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NEWS RELEASE FOR IMMEDIATE RELEASE

**SHININGBANK ENERGY ANNOUNCES
SECOND QUARTER 2005 FINANCIAL RESULTS**

Shiningbank Energy Income Fund (the "Fund"), today announced its financial results for the three months ended June 30, 2005. Production for the second quarter was 18,891 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, cash flow and net earnings all increased over the comparable period in 2004 due mainly to higher commodity prices. Operating results do not include any impact from the closing of one small corporate acquisition at the end of the quarter or the Blizzard Energy Inc. acquisition which closed after the end of the quarter. The Fund distributed \$0.69 per Trust Unit in the quarter representing a 13% 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 June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
FINANCIAL (\$ thousands except per Trust Unit amounts)						
Oil and natural gas sales	\$ 83,222	\$ 80,723	3	\$ 163,361	\$ 150,348	9
Net earnings before income tax	17,015	12,851	32	29,904	26,336	14
Future income tax recovery	(1,766)	(3,221)	(45)	(3,252)	(8,532)	(62)
Net earnings after income tax	18,781	16,072	17	33,156	34,868	(5)
Cash flow before change in non-cash working capital	46,353	45,190	3	90,862	84,734	7
Distributions to Unitholders	37,628	36,977	2	75,125	71,744	5
Distributions per Trust Unit	0.69	0.69	-	1.38	1.38	-
Long term debt	207,432	168,618	23	207,432	168,618	23
Unitholders' equity	482,289	477,546	1	482,289	477,546	1
OPERATIONS						
Daily Production						
Oil (bbl/d)	2,354	2,725	(14)	2,341	2,434	(4)
Natural gas (mmcf/d)	81.7	89.6	(9)	84.2	85.8	(2)
Natural gas liquids (bbl/d)	2,926	3,034	(4)	3,083	2,852	8
Oil equivalent (boe/d)	18,891	20,693	(9)	19,458	19,586	(1)
Average Prices (including hedging)						
Oil (\$/bbl)	\$ 56.75	\$ 43.05	32	\$ 56.50	\$ 41.50	36
Natural gas (\$/mcf)	\$ 7.80	\$ 7.26	7	\$ 7.41	\$ 7.16	3
Natural gas liquids (\$/bbl)	\$ 45.29	\$ 39.19	16	\$ 45.61	\$ 37.68	21
Oil equivalent (\$/boe)	\$ 47.83	\$ 42.87	12	\$ 46.08	\$ 42.01	10
UNIT TRADING						
Units traded (thousands)	8,916	10,752	(17)	18,490	21,387	(14)
Value traded (\$ thousands)	\$ 186,959	\$ 201,264	(7)	\$ 398,888	\$ 388,635	3
Unit price						
High	\$ 22.19	\$ 19.74		\$ 23.35	\$ 19.74	
Low	\$ 19.60	\$ 17.44		\$ 19.60	\$ 16.51	
Close	\$ 21.55	\$ 19.15		\$ 21.55	\$ 19.15	
Units outstanding (thousands)	54,524	53,608		54,524	53,608	

The following discussion and analysis of the operating and financial results of Shiningbank Energy Income Fund is for the three and six month periods ended June 30, 2005. This information is provided as of August 4, 2005. The second quarter and half-year results have been compared with the corresponding periods in 2004. This discussion and analysis should be read in conjunction with the Fund's audited consolidated financial statements for the years ended December 31, 2004 and 2003, together with the accompanying notes, and the December 31, 2004 Management Discussion & Analysis ("MD&A") and Annual Information Form ("AIF"). These documents and additional information about the Fund are available on SEDAR at www.sedar.com.

