



PRESS RELEASE

FAIRBORNE ANNOUNCES AGREEMENT TO SELL CLIVE D2 AND D3 UNIT INTERESTS FOR \$47.5 MILLION

CALGARY, ALBERTA, January 31, 2012 - Fairborne Energy Ltd. ("Fairborne" or the "Company") is pleased to announce that it has entered into an agreement with a private oil and gas company to sell its entire working interest in the Clive D2A and D3A Units, associated non unit production, and other rights associated with the Clive CO₂ development (the "Assets") for gross proceeds of \$47.5 million, subject to normal course closing adjustments. Payment includes a base price of \$37.5 million payable on closing and an additional payment of \$10 million payable upon the satisfaction of certain conditions regarding the Clive CO₂ project.

The Assets

Details of the Company's divested Assets are as follows:

- Reserves attributed to the Assets, based on Fairborne's independent reserve evaluation prepared by GLJ Petroleum Consultants Ltd. ("GLJ") on a proved basis are 0.68 million bbls⁽¹⁾ and on a proved plus probable basis are 0.93 million bbls⁽¹⁾
- Current production attributed to the Assets is approximately 300 bbls/d

(1) As evaluated by GLJ effective December 31, 2010 and mechanically updated to December 31, 2011, deducting 2011 production and re-running the evaluation utilizing GLJ's price deck as at January 1, 2012.

Impact to Fairborne

- Reduces estimated year end net debt by 18%;
- Based on the January 31, 2012 closing price of \$2.42:
 - 398% premium to Fairborne's current enterprise value per flowing barrel valuation based on production of 16,000 boe per day
 - 578% premium to Fairborne's current enterprise value per proved plus probable reserves (December 31, 2010 post first quarter divestiture); and
- Divested Assets represent 2% of 2011 exit volumes and proceeds represent 19% of current market capitalization

The transaction will have an effective date of January 31, 2012, is subject to the satisfaction of various conditions to closing including a financing condition in favor of the purchaser. The transaction is scheduled to close during the second quarter of 2012.

The proceeds from the transaction will be applied to reduce indebtedness under Fairborne's outstanding credit facilities. Fairborne's banking syndicate has informed the Company that there will be no change to the Company's current credit facility of \$325 million as a result of the



transaction. The credit facility will be subject to its annual borrowing base review on or before May 2012.

Updated guidance will be provided upon the removal of conditions precedent to the transaction.

Fairborne is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. Fairborne's common shares trade on the Toronto Stock Exchange under the symbol "FEL". For further information contact:

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Forward-Looking Statements:

Certain information set forth in this press release contain forward-looking statements including management's assessment of future plans and operations, timing of completion of the sale of Assets and the use of proceeds therefrom. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Fairborne's control, including the risk that all of the conditions to closing of the transaction (various of which are not within Fairborne's control) are not satisfied or waived, the impact of general economic conditions, industry conditions, volatility of commodity prices, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, delays resulting from or the inability to obtain required regulatory approvals, inability to retain and delays in retaining drilling rigs and other services, 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, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions and ability to access sufficient capital from internal and external sources. The foregoing list is not exhaustive. Additional information on these and other risks that could affect Fairborne's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at Fairborne's website (www.fairborne-energy.com). 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 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 will derive there from. 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, except as required by applicable securities laws.