



May 7, 2004

SYMBOL: "SHN.UN" - TSX

**NEWS RELEASE FOR IMMEDIATE RELEASE**

**SHININGBANK ENERGY ANNOUNCES  
FIRST QUARTER 2004 FINANCIAL RESULTS**

Shiningbank Energy Income Fund (the "Fund"), today announced its financial results for the three months ended March 31, 2004. Production for the period was 18,478 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 quarter increased by 32% from 2003, and revenues increased by 16% in the three month period to \$68.3 million from \$59.1 million in 2003 due to higher volumes. The Fund distributed \$0.69 per Trust Unit in the quarter representing a 16% annualized pre-tax cash-on-cash distribution rate on the period closing price of Trust Units. The accompanying table provides additional highlights.

	Three months ended March 31,		
	2004	2003	%
<b>FINANCIAL</b> (\$ thousands except per unit amounts)			
Oil and natural gas sales	\$ 68,290	\$ 59,074	16%
Net earnings	18,796	19,499	(4%)
Cash flow before change in non-cash working capital	39,544	34,176	16%
Distributable income	34,767	30,886	13%
Distributions per Trust Unit	0.69	0.78	(12%)
Acquisition and development costs	188,441	159,533	18%
Long term debt	164,864	217,097	(24%)
Unitholders' equity	492,768	309,839	59%
<b>OPERATIONS</b>			
Daily Production			
Oil (bbl/d)	2,142	1,975	8%
Natural gas (mmcf/d)	82.0	63.1	30%
Natural gas liquids (bbl/d)	2,670	1,552	72%
Oil equivalent (boe/d)	18,478	14,045	32%
Average Prices (including hedging)			
Oil (\$/bbl)	\$ 39.54	\$ 45.01	(12%)
Natural gas (\$/mcf)	\$ 6.87	\$ 8.02	(14%)
Natural gas liquids (\$/bbl)	\$ 35.96	\$ 39.59	(9%)
Oil equivalent (\$/boe)	\$ 40.25	\$ 46.73	(14%)
<b>UNIT TRADING</b>			
Units traded (thousands)	10,635	8,092	31%
Value traded (\$ thousands)	\$187,371	\$ 125,788	49%
Unit price			
High	\$ 18.85	\$ 16.47	
Low	\$ 16.51	\$ 14.80	
Close	\$ 17.78	\$ 15.64	
Units outstanding (thousands)	53,279	37,250	

## Management's Discussion and Analysis

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Shiningbank Energy Income Fund for the quarter ended March 31, 2004. The information is provided as of May 6, 2004. The first quarter results have been compared with the corresponding period in 2003. This discussion and analysis should be read in conjunction with the Fund's audited consolidated financial statements for the years ended December 31, 2003 and 2002, together with the accompanying notes, and the December 31, 2003 MD&A and Annual Information Form. These documents, and additional information about the Fund, are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Barrel of oil equivalent (boe) volumes are reported at 6:1 with 6 mcf = 1 boe. All figures are in Canadian dollars unless otherwise noted.

## RESULTS OF OPERATIONS

### DAILY PRODUCTION VOLUMES

	Three months ended March 31,		
	2004	2003	%
Oil (bbl/d)	2,142	1,975	8%
Natural gas (mmcf/d)	82.0	63.1	30%
Natural gas liquids (bbl/d)	2,670	1,552	72%
Oil equivalent (boe/d)	18,478	14,045	32%
Natural gas % of production	74%	75%	(1%)

First quarter production volumes grew 32% over first quarter 2003. The most significant contributors to the increase were the Ferrier/O'Chiese properties acquired at the end of first quarter 2003, and the subsequent development of those properties. The corporate acquisitions of Birchill Resources Limited for \$170.0 million, and Good Ridge Exploration Ltd. for \$7.0 million, were both effective in early March and contributed 5% to first quarter 2004 production. These acquisitions were partially offset by the natural declines of producing properties, which are estimated to average 13% per year.

