan shall be fixed by the Committee and if the Common Shares are listed on a stock exchange, the exercise price of the Options shall not be less than the Market Price or such other minimum price as may be required by the stock exchange on which the Common Shares are listed at the time of grant.

8. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring or permitting acceleration of rights of exercise, be such period, not in excess of five (5) years, as may be determined from time to time by the Committee but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five (5) years from the date of grant. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable. In addition, each Option shall provide that:

- (a) upon the death of the Optionee, the Option shall terminate on the date determined by the Committee which shall not be more than twelve (12) months from the date of death and, in the absence of any determination to the contrary, will be six (6) months from the date of death; and
- (b) if the Optionee shall no longer be a director or officer of or be in the employ of, or consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation (other than by reason of death), the Option shall terminate on the expiry of the period (the "**Termination Date**") not in excess of six (6) months prescribed by the Committee at the time of grant, following the date that the Optionee ceases to be a director or officer of, or an employee of or a consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation and, in the absence of any determination to the contrary, will be ninety (90) days following the date that the Optionee ceases to be a director or officer of, or an employee of or a consultant or other Service Provider to, the Corporation or any subsidiary of the Corporation;

provided that the number of Common Shares that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination shall be the number of Common Shares which the Optionee was entitled to purchase on the date the Optionee ceased to be an officer, director, employee, consultant or other Service Provider, as the case may be.

The Plan does not confer upon an Optionee any right with respect to continuation of employment by the Corporation or any subsidiary thereof, nor does it interfere in any way with the right of the Optionee, the Corporation or a subsidiary thereof to terminate the Optionee's employment or service provision at any time.

If the normal expiry date of any Options falls within any Black-Out Period or within seven (7) business days following the end of any Black-Out Period ("**Black-Out Options**"), then the Expiry Date of such Black-Out Options shall, without any further action, be extended to the date that is seven (7) business days following the end of such Black-Out Period. The foregoing extension applies to all Options whatever the date of grant and shall not be considered an extension of the term of the Options as referred to in Section 18 hereof.

9. Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the shares then being purchased.

10. Cashless Exercise

Subject to the provisions of the Plan, if permitted by the Committee, an Optionee may elect to exercise an Option by surrendering such Option in exchange for the issuance of Common Shares equal to the number determined by dividing the Market Price (calculated as at the date of exercise) into the difference between the Market Price (calculated as at the date of exercise) and the exercise price of such Option. An Option may be exercised pursuant to this Section 10 from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying that the Optionee has elected to a cashless exercise of such Option and the number of Options to be exercised. The Corporation will not be required, upon the exercise of any Options pursuant to this Section 10, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, there will be paid to the Optionee by the Corporation upon the exercise of such Options pursuant to this Section 10 within ten (10) business days after the exercise date, an amount in lawful money of Canada equal to the then fair market value of such fractional interest (as determined by the Committee), provided that the Corporation will not be required to make any payment, calculated as aforesaid, that is less than \$10.00. Upon exercise of the foregoing, the number of Common Shares actually issued shall be deducted from the number of Common Shares reserved with the Exchange for future issuance under the Plan and the balance of the Common Shares that were issuable pursuant to the Options so surrendered shall be considered to have been cancelled and available for further issuance.

11. Surrender Offer

An Optionee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Optionee to the Corporation (and the termination thereof) of any of the Options granted hereunder for an amount (not to exceed fair market value) specified therein by the Optionee and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Optionee. Upon the surrender and termination of Options pursuant to a Surrender Offer, the Common Shares issuable pursuant to such Options shall, for purposes of the number of Common Shares reserved for issuance with the Exchange, be available for further grants.

12. Alterations in Shares

In the event, at any time or from time to time, that the share capital of the Corporation shall be consolidated or subdivided prior to the exercise by the Optionee, in full, of any Option in respect of all of the shares granted or the Corporation shall pay a dividend upon the Common Shares by way of issuance to the holders thereof of

additional Common Shares, Options with respect to any shares which have not been purchased at the time of any such consolidation, subdivision or stock dividend shall be proportionately adjusted so that the Optionee shall from time to time, upon the exercise of an Option, be entitled to receive the number of shares of the Corporation the Optionee would have held following such consolidation, subdivision or stock dividend if the Optionee had purchased the shares and had held such shares immediately prior to such consolidation, subdivision or stock dividend. Upon any such adjustments being made, the Optionee shall be bound by such adjustments and shall accept the terms of such Options in lieu of the Options previously outstanding.

