



May 15, 2002

**SYMBOL: "SHN.UN" - TSX**

**NEWS RELEASE  
FOR IMMEDIATE RELEASE**

**SHININGBANK ENERGY ANNOUNCES  
FIRST QUARTER 2002 FINANCIAL RESULTS**

Shiningbank Energy Management Inc., manager of Shiningbank Energy Income Fund (the "Fund"), today announced its financial results for the three months ended March 31, 2002. Production volumes for the first quarter increased by 55% from first quarter 2001 to 14,424 barrels of oil equivalent per day (boe/d), where natural gas is converted to barrels of oil equivalent on the basis of 6 mcf per boe. Revenues declined by 34% to \$29.8 million from \$45.1 million in 2001 due to significantly lower natural gas prices, offset in part by higher production volumes. Earnings totaled \$3.0 million (\$0.10 per Trust Unit) for the three months compared to \$20.1 million (\$1.07 per Trust Unit) in 2001. The Fund distributed \$0.50 per Trust Unit for the quarter representing a 14% annualized pre-tax cash-on-cash distribution rate on the current price of Trust Units. The accompanying table provides additional highlights and important statistics from the first quarter.

Financial (\$thousands except per unit amounts)	Three months	
	2002	2001
Oil and natural gas sales	29,823	45,070
Net earnings	2,982	20,060
Cash flow	14,935	26,159
Distributable income	14,559	21,728
Per unit	0.50	1.10
Acquisition and development costs, net	(1,121)	5,126
Long term debt	125,574	9,212
Unitholders' equity	250,605	160,830

**Operations**

Daily Production		
Oil (bbls/d)	2,189	1,321
Natural gas (mmcf/d)	64.6	41.5
Natural gas liquids(bbls/d)	1,463	1,065
Oil equivalent (boe/d @ 6mcf/boe)	14,424	9,299
Average Prices		
Oil (Cdn\$/bbl)	\$29.88	\$41.13
Natural gas (Cdn\$/mcf)	\$3.66	\$9.74
Natural gas liquids (Cdn\$/bbl)	\$20.10	\$39.41
Oil equivalent (boe/d @ 6mcf/boe)	\$22.97	\$53.86

## Management's Discussion and Analysis of Financial Results

The following discussion analyzes Shiningbank's operating and financial results and financial position for the three months ended March 31, 2002 and 2001. Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2002 and the audited consolidated financial statements and MD&A for the year ended December 31, 2001. Unless otherwise noted, all tables reflect data for the first quarter of 2002 and 2001.

### Production Volumes

Boe volumes are reported at 6:1 with 6 mcf = 1bbl

Daily production volumes grew by 55% from first quarter 2001 mainly as a result of the Ionic acquisition in April 2001, and the Greencourt acquisition last August. Quarterly volumes were reduced by approximately 150 boe/d through sales of minor properties in the quarter. Volume growth was partly offset by natural declines of producing properties, which are estimated to average 12% per year.

#### DAILY PRODUCTION VOLUMES

	<b>2002</b>	2001	% change
Oil (bbl/d)	<b>2,189</b>	1,321	66%
Natural gas (mmcf/d)	<b>64.6</b>	41.5	56%
NGL (bbl/d)	<b>1,463</b>	1,065	37%
Oil equivalent (boe/d)	<b>14,424</b>	9,299	55%

### Pricing – After Hedging

West Texas Intermediate benchmark oil prices averaged US\$21.92/bbl for the first quarter, 24% lower than the first quarter 2001 average of US\$28.72/bbl and up from the fourth quarter average of US\$20.43/bbl. The realized price was C\$29.88/bbl, 27% lower than first quarter 2001 and 10% higher than fourth quarter 2001. Hedging added \$0.04/bbl to the realized price.

Benchmark natural gas prices on the NYMEX exchange averaged US\$2.49/mmbtu in the first quarter, down 60% from US\$6.23/mmbtu in first quarter 2001 and down 8% from fourth quarter 2001. Shiningbank's average realized gas price was down 62% from first quarter 2001 to \$3.66/mcf and down 3% from fourth quarter 2001 prices of \$3.76/mcf. Hedging added \$0.23/mcf.