### PRICING (AVERAGE PRICING INCLUDING HEDGING ACTIVITY)

	Three months ended March 31,		
	2004	2003	%
Oil (\$/bbl)	\$ 39.54	\$ 45.01	(12%)
Natural gas (\$/mcf)	6.87	8.02	(14%)
Natural gas liquids (\$/bbl)	35.96	39.59	(9%)
Oil equivalent (\$/boe)	40.25	46.73	(14%)
WTI (USD/bbl)	\$ 35.14	\$ 33.86	4%
AECO natural gas (\$/mcf)	\$ 6.61	\$ 7.92	(17%)

## Natural Gas

For the first quarter of 2004, Shiningbank's realized natural gas price averaged \$6.87/mcf, 14% lower than for the same period in 2003. This decline was consistent with an average 17% decline in Alberta's benchmark AECO price, with the decrease primarily due to warmer winter weather. Hedging reduced the realized gas price by \$0.01/mcf for the quarter compared with a hedging loss of \$0.14/mcf in 2003.

## Oil

Realized oil prices for the quarter were \$39.54/bbl, down 12% from first quarter 2003. Hedging reduced the realized price by \$2.09/bbl compared with a hedging reduction of \$2.32/bbl in 2003. The benchmark West Texas Intermediate (WTI) price averaged 4% higher than in 2003, however, the weakness in the US dollar more than offset this increase.

## Hedging

Shiningbank maintains an active hedging program designed to reduce the variability of distributions. Gains and losses from hedging activities are recorded when they are realized and are included in oil and natural gas sales. See note 6 to the consolidated financial statements for information on hedging contracts currently outstanding.

### REVENUES

(000's)	Three months ended March 31,			
	2004	% of Revenue	2003	% of Revenue
Oil	\$ 8,114	12%	\$ 8,414	14%
Natural gas	51,356	75%	46,357	79%
Natural gas liquids	8,738	13%	5,530	9%
Other income	615	1%	11	0%
Gas hedging	(125)	0%	(826)	(1%)
Oil hedging	(408)	(1%)	(412)	(1%)
	<b>\$ 68,290</b>	<b>100%</b>	<b>\$ 59,074</b>	<b>100%</b>

The following table sets out the net effect on revenue of changes in commodity prices and volumes between 2003 and 2004.

### SALES VARIANCE ANALYSIS (INCLUDING HEDGING ACTIVITY)

(000's)	Three months ended March 31,	
	2004/2003	2003/2002
Oil and Natural gas liquids		
Volume increase (decrease)	\$ 4,863	(\$292)
Price increase (decrease)	(1,951)	5,290
	<b>\$ 2,912</b>	<b>\$ 4,998</b>
Natural gas		
Volume increase (decrease)	\$ 14,289	(\$471)
Price increase (decrease)	(8,589)	24,723
	<b>\$ 5,700</b>	<b>\$ 24,252</b>

Revenue growth in first quarter 2004 was due to higher volumes than in first quarter 2003, offset, in part, by a decline in both oil and natural gas prices.

## ROYALTIES

(000s)	Three months ended March 31,		
	2004	2003	%
Total royalties, net	\$ 13,776	\$ 13,119	5%
As a % of revenue	20.2%	22.2%	(9%)
Per boe	\$ 8.19	\$ 10.38	(21%)

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The royalty rate declined in first quarter 2004, due to lower commodity prices under the price-sensitive rate structure for Alberta Crown natural gas royalties and adjustments related to prior periods.

## OPERATING COSTS

(000s)	Three months ended March 31,		
	2004	2003	%
Operating costs	\$ 11,106	\$ 8,507	31%
Per boe	\$ 6.60	\$ 6.73	(2%)

Operating costs decreased 2% on a boe basis from first quarter 2003. Economies of scale resulting from increased activity were offset by increasing field service costs.

## OPERATING NETBACKS

(000s)	Three months ended March 31,		
	2004	2003	%
Oil and natural gas sales	\$ 40.25	\$ 46.73	(14%)
Royalty expenses (net of ARTC)	8.19	10.38	(21%)
Operating expenses	6.60	6.73	(2%)
Operating netback	\$ 25.46	\$ 29.62	(14%)

Operating netbacks decreased 14% quarter over quarter due to lower commodity prices. Lower royalty and operating costs per boe partially offset this effect.

