

Fairborne Energy Ltd. Announces the Creation of Fairborne Energy Trust and an Exploration Focused Junior Producer

(TSX: FEL)

CALGARY, March 9, 2005

Fairborne Energy Ltd. ("Fairborne") announced today that its Board of Directors has unanimously approved a proposal to reorganize Fairborne to create a new oil and gas trust, Fairborne Energy Trust ("Fairborne Trust" or the "Trust"), and a public exploration-focused junior producer, Fairquest Energy Limited ("Fairquest"), by way of a Plan of Arrangement (the "Arrangement"). Pursuant to the Arrangement, Fairborne shareholders will receive, for each outstanding common share of Fairborne, 0.333 of a common share of Fairquest and, at their election, either one unit of Fairborne Trust (which will receive monthly cash distributions), or one Exchangeable Share (the exchange ratio of which will be adjusted on a monthly basis in lieu of cash distributions to unitholders) in an affiliated entity, such shares being exchangeable into trust units of Fairborne Trust (subject to a maximum number of exchangeable shares to be issued).

With an anticipated enterprise value of approximately \$700 million, Fairborne Trust will own 90 percent of the existing producing assets of Fairborne and an undeveloped land base comprising 168,000 net acres. Fairquest will own an interest in certain of Fairborne's existing producing assets and 68,000 net acres of undeveloped lands. In addition, Fairquest will farm-in on 83,000 net acres of the Trust with a view to enhancing the production of both Fairquest and the Trust.

Richard A. Walls, President and CEO of Fairborne, has commented "This transaction represents an important and logical step in the evolution of Fairborne. We believe the Arrangement will provide Fairborne shareholders with the opportunity to realize the value of Fairborne's producing assets while preserving access to its sizeable inventory of growth opportunities. The Trust will have high quality long life assets in attractive areas, which will provide a unique combination of mature producing assets and a large inventory of low risk development drilling opportunities including growth of the coal bed methane assets. Based on the inventory of opportunities that we have identified, we are confident we can execute a business plan that will allow the Trust to actively reinvest funds from operations to grow production, while paying out an attractive distribution to our unitholders. As was the case in Fairborne, the Trust will also pursue strategic acquisitions on an opportunistic basis. Fairquest's mandate will be to access development and exploration opportunities on its initial land base which includes significant farm-in acreage available from the Trust. Overall, this transaction will provide shareholders with the opportunity to participate in both a high quality, sustainable Trust and an exciting new exploration company."

Benefits of the Transaction

The reorganization is designed to enhance shareholder value by separating certain lower risk assets to create a platform for optimization and stable distributions for the Trust and at the same time create a new growth-oriented junior producer. Shareholders of Fairborne will have the opportunity to participate in the future of both entities as a result of this transaction.

The transaction provides the following strategic benefits:

The separation of Fairborne's long-life, producing growth assets from its higher risk, exploratory high growth assets better aligns the risks and returns from each asset class and provides shareholders the opportunity to determine their participation in each asset class.

Fairborne Energy Trust will provide a natural gas oriented vehicle to deliver cash flow from its diverse portfolio of assets to unitholders in a tax efficient manner.

The Trust will have a Coal Bed Methane project with an additional 150 locations to be drilled in addition to the 42 wells that are currently producing approximately 6.3 MMcf per day

With current production of 11,000 BOE per day and 2005 exit production of approximately 11,500 BOE per day, the Trust will have the critical mass and access to relatively low cost capital required to compete effectively for acquisitions and incremental lower risk development opportunities.

Fairquest provides shareholders with a ground floor investment in a growth-oriented exploration focused producer.

Existing shareholders retain exposure to a substantial portfolio of over 300 identified exploration and development drilling opportunities.

Both the Trust and Fairquest will be managed by the same experienced team of professionals who have demonstrated their ability to deliver on exploration, exploitation, acquisition and financial management objectives.

Based on these and other factors, the Board of Directors of Fairborne has unanimously determined that the Arrangement is in the best interest of Fairborne shareholders. Management and directors of Fairborne and their associates, representing approximately 19 percent of the outstanding fully diluted common shares of Fairborne, have agreed to vote in favour of the Plan of Arrangement.