#### AVERAGE PRICES - AFTER HEDGING

	<b>2002</b>	2001	% change
Oil (Cdn\$/bbl)	<b>29.88</b>	41.13	(27)%
Natural gas (Cdn\$/mcf)	<b>3.66</b>	9.74	(62)%
NGL (Cdn\$/bbl)	<b>20.10</b>	39.41	(49)%
Oil equivalent (Cdn\$/boe)	<b>22.97</b>	53.86	(57)%

## Revenue

Lower revenues in first quarter 2002 compared with 2001 resulted from lower commodity prices, offset in part by higher volumes. Hedging added a total of \$1.3 million to revenue in the quarter compared with a reduction of \$1.4 million in first quarter 2001. The factors that contributed to lower revenues are shown in the following table:

2002/2001 REVENUE VARIANCE ANALYSIS - BEFORE HEDGING				
(000s)	Crude oil and NGL		Natural gas	
	2002/2001	2001/2000	2002/2001	2001/2000
Volume increase	\$ 4,602	\$ 339	\$ 21,069	\$ 3,817
Price increase (decrease)	(4,740)	799	(38,847)	26,381
Net increase (decrease)	\$ (138)	\$ 1,138	\$ (17,778)	\$ 30,198

## Royalties

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalties paid to others. Royalty rates were lower in first quarter 2002 relative to first quarter 2001 due mainly to the price-sensitive rate structure for Alberta Crown natural gas royalties. In first quarter 2001, substantially higher natural gas prices raised the average Crown royalty rate to 26.6%, but that effect has now diminished with lower prices. A further reduction in the first quarter royalty rate was due to certain one-time adjustments made to Crown royalty estimates in the fourth quarter of 2001. Without these adjustments, the average royalty rate would have been approximately 19% for the quarter.

	2002	2001
Total royalties, net (000s)	\$ 4,352	\$ 11,969
As % of revenue	14.6%	26.6%
Per boe	\$3.35	\$14.30

## Operating Costs

Operating costs rose by 18% on a boe basis due to higher operating costs associated with properties acquired during 2001. These incremental costs were incurred to bring these new properties up to Shiningbank's standards. Repair and maintenance activities carried over from late 2001, combined with additional repair costs at several oil producing properties raised first quarter operating costs above expected levels. Operating costs are expected to return to the more normal range of \$5.00/boe in the second quarter.

	2002	2001
Operating costs (000s)	\$ 7,577	\$ 4,147
As % of revenues	25.4%	9.2%
Per boe	\$5.84	\$4.96

### General and Administrative Costs

General and administrative costs rose by 1.1% over first quarter 2001 due to increased activity resulting from acquisitions. However these costs declined on both a per boe and Trust Unit basis due to efficiencies resulting from improved economies of scale. No general and administrative costs were capitalized.

	<b>2002</b>	2001
General and administrative costs (000s)	\$ 964	\$ 959
As % of revenue	3.2%	2.1%
Per boe	\$0.74	\$1.15
Per Trust Unit	\$ 0.03	\$ 0.05

### Management fees

Management fees were lower in first quarter 2002 due to the drop in operating income resulting from lower commodity prices. Management fees were also lower when compared against three variables: as a percentage of revenue, on a per boe basis and on a per Trust Unit basis.

	<b>2002</b>	2001
Management fees (000s)	\$ 499	\$ 1,075
As % of revenue	1.7%	2.4%
As % of distributable income	3.4%	4.9%
Per boe	\$0.38	\$1.28
Per Trust Unit	\$ 0.02	\$ 0.06

### Interest

Interest expense was 128% higher in first quarter 2002 than in 2001 due to a higher average debt level. While interest rates were lower, Shiningbank's debt increased due to acquisition activity, particularly the Ionic acquisition in April 2001.

	<b>2002</b>	2001
Interest (000s)	\$ 1,354	\$ 594
As % of revenue	4.5%	1.3%
Per boe	\$1.04	\$0.71
Per Trust Unit	\$ 0.05	\$ 0.03

### Depreciation, depletion and amortization

Depreciation, depletion and amortization rose by 159% during 2002 as a result of higher production volumes and a higher rate per boe. Per boe costs rose mainly as a result of higher-priced acquisitions over the past two years.