## GENERAL AND ADMINISTRATIVE COSTS

(000s)	Three months ended March 31,		
	2004	2003	%
General and administrative	\$ 1,547	\$ 1,275	21%
Per boe	\$ 0.92	\$ 1.01	(9%)
Per average Trust Unit	\$ 0.03	\$ 0.04	(7%)

General and administrative costs decreased 9% per boe and 7% per average Trust Unit compared with first quarter 2003 due to efficiencies resulting from economies of scale.

## INTEREST ON LONG TERM DEBT

(000s)	Three months ended March 31,		
	2004	2003	%
Interest on long term debt	\$ 1,471	\$ 1,755	(16%)
Per boe	\$ 0.87	\$ 1.39	(37%)
Per average Trust Unit	\$ 0.03	\$ 0.05	(36%)

Interest expense, which includes bank charges, decreased 16% quarter over quarter. This decrease was the result of lower debt levels, interest rates and bank stamping fees.

Shiningbank is currently in compliance with all external debt covenants.

## DEPRECIATION, DEPLETION AND AMORTIZATION

(000s)	Three months ended March 31,		
	2004	2003	%
Depreciation, depletion and amortization	\$ 25,648	\$ 15,686	64%
Per boe	\$ 15.25	\$ 12.41	23%

Depreciation, depletion and amortization rose 23% per boe quarter over quarter. The increase in depletion expense was primarily due to increases in the asset base from higher priced acquisitions during the period and associated future development costs.

The 2003 comparative figure has been increased by \$938,000 as a result of the adoption of the new asset retirement obligation standard. The accretion of discount on the asset retirement liability and additional depletion due to asset retirement cost are now included as part of this expense.

## TRUST UNIT INCENTIVE COMPENSATION

(000s)	Three months ended March 31,		
	2004	2003	%
Trust unit incentive compensation	\$ 298	\$ 138	116%
Per boe	\$ 0.18	\$ 0.11	62%

During fourth quarter 2003, the Fund elected to prospectively adopt the amendments to the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments" for all rights issued on or after January 1, 2003. At that time, a total of \$572,000 was expensed for 2003. Comparative figures have been adjusted to reflect the 2003 annual expense throughout the 2003 quarters as if the policy had been adopted during the first quarter of 2003.

During the first quarter of 2004, two new issues of rights were granted. The fair value of rights issued was determined using the Black-Scholes model, and will be brought into income over the vesting period of the rights. The total first quarter 2004 expense of \$298,000 represents the quarterly increment for rights issued during 2003 and 2004 and vesting within the year.

## INTERNALIZATION OF MANAGEMENT CONTRACT

(000s)	Three months ended March 31,		
	2004	2003	%
Internalization of management contract	\$ 734	\$ 1,488	(51%)
Per boe	\$ 0.44	\$ 1.18	(63%)

Effective October 9, 2002, the Fund internalized its management by acquiring all of the shares of Shiningbank Energy Management Inc., the former manager of the Fund. 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 a management agreement. The acquisition resulted in the elimination of all future fees and dividends.

Of the total purchase price of \$20.6 million, \$11.0 million was deferred, representing Exchangeable Shares subject to escrow provisions which are being amortized into income over specific vesting periods through 2007. During first quarter 2004, \$734,000 (Q1 2003 – \$1.467 million) was expensed, representing the amortization of these escrowed Exchangeable Shares.

## TAXES

(000s)	Three months ended March 31,		
	2004	2003	%
Capital and large corporation taxes	\$ 225	\$ 221	2%
Future income tax	(\$5,311)	(\$2,614)	103%
Per boe	(\$3.02)	(\$1.89)	60%

The Fund is obligated to pay provincial capital taxes and federal large corporations tax in its operating corporations. However, activities are managed so current income taxes are not payable in those entities.

## NET EARNINGS

Shiningbank's first quarter earnings were \$18.8 million or \$0.40 per Trust Unit (\$0.39 diluted). Earnings in first quarter 2003, after restatement for the retroactive application of new accounting policies, were \$19.5 million or \$0.55 per Trust Unit (\$0.54 diluted).