13. Mergers, Amalgamation and Sale

If the Corporation shall become merged (whether by plan of arrangement or otherwise) or amalgamated in or with another corporation or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation or other entity, the Corporation shall, subject to this Section 13, make provision that, upon exercise of an Option during its unexpired period after the effective date of such merger, amalgamation or sale, the Optionee shall receive such number of shares of the continuing successor corporation or other entity in such merger or amalgamation or the securities or shares of the purchasing corporation or other entity as the Optionee would have received as a result of such merger, amalgamation or sale if the Optionee had purchased the shares of the Corporation immediately prior thereto for the same consideration paid on the exercise of the Option and had held such shares on the effective date of such merger, amalgamation or sale and, upon such provision being made, the obligation of the Corporation to the Optionee in respect of the Common Shares subject to the Option shall terminate and be at an end and the Optionee shall cease to have any further rights in respect thereof.

14. No Rights as a Shareholder

An Optionee shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Common Shares issuable upon exercise of an Option until certificates representing such Common Shares have been issued and delivered.

15. Cessation of Employment

For the purposes of this Plan and all option agreements, unless otherwise provided in the applicable option agreement, an Optionee shall be deemed to have ceased to be a Service Provider and an Optionee shall be deemed to have terminated or resigned from employment or consulting arrangement with the Corporation or any of its subsidiaries, as applicable, for the purposes hereof on the first to occur of such termination or resignation or the date (as determined by the Board) that the Optionee ceases in the active performance of all of the regular duties of the Optionee's job, which includes the carrying on of all of the usual and customary day-to-day duties of the job for the normal and scheduled number of hours in each working day, unless the foregoing is a result in a leave of absence ("Leave") approved for this purpose by the Committee or senior officer to whom such Service Provider reports; the foregoing to apply whether or not adequate or proper notice of termination shall have been provided by and to the Corporation or its subsidiaries, as applicable, in respect of such termination of employment or consulting arrangement. If the Optionee shall take a Leave, the Committee may, in its sole discretion, also modify or change the vesting of any Options granted to such Optionee to take into account the period of the Leave.

16. Regulatory Authorities Approvals

The Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Options granted prior to such approval and after listing on any such stock exchange shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

17. Option Agreements

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to Option, the exercise price, the vesting dates, circumstances when vesting of Options may be accelerated, the expiry date and any other

terms approved by the Committee, all in accordance with the provisions of this Plan. The agreement will be in such form as the Committee may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation. Such agreements may also contain such other provisions not inconsistent with the provisions hereof as the Committee may determine.

18. Amendment or Discontinuance of the Plan

Subject to the restrictions set out in this Section 18, the Committee may amend or discontinue the Plan and Options granted thereunder at any time without shareholder approval; provided any amendment to the Plan that requires approval of any stock exchange on which the Common Shares are listed for trading may not be made without approval of such stock exchange. Without the prior approval of the shareholders, or such approval as may be required by the Exchange, the Committee may not:

- (a) make any amendment to the Plan to increase the percentage of Common Shares reserved for issuance on exercise of outstanding Options at any time pursuant to Subsection 5(a) hereof;
- (b) reduce the exercise price of any outstanding Options;
- (c) extend the term of any outstanding Option beyond the original expiry date of such Option;
- (d) an amendment to increase the maximum limit on the number of securities that may be issued to Insiders pursuant to Section 5(b) or (c);
- (e) an amendment to Section 5(d) to increase the maximum number of Common Shares issuable to directors who are not officers or employees of the Corporation under Security Based Compensation Arrangements;
- (f) make any amendment to the Plan that would permit an Optionee to transfer or assign Options to a new beneficial Optionee other than in the case of death of the Optionee; or
- (g) an amendment to amend this Section 18.

In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously granted to such Optionee under the Plan.

19. Effective Time

This Plan shall be effective as of the 29th day of May, 2008.

APPENDIX "B"

CORPORATE GOVERNANCE DISCLOSURE

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

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

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

1. Board of Directors

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

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

Robert B. Hodgins
Johannes J. Nieuwenburg
Michael E.J. Phelps
Carl J. Tricoli
Rodney D. Wimer

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

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

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

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

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

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

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

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

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
Robert B. Hodgins	AltaGas General Partner Inc. Enerflex Systems Ltd. Enerplus Resources Ltd. MGM Energy Corp.
Johannes J. Nieuwenburg	RIFCO Inc. Verenex Energy Inc.
Michael E.J. Phelps	Canadian Pacific Railway Canfor Corporation Spectra Energy Corporation Kodiak Exploration Limited
Carl J. Tricoli	–
Steven R. VanSickle	Seaview Energy Inc.
Richard A. Walls	–
Rodney D. Wimer	EPCOR Power L.P.

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

At the end of or during each meeting of the Board, the Board considers whether it is necessary to have a meeting of the independent directors to consider any matters arising from the meeting or otherwise and, if so, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. Four such meetings of the independent directors, which have been held after each meeting of the Board, have been held since the beginning of our most recently completed financial year. Other meetings of the independent directors may be held from time to time if required. In addition, in connection with the acquisition of Fairquest Energy Limited (See "Interest of Management and Informed Persons in Material Transactions"), a special committee of the Board of Directors was established and two meetings of such special committee were held in connection with its consideration of such transaction.