Pro Forma Attributes of Fairborne Trust and Fairquest

	<u>Fairborne Trust</u>	<u>Fairquest</u>
Current Production:		
Oil and Liquids (bbls per day)	3,000	70
Natural Gas (MMcf per day)	48.0	5.8
Total (BOE per day)	11,000	1,030
Natural Gas %	73%	93%
Reserves ⁽¹⁾		
Proved (MMBOE)	23.4	2.1
Proved and Probable (MMBOE)	35.6	3.1
Reserve Life Index (Proved)	6.6 years	6.5 years
Reserve Life Index (P+P)	10.0 years	9.7 years

Reserve Values ⁽²⁾⁽³⁾		
Proved (\$MM)	332	28.4
Proved and Probable (\$MM)	449	37.2
Undeveloped Land (net acres) ⁽⁴⁾	168,000	68,000
Farmin acres	-	83,000
Debt (\$MM) ⁽⁵⁾	120	0
Units/Shares Outstanding (MM)	44.0 ⁽⁶⁾	22.1 ⁽⁷⁾
Exchangeable Shares (MM)	8.0 ⁽⁶⁾	
Annualized Cash Flow (\$MM) ⁽⁸⁾	100	10

(1) Based on the Reserve Report at December 31, 2004 using Gilbert Laustsen Jung Associates Ltd. December 31, 2004 forecast pricing. Reserve Life Index based on average production for the fourth quarter of 2004.

(2) Reserve values are the before tax present values of cash flow at a 10% discount rate as per the Reserve Report and do not necessarily represent fair market value.

(3) As at December 31, 2004

(4) As at March 6, 2005.

(5) Estimated net debt at closing inclusive of transaction costs and net of the proceeds of planned private placements.

(6) Assuming all Exchangeable Shares are issued pursuant to the Arrangement

(7) Aggregate number of shares including initial private placement

(8) Based on \$42 (US) WTI oil price, \$7.00 (CDN) gas price, \$1CDN=\$0.80 US, current levels of production, royalties and operating costs

Fairborne Energy Trust

Fairborne Trust's mandate will be to generate stable monthly distributions by focusing on low-cost operations and active development of its property base. Fairborne Trust will have production of approximately 11,000 BOE per day, comprised of 48 MMcf per day of natural gas and 3,000 bbls per day of crude oil and liquids (2005 exit production estimated to be 11,500 BOE per day). As operator of over 95 percent of its properties, the Trust will be able to ensure that all planned future activity will be pursued. The reserve reports prepared by Gilbert Laustsen Jung Associates Ltd. and Sproule Associates Ltd. (the 'Reserve Report'), effective December 31, 2004, indicate that Fairborne Trust would have proved plus probable reserves of 35.6 MMBOE, resulting in a Reserve Life Index of approximately 10.0 years based on 2004 fourth quarter average production.

Fairborne Trust's structure will provide for a complete production and technical team to manage the assets of both the Trust and Fairquest. This structure will differentiate Fairborne Trust from many other trusts as it will enable the Trust to leverage the technical skill of the staff responsible for finding and developing Fairborne's existing assets and to realize the full potential of those assets through continued development. It is expected that the Trust will establish an initial cash distribution policy of \$0.11 per unit per month. This distribution represents 60% of cash flow assuming all Exchangeable Shares are issued and not converted. Through farm-out arrangements on standard industry terms with Fairquest (on certain former Fairborne lands), the Trust will also have the opportunity to participate in the development of higher risk prospects on its lands without exposing additional risk capital.

The executive team of Fairborne Trust will be led by Richard A. Walls, Chairman, Steven VanSickle, President and CEO, David Summers, COO, Gary Poirier, VP Operations, David Cymbalisky, VP Engineering, Shaun Alspach, VP Business Development and Tom Park, VP Marketing. This team brings a successful track record of executing exploration and development programs, asset and corporate acquisitions and sound financial management. The Board of Directors of the Trust will include Mr. Walls as Chairman and Mr. VanSickle, as well as four independent directors including two current Fairborne directors. The majority of directors of the Trust will be independent of the Trust and Fairquest. It is anticipated that management and directors of Fairborne and their associates will own approximately 17 percent of the Trust Units, thereby aligning their interests with those of other unitholders.

An industry comparable compensation program will be put in place that aligns unitholder and employee interests, and will include salaries, bonuses and a trust unit incentive plan. The Trust will have an internalized management structure with no fixed percent bonus plan or fees payable on acquisitions or dispositions.