## DISTRIBUTABLE INCOME

(000s)	Three months ended March 31,		
	2004	2003	%
Cash flow before change in non-cash working capital	\$ 39,544	\$ 34,176	16%
Capital expenditures	(11,007)	(4,112)	168%
Asset retirement expenditures	(199)	(77)	158%
Internalization of management contract	-	21	(100%)
Working capital adjustments	6,429	878	632%
Distributable income	\$ 34,767	\$ 30,886	13%
Distributions per Trust Unit	\$0.69	\$0.78	(12%)
Trust Units outstanding	53,279	37,250	43%

Distributable income increased 13% over 2003 to \$34.8 million. The increase was due to higher production volumes, offset in part by lower commodity prices. On a per Trust Unit basis, distributions decreased \$0.09 per unit due to equity issues completed in 2003 and first quarter 2004 and a lower percentage of distributable income paid to unitholders to finance capital expenditures. The Fund paid out 88% of its cash flow from the first quarter of 2004, as compared to 90% in first quarter 2003.

## COSTS OF ACQUISITION AND DEVELOPMENT

During the quarter, Shiningbank spent \$177.0 million on the acquisitions of Birchill Resources Limited ("Birchill") and Good Ridge Exploration Ltd. ("Good Ridge").

The Birchill acquisition added approximately 4,600 boe/d to Shiningbank's production, an increase of about 25%. The cash cost of the acquisition was \$170.0 million, net of adjustments. Birchill's major asset, constituting about 40% of its production, was in the Ferrier area adjacent to Shiningbank's existing land position. Birchill's wells produce from the same zones and through much of the same infrastructure currently used by Shiningbank's wells, leading to increased efficiencies in operation.

Total proved plus probable reserves purchased in the transaction amount to 19.7 million barrels of oil equivalent as at January 1, 2004, of which 65% is natural gas. With projected netbacks in 2004 exceeding \$20.00 per boe, the recycle ratio on the acquisition is expected to exceed the Trust's benchmark of 2 to 1, resulting in excellent economics and increases in unitholder value.

In the first quarter, Shiningbank also acquired the shares of Good Ridge Exploration Ltd., a very small producer holding mainly royalty interests in southern Alberta. This purchase amounted to \$7.0 million, net of adjustments. The deal was particularly attractive due to the high weighting to natural gas and low operating costs as the assets are royalty interests.

A total of \$11.0 million was spent on drilling and new facilities during first quarter 2004 compared with only \$4.1 million in the same period in 2003. The increased expenditures funded a successful development drilling program at Ferrier/O'Chiese.

## LIQUIDITY AND CAPITAL RESOURCES

### Long Term Debt

The Fund has a \$225 million revolving credit facility with a syndicate of four Canadian chartered banks of which \$164.9 million was drawn at March 31, 2004. The revolving period extends to April 27, 2005, at which time the facility reverts to a two-year term with principal payments, if necessary, commencing on July 28, 2005. The facility is secured by a \$300 million floating charge debenture on all assets of the Shiningbank Energy Ltd. together with guarantees from operating subsidiaries. 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 total debt to cash flow ratio or, at Shiningbank's option, the bankers' acceptance rate plus a stamping fee.

### Unitholders' Equity

On March 8, 2004, the Fund issued 8,800,000 new Trust Units at \$17.00 each for gross proceeds of \$149.6 million. In addition, a total of 135,482 new Trust Units were issued during the quarter under the Fund's Distribution Reinvestment Program and the Trust Unit Rights Incentive Plan.

When equity is raised, the intended use of proceeds is specified in the related prospectus. Over the last two years, each major equity issue has been undertaken to acquire properties or to reduce debt incurred from prior acquisitions. In all cases, the proceeds were used according to the purpose specified.

As of May 6, 2004, the Fund had 53,406,682 Trust Units outstanding, 126,290 non-escrowed Exchangeable Shares and 555,678 escrowed Exchangeable Shares.

### **CONTRACTUAL OBLIGATIONS**

(000s)	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long term debt principal	\$ 164,864	\$ -	\$ 18,614	\$ 146,250	\$ -
Operating leases	870	532	338	-	-
Pipeline transportation	4,469	695	2,782	992	-
<b>Total obligations</b>	<b>\$ 170,203</b>	<b>\$ 1,227</b>	<b>\$ 21,734</b>	<b>\$ 147,242</b>	<b>\$ -</b>

The long term debt obligation assumes that the revolving credit line is not renewed in April 2005.

