

January 31, 2005

Fairborne Energy Updates Reserves, Production and Operations

Fairborne Energy Ltd. (“Fairborne” or the “Company”) is pleased to provide the following operational update and certain results of its independent reserve evaluation as evaluated by Gilbert Laustsen Jung Associates Ltd. and Sproule Associates Ltd prepared in accordance with NI 51-101 for the year ended December 31, 2004.

Total Proved plus Probable reserves increased 179% over the previous year from 13.8 MMBOE to 38.6 MMBOE (83% on a per share basis) and the Company replaced 2004 production by approximately 834%. Results from drilling successes increased reserves by 19 MMBOE on a proved plus probable basis. As of December 31, 2004 the Company’s reserves were comprised of 70% natural gas and 30% oil and natural gas liquids.

The Company is also pleased to report that it achieved its targeted exit production rate of 11,700 BOE/d and that fourth quarter average production was approximately 10,600 BOE/d.

Summary of Oil and Gas Reserves - Gross ⁽¹⁾ and Net ⁽²⁾ Reserves ⁽³⁾⁽⁴⁾

	Light and Medium Crude Oil		Heavy Oil		Natural Gas Liquids		Natural Gas		2004 BOE	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (Bcf)	Net (Bcf)	Gross (MBOE)	Net (MBOE)
Proved										
-Developed Producing	4,332	3,652	94	83	940	651	62.6	48.3	15,804	12,442
-Developed Non-Producing	523	465	295	264	389	278	17.4	13.7	4,099	3,286
-Undeveloped	1,089	906	44	34	291	204	24	18.9	5,432	4,288
Total Proved	5,944	5,022	433	381	1,621	1,133	104	80.9	25,335	20,016
Probable	2,308	1,978	321	282	772	540	58.9	47.4	13,223	10,697
Total Proved Plus Probable	8,252	7,001	754	663	2,393	1,673	163	128.3	38,558	30,713

NOTES:

- (1) “Gross” reserves means the total working interest (operating and non-operating) share before deduction of royalties payable to others and without including any royalty interests of Fairborne.
- (2) “Net” reserves means the total working interest (operating and non-operating) share after deduction of royalty obligations plus Fairborne’s royalty interests in reserves.
- (3) Based on forecast prices and costs.
- (4) May not add due to rounding.

Reconciliation of Company Gross Reserves by Principal Product Type

	Crude Oil, NGL's & Heavy Oil (Mbbbls)		Natural Gas (Bcf)		Equivalent (MBOE) ⁽¹⁾	
	Total Proved	Total Proved ⁽¹⁾ Plus Probable	Total Proved	Total Proved Plus Probable	Total Proved	Total Proved Plus Probable
Opening Balance - January 1, 2004	4,798	6,003	31.7	46.9	10,087	13,816
Drilling	1,050	1,702	64.2	103.3	11,752	18,913
Improved Recovery	35	39.7			36	41
Revisions	-139	-255	2.1	1.7	208	20
Acquisitions	3,931	5,747	20.1	26.4	7,283	10,142
Dispositions	-625	-790	-2.5	-3.5	-1,041	-1,380
Production	-1,062	-1,062	-11.4	-11.4	-2,962	-2,962
Closing Balance ⁽²⁾ - December 31, 2004	7,987	11,384	104.3	163.2	25,335	38,558

NOTES:

- (1) The Company's Net (after royalty) opening balance as of January 1, 2004 was 8,231 Mboe Proven and 11,315 Mboe Proven plus Probable
- (2) May not add due to rounding

Reserve Life Index

The Company's reserve life index using annualized fourth quarter production is 6.5 for Proven reserves compared to 5.8 in 2003 and 10.0 for Proven plus Probable reserves compared to 7.9 in 2003. Reserve life calculated using annualized fourth quarter production may be more reflective of reserve life due to the level of new production added during the year.

	2004		2003	
	Using Annualized Q4 Production	Using Average Production	Using Annualized Q4 Production	Using Average Production
Production (BOE/d)	10,600	8,090	4,799	3,787
Proved reserves (Mboe)	25,340	25,340	10,073	10,073
Proved reserve life index (years)	6.5	8.6	5.8	7.3
Proved plus probable reserves (Mboe)	38,558	38,558	13,811	13,811
Proved plus probable reserve life index (years)	10.0	13.1	7.9	10.0

2005 Capital Program

Fairborne has budgeted for a capital spending program of \$150 million for 2005. This capital program will allow the Company to drill approximately 130 gross wells. Approximately \$100 million is planned to be spent on drilling and \$25 million of this is allocated to exploration wells at West Pembina, the Deep Basin and Columbia/Harlech. This compares to an estimated capital program of between \$125 million and \$135 million for 2004 (not including acquisitions).

Columbia – Harlech

During 2004, Fairborne drilled 10 gas wells (Avg. 80% WI) in the Columbia – Harlech area with a 100% success rate. The Company currently has three operated drilling rigs active in the area and plans to drill eight wells (Avg. 60% WI) in the first quarter and a total of 20 wells during all of 2005. Fairborne has continued to add prospective acreage to its land position and currently holds an interest in 119 gross sections (83 net sections). Current production is approximately 3.5 MMcf/d net to Fairborne from six wells with 3 to 4 MMcf/d, net to Fairborne, awaiting tie in during the first quarter from four wells. The compression facility constructed in the fourth quarter is operating at capacity and is currently being expanded to double its original size in order to handle gas awaiting tie in.

West Pembina – Brazeau

As part of Fairborne's deep exploration drilling strategy, the Company plans to drill one Nisku test per quarter at West Pembina–Brazeau during 2005. The Company's current Nisku test (45% WI) is drilling ahead with a total depth of 4,000m anticipated to be reached within the next few weeks. The well drilled in the fourth quarter of 2004 (50% WI) tested from the Nisku at a restricted rate of 4 MMcf/d and is anticipated to be on production by the end of the first quarter. Fairborne has remained active acquiring prospective acreage for the Nisku based on the large 3D data set acquired in 2004. The Company's inventory of Nisku prospects in the area has grown to 14 giving the Company a three to four year drilling inventory of prospects.

Deep Basin

In the Deep Basin at Pedley the Company is participating in a 5,100 m Leduc exploration well that spudded on January 6. The Company has an additional 3 deep exploration prospects on 100% interest acreage in the area.

The Company has also completed a farmin arrangement to offset its Wild River discovery of last year. The well, located at 7-15-57-24W5, is planned to spud by the end of February. The well is targeting the Nisku formation and is located one mile to the west of the discovery well drilled in early 2004.

Central Alberta

At Clive, the Company has drilled a total of 47 wells for coal bed methane ("CBM") in the Edmonton Group (Horseshoe Canyon Formation) and currently has 35 producing wells. Current production from CBM is 5.4 MMcf/d, net to Fairborne, with average production per well of 150 Mcf/d. As a result of the greater than anticipated well production rates, the Company has modified its development plans by reducing the number of wells required per section from 5 to 4. Fairborne has 52 sections of CBM rights in the greater Clive-Haynes area.

At Westeros, production commenced during the fourth quarter of 2004 with the completion of a major pipeline and compression facility. The Company plans to drill an additional five wells in this area during 2005.

Peace River Arch ("PRA")

Drilling activity continued at Gage, Progress and Saddle Hills with 4 additional wells drilled and completed during the fourth quarter. The Company will have one drilling rig active on the PRA in February and is planning to drill in excess of 20 wells on the PRA during the second half of 2005.

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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.