SUPPLEMENTAL DISCLOSURE

Management believes that distributions to Unitholders, cash flow and operating netbacks are useful supplemental measures. Distributions to Unitholders should not be construed as an alternative to net income as determined by Canadian generally accepted accounting principles ("GAAP"). All references to cash flow throughout this discussion and analysis are based on cash flow before changes in non-cash working capital, which management uses to analyze operating performance and leverage. Cash flow as presented is not intended to represent operating cash flow or operating profits, nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. Operating netbacks, which are calculated as average unit sales price less royalties, transportation costs and operating costs, represent the cash margin for product sold, calculated on a boe basis. Distributions to Unitholders, cash flow and operating netbacks as presented do not have any standardized meanings prescribed by Canadian GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

FORWARD-LOOKING STATEMENTS

This discussion and analysis contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as "may," "expects" or similar expressions. These statements represent management's best projections, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in this discussion and analysis and in the AIF, which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

BARREL OF OIL EQUIVALENT

Barrel of oil equivalent (boe) volumes are reported at 6:1 with 6 mcf = 1 bbl. The 6:1 boe conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. While it is useful for comparative measures, it may not accurately reflect individual product values and may be misleading if used in isolation.

REPORTING CURRENCY

All figures are in Canadian dollars unless otherwise noted.

RESULTS OF OPERATIONS

PRODUCTION VOLUMES

Daily Production Volumes

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Oil (bbl/d)	2,354	2,725	(14)	2,341	2,434	(4)
Natural gas (mmcf/d)	81.7	89.6	(9)	84.2	85.8	(2)
Natural gas liquids (bbl/d)	2,926	3,034	(4)	3,083	2,852	8
Oil equivalent (boe/d)	18,891	20,693	(9)	19,458	19,586	(1)
Natural gas % of production	72%	72%	-	72%	73%	(1)

Daily production for the second quarter averaged 18,891 boe/d, down 9% from the same period last year. For the first half of the year, daily production volumes averaged 19,458 boe/d, 1% lower than in 2004. The decreases reflect normal declines in the production base which were not fully offset by production from new wells, as anticipated. Wet weather delayed the tie-in of wells drilled in fourth quarter 2004 and first quarter 2005. An additional 225 boe/d was lost in the second quarter from pipeline damage caused by unprecedented flooding in southern Alberta. A similar amount is expected to be lost in the third quarter as pipeline repairs are completed. However, total production will increase by an approximate 20% for the second half of the year due to the recent acquisitions of Outlook Energy Corp. ("Outlook") and Blizzard Energy Inc. ("Blizzard") with production expected to average from 23,500 to 24,000 boe/d.

PRICING - INCLUDING HEDGING ACTIVITY

Average Prices - After Hedging

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Average Prices						
Oil (\$/bbl)	\$ 56.75	\$ 43.05	32	\$ 56.50	\$ 41.50	36
Natural gas (\$/mcf)	\$ 7.80	\$ 7.26	7	\$ 7.41	\$ 7.16	3
Natural gas liquids (\$/bbl)	\$ 45.29	\$ 39.19	16	\$ 45.61	\$ 37.68	21
Oil equivalent (\$/boe)	\$ 47.83	\$ 42.87	12	\$ 46.08	\$ 42.01	10
Benchmark Prices						
WTI (US\$/bbl)	\$ 53.20	\$ 38.31	39	\$ 51.51	\$ 36.73	40
AECO natural gas (Cdn\$/mcf)	\$ 7.37	\$ 6.80	8	\$ 7.03	\$ 6.70	5

Natural Gas

Shiningbank's realized natural gas prices averaged \$7.80/mcf for the quarter, 7% higher than second quarter 2004. Year to date, the average price was 3% higher at \$7.41. Hedging decreased the gas price by \$0.05/mcf for the quarter but had no significant impact on the year to date price. This compares with a 2004 hedging loss of \$0.09/mcf for the quarter and \$0.05/mcf for the first six months. Futures prices remain high with upcoming winter prices averaging over \$9.00/mcf.

Oil and Natural Gas Liquids

Realized oil prices for the quarter averaged \$56.75/bbl, up 32% from second quarter 2004. Realized oil prices for the first half were \$56.50/bbl, up 36% from 2004. Hedging reduced the price by \$0.83/bbl for the quarter and \$0.61/bbl year to date, compared with 2004 hedging losses of \$3.66/bbl for the quarter and \$2.97/bbl for the first six months.

The benchmark West Texas Intermediate (“WTI”) price averaged 39% higher for the quarter and 40% year to date, however strength in the Canadian dollar partially offset this increase. Oil prices continue to be exceptionally high, with WTI futures averaging over \$60.00/bbl for the remainder of 2005.