Shiningbank has on-going capital commitments in the ordinary course of business for development drilling, equipment and facilities. These are funded through a combination of cash flow debt financing and periodic equity financing.

## **FINANCIAL REPORTING**

In March 2003, the CICA issued handbook section 3110, "Asset Retirement Obligations." This standard was adopted during the quarter as described in note 2 to the financial statements.

## **CRITICAL ACCOUNTING ESTIMATES**

The Fund makes numerous accounting estimates in its financial statements in order to provide timely information to users. A critical accounting estimate is one that requires management to make assumptions about matters that are highly uncertain at the time the estimate is made and, if a different estimate were used, financial results would be materially different. The following estimates are considered critical:

### **Reserves**

The Fund must estimate its reserves. Reserves are evaluated and reported on annually by an independent petroleum reserve evaluator who uses various subjective factors and assumptions, including forecasts of costs based on geological and engineering data, projected future rates of production, and timing and amounts of future development costs. Although reserves are estimates, management believes the estimates are reasonable based on information available at the time the estimates were prepared. Management, the Fund's internal engineers, and the Board's Reserves Committee all review and approve the estimates reported by the independent reserve evaluator.

As new information becomes available, changes are made to the reserve estimates and future development cost estimates. Historically, the Fund has had no significant changes to these estimates, with the exception of adjusting reserves for acquisitions and divestitures and the results of new drilling. Future actual results could vary greatly from the estimates made, resulting in material changes to the depletion calculation and asset impairment test.

### **Asset retirement obligation**

The Fund's estimated asset retirement obligation is based on estimated timing and costs to abandon and restore properties.

## Consolidated Balance Sheets

(\$ thousands)

	March 31, 2004	December 31, 2003
	(unaudited)	(audited)
		Restated (note 2)
<b>ASSETS</b>		
Current assets		
Accounts receivable	\$ 43,631	\$ 31,587
Prepaid expenses	4,173	2,630
	47,804	34,217
Fixed assets (note 3)		
Petroleum and natural gas properties and equipment	1,085,285	826,352
Accumulated depletion and depreciation	(273,701)	(248,670)
	811,584	577,682
Other assets	1,839	2,250
Goodwill	1,722	-
	\$ 862,949	\$ 614,149
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 40,996	\$ 30,727
Trust Unit distribution payable	24,538	20,428
	65,534	\$ 51,155
Long term debt (note 4)	164,864	121,691
Future income taxes	109,754	50,564
Asset retirement obligation (note 2)	30,029	26,524
Unitholders' equity		
Trust Units (note 5)	693,848	550,267
Exchangeable Shares (note 5)	6,001	5,267
Contributed surplus	781	572
Accumulated earnings	188,507	169,711
Accumulated Trust Unit distributions	(396,369)	(361,602)
	492,768	364,215
	\$ 862,949	\$ 614,149

See selected accompanying notes to the interim consolidated financial statements

## Consolidated Statements of Earnings and Unitholders' Equity

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

Three months ended March 31,	2004	2003
		Restated (note 2)
Revenues		
Oil and natural gas sales	\$ 68,290	\$ 59,074
Royalties	13,776	13,119
	54,514	45,955
Expenses		
Operating	11,106	8,507
General and administrative	1,547	1,275
Interest on long term debt	1,471	1,755
Depreciation, depletion and amortization	25,648	15,686
Capital and large corporation taxes	225	221
Trust Unit incentive compensation (note 5)	298	138
Internalization of management contract	734	1,488
	41,029	29,070
Earnings before income taxes	13,485	16,885
Future income tax recovery	(5,311)	(2,614)
Net earnings	\$ 18,796	\$ 19,499
Unitholders' equity, beginning of period	364,215	264,887
Issue of Trust Units (note 5)	143,581	57,482
Exchangeable Shares, net (note 5)	734	(1,281)
Contributed surplus	209	138
Trust Unit distributions	(34,767)	(30,886)
Unitholders' equity, end of period	\$ 492,768	\$ 309,839
Net earnings per Trust Unit (note 5)		
Basic	\$ 0.40	\$ 0.55
Diluted	\$ 0.39	\$ 0.54