	<b>2002</b>	2001
Depreciation, depletion and amortization (000s)	\$ 15,183	\$ 5,863
As % of revenue	50.9%	13.0%
Per boe	\$11.70	\$7.01

### **Net earnings**

Shiningbank recorded net earnings of \$3.0 million (\$0.10 per Trust Unit) in the first quarter compared with \$20.1 million (\$1.07 per Trust Unit) in the same period in 2001. Significantly lower commodity prices offset higher production levels by a wide margin.

### **Distributable Income**

Distributable income for the first quarter decreased to \$14.6 million from \$21.7 million in the same period last year due to lower operating income resulting primarily from substantially lower commodity prices. On a per Trust Unit basis, first quarter distributions decreased to \$0.50 from \$1.10 in 2001. Compared with fourth quarter 2001, distributable income per unit remained steady at \$0.50.

### **Costs of acquisitions and development**

In the first quarter, Shiningbank acquired a total of \$1.8 million in new properties. The Fund disposed of non-core properties in six transactions which generated proceeds of \$5.7 million. Costs of drilling and new facilities totaled \$2.7 million, which was approximately the same as first quarter 2001.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Long term debt**

Shiningbank maintains a line of credit with a syndicate of four Canadian chartered banks in the amount of \$170 million, of which \$125.6 million was drawn at March 31, 2002. In accordance with the original terms of the credit facility, the borrowing base was reduced to \$170 million from \$180 million on February 28, 2002. Subsequently, this facility was amended to extend the revolving period to February 27, 2003, after which it will revert to a three-year term. The borrowing base will be reduced by \$5 million on each of July 1, 2002, October 1, 2002 and January 1, 2003.

### **Unitholders Equity**

Subsequent to March 31, 2002, the Fund agreed to issue 3,500,000 Trust Units at a price of \$14.20 for net proceeds of \$46,990,000 on a bought-deal basis. In addition, the Fund has granted an option to the underwriters, exercisable in whole or in part prior to closing, to issue an additional 525,000 Trust Units at the same price. The offering is expected to close on May 22, 2002 and is subject to regulatory approval.

As of May 15, 2002 and prior to closing of the issue, the Fund had 29,117,937 Trust Units outstanding.

## Consolidated Balance Sheets

(\$ thousands)

	March 31, 2002	December 31, 2001
	(unaudited)	(audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 1,879	\$ -
Accounts receivable	19,128	24,142
Prepaid expenses	3,422	3,430
	<u>24,429</u>	<u>27,572</u>
<b>Fixed assets</b>		
Petroleum and natural gas properties and equipment	578,409	579,530
Accumulated depletion and depreciation	(120,977)	(105,867)
	<u>457,432</u>	<u>473,663</u>
<b>Other assets</b>	2,385	1,830
	<u>\$ 484,246</u>	<u>\$ 503,065</u>
<b>Liabilities and Unitholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 13,405	\$ 20,352
Trust unit distribution payable	14,559	14,559
	<u>27,964</u>	<u>34,911</u>
Long term debt (note 3)	125,574	122,459
Future income taxes	73,500	77,500
Provision for future site restoration	6,603	5,870
<b>Unitholders' Equity</b>		
Trust Units	337,250	337,246
Accumulated income	97,622	94,787
Accumulated royalty distributions	(184,267)	(169,708)
	<u>250,605</u>	<u>262,325</u>
	<u>\$ 484,246</u>	<u>\$ 503,065</u>

See selected accompanying notes to interim consolidated financial statements

## Consolidated Statements of Earnings and Unitholders' Equity

For the three months ended March 31  
 (unaudited) (\$ thousands, except per Trust Unit amounts)