NGL prices were also strong reflecting high oil prices. The quarterly average NGL price was 16% higher than in second quarter 2004 at \$45.29/bbl, and 21% higher year to date at an average \$45.61/bbl.

Hedging

Shiningbank maintains an active hedging program designed to reduce the variability of cash flow and stabilize distributions. Under the Fund’s hedging policy, not more than one-half of production volumes of any commodity can be hedged at any one time. Gains and losses from hedging activities are typically recorded when they are realized and are included in oil and natural gas sales unless a particular hedge is considered ineffective. Currently, Shiningbank has the following hedging contracts in place:

Period	Commodity	Volume	Price
April 1, 2005 – December 31, 2005	Gas	5,000 GJ/d	\$5.00 /GJ floor \$6.39/GJ ceiling
April 1, 2005 – October 31, 2005	Gas	5,000 GJ/d	\$6.70/GJ
April 1, 2005 – October 31, 2005	Gas	5,000 GJ/d	\$6.65 /GJ floor \$7.75/GJ ceiling
May 1, 2005 – October 31, 2005	Gas	5,000 GJ/d	\$6.90 /GJ floor \$9.50/GJ ceiling
November 1, 2005 – March 31, 2006	Gas	5,000 GJ/d	\$7.50 /GJ floor \$12.00/GJ ceiling
January 1, 2005 – June 30, 2005	Oil	500 bbl/d	US\$37.00/bbl floor US\$50.50/bbl ceiling
February 1, 2005 – December 31, 2005	Oil	500 bbl/d	US\$40.00/bbl floor US\$55.40/bbl ceiling

REVENUES

(000s)	Three months ended June 30,				Six months ended June 30,			
	2005	% of Revenue	2004	% of Revenue	2005	% of Revenue	2004	% of Revenue
Oil	\$ 12,335	15	\$ 11,583	14	\$ 24,193	15	\$ 19,697	13
Natural gas	58,364	70	59,947	74	112,931	69	112,638	75
Natural gas liquids	12,057	14	10,820	14	25,453	15	19,558	13
Other income (loss)	1,005	1	(5)	-	1,077	1	610	-
Gas hedging	(360)	-	(715)	(1)	(36)	-	(840)	-
Oil hedging	(179)	-	(907)	(1)	(257)	-	(1,315)	(1)
	\$ 83,222	100	\$ 80,723	100	\$ 163,361	100	\$ 150,348	100

The accompanying table demonstrates the net effect of price and volume variances on revenues.

Sales Variance Analysis (Including Hedging Activity)

(000s)	Three months ended June 30,			Six months ended June 30,		
	2005/2004			2005/2004		
Oil and natural gas liquids						
Volume increase (decrease)	\$	(1,842)		\$	666	
Price increase		4,558			10,782	
Net increase	\$	2,716		\$	11,448	
Natural gas						
Volume decrease	\$	(5,243)		\$	(2,675)	
Price increase		4,016			3,773	
Net increase (decrease)	\$	(1,227)		\$	1,098	

ROYALTIES

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Total royalties, net (000s)	\$ 17,063	\$ 17,674	(3)	\$ 35,604	\$ 31,450	13
As a % of revenue	20.5%	21.9%	(6)	21.8%	20.9%	4
Per boe	\$ 9.93	\$ 9.39	6	\$ 10.11	\$ 8.82	15

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The royalty rate decreased in second quarter 2005 due to the receipt of gas cost allowance credits for 2004. Excluding this one time adjustment, the royalty rate for the quarter would have been 21.7%. The Fund expects rates to average 22.5% for the remainder of 2005.

TRANSPORTATION COSTS

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Transportation costs (000s)	\$ 1,075	\$ 1,540	(30)	\$ 2,242	\$ 2,875	(22)
Per boe	\$ 0.63	\$ 0.82	(23)	\$ 0.64	\$ 0.81	(21)

On a boe basis, transportation costs declined 23% from second quarter 2004 and 21% year to date. The decrease resulted from the termination of certain transportation service commitments. These terminations are not expected to impact the Fund's ability to market its production.