See selected accompanying notes to the interim consolidated financial statements

## Consolidated Statements of Cash Flows

(unaudited) (\$ thousands)

Three months ended March 31,	2004	2003
		Restated ( <i>note 2</i> )
Operating activities		
Net earnings	\$ 18,796	\$ 19,499
Items not requiring cash		
Depreciation, depletion and amortization	25,648	15,686
Internalization of management contract	734	1,467
Trust Unit incentive compensation	298	138
Gain on sale of other asset	(621)	-
Future income tax recovery	(5,311)	(2,614)
Cash flow before change in non-cash working capital	39,544	34,176
Asset retirement expenditures	(199)	(77)
Changes in non-cash working capital	(10,431)	(2,542)
	28,914	31,557
Financing activities		
Increase in long term debt	43,173	101,814
Distributions to unitholders	(34,767)	(30,886)
Issue of Trust Units	143,492	54,734
	151,898	125,662
Changes in non-cash working capital	4,110	2,777
	156,008	128,439
Total cash provided	\$ 184,922	\$ 159,996
Investing activities		
Property acquisitions	(\$445)	(\$155,421)
Corporate acquisitions ( <i>note 3</i> )	(176,989)	-
Capital expenditures	(11,007)	(4,112)
Long term investments	(21)	-
Proceeds on sale of fixed assets	168	702
Proceeds on sale of other asset	1,000	-
	(187,294)	(158,831)
Changes in non-cash working capital	2,372	(1,165)
Total cash used	(\$184,922)	(\$159,996)
Cash taxes paid	\$ 156	\$ 194
Cash interest paid	\$ 1,496	\$ 1,684

See selected accompanying notes to the interim consolidated financial statements

## Notes to the Consolidated Financial Statements

For the periods ended March 31, 2004 and 2003

### 1. Significant Accounting Policies

The interim consolidated financial statements of Shiningbank Energy Income Fund (“Shiningbank” or the “Fund”) 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, 2003 unless otherwise disclosed. 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, 2003.

Comparative figures have been reclassified to conform with current year presentation and restated to retroactively reflect changes in accounting policy.

### 2. Changes in Accounting Policies

#### (a) Asset retirement obligation

Effective January 1, 2004 Shiningbank has adopted CICA handbook section 3110, “Asset Retirement Obligations.” The standard requires the recognition and measurement of liabilities related to legal obligations to retire property, plant and equipment upon acquisition of the liability. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in the fair value. The asset retirement cost is capitalized and depleted into earnings over time.

This change in accounting policy has been adopted retroactively with restatement of the prior period presented for comparative purposes. The effect of the adoption is as follows:

Balance sheet (000s)	December 31, 2003	December 31, 2002
Increase in fixed assets for asset retirement costs	\$ 12,531	\$ 13,521
Net increase in asset retirement obligation	15,330	15,560
Decrease in future income tax liability	(771)	(493)
Decrease in accumulated earnings	(2,028)	(1,546)

  

Statement of earnings (000s)	Three months ended March 31, 2003	Year ended December 31, 2003
Accretion expense on asset retirement obligation	\$ 485	\$ 1,981
Increased depletion due to asset retirement costs	452	1,845
Eliminate prior provision for site restoration	(739)	(3,066)
Increase future income tax recovery	(52)	(277)
Net earnings impact	\$ 146	\$ 483
Basic net earnings per Trust Unit	\$ -	\$ 0.01
Diluted net earnings per Trust Unit	\$ -	\$ 0.01

The estimated asset retirement obligation is based upon the Fund's net ownership interest in each area, estimated costs to abandon and reclaim wells and facilities in the area, and the anticipated timing of such expenditures.

Undiscounted gross expenditures totaling \$37.7 million are expected to be made over the next 33 years. The Fund's credit adjusted risk free rate of 7% and an inflation rate of 2% were used to calculate the present value of the obligation.

The Fund's asset retirement obligation was as follows:

(000s)	Three months ended March 31, 2004	Three months ended March 31, 2003	Year ended December 31, 2003
Carrying amount, beginning of period	\$ 26,524	\$ 23,907	\$ 23,907
Liability incurred during the period, net	3,140	1,485	855
Settlement of liability during the period	(199)	(77)	(218)
Accretion expense	564	485	1,980
Carrying amount, end of period	\$ 30,029	\$ 25,800	\$ 26,524

(b) Trust Unit incentive compensation

During the fourth quarter of 2003 the Fund elected to adopt the amendments to the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments." The section was adopted effective January 1, 2003 and Trust Unit incentive compensation expense of \$572,000 was recorded in fourth quarter 2003 for rights granted during 2003 and vesting within the year.