	2002	2001
<b>Revenues</b>		
Oil and natural gas sales	\$ 29,823	\$ 45,070
Royalties	(4,352)	(11,969)
	25,471	33,101
<b>Expenses</b>		
Operating	7,577	4,147
General and administrative	964	959
Management fees	499	1,075
Interest on long term debt	1,354	594
Depreciation, depletion and amortization	15,183	5,863
Provision for future site restoration	770	336
Capital and large corporation taxes	142	167
	26,489	13,141
Earnings (loss) before income taxes	(1,018)	19,960
Future income taxes (recovery)	(4,000)	(100)
Net earnings	2,982	20,060
<b>Unitholders' equity, beginning of period</b>		
Unitholders' equity, beginning of period	262,325	118,230
Issue of Trust Units	4	44,487
Royalty distributions	(14,559)	(21,728)
Dividends to manager	(147)	(219)
	250,605	160,830
<b>Unitholders' equity, end of period</b>		
	\$ 250,605	\$ 160,830
<b>Net earnings per Trust Unit</b>		
Basic	\$ 0.10	\$ 1.07
Diluted	\$ 0.10	\$ 1.06

See selected accompanying notes to interim consolidated financial statements

## Consolidated Statements of Cash Flow

For the three months ended March 31  
 (unaudited) (\$ thousands)

	2002	2001
<b>Operating activities</b>		
Net earnings	\$ 2,982	\$ 20,060
Depreciation, depletion and amortization	15,183	5,863
Provision for future removal and site restoration	770	336
Future income taxes (recovery)	(4,000)	(100)
Cash flows from operating activities	14,935	26,159
Changes in non-cash working capital	(1,924)	8,262
	13,011	34,421
<b>Financing activities</b>		
Increase (decrease) in long term debt	3,115	(48,169)
Distributions to unitholders	(14,559)	(21,728)
Issue of Trust Units	4	44,487
Dividends paid	(147)	(219)
	(11,587)	(25,629)
Changes in non-cash working capital	-	4,899
	(11,587)	(20,730)
<b>Total cash provided</b>	<b>\$ 1,424</b>	<b>\$ 13,691</b>
<b>Investing activities</b>		
Property acquisitions	(1,846)	(2,242)
Capital expenditures	(2,717)	(2,956)
Long term investment	(629)	-
Proceeds on sale of fixed assets	5,684	72
Site restoration costs	(37)	(72)
<b>Total cash used</b>	<b>\$ 455</b>	<b>\$ (5,198)</b>
<b>Net increase in cash</b>	<b>\$ 1,879</b>	<b>\$ 8,493</b>
Cash taxes paid (recovery)	\$ (70)	\$ 20
Cash interest paid	\$ 1,393	\$ 864

See selected accompanying notes to interim consolidated financial statements

## Selected notes to interim Consolidated Financial Statements

For the three months ended March 31, 2002 and 2001

### 1. SCHEDULE OF NET PRODUCTION REVENUE AND DISTRIBUTABLE INCOME

	2002	2001
<b>Revenues</b>		
Oil and natural gas sales	\$ 29,823	\$ 45,070
Non-crown royalties	(690)	(1,782)
	29,133	43,288
<b>Expenditures</b>		
Operating	7,577	4,147
Capital expenditures, net	(2,967)	2,956
Site restoration costs	37	72
	4,647	7,175
Net production revenue	24,486	36,113
<b>Deductions</b>		
Administration	964	959
Management fees	499	1,075
Interest on long term debt	1,354	594
Capital and large corporation taxes	142	167
Amounts not attributable to the royalty	1,065	815
Working capital adjustments	3,170	1,192
	7,194	4,802
Net production revenue in excess of deductions	\$ 17,292	\$ 31,311
<b>Royalty income to the Fund - 99%</b>		
Royalty income to the Fund - 99%	\$ 17,120	\$ 30,997
Crown charges net of Alberta Royalty Credit - 99%	(3,626)	(10,084)
Principal repayment and interest income to the Fund	1,065	815
Distributable income	\$ 14,559	\$ 21,728
Distributable income per Trust Unit	\$ 0.50	\$ 1.10
Trust Units outstanding	29,117,937	19,752,575

## 2. Significant Accounting Policies

The interim consolidated financial statements of Shiningbank Energy Income Fund ("Shiningbank") have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting principles and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2001 except as noted below. The disclosures provided below are incremental to those included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Shiningbank's annual report for the year ended December 31, 2001.