OPERATING COSTS

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Operating costs (000s)	\$ 13,949	\$ 12,607	11	\$ 25,721	\$ 23,713	8
Per boe	\$ 8.11	\$ 6.69	21	\$ 7.30	\$ 6.65	10

Operating costs on a boe basis increased 21% from second quarter 2004 and 10% year over year, mainly due to two factors: higher field and plant maintenance costs in most areas, and extra costs associated with the second quarter flooding in southern Alberta. Operating costs should decrease slightly in the third quarter with the incorporation of the Blizzard assets which have lower costs. Operating costs are expected to average \$7.00/boe for 2005.

OPERATING NETBACKS

(\$/boe)	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Oil and natural gas sales	\$ 47.83	\$ 42.87	12	\$ 46.08	\$ 42.01	10
Other income (loss)	0.58	-	-	0.31	(0.17)	(282)
Royalties	(9.93)	(9.39)	6	(10.11)	(8.82)	15
Transportation costs	(0.63)	(0.82)	(23)	(0.64)	(0.81)	(21)
Operating costs	(8.11)	(6.69)	21	(7.30)	(6.65)	10
Operating netbacks	\$ 29.74	\$ 25.97	15	\$ 28.34	\$ 25.56	11

Operating netbacks increased 15% quarter over quarter and 11% year over year due to higher commodity prices and lower transportation costs. Higher operating costs partially offset this increase.

GENERAL AND ADMINISTRATIVE COSTS

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
General and administrative costs (000s)	\$ 1,750	\$ 1,877	(7)	\$ 3,927	\$ 3,424	15
Per boe	\$ 1.02	\$ 1.00	2	\$ 1.12	\$ 0.96	17
Per average Trust Unit	\$ 0.03	\$ 0.04	(25)	\$ 0.07	\$ 0.07	-

General and administrative costs remained relatively flat on a boe basis from second quarter 2004. Year over year costs increased 17% on a boe basis due to higher activity levels related to acquisitions, development activities and increasing costs due to additional regulatory requirements. Costs are expected to average \$1.25/boe for the remainder of 2005.

INTEREST ON LONG TERM DEBT

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Interest on long term debt (000s)	\$ 1,931	\$ 1,431	35	\$ 3,775	\$ 2,902	30
Per boe	\$ 1.12	\$ 0.76	47	\$ 1.07	\$ 0.81	32
Per average Trust Unit	\$ 0.04	\$ 0.03	33	\$ 0.07	\$ 0.06	17

Interest expense, which includes bank charges, increased 35% from second quarter 2004 and 30% year over year due to higher debt levels resulting from the funding of acquisitions and capital expenditures. Shiningbank is currently in compliance with all external debt covenants.

DEPLETION, DEPRECIATION AND ACCRETION

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Depletion, depreciation and accretion (000s)	\$ 29,367	\$ 31,300	(6)	\$ 60,004	\$ 56,948	5
Per boe	\$ 17.08	\$ 16.62	3	\$ 17.04	\$ 15.98	7

Depletion, depreciation and accretion rose 3% per boe for the second quarter and 7% year over year. These increases were primarily related to the effect of the acquisitions in first quarter 2004.

TRUST UNIT INCENTIVE COMPENSATION

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Trust Unit incentive compensation (000s)	\$ 607	\$ 304	100	\$ 1,222	\$ 602	103
Per boe	\$ 0.35	\$ 0.16	119	\$ 0.35	\$ 0.17	106

During second quarter 2005, three new issues aggregating 50,000 Trust Unit rights were granted. Four new issues of rights aggregating 767,500 (2004 – 495,000) have been granted during the year. The fair value of rights issued was determined using a Black-Scholes model and will be brought into income over the vesting period of the rights. The total second quarter 2005 expense of \$607,000 (2004 - \$304,000) represented the fair value of rights issued during 2003 through to 2005 and which vested in second quarter 2005. All of these costs are “non-cash” costs and are not deducted in calculating distributions to Unitholders.

INTERNALIZATION OF MANAGEMENT CONTRACT

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Internalization of management contract (000s)	\$ 368	\$ 735	(50)	\$ 736	\$ 1,469	(50)
Per boe	\$ 0.21	\$ 0.39	(46)	\$ 0.21	\$ 0.41	(49)

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 eliminated 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 second quarter 2005, \$368,000 (2004 - \$735,000) was expensed, representing the amortization of these escrowed Exchangeable Shares.

