



September 5, 2002

SYMBOL: "SHN.UN" - TSX

**NEWS RELEASE
FOR IMMEDIATE RELEASE**

SHININGBANK ENERGY ANNOUNCES PLAN TO INTERNALIZE MANAGEMENT

Shiningbank Energy Income Fund (the "Fund") today announced plans to internalize its management structure, in a move that will be accretive to cash distributions and net asset value per unit. The transaction will be accomplished by the Fund acquiring all of the shares of Shiningbank Energy Management Inc. (the "Manager"). The transaction will eliminate all future management fees, acquisition fees and dividend payments to the Manager. The elimination of these fees will improve the Fund's competitiveness in financial markets, allow more flexibility in completing future acquisitions and better align the interests of management with unitholders.

Subject to unitholder and regulatory approval, the Fund has reached agreement to purchase all of the outstanding shares of the Manager for net aggregate consideration of \$19.4 million, consisting of \$2.91 million in cash and 1,136,614 trust units (or exchangeable shares) valued at \$16.49 million, using a 10-day weighted average trading price of \$14.508 per trust unit. The aggregate cost to the Fund of the transaction is \$21.2 million. As part of the agreement reached between the Fund and the Manager, the Manager has agreed to reduce the consideration paid to the shareholders of the Manager by \$1.8 million, in order to pre-fund performance/retention bonuses over the next five years. Currently, bonuses are paid by the Manager on a yearly basis out of its earned fees. The use of performance/retention bonuses (excluding the owners of the Manager) will allow Shiningbank to continue to reward and retain key staff based on performance.

Since its inception in 1996, the Fund has been a top performer in the oil and gas royalty trust sector. The move to internalize the Fund's management, and to eliminate management fees, is in response to the evolution of the oil and gas royalty trust sector. In the mid-1990s, the royalty trust sector was relatively small. Today it has grown to be a stable, growth-oriented mid-cap sector of the petroleum industry.

In light of changes within the sector, in early 2002, the Manager recognized the need to reduce its fees and simplify the Fund's structure. This was particularly relevant in ensuring the Fund's competitiveness in financial markets, preserving its low cost of capital and increasing flexibility in pursuing acquisition opportunities. Elimination of the management fee based on a percentage of net operating income is considered particularly advantageous to unitholders as management fees would continue to rise if the Fund continued to grow at historic rates. In addition, the elimination of fees was considered important to maintaining a low cost of capital.

A committee (the "Independent Committee") consisting of the three independent members of the Fund's board of directors evaluated various options with respect to the relationship between the Fund

and the Manager. The Independent Committee retained the services of National Bank Financial Inc. to provide independent financial advice on the proposed transaction and an opinion on the fairness of the transaction to unitholders, from a financial perspective.

The Independent Committee had several objectives in evaluating alternatives available to the Fund, including:

1. Retaining the management team of the Fund which has delivered the top performance in its sector since its inception. The Fund has delivered a 28% annual compound total return since its inception in 1996;
2. Ensuring that the economic benefit to unitholders realized by eliminating future fees would exceed the cost of the internalization and be accretive to unitholders' distributions and net asset value. In 2001, fees paid to the Manager totaled \$7.8 million. All future fees to the Manager will be eliminated under the new structure; and
3. Better aligning the interests of management with the interests of unitholders. Messrs. Nielsen and Fitzpatrick will be issued trust units on closing, totaling approximately 3.4% of the total issued and outstanding trust units of the Fund. The three Vice Presidents of Shiningbank will be paid performance/retention bonuses in trust units of the Fund over the next five years.

Dr. Ted Best, Co-Chair of the Independent Committee stated: "We believe that the unitholders will receive excellent value with the proposed new Fund structure. It is the right time for the Fund to eliminate a contract that would result in increasing management and acquisition fees as we continue to grow. We have negotiated an agreement with the Manager that will retain the management team that has consistently made Shiningbank one of the sector's top performers. It is very beneficial for our unitholders as we expect a positive impact on distributions in the future."

A special meeting of unitholders has been called for October 8, 2002, in order to seek approval for the proposed transaction. An information circular will be mailed to unitholders by mid-September. The shareholders of the Manager will not be entitled to vote at the meeting. Subject to unitholder approval, the transaction is expected to close on October 9, 2002.

Additional Terms of the Agreement

Performance/Retention Bonuses

As previously noted, \$1.8 million will be used by Shiningbank to pay for performance and retention bonuses to management team members and key personnel, other than the owners of the Manager. The three existing Vice Presidents of Shiningbank will be eligible to receive performance/retention bonuses paid in trust units over the next five years. The remainder of the bonus pool will, subject to performance, be allocated to other key personnel of the Fund and paid in cash over the next five years.

Escrow/Forfeiture Provisions

The trust unit consideration paid to the Manager's shareholders will be subject to escrow and forfeiture provisions, summarized as follows:

1. Two-thirds of the trust units to be issued to the shareholders of the Manager will be placed in escrow for five years in the case of Mr. Fitzpatrick and for three years in the case of Mr. Nielsen. The escrowed trust units will be released in equal amounts each year over their respective terms; and
2. In the event that either Mr. Nielsen or Mr. Fitzpatrick voluntarily leave the Fund's management group prior to the end of their respective escrow periods, all remaining escrowed trust units held by such person will be forfeited.

Mr. Nielsen has agreed to continue as Executive Chairman of Shiningbank until July 31, 2003, and has agreed to serve as non-executive Chairman for a further two years. Mr. Fitzpatrick has agreed to continue as President and Chief Executive Officer of Shiningbank for a period of five years. No changes to the remaining Shiningbank management team are anticipated.

Conference Call

The Manager will host a conference call on Friday, September 6, 2002 at 9:00 am MDT (11:00 am EDT) to discuss the Fund's proposed management internalization transaction. To participate in the call, Calgary callers should dial 232-6311; all others should dial 1-888-458-1598. After dialing, all callers must enter pass-code 88771, followed by the pound (#) key. An archived recording of the call will be available at approximately noon on September 6, 2002, and for two weeks thereafter by dialing 1-877-653-0545. After dialing, all callers must enter pass-code 159737, followed by the pound (#) key. A copy of the transcript of the call will be posted on the Shiningbank website on Friday, September 6, 2002.

Shiningbank Energy Income Fund is a conventional oil and gas royalty trust with a market capitalization of approximately \$480 million as of September 3, 2002, and the trust units are listed on the Toronto Stock Exchange under the symbol "SHN.UN".

Advisory – In the interests of providing the Fund's unitholders and potential investors with information regarding the Fund, including management's assessment of future plans and operations, certain statements

contained in this news release are forward-looking statements. These forward-looking statements are based on certain assumptions that involve a number of risks and uncertainties and are not guarantees of future performance. Actual results could differ materially as a result of changes to the Fund's plans, the impact of changes in commodity prices, general economic, market and business conditions as well as production, development and operating performance and other risks associated with oil and gas operations.

For further information please contact:

Arne R. Nielsen, Executive Chairman or
David M. Fitzpatrick, President and C.E.O. or
Bruce K. Gibson, Vice President, Finance and C.F.O.
Shiningbank Energy Management Inc.
Telephone: (403) 268-7477
Facsimile: (403) 268-7499
Toll Free: (866) 268-7477
Email: shiningbank@shiningbank.com
Website: www.shiningbank.com