



May 14, 2003

SYMBOL: "SHN.UN" - TSX

**NEWS RELEASE  
FOR IMMEDIATE RELEASE**

**SHININGBANK ENERGY ANNOUNCES  
FIRST QUARTER 2003 FINANCIAL RESULTS**

Shiningbank Energy Income Fund (the "Fund"), today announced its financial results for the three months ended March 31, 2003. Production for the period was 14,045 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. Production volumes for the first quarter decreased by 3% from the first quarter of 2002, but revenues increased by 98% in the quarter to a record \$59.1 million from \$29.8 million in 2002 due to significantly higher commodity prices. Earnings totaled \$19.8 million or \$0.55 per Trust Unit (\$0.31 diluted) for the three months compared to \$3.0 million or \$0.10 per Trust Unit (\$0.10 diluted) in 2002. The Fund distributed \$0.78 per Trust Unit for the quarter representing a 19% 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.

<b>Financial</b> (\$ thousands except per unit amounts)	Three months ended March 31,	
	2003	2002
Oil and natural gas sales	\$ 59,074	\$ 29,823
Net earnings	19,783	2,982
Cash flow	34,176	14,935
Distributable income	30,886	14,559
Distributions per unit	0.78	0.50
Long term debt	217,097	125,574
Unitholders' equity	311,530	250,605

**Operations**

<b>Daily Production</b>		
Oil (bbl/d)	1,975	2,189
Natural gas (mmcf/d)	63.1	64.6
Natural gas liquids(bbl/d)	1,552	1,463
Oil equivalent (boe/d @ 6 mcf/boe)	14,045	14,424
<b>Average Prices</b>		
Oil (Cdn\$/bbl)	\$45.01	\$29.88
Natural gas (Cdn\$/mcf)	\$8.02	\$3.66
Natural gas liquids (Cdn\$/bbl)	\$39.59	\$20.10
Oil equivalent (Cdn\$/boe)	\$46.73	\$22.97

## Management's Discussion and Analysis of Financial Results

The following discussion analyzes Shiningbank's operating and financial results and financial position for the three month periods ended March 31, 2003 and 2002. Management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2002. Unless otherwise noted, all tables reflect data for the first quarters of 2003 and 2002. Boe volumes are reported at 6:1 with 6 mcf = 1 boe.

### Daily Production Volumes

	2003	2002	% change
Oil (bbl/d)	1,975	2,189	(10)%
Natural gas (mmcf/d)	63.1	64.6	(2)%
NGL (bbl/d)	1,552	1,463	6 %
Oil equivalent (boe/d)	14,045	14,424	(3)%
Natural gas % of total production	75%	75%	

Average daily production volumes were 3% lower than in the first quarter of 2002 as a result of natural declines of producing properties, which are estimated to average 12% per year, partly offset by acquisitions.

### Average Prices – After Hedging

	2003	2002	% change
Oil (Cdn\$/bbl)	45.01	29.88	51 %
Natural gas (Cdn\$/mcf)	8.02	3.66	119 %
NGL (Cdn\$/bbl)	39.59	20.10	97 %
Oil equivalent (Cdn\$/boe)	46.73	22.97	103 %
WTI (US\$/bbl)	33.86	21.92	54 %
AECO natural gas (Cdn\$/mcf)	7.92	3.34	137 %

Shiningbank's realized natural gas prices averaged \$8.02/mcf, 119% higher than the same period last year. Hedging reduced realized prices by \$0.14/mcf compared with a gain of \$0.23/mcf in 2002. Benchmark prices in Alberta (AECO) increased by 137% for this period.

Oil prices averaged \$45.01/bbl for the quarter, 51% higher than the first quarter of 2002. Hedging reduced the realized price by \$2.32/bbl in 2003. Benchmark West Texas Intermediate oil averaged US\$33.86/bbl for the quarter, 54% higher than the first three months of 2002's average of US\$21.92/bbl.

### Revenues

(000s)	2003	%	2002	%
Oil sales	\$ 8,414	14%	\$ 5,879	20%
Natural gas sales	46,357	79%	19,972	67%
NGL sales	5,530	9%	2,648	9%
Hedging	(1,238)	(2)%	1,315	4%
Other	11	- %	9	- %
	<b>\$ 59,074</b>	<b>100%</b>	<b>\$ 29,823</b>	<b>100%</b>

### Sales Variance Analysis – Before Hedging

(000s)	2003/2002	2002/2001
Crude oil and NGL		
Volume increase (decrease)	\$ (292)	\$ 4,602
Price increase (decrease)	5,709	(4,740)
Net increase (decrease)	5,417	(138)
Natural gas		
Volume increase (decrease)	(471)	21,069
Price increase (decrease)	26,856	(38,847)
Net increase (decrease)	\$ 26,385	\$ (17,778)

Higher revenue in the first three months of 2003 compared with 2002 resulted from higher commodity prices.