TAXES

	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Capital and large corporation taxes (000s)	\$ 97	\$ 404	(76)	\$ 226	\$ 629	(64)
Future income tax recovery (000s)	\$ (1,766)	\$ (3,221)	(45)	\$ (3,252)	\$ (8,532)	(62)
Per boe	\$ (0.97)	\$ (1.50)	(35)	\$ (0.86)	\$ (2.22)	(61)

The Fund is obligated to pay provincial capital taxes and federal large corporations tax in its operating entities. Under the Fund’s structure, payments are made between Shiningbank Energy Ltd. and the Fund. These payments provide the mechanism for transferring income to Unitholders along with tax benefits and future tax liabilities. Current income taxes are not presently payable by the Fund or its operating entities.

NET EARNINGS

Shiningbank’s second quarter earnings were \$18.8 million (2004 – \$16.1 million) or \$0.34 per Trust Unit, basic and diluted (2004 - \$0.30 basic, \$0.29 diluted). Year to date net earnings were \$33.2 million (2004 - \$34.9 million) or \$0.61 per Trust Unit basic, \$0.60 diluted (2004 - \$0.69 basic, \$0.68 diluted).

DISTRIBUTIONS TO UNITHOLDERS

(000s except per Trust Unit amounts)	Three months ended June 30,			Six months ended June 30,		
	2005	2004	%	2005	2004	%
Cash flow before change in non-cash working capital	\$ 46,353	\$ 45,190	3	\$ 90,862	\$ 84,734	7
Capital expenditures	(11,270)	(9,618)	17	(25,732)	(20,625)	25
Asset retirement expenditures	(437)	(19)	2,200	(910)	(218)	317
Working capital adjustments	2,982	1,424	109	10,905	7,853	39
Distributions to Unitholders	\$ 37,628	\$ 36,977	2	\$ 75,125	\$ 71,744	5
Distributions per Trust Unit	\$ 0.69	\$ 0.69	-	\$ 1.38	\$ 1.38	-
Trust Units outstanding	54,524	53,608	2	54,524	53,608	2

Total distributions to Unitholders increased 2% for the second quarter and 5% year to date over 2004. The increases were based on large gains in pricing for oil and NGL and strong gas prices.

On a per Trust Unit basis, distributions were consistent in both periods at \$0.69 for the quarter and \$1.38 year to date. The increase in the number of Trust Units outstanding offset the higher cash flow. The Fund paid out 81% of its cash flow from the second quarter 2005, 83% year to date.

QUARTERLY FINANCIAL INFORMATION

(000s except per Trust Unit amounts)	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004
Oil and natural gas sales	\$ 83,222	\$ 80,139	\$ 82,453	\$ 74,713
Net earnings before income tax	17,015	12,889	13,974	12,297
Per Trust Unit - basic	0.31	0.24	0.26	0.24
- diluted	0.31	0.23	0.25	0.23
Net earnings after income tax	18,781	14,375	88,038	15,900
Per Trust Unit - basic	0.34	0.26	1.62	0.30
- diluted	0.34	0.26	1.60	0.29
Cash flow before change in non-cash working capital	46,353	44,509	47,220	42,924
Per weighted average Trust Unit	0.85	0.81	0.87	0.80
Distributions to Unitholders	37,628	37,497	37,390	37,226
Per Trust Unit	0.69	0.69	0.69	0.69
Payout ratio	81%	84%	79%	87%
	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003
Oil and natural gas sales	\$ 80,723	\$ 69,625	\$ 58,474	\$ 63,046
Net earnings before income tax	12,851	13,485	6,092	13,227
Per Trust Unit - basic	0.24	0.29	0.14	0.30
- diluted	0.24	0.28	0.14	0.29
Net earnings after income tax	16,072	18,796	5,354	15,517
Per Trust Unit - basic	0.30	0.40	0.12	0.35
- diluted	0.29	0.39	0.12	0.35
Cash flow before change in non-cash working capital	45,190	39,544	30,082	35,057
Per weighted average Trust Unit	0.84	0.84	0.68	0.79
Distributions to Unitholders	36,977	34,767	30,629	30,442
Per Trust Unit	0.69	0.69	0.69	0.69
Payout ratio	82%	88%	102%	87%

Quarterly fluctuations are primarily the result of production increases due to acquisitions, volumes added through the Fund's development drilling program and realized commodity prices which can be extremely volatile.

