

2010 year end news release

MARCH 10, 2011 – FAIRBORNE ANNOUNCES 2010 YEAR END RESULTS

Fairborne is pleased to provide this summary of its financial and operating results for the 2010 year. A complete copy of the Company's consolidated financial statements for the years ended December 31, 2010 and 2009, along with management's discussion and analysis in respect thereof will be filed on SEDAR and is available on the Company's website at www.fairborne-energy.com.

HIGHLIGHTS

	2010	2009	CHANGE
Financial (\$THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Petroleum and natural gas revenue	234,637	240,557	(2%)
Funds generated from operations ⁽¹⁾	122,677	143,811	(15%)
Per share – basic	\$1.20	\$1.59	(25%)
Per share – diluted	\$1.20	\$1.59	(25%)
Net loss	(16,284)	(25,645)	37%
Per share – basic	\$(0.16)	\$(0.28)	43%
Per share – diluted	\$(0.16)	\$(0.28)	43%
Exploration and development expenditures	157,090	110,389	42%
Acquisitions, net of dispositions	77,572	(24,844)	–
Working capital deficit (excluding convertible debentures)	17,743	6,370	179%
Convertible debentures	98,397	96,510	2%
Bank indebtedness	206,331	103,738	99%
Operations			
Average production			
Natural gas (<i>Mcf per day</i>)	67,146	62,509	7%
Crude oil (<i>bbls per day</i>)	2,993	3,368	(11%)
Natural gas liquids (<i>bbls per day</i>)	976	596	64%
Sulphur (<i>tonnes per day</i>) ^{(2), (4)}	68	72	(6%)
Total (<i>BOE per day</i>)	15,228	14,454	5%
Proved and probable reserves			
Natural gas (<i>Bcf</i>)	317.3	262.2	21%
Crude oil (<i>Mbbl</i>)	9,754	10,466	(7%)
Natural gas liquids (<i>Mbbl</i>)	10,331	9,069	14%
BOE (<i>MBOE</i>)	72,969	63,234	15%
Netback per BOE (<i>\$ per BOE</i>)			
Petroleum and natural gas sales ⁽³⁾	40.50	41.91	(3%)
Sulphur block revenue	1.89	5.28	(64%)
Royalties	(4.46)	(3.28)	36%
Operating expenses	(9.43)	(10.25)	(8%)
Transportation	(1.08)	(1.07)	1%
Operating netback	27.42	32.59	(16%)
Wells drilled (<i>gross</i>)	40	49	(18%)
Undeveloped land (<i>net acres</i>)	264,524	226,453	17%

(1) Funds generated from operations is calculated using cash flow from operations as presented in the consolidated statement of cash flows before non-cash working capital and asset retirement expenditures.

(2) A BOE conversion ratio has been calculated using a conversion rate of one tonne of sulphur to one barrel.

(3) Excludes the change in fair value of derivatives.

(4) Excludes the sale of inventory at the West Pembina sulphur block.

2010 Year End Results

A YEAR MARKED BY SIGNIFICANT AND ECONOMIC GROWTH

Fairborne recorded exit production of 17,000 BOE per day in 2010, up 30% from 13,000 BOE per day at the end of 2009, evidencing a year of considerable growth for the Company. In addition, Fairborne achieved a recycle ratio of 1.8 times on both total proved and proved plus probable reserves for 2010 despite continued low natural gas prices. Other highlights include:

2010 Highlights

- ❖ Average annual production of 15,228 BOE per day (5% higher than the prior year);
- ❖ Proved developed producing reserves increased 24% to 30 MMBOE;
- ❖ Proved reserves increased 25% to 50 MMBOE;
- ❖ Proved plus probable reserves increased 15% to 73 MMBOE;
- ❖ Operating costs of \$9.43 per BOE were 8% lower than the prior year for an operating netback of \$27.42 per BOE in 2010;
- ❖ Funds generated from operations of \$122.7 million on \$234.6 million of petroleum and natural gas revenues;
- ❖ Drilled 40 (32.3 net) wells resulting in 28 (23.4 net) natural gas wells and 12 (8.9 net) oil wells, focused on the Company's Marlboro, Harlech, Sinclair and Westerosé properties;
- ❖ Exploration and development spending totaled \$157.1 million with an additional \$77.6 million spent on property acquisitions;
- ❖ Acquisitions included the strategic addition of the McLeod River property as well as a significantly expanded land position on the Company's core property at Marlboro/Pine Creek;
- ❖ Maintained a strong natural gas hedge position which increased natural gas revenues by \$20.8 million;
- ❖ Completed the design of the Company operated 40 MMcf per day capacity Marlboro gas plant with construction commencing in January 2011 and start-up scheduled for April 2011;
- ❖ Net asset value of \$7.71 per share based on the independent reserve evaluation of proved plus probable reserves at December 31, 2010, discounted at 10% with 103.3 million diluted common shares outstanding.