### Royalties

(000s)	2003	2002	% Change
Total royalties, net	\$ 13,119	\$ 4,352	201%
As % of revenue	22.2%	14.6%	52%
Per boe	\$ 10.38	\$ 3.35	210%

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The royalty rate was higher in 2003 mainly due to higher commodity prices under the price-sensitive rate structure for Alberta Crown natural gas royalties and a one-time adjustment to Crown royalties in the first quarter of 2002. Without the adjustment, the average royalty rate for 2002 would have been 19%.

### Operating Costs

(000s)	2003	2002	% Change
Operating costs	\$ 8,507	\$ 7,577	12%
Per boe	\$ 6.73	\$ 5.84	15%

Operating costs increased by 15% on a boe basis for this period of 2003, due mainly to higher operating costs associated with acquired properties and generally higher field service costs which are continuing to see upward pressure from a high level of industry activity, and higher fuel and electricity costs in 2003.

### General And Administrative Costs

(000s)	2003	2002	% Change
General and administrative costs	\$ 1,275	\$ 964	32%
Per boe	\$ 1.01	\$ 0.74	36%
Per Trust Unit	\$ 0.04	\$ 0.03	33%

General and administrative costs increased 32% over 2002 due to incremental investor relations costs, lower overhead recoveries and general cost increases compared with 2002.

### Management Fees

(000s)	2003	2002	% Change
Management fees	\$ -	\$ 499	(100)%
Per boe	\$ -	\$ 0.38	(100)%
Per Trust Unit	\$ -	\$ 0.02	(100)%

All management and acquisition fees were eliminated after October 9, 2002 as a result of the transaction that internalized the Fund's management.

### Interest

(000s)	2003	2002	% Change
Interest	\$ 1,755	\$ 1,354	30%
Per boe	\$ 1.39	\$ 1.04	33%
Per Trust Unit	\$ 0.05	\$ 0.05	- %

Interest expense, which includes bank charges, increased 30% in the first quarter of 2003 compared with 2002 due to higher renewal fees for the annual line of credit and higher interest rates, offset in part by lower debt levels.

### Depreciation, Depletion And Amortization

(000s)	2003	2002	% Change
Depreciation and depletion	\$ 14,748	\$ 15,183	(3)%
Per boe	\$ 11.67	\$ 11.70	- %

Depreciation, depletion and amortization decreased 3% during 2003 as a result of lower production.

### Internalization of Management Contract

(000s)	2003	2002	% Change
Internalization of management contract	\$ 1,488	\$ -	- %
Per boe	\$ 1.18	\$ -	- %
Per Trust Unit	\$ 0.04	\$ -	- %

Effective October 9, 2002, the Fund internalized its management by acquiring all of the shares of Shiningbank Energy Management Inc. Prior to the acquisition, the Fund paid fees of 3.25% of net operating income, a fee of 1.5% on the purchase price of acquisitions and a quarterly scheduled dividend in accordance with the terms of the management agreement. The acquisition resulted in the elimination of all future fees and dividends.

\$10.0 million of the total purchase price was deferred representing Exchangeable Shares subject to escrow provisions and will be amortized into income over the specific vesting periods from 2003 to 2007. For the quarter ended March 31, 2003, \$1,467,000 was recorded as expense representing the amortization of these escrowed Exchangeable Shares.

### Net Earnings

Shiningbank's net earnings were \$19.8 million or \$0.55 per Trust Unit (\$0.31 diluted) in the first quarter of 2003 compared with \$3.0 million or \$0.10 per Trust Unit (\$0.10 diluted) in 2002. Higher commodity prices were the primary reason for the increase.

### Distributable Income

Distributable income for 2003 increased to \$30.9 million from \$14.6 million in 2002 due to higher commodity prices offset in part by higher expenses. Distributions for the quarter amounted to 90% of cash flow.

(000s)	2003	2002	% Change
Cash flows from operating activities	\$ 34,175	\$ 14,935	129%
Capital expenditures	(4,112)	(2,717)	51%
Site restoration costs	(77)	(37)	108%
Internalization of management contract	21	-	- %
Working capital adjustments	879	2,378	(63)%
Distributable income	\$ 30,886	\$ 14,559	112%
Distributable income per Trust Unit	\$ 0.78	\$ 0.50	56%
Trust Units outstanding	37,250	29,118	

### Costs Of Acquisition And Development

In the first quarter, Shiningbank acquired a total of \$155.4 million in new properties in seven separate transactions. The most significant acquisition was at Ferrier/O'Chiese for \$133.3 million. Additional assets were purchased in the Whitecourt, Modeste Creek and Long Coulee areas for \$16.7 million. The Fund disposed of non-core properties in two transactions for total proceeds of

\$702,000. Costs of drilling and new facilities totaled \$4.1 million for the first three months of 2003 compared with \$2.7 million for the same period of 2002.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Long Term Debt**

Shiningbank maintains a \$230 million revolving credit facility with a syndicate of four Canadian chartered banks. At March 31, 2003, \$217.1 million was drawn. On April 29, 2003, this facility was reduced to \$195 million and drawings were reduced to \$135 million, after completion of an issue of new Trust Units.