Volume increases from acquisitions occurred in second quarter 2003 through the acquisition of assets at Ferrier/O'Chiese and again, in second quarter 2004 with the acquisition of Birchill Resources Limited. The Fund's development drilling program strives to replace natural declines on the production base, with results fluctuating depending on field access for equipment and drilling success. Shiningbank's drilling success rate in 2005 has been 98%.

Natural gas prices remained strong and relatively consistent through the eight quarters. Oil prices increased substantially in late 2004. With oil playing a small role in Shiningbank's overall revenues and with increased capital programs absorbing the extra cash flow, there was no change in distributions.

COSTS OF ACQUISITIONS AND DEVELOPMENT

During the second quarter, Shiningbank spent \$31.4 million on the acquisition of Outlook. This acquisition is expected to add 600 boe/d to production for the remainder of the year.

A total of \$11.3 million was spent on drilling and new facilities during the second quarter and \$25.7 million in the first half of 2005, compared with \$9.6 million and \$20.6 million, respectively for the same periods in 2004. Cash flow funded \$8.7 million of the second quarter expenditures and \$15.7 million of the year to date expenditures, with the balance funded by debt and proceeds from the Fund's Distribution Reinvestment Plan. The capital program funded a successful development drilling and tie-in program concentrated in the Ferrier/O'Chiese area. While second quarter field operations were postponed due to wet weather, the Fund's drilling program will be more active in the summer and fall of 2005.

LIQUIDITY AND CAPITAL RESOURCES

Shiningbank's ability to grow depends on access to bank lines of credit and periodic equity infusions. Smaller acquisitions through the course of a year are funded by bank debt. Equity is issued to fund single large acquisitions, or to pay down debt acquired following a number of smaller acquisitions. When the proceeds of an equity issue are greater than acquisition costs, the excess is used to reduce bank debt.

LONG TERM DEBT

The Fund has a \$330 million revolving credit facility with a syndicate of Canadian chartered banks of which \$207.4 million was drawn at June 30, 2005. This facility was increased from \$250 million as a result of the Blizzard acquisition. The revolving period extends to April 27, 2006, at which time the facility reverts to a two-year term with principal payments, if necessary, commencing on July 28, 2006. The facility is secured by a \$600 million floating charge debenture on all assets of Shiningbank together with supporting debentures and guarantees from the Fund's operating subsidiaries and affiliates. 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. At June 30, 2005 the debt to cash flow ratio was 1:1. Draw-downs under this facility were used to fund the Blizzard acquisition and, as a result, Shiningbank will have an approximate 1.3 times debt to cash flow ratio in the third quarter.

UNITHOLDERS' EQUITY

A total of 204,621 Trust Units were issued during the second quarter (383,737 year to date) under the Trust Unit Rights Incentive Plan and under the Fund's Distribution Reinvestment Plan.

When equity is raised in a public equity issue, the intended use of proceeds is specified in the related prospectus. 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 August 4, 2005, the Fund had 54,601,812 Trust Units, 263,482 non-escrowed Exchangeable Shares and 353,614 escrowed Exchangeable Shares outstanding. Exchangeable Shares held in escrow will be released over the next three years under the terms of two escrow agreements. Exchangeable Shares are not eligible for distributions until they are exchanged for Trust Units at the discretion of the holder. The exchange rate was initially one Trust Unit for each Exchangeable Share. The exchange rate increases with each distribution by an amount equal to the per unit distribution divided by the 10-day weighted average trading price of the Trust Units preceding the record date for that distribution. As of June 30, 2005, the exchange rate was 1 to 1.39023.

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 ¹	\$ 207,432	\$ -	\$ 207,432	\$ -	\$ -
Operating leases	8,102	1,443	3,143	3,248	268
Pipeline transportation	4,121	1,175	2,350	596	-
Total obligations	\$ 219,655	\$ 2,618	\$ 212,925	\$ 3,844	\$ 268

¹ The long term debt obligation assumes that the revolving credit line is not renewed in April 2006.

