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FAIRBORNE ENERGY LTD. ANNOUNCES \$36,000,000 FINANCING

December 3, 2004
Calgary, Alberta

Fairborne Energy Ltd. ("Fairborne") (TSX: FEL) is pleased to announce that it has entered into a financing agreement, on a bought deal basis, with a syndicate of underwriters, co-led by Canaccord Capital Inc., and Sprott Securities Inc., and including GMP Securities Ltd. and FirstEnergy Capital Corp. Fairborne has agreed to issue 2,500,000 common shares at an issue price of \$11.50 per share and 500,000 flow-through common shares at an issue price of \$14.50 per share for total gross proceeds of \$36,000,000. Proceeds of the offering will be used to expand Fairborne's capital budget to \$150 million in 2005 with the proceeds of the flow-through financing used to incur Canadian Exploration Expenditures that will be renounced to subscribers effective on or before December 31, 2004. The offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange. The common shares and the flow-through common shares will be offered in each of the provinces of Ontario, Alberta and British Columbia by way of a short form prospectus. Closing is expected to occur on or about December 23, 2004.

Fairborne has been active during 2004, drilling a total of 102 wells to date of which 25 have been drilled in the fourth quarter. At its Clive property, Fairborne presently has 30 coal bed methane gas wells producing 4.5 Mmcf per day and plans to accelerate this development in the first quarter of 2005. Moreover, first production of natural gas from Fairborne's successful drilling program at Columbia/Harlech is expected to commence prior to year end. In the first quarter of 2005, Fairborne plans to drill eight wells and install additional facilities at Columbia/Harlech.

Fairborne's current production is 10,600 to 10,800 BOE per day and it anticipates achieving its exit 2004 production of between 11,500 to 12,000 BOE per day.

Fairborne is a publicly traded company with its head office in Calgary and is engaged in the business of exploring for, developing and producing crude oil and natural gas in Western Canada.

This press release shall not constitute an offering to sell or the solicitation of any offer to buy the securities in any jurisdiction. The common shares will not be and have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States, or to a U.S. person, absent registration, or an applicable exemption therefrom.

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

Forward Looking Statements - Certain information regarding Fairborne Energy Ltd. set forth in this document, including management’s assessment of Fairborne Energy Ltd’s future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Fairborne Energy Ltd.’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Fairborne Energy Ltd.’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Fairborne Energy Ltd. will derive therefrom.