Fourth Quarter Highlights

- ❖ Average production of 16,010 BOE per day was 18% higher than the 13,542 BOE per day in the fourth quarter of the prior year despite operational restrictions in the month of December;
- ❖ Revenues of \$56.9 million in the fourth quarter resulted in funds generated from operations of \$27.5 million (\$0.26 per share);
- ❖ Operating costs remained low at \$9.70 per BOE for the fourth quarter;
- ❖ Capital expenditures totaled \$33.3 million including \$23.8 million for drilling and completions and \$8.5 million for well equipment and facilities;
- ❖ Fourth quarter drilling included seven (5.8 net) wells resulting in six (5.5 net) natural gas wells and one (0.3 net) oil well.

*2010 Year End Results***OUTLOOK**

We are pleased with the results achieved in 2010 and excited about the outlook for the Company in 2011.

The economic growth in production and reserves achieved during 2010 with a focus on the Company's core areas will be the foundation for exploration & production activity in 2011. We will also continue to develop new plays (Fairborne drilled the very first Wilrich horizontal well in 2009 sparking an exciting new play in Western Canada) and balance the capital program to generate new growth areas. Evidence of the successful execution of this strategy is the early success achieved in the Cardium play at Harlech where Fairborne has successfully drilled and tested several Cardium vertical wells, setting up a large liquid rich gas resource play to be developed with horizontal wells.

During the first quarter of 2011, the Company announced the sale of non-core assets for proceeds of \$125 million which is scheduled to close on March 22, 2011. This transaction will significantly improve the Company's balance sheet by reducing bank debt by 56% and total debt by 38%. This was accomplished on very accretive terms, with disposition metrics of approximately \$32.05 per BOE on a proved basis and \$68,300 on a flowing BOE basis. With current production attributable to the disposition assets at approximately 1,830 BOE per day, average production and funds generated from operations will decrease in 2011 upon closing of the transaction.

The Company is also in the process of constructing a major production facility in the Marlboro area to accommodate the rapid growth of production from the Wilrich play. Start up of the facility is expected near the end of April. Current restricted volumes and incremental volumes from the first quarter drilling program awaiting the startup of the plant, are expected to more than offset the production divested by the third quarter of 2011.

In addition to a solid production base which generates premium netbacks, Fairborne continues to hold an extensive inventory of existing drilling prospects and development opportunities. Fairborne's capital expenditure program for 2011 remains at \$140 million, with spending allocated to core properties including natural gas prospects at Marlboro (Wilrich, Bluesky, Gething), liquids rich natural gas at Harlech (multizone) and Westerose (Glauconite) and light oil targets at Sinclair.

In addition, the Company will continue to work with its partner on the development and implementation of the CO₂ flood on its Clive property, an opportunity which provides significant upside potential for crude oil development. The recent funding announcement for the Northwest Upgrader, the largest source for CO₂ for the project, is another step forward for this exciting light oil project.

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

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Forward-Looking Statements

Certain information set forth in this press release, contains forward-looking statements including management's assessment of future plans and operations, drilling plans, expected activity levels, timing of completion of facilities construction and the effects thereof; 2011 capital expenditures budget and the nature of the expenditures; use of proceeds from the sale of assets and the impact thereof. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Fairborne's control, including 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 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, except as required by applicable securities laws.

Non-GAAP Terms: This document contains the terms "funds generated from operations", "funds generated from operations per share", "cash flow from operations per share", "net debt" and "netbacks" which are non-GAAP terms. The Company uses these measures to help evaluate its performance. The Company uses net debt (bank indebtedness plus negative working capital or less positive working capital, excluding convertible debentures) as an alternative measure of outstanding debt. The Company considers corporate netbacks a key measure as it demonstrates its profitability relative to current commodity prices. Netbacks which have no GAAP equivalent, are calculated on a BOE basis by deducting royalties, operating costs, and transportation from petroleum and natural gas sales and sulphur block sales. The Company considers funds generated from operations a key measure as it demonstrates Fairborne's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds generated from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Fairborne's performance. Fairborne's determination of funds generated from operations may not be comparable to that reported by other companies. The reconciliation between cash flow from operations and funds generated from operations can be found in the statement of cash flows in the consolidated financial statements with funds generated from operations calculated before non-cash working capital and asset retirement expenditures. Fairborne also presents funds generated from operations per share and cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of income (loss) per share.

BOE Conversions:

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 one tonne of sulphur to one barrel and six thousand cubic feet of natural gas to one barrel. This conversion ratio of six thousand cubic feet of natural gas to one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.