Fairquest Energy Limited

As part of the reorganization, Fairborne shareholders will also receive, for each Fairborne common share held, 0.333 new common shares in Fairquest, a growth and exploration focused natural gas producer. Under the Arrangement, Fairquest will acquire working interests in certain of Fairborne's producing assets and undeveloped lands in the Columbia/Harlech, Peace River Arch, Pine Creek, Wild River and West Pembina/Brazeau properties. These interests currently produce approximately 1,000 BOE per day, comprised of 5.8 mmcf per day of natural gas and 70 bbls per day of natural gas liquids and are expected to exit 2005 producing 1,500 BOE per day. Fairquest will also have approximately 68,000 net acres of undeveloped land in these core areas. In addition, Fairquest will have an option to farm-in on 83,000 net acres of Fairborne exploratory lands retained by the Trust, on standard industry terms, thereby providing Fairquest with an additional portfolio of opportunities.

The Fairquest team will be led by Richard A. Walls, President and CEO and Robert A. Maitland, VP Finance and CFO. Fairquest will have access to all of the employees of Fairborne Trust pursuant to a technical services agreement. Such employee services will be charged to Fairquest by the Trust on a cost recovery basis. The Board of Directors of Fairquest will include Mr. Walls and Mr. Maitland as well as three independent directors including two current Fairborne directors. The majority of directors of Fairquest will be independent of Fairquest and the Trust.

At closing and prior to a private placement, Fairquest will assume approximately \$10 million of Fairborne's existing debt and plans to have an initial capital expenditure program between \$15 and \$30 million for the remainder of 2005. A private placement comprised of shares and warrants of Fairquest will be made available to Fairborne management, directors and employees raising total proceeds of approximately \$10 million. These shares and warrants will be subject to escrow/vesting conditions over a three year period. There will be approximately 22.1 million common shares issued and outstanding after the initial private placement.

Arrangement

Pursuant to the Arrangement, Fairborne shareholders will receive, for each Fairborne common share held, 0.333 of a share of Fairquest and, at their election, either one trust unit of Fairborne Trust which will pay monthly cash distributions, or one Exchangeable Share, subject to a maximum of approximately 8.0 million Exchangeable Shares being issued. The Exchangeable

Shares will initially be exchangeable for one Trust unit of Fairborne Trust. In lieu of monthly cash distributions, the exchange ratio of the Exchangeable Shares will increase on a basis related to distributions paid to unitholders. If requests for Exchangeable Shares pursuant to the Arrangement exceed the maximum available, the Exchangeable Shares will be pro-rated among those electing. Non-resident and tax exempt shareholders will not be eligible to receive Exchangeable Shares.

An information circular detailing the Arrangement is anticipated to be mailed to securityholders in April, 2005. A meeting of Fairborne's security holders to consider the reorganization will occur in May, 2005. The Arrangement will require the approval of 66 2/3 percent of the votes cast by the shareholders and option holders of Fairborne voting at the securityholder meeting, the approval of the majority of shareholders excluding management, the approval of the Court of Queen's Bench of Alberta and of certain regulatory agencies.

Financial Advisors

CIBC World Markets Inc has acted as the lead financial advisor to Fairborne with respect to the proposed transaction and has advised the Board of Directors of Fairborne that they are of the opinion, as of the date hereof, that the consideration to be received by the Fairborne shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Fairborne shareholders. Canaccord Capital Corporation, GMP Securities Ltd., Peters & Co. Limited. and Sprott Securities Inc. are acting as strategic advisors in connection with the transaction.

Conference Call

A conference call to discuss the proposed transaction will be held on Thursday, March 10, 2005 at 9:00 a.m. Mountain Standard Time (11:00 a.m. Eastern Time). To participate, please call 1-888-458-1598, conference 3163713#. The conference call will also be recorded and available for review until April 8, 2005 by calling 1-877-653-0545 and entering the reservation number 270492 followed by the number sign.

Fairborne Energy Ltd. is a growth oriented, junior natural gas exploration, development and production company operating exclusively in western Canada. Fairborne's common shares are publicly traded on the Toronto Stock Exchange under the trading symbol "FEL".

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Forward-Looking Statements

Certain information set forth in this document, including managements' assessment of the future plans and operations of Fairborne, Fairborne Trust and Fairquest, contains forward looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' 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 industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward looking statements. The actual results, performance or achievement of Fairborne, Fairborne Trust and Fairquest could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits that Fairborne, Fairborne Trust and Fairquest will derive therefrom. Fairborne disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BOE disclosure may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.