Comparative quarters have been restated to reflect the Trust Unit incentive compensation expense throughout the year as if the amendment was adopted during the first quarter of 2003. For the three months ended March 31, 2003, \$138,000 of Trust Unit incentive compensation expense was recorded. This adjustment did not effect basic and diluted net earnings per Trust Unit.

### 3. Fixed Assets

(a) Acquisition of Birchill Resources Limited

Effective January 1, 2004 Shiningbank Energy Ltd (the "Corporation") acquired all the outstanding shares of Birchill Resources Limited ("Birchill") for \$170.0 million. The transaction closed on March 8, 2004. The acquisition was accounted for by the purchase method and the results of operations of Birchill are included in the accounts from the closing date. Birchill and the Corporation were subsequently amalgamated.

(000s)	
Cash consideration	\$ 169,639
Related fees and expenses	400
Cost of acquisition	\$ 170,039
Working capital deficiency	(\$5,291)
Future income taxes	(62,300)
Asset retirement obligation	(3,028)
Petroleum and natural gas properties and equipment	240,658
Total consideration	\$ 170,039

(b) Acquisition of Good Ridge Exploration Ltd.

Effective January 1, 2004 the Corporation acquired all the outstanding shares of Good Ridge Exploration Ltd. ("Good Ridge") for \$7.0 million. The transaction closed on March 5, 2004. The acquisition was accounted for by the purchase method and the results of operations of Good Ridge are included in the accounts from the closing date. Good Ridge and the Corporation were subsequently amalgamated.

(000s)

Cash consideration	\$ 6,935
Related fees and expenses	15
Cost of acquisition	\$ 6,950
Working capital	\$550
Future income taxes	(2,200)
Asset retirement obligation	(147)
Petroleum and natural gas properties and equipment	7,025
Goodwill	1,722
Total consideration	\$ 6,950

#### 4. Long Term Debt

The Corporation has a \$225 million revolving credit facility with a syndicate of four Canadian chartered banks of which \$164.9 million was drawn at March 31, 2004. The revolving period extends to April 27, 2005, at which time the facility reverts to a two year term with principal payments, if necessary, commencing on July 28, 2005. The facility is secured by a \$300 million floating charge debenture on all assets of the Corporation together with guarantees from operating subsidiaries. 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.

#### 5. Trust Units

(a) Authorized  
300,000,000 Trust Units

(b) Issued

	Number	Amount
		(000s)
Balance, December 31, 2003	44,343,415	\$ 550,267
Issued for cash	8,824,083	150,045
Issued on exercise of rights	111,399	1,559
Commissions and issue costs	-	(8,023)
Balance, March 31, 2004	53,278,897	\$ 693,848

(c) Exchangeable Shares

	Number	Amount
		(000s)
Balance, December 31, 2003	126,290	\$ 5,267
Amortization of deferred portion		734
Balance, March 31, 2004	126,290	\$ 6,001
Exchange ratio, March 31, 2004	1.22225	
Trust Units issuable upon conversion of non-escrowed shares	154,358	
Trust Units issuable upon conversion of escrowed shares	679,177	
Total Trust Units issuable upon conversion of all shares	833,535	

(d) Trust Unit Rights Incentive Plan

At March 31, 2004, there were 1,803,668 (2003 - 1,542,000) rights outstanding, of which 733,668 (2003 - 536,999) were exercisable at a weighted average exercise price of \$13.60 (2003 - \$14.84).

	Number	Weighted Average Exercise Price
Balance, December 31, 2003	1,460,067	\$ 13.93
Granted	480,000	18.60
Forfeited	(25,000)	16.44
Exercised	(111,399)	13.21
Balance before reduction of exercise price	1,803,668	\$ 15.18
Reduction of exercise price		(0.36)
Balance, March 31, 2004	1,803,668	\$ 14.82

Shiningbank recorded Trust Unit incentive compensation expense of \$298,000 during the quarter (2003 - \$138,000) for rights issued in 2003 and 2004, and vesting within the year.