### **Unitholders' Equity**

On February 11, 2003, the Fund issued 3,841,000 new Trust Units at \$15.00 each for gross proceeds of \$57.6 million. On April 29, 2003 the Fund issued 6,497,500 new Trust Units at \$15.00 for gross proceeds of \$97.5 million.

As at May 14, 2003 the Fund had 43,797,975 Trust Units outstanding and 947,178 Exchangeable Shares outstanding.

## Consolidated Balance Sheets

(\$ thousands)

	March 31, 2003	December 31, 2002
	(unaudited)	(audited)
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 32,105	\$ 23,637
Prepaid expenses	2,732	2,878
	34,837	26,515
Fixed assets		
Petroleum and natural gas properties and equipment	790,035	631,204
Accumulated depletion and depreciation	(180,363)	(165,668)
	609,672	465,536
Other assets	2,199	2,252
	\$ 646,708	\$ 494,303

## Liabilities And Unitholders' Equity

Current liabilities		
Accounts payable	\$ 25,600	\$ 20,985
Trust Unit distribution payable	22,693	19,916
	48,293	40,901
Long term debt (note 2)	217,097	115,283
Future income taxes	60,779	63,340
Provision for future site restoration	9,009	8,347
Unitholders' equity		
Trust Units (note 3)	449,452	391,970
Exchangeable Shares (note 3)	5,194	6,475
Accumulated income	127,085	107,302
Accumulated royalty distributions	(270,201)	(239,315)
	311,530	266,432
	\$ 646,708	\$ 494,303

See selected accompanying notes to interim consolidated financial statements

## Consolidated Statements of Earnings and Unitholders' Equity

(unaudited) (\$ thousands, except per Trust Unit amounts)

	Three months ended March 31,	
	2003	2002
<b>Revenues</b>		
Oil and natural gas sales	\$ 59,074	\$ 29,823
Royalties	(13,119)	(4,352)
	45,955	25,471
<b>Expenses</b>		
Operating	8,507	7,577
General and administrative	1,275	964
Management fees	-	499
Interest on long term debt	1,755	1,354
Depreciation, depletion and amortization	14,748	15,183
Provision for future site restoration	739	770
Capital and large corporation taxes	221	142
Internalization of management contract	1,488	-
	28,733	26,489
Earnings (loss) before income taxes	17,222	(1,018)
Future income tax recovery	(2,561)	(4,000)
Net earnings	19,783	2,982
Unitholders' equity, beginning of period	266,432	262,325
Issue of Trust Units	57,482	4
Exchangeable Shares, net ( <i>note 3</i> )	(1,281)	-
Royalty distributions	(30,886)	(14,559)
Dividends to Manager	-	(147)
Unitholders' equity, end of period	\$ 311,530	\$ 250,605
<b>Net earnings per Trust Unit</b>		
Basic	\$ 0.55	\$ 0.10
Diluted	\$ 0.31	\$ 0.10

See selected accompanying notes to interim consolidated financial statements

## Consolidated Statements of Cash Flows

(unaudited) (\$ thousands)

	Three months ended March 31,	
	2003	2002
<b>Operating activities</b>		
Net earnings	\$ 19,783	\$ 2,982
Items not requiring cash		
Depreciation, depletion and amortization	14,748	15,183
Internalization of management contract	1,467	-
Provision for future site restoration	739	770
Future income tax recovery	(2,561)	(4,000)
Cash flows from operating activities	34,176	14,935
Changes in non-cash working capital	(3,707)	(1,924)
	30,469	13,011
<b>Financing activities</b>		
Increase in long term debt	101,814	3,115
Distributions to unitholders	(30,886)	(14,559)
Issue of Trust Units	54,734	4
Dividends paid	-	(147)
	125,662	(11,587)
Changes in non-cash working capital	2,777	-
	128,439	(11,587)
<b>Total cash provided</b>	<b>\$ 158,908</b>	<b>\$ 1,424</b>
<b>Investing activities</b>		
Property acquisitions	(155,421)	(1,846)
Capital expenditures	(4,112)	(2,717)
Long term investments	-	(629)
Proceeds on sale of fixed assets	702	5,684
Site restoration costs	(77)	(37)
<b>Total cash used</b>	<b>\$ (158,908)</b>	<b>\$ 455</b>
<b>Net increase in cash</b>	<b>\$ -</b>	<b>\$ 1,879</b>
Cash taxes paid	\$ 194	\$ (70)
Cash interest paid	\$ 1,684	\$ 1,393

See selected accompanying notes to interim consolidated financial statements

## Selected notes to Interim Consolidated Financial Statements

For the periods ended March 31, 2003 and 2002  
(\$ thousands, except Trust Units and per Trust Unit amounts)

### 1. 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 and following the same accounting principles and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2002. 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, 2002.