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.

IMPACT OF NEW ACCOUNTING POLICIES

NON-CONTROLLING INTEREST

On March 8, 2005 and effective for second quarter 2005, the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants amended its position on the reporting of exchangeable securities issued by subsidiaries of income trusts. The amendment states that exchangeable securities issued by a subsidiary of an income trust should be reflected as either non-controlling interest or debt on the consolidated balance sheet unless they meet certain criteria. Shiningbank's Exchangeable Shares meet the specified criteria and therefore, the current treatment of reporting exchangeable securities as equity on the balance sheet continues to be appropriate.

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 was 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 independent petroleum reserve evaluators who use 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 estimated, 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 Environmental, Corporate Governance and

Reserve Review Committee all review and approve the estimates reported by the independent reserve evaluators.

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)	June 30, 2005	December 31, 2004
	(unaudited)	(audited)
ASSETS		
Current assets		
Accounts receivable	\$ 43,974	\$ 50,712
Prepaid expenses	4,456	4,471
	48,430	55,183
Fixed assets <i>(note 3)</i>		
Petroleum and natural gas properties and equipment	1,188,914	1,133,426
Accumulated depletion and depreciation	(423,695)	(364,814)
	765,219	768,612
Goodwill	9,311	1,710
Other assets	889	1,292
	\$ 823,849	\$ 826,797
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 44,519	\$ 40,268
Trust Unit distributions payable	25,099	24,930
	69,618	65,198
Long term debt <i>(note 2)</i>	207,432	182,147
Future income taxes	37,814	33,266
Asset retirement obligation	26,696	30,242
Unitholders' equity		
Trust Units <i>(note 4)</i>	713,718	706,954
Exchangeable Shares <i>(note 4)</i>	7,755	7,019
Contributed surplus <i>(note 4)</i>	2,230	1,416
Accumulated earnings	341,673	308,517
Accumulated Trust Unit distributions	(583,087)	(507,962)
	482,289	515,944
	\$ 823,849	\$ 826,797

See selected accompanying notes to the interim financial statements

CONSOLIDATED STATEMENTS OF EARNINGS AND UNITHOLDERS' EQUITY

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

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Revenues				
Oil and natural gas sales	\$ 83,222	\$ 80,723	\$ 163,361	\$ 150,348
Royalties	17,063	17,674	35,604	31,450
	66,159	63,049	127,757	118,898
Expenses				
Transportation	1,075	1,540	2,242	2,875
Operating	13,949	12,607	25,721	23,713
General and administrative	1,750	1,877	3,927	3,424
Interest on long term debt	1,931	1,431	3,775	2,902
Depletion, depreciation and accretion	29,367	31,300	60,004	56,948
Trust Unit incentive compensation (note 4)	607	304	1,222	602
Internalization of management contract	368	735	736	1,469
	49,047	49,794	97,627	91,933
Earnings before taxes	17,112	13,255	30,130	26,965
Capital and large corporation taxes	97	404	226	629
Future income tax recovery	(1,766)	(3,221)	(3,252)	(8,532)
Net earnings	\$ 18,781	\$ 16,072	\$ 33,156	\$ 34,868
Unitholders' equity, beginning of period				
Unitholders' equity, beginning of period	496,898	492,768	515,944	364,215
Issue of Trust Units (note 4)	3,472	4,766	6,764	148,347
Change in Exchangeable Shares, net (note 4)	368	735	736	1,469
Change in contributed surplus	398	182	814	391
Distributions to Unitholders	(37,628)	(36,977)	(75,125)	(71,744)
Unitholders' equity, end of period	\$ 482,289	\$ 477,546	\$ 482,289	\$ 477,546
Net earnings per Trust Unit (note 4)				
Basic	\$ 0.34	\$ 0.30	\$ 0.61	\$ 0.69
Diluted	\$ 0.34	\$ 0.29	\$ 0.60	\$ 0.68