During the quarter, \$89,000 (2002 - \$nil) of contributed surplus was transferred representing the fair value of rights exercised during the period.

The fair value of the 480,000 rights issued during the quarter was estimated using a Black-Scholes option-pricing model with the following assumptions: risk-free interest rates ranging from 4.33 to 4.61%, volatility of 60%, life of 10 years, and a dividend yield rate of 10% representing the difference between the anticipated distribution and the anticipated drop in the strike price. Users are cautioned that the assumptions made are estimates of future events and actual results could differ materially from those estimated.

For rights issued in 2002, Shiningbank has elected to disclose the pro forma effect as if the amended accounting standard had been adopted January 1, 2002. For the quarters ended March 31, 2004 and 2003, Shiningbank's net income would have decreased by \$127,000 due to additional Trust Unit incentive compensation expense related to rights granted on January 1, 2002. Neither basic nor diluted per Trust Unit figures would have changed as the result of this additional expense.

(e) Per Trust Unit amounts

For the three months ended March 31, 2004, the weighted average number of Trust Units and non-escrowed Exchangeable shares outstanding was 46,938,326 (2003 - 35,685,253). In computing diluted net earnings per Trust Unit, the dilutive effect of unit rights and escrowed exchangeable shares, added 752,148 Trust Units (2003 - 325,386) to the weighted average number of Trust Units outstanding.

For the three month period ended March 31, 2003, diluted net earnings per Trust Unit was calculated using the if-converted method for the effect of the escrowed Exchangeable Shares. Net earnings available to current and potential unitholders were decreased by the deferred portion of the internalization of the management contract for the purposes of the calculation. Subsequently, the Fund determined that it would be more appropriate to use the treasury stock method to calculate the effect of the escrowed Exchangeable shares. Under the treasury stock method, the deferred portion of the internalization of the management contract is treated as funds from conversion and considered to have been used to repurchase units at the weighted average market price. Diluted net earnings per Trust Unit for the three months ended March 31, 2003 would have been \$0.54 (restated) using the treasury stock method, as compared to the \$0.31 previously reported.

## 6. Financial Instruments

At March 31, 2004, 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, 2004, had the contracts been settled at that time, would have been a loss of \$4.4 million.

Period	Commodity	Volume	Price
January 1, 2004 – December 31, 2004	Gas	11,000 GJ/d	\$6.11/GJ
April 1, 2004 – October 31, 2004	Gas	5,000 GJ/d	\$5.25/GJ floor \$6.67/GJ ceiling
April 1, 2004 – October 31, 2004	Gas	5,000 GJ/d	\$5.45/GJ floor \$6.32/GJ ceiling
April 1, 2004 – March 31, 2005	Gas	5,000 GJ/d	\$5.91/GJ
April 1, 2005 – December 31, 2005	Gas	5,000 GJ/d	\$5.00/GJ floor \$6.39/GJ ceiling
January 1, 2004 – September 30, 2004	Oil	500 bbl/d	US\$25.00/bbl floor US\$30.00/bbl ceiling
March 1, 2004 – December 31, 2004	Oil	500 bbl/d	US\$31.87/bbl
October 1, 2004 – December 31, 2004	Oil	500 bbl/d	US\$25.00/bbl floor US\$30.00/bbl ceiling

As at March 31, 2004, 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, 2004, had the contract been settled at that time, would be a loss of \$101,000.

## 7. Subsequent Events

Subsequent to March 31, 2004, Shiningbank entered into an agreement to sell its Ontario assets for cash consideration of \$16.75 million. The sale is subject to arrangement of suitable financing by the purchaser.

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".

For further information please contact:

David M. Fitzpatrick, President and C.E.O.

Bruce K. Gibson, Vice President, Finance and C.F.O.

Shiningbank Energy Ltd.

Telephone: (403) 268-7477

Facsimile: (403) 268-7499

Toll Free: (866) 268-7477

Email: [irinfo@shiningbank.com](mailto:irinfo@shiningbank.com)

Website: [www.shiningbank.com](http://www.shiningbank.com)