### 2. Long term debt

The Corporation has a \$230 million revolving credit facility with a syndicate of four Canadian chartered banks of which \$217.1 million was drawn at March 31, 2003. The facility was reduced to \$195 million upon completion of the equity issue which closed on April 29, 2003. The revolving period extends to April 28, 2004, at which time the facility reverts to a three year term with principal payments, if necessary, commencing on July 28, 2004. The facility is secured by a \$300 million floating charge debenture on all assets of the Corporation. Borrowings under the facility bear interest at an annual rate ranging from the banks' prime rate to the banks' prime rate plus 0.95%, depending on the Corporation's total debt to cash flow ratio, or, at Shiningbank's option, the bankers' acceptance rate plus a stamping fee.

### 3. Unitholders' Equity

(a) Trust Units authorized  
300,000,000 Trust Units

	March 31, 2003	
	Number	Amount
Balance, beginning of period	33,193,937	\$ 391,970
Issued for cash	3,858,943	57,863
Commissions and issue costs	-	(3,129)
Issued on conversion of Exchangeable Shares	196,792	2,748
Balance, end of period	37,249,672	\$ 449,452

(c) Exchangeable Shares	March 31, 2003	
	Number	Amount
Balance, beginning of period (net of deferred portion of \$10,015,000 (757,742 shares))	378,872	\$ 6,475
Conversion of Exchangeable Shares	(189,436)	(2,748)
Amortization of deferred portion		1,467
Balance, end of period	189,436	\$ 5,194

(d) Units Rights Incentive Plan

At March 31, 2003, there were 1,542,000 rights outstanding, of which 536,999 were exercisable.

	Number	Average Price
Balance, beginning of period	1,059,000	\$ 15.00
Granted	495,000	15.15
Exercised	(12,000)	13.19
Balance before reduction of exercise price	1,542,000	\$ 15.06
Reduction of exercise price		(0.11)
Balance, end of period	1,542,000	\$ 14.95

(e) Per Trust Unit amounts

For the period ended March 31, 2003, the weighted average number of Trust Units outstanding was 35,685,253 (2002 – 29,117,937). In computing diluted net earnings per Trust Unit, net earnings available to current and potential unitholders was decreased by \$8,547,819 representing the deferred portion of the internalization of the management contract, and 865,652 (2002 - 864) Trust Units were added for the dilutive effect of unit rights and escrowed exchangeable shares.

**4. Financial Instruments**

At March 31, 2003, 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, 2003, had the contracts been settled at that time, would have been a gain of \$3,001,000.

Period	Commodity	Volume	Price
November 1, 2002 - October 31, 2003	Gas	2 mmcf/d	\$4.22/mcf floor \$8.70/mcf ceiling
November 1, 2002 - March 31, 2003	Gas	5 mmcf/d	\$4.22/mcf floor \$7.69/mcf ceiling
November 1, 2002 - March 31, 2003	Gas`	5 mmcf/d	\$4.74/mcf floor \$7.52/mcf ceiling
April 1, 2003 - October 31, 2003	Gas	5 mmcf/d	\$5.38/mcf
April 1, 2003 - October 31, 2003	Gas	5 mmcf/d	\$5.01/mcf floor \$7.06/mcf ceiling
April 1, 2003 - October 31, 2003	Gas	5 mmcf/d	\$5.27/mcf floor \$8.43/mcf ceiling
April 1, 2003 - December 31, 2003	Gas	13 mmcf/d	\$7.75/mcf
January 1, 2004 - December 31, 2004	Gas	11 mmcf/d	\$6.44/mcf
January 1, 2003 - December 31, 2003	Oil	500 bbl/d	US\$24.00/bbl floor US\$27.62/bbl ceiling
July 1, 2003 - December 31, 2003	Oil	500 bbl/d	US\$26.00/bbl floor US\$30.10/bbl ceiling

As at March 31, 2003, the Corporation held an interest rate swap for \$10.0 million at an interest rate of 3.48%, expiring October 31, 2004. The estimated market value at March 31, 2003, had the contract been settled at that time, would be a gain of \$33,000.

## 5. Subsequent Events

On April 29, 2003 the Fund issued 6,497,500 Trust Units at a price of \$15.00 for net proceeds of \$92,589,375.

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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