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

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

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

	No. of Meetings Held	R.A. Walls	S.R. VanSickle	M.E.J. Phelps	J.J. Nieuwenburg	R.D. Wimer	R.B. Hodgins
Board	9	9	9	9	9	9	9
Audit	4	-	-	4	-	4	4
Compensation	2	-	-	2	2	2	-
Governance	1	-	-	1	1	-	1
Reserves	1	-	-	-	1	1	1
Total Meetings	17	9	9	16	13	16	15
Attendance Rating		100%	100%	100%	100%	100%	100%

Carl J. Tricoli was appointed as a director of the Corporation effective December 19, 2007 and no board or committee meetings were held in 2007 following his appointment.

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

The mandate of the board is attached to this Information Circular – Proxy Statement as Appendix "C".

3. Position Descriptions

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

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

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

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

4. Orientation and Continuing Education

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

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

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

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

5. Ethical Business Conduct

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

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

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

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

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

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

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

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

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

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

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

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

6. Nomination of Directors

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

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

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

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

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

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

See item 6(a).

7. Compensation

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

Compensation of Directors

The compensation payable to the directors is determined upon a review of comparative data compiled by management for a number of comparable issuers within the oil and gas industry. A recommendation for compensation of directors is made to the Compensation Committee which then makes a recommendation to the Board for approval.

Compensation of Officers

Base salary ranges for executive officers are determined upon review of comparative data compiled by management for a number of comparable issuers within the oil and gas industry. In 2007, executive compensation was comprised of salary, Restricted Units and Performance Units granted pursuant to the Incentive Plan as well as cash bonuses in the discretion of the board of directors upon recommendation of the Compensation Committee. Recommendations for compensation are made by senior management of the Corporation to the Compensation Committee and recommended by the Compensation Committee for approval by the Board. Compensation of the President and Chief Executive Officer is determined by the Compensation Committee and recommended to the Board for approval.

See "Report of Compensation Committee".

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

The Compensation Committee is comprised entirely of independent directors.

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

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

- (i) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
- (ii) to review and recommend to the Board the retainer and fees to be paid to members of the Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those corporate goals and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on such evaluation;
- (iv) to recommend to the Board with respect to non-CEO officer and director compensation including to review management's recommendations for proposed stock option or retention awards and other incentive compensation plans and equity-based plans for non-CEO officer and director compensation and make recommendations in respect thereof to the Board;
- (v) to administer the stock option plan, retention award plan and other incentive plans (collectively, the "**Incentive Plans**") approved by the Board in accordance with its terms

including recommending (and if delegated authority thereunder, approving) the grant of stock options or other incentives under the Incentive Plans in accordance with the terms thereof;

- (vi) to determine and recommend for approval of the Board bonuses to be paid to officers and employees of the Corporation and its subsidiaries, as applicable, and to establish targets or criteria for the payment of such bonuses, if appropriate; and
- (vii) to prepare and submit a report of the Committee to the Board for approval of the Board and inclusion of annual disclosure required by applicable securities laws to be made by the Corporation including the Compensation Committee Report required to be included in the information circular – proxy statement of the Corporation and review other executive compensation disclosure before the Corporation publicly discloses such information.

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

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

During fiscal 2007, the Corporation did not engage the services of a compensation consultant in determining compensation for the Corporation's directors and officers; however, the Corporation did utilize the salary data contained in the 2007 "Mercer Total Compensation Survey for the Petroleum Industry" in setting benchmarks for total compensation for the respective positions within the Corporation.

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

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

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

- (i) annually reviewing the mandates of the Board and its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;

- (iii) preparing and recommending to the Board annually a statement of corporate governance practices to be included in the Corporation's annual report or information circular as required by the Toronto Stock Exchange and any other regulatory authority;
- (iv) making recommendations to the Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- (v) reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
- (vi) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
- (vii) developing and recommending to the Board for approval and periodically review structures and procedures designed to ensure that the Board can function effectively and independently of management;
- (viii) making recommendations to the Board regarding appointments of corporate officers and senior management;
- (ix) reviewing annually the committees' Mandates and Terms of Reference;
- (x) reviewing and considering the engagement at the expense of the Corporation of professional and other advisors by any individual director when so requested by any such director;
- (xi) establishing, reviewing and updating periodically a code of business conduct and ethics and ensure that management has established a system to monitor compliance with the code; and
- (xii) reviewing management's monitoring of the Corporation's compliance with such code.

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

- (xiii) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (xiv) reviewing the Corporation's procedures for providing information to the independent evaluator;
- (xv) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);

- (xvi) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (xvii) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (xviii) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and
- (xix) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

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

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

APPENDIX "C"

MANDATE OF THE BOARD OF DIRECTORS

GENERAL

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

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

SPECIFIC

Executive Team Responsibility

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

Operational Effectiveness and Financial Reporting

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

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

Integrity/Corporate Conduct

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

Board Process/Effectiveness

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

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

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

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

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

DELEGATION

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