Effective for fiscal years beginning on or after January 1, 2002, the Fund adopted the recommendations of the CICA on accounting for stock-based compensation which apply to new rights issued after January 1, 2002. The Fund has elected to continue to account for stock-based compensation arrangements upon settlement. The exercise price of the rights granted under the Fund's rights plan may be reduced in future periods in accordance with the terms of the rights plan. The amount of the reduction cannot be reasonably estimated as it depends upon a number of factors including, but not limited to, future prices received on the sale of oil and natural gas, future production of oil and natural gas, determination of amounts to be withheld from future distributions to fund capital expenditures and the purchase and sale of property, plant and equipment. Therefore, it is not possible to determine a fair value for the rights granted under the plan.

## 3. Long term debt

The Corporation has a \$170 million revolving credit facility with a syndicate of four Canadian chartered banks. The facility has a 364 day extendable revolving period from February 28, 2002 and a three year term. The borrowing base reduces by \$5 million on each of July 1, 2002, October 1, 2002 and January 1, 2003. The facility is secured by a \$300 million floating charge debenture on all assets of the Corporation. Borrowings under the facility bear interest at the bank's prime rate or, at Shiningbank's option, the bankers' acceptance rate plus a stamping fee.

## 4. Unitholders' Equity

### (a) Trust Units Rights Incentive Plan

At March 31, 2002, there were 1,110,000 rights outstanding, none of which were exercisable.

	Number	Average Price
Balance, beginning of period	625,000	\$ 16.92
Granted	485,000	\$ 13.97
Balance before reduction of exercise price	1,110,000	\$ 15.63
Reduction of exercise price		\$ (0.11)
Balance, end of period	1,110,000	\$ 15.52

### (b) Net earnings per Trust Unit

Net earnings per Trust Unit have been calculated using the weighted average number of Trust Units outstanding during the period of 29,117,937 (2001 - 18,558,298).

## 5. Financial Instruments

At March 31, 2002, Shiningbank held certain oil and natural gas hedge contracts, the terms of which are listed in the following table. The estimated market value at March 31, 2002, had the contracts been settled at that time, would have been a loss of \$513,000.

Period	Commodity	Volume	Price
November 1, 2001 - October 31, 2002	Gas	3.0 mmcf/d	\$5.27/mcf floor \$9.11/mcf ceiling
November 1, 2001 - October 31, 2002	Gas	3.0 mmcf/d	\$6.68/mcf
November 1, 2001 – March 31, 2002	Gas	10.0 mmcf/d	\$3.16/mcf floor \$4.80/mcf ceiling
January 1, 2002 – March 31, 2002	Gas	5.0 mmcf/d	\$3.81/mcf
April 1, 2002 – October 31, 2002	Gas	10.0 mmcf/d	\$3.16/mcf floor \$3.87/mcf ceiling
April 1, 2002 – October 31, 2002	Gas	5.0 mmcf/d	\$3.69/mcf floor \$5.64/mcf ceiling
January 1, 2002 – June 30, 2002	Oil	500 bbl/d	US\$ 20.00/bbl floor US\$ 26.50/bbl ceiling

Subsequent to March 31, 2002, the Fund entered into the following oil and natural gas hedging contracts:

Period	Commodity	Volume	Price
June 1, 2002 - October 31, 2002	Gas	2.0 mmcf/d	\$5.03/mcf
November 1, 2002 - October 31, 2003	Gas	2.0 mmcf/d	\$4.22/mcf floor \$8.70/mcf ceiling
July 1, 2002 – December 31, 2002	Oil	500 bbl/d	US\$ 24.00/bbl floor US\$ 28.50/bbl ceiling

## 6. Subsequent Events

On May 2, 2002, the Fund agreed to issued 3,500,000 Trust Units at a price of \$14.20 for net proceeds of \$46,990,000 on a bought deal basis. In addition, the Fund has granted an option, exercisable in whole or in part prior to closing, to issue an additional 525,000 Trust Units at the same price. Closing of the offering is expected to occur on May 22, 2002 and is subject to regulatory approval.

On May 2, 2002, the Fund entered into an agreement to purchase a natural gas producing property in the Minehead area of west-central Alberta at a cost of \$21.1 million. The acquisition is expected to close in early June 2002.

Shiningbank Energy Income Fund is a conventional oil and gas royalty trust and its units are listed on The Toronto Stock Exchange under the symbol "SHN.UN".

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