See selected accompanying notes to the interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (\$ thousands)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Operating activities				
Net earnings	\$ 18,781	\$ 16,072	\$ 33,156	\$ 34,868
Items not requiring cash				
Depletion, depreciation and accretion	29,367	31,300	60,004	56,948
Internalization of management contract	368	735	736	1,469
Trust Unit incentive compensation	607	304	1,222	602
Gain on sale of other assets	(1,004)	-	(1,004)	(621)
Future income tax recovery	(1,766)	(3,221)	(3,252)	(8,532)
Cash flow before change in non-cash working capital	46,353	45,190	90,862	84,734
Asset retirement expenditures	(437)	(19)	(910)	(218)
Change in non-cash working capital (note 5)	4,600	(9,208)	13,572	(19,639)
	50,516	35,963	103,524	64,877
Financing activities				
Increase in long term debt	28,686	3,754	25,285	46,927
Distributions to Unitholders	(37,628)	(36,977)	(75,125)	(71,744)
Issue of Trust Units	3,263	4,644	6,356	148,136
	(5,679)	(28,579)	(43,484)	123,319
Change in non-cash working capital (note 5)	86	148	169	4,258
	(5,593)	(28,431)	(43,315)	127,577
Total cash provided	\$ 44,923	\$ 7,532	\$ 60,209	\$ 192,454
Investing activities				
Property acquisitions	\$ (14)	\$ (1,722)	\$ (1,333)	\$ (2,167)
Corporate acquisitions	(31,360)	(31)	(31,360)	(177,020)
Capital expenditures	(11,270)	(9,618)	(25,732)	(20,625)
Long term investments	-	-	-	(21)
Proceeds on sale of fixed assets	(66)	2,374	(56)	2,542
Proceeds on sale of other assets	1,004	-	1,336	1,000
	(41,706)	(8,997)	(57,145)	(196,291)
Change in non-cash working capital (note 5)	(3,217)	1,465	(3,064)	3,837
Total cash used	\$ (44,923)	\$ (7,532)	\$ (60,209)	\$ (192,454)

See selected accompanying notes to the interim financial statements

Notes to the Consolidated Financial Statements

For the periods ended June 30, 2005 and 2004

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 follow the same accounting principles and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2004 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, 2004.

2. Long Term Debt

Shiningbank Energy Ltd. (the “Corporation”) has a \$330 million revolving credit facility with a syndicate of Canadian chartered banks of which \$207.4 million was drawn at June 30, 2005. The revolving period extends to April 27, 2006. If the revolving facility is not renewed on that date, it will revert to a two year term with principal payments commencing on July 28, 2006. The facility is secured by a \$600 million floating charge debenture on all assets of the Corporation together with supporting debentures and guarantees from operating subsidiaries and affiliates. 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 Fund's total debt to cash flow ratio, or, at Shiningbank's option, the bankers' acceptance rate plus a stamping fee.

3. Fixed Assets

Acquisition of Outlook Energy Corp.

Effective June 21, 2005 the Corporation acquired 99.9% of the issued and outstanding common shares of Outlook Energy Corp. (“Outlook”) for \$31.2 million. The transaction closed June 21, 2005. The acquisition was accounted for by the purchase method and the results of operations of Outlook are included in the accounts from the closing date. The following allocation of net assets acquired is a preliminary calculation which is subject to change with regards to closing adjustments and other items.

Cash consideration	\$	31,210
Related fees and expenses		150
Cost of acquisition	\$	31,360
Working capital deficiency	\$	(496)
Future income taxes		(7,800)
Asset retirement obligation		(806)
Goodwill		7,601
Petroleum and natural gas properties and equipment		32,861
Total consideration	\$	31,360

4. Trust Units

- (a) Authorized
300,000,000 Trust Units

(b) Issued

	Number	Amount (000s)
Balance, December 31, 2004	54,140,619	\$706,954
Issued on exercise of rights	201,667	2,510
Issued for cash under Distribution Reinvestment Plan	182,070	3,910
Less: Commissions and issue costs		(64)
Transfer from contributed surplus on exercise of rights		408
Balance, June 30, 2005	54,524,356	\$713,718

(c) Exchangeable Shares ¹

	Number	Amount (000s)
Balance, December 31, 2004	263,482	\$7,019
Amortization of deferred portion		736
Balance, June 30, 2005	263,482	\$7,755
Exchange ratio, June 30, 2005	1.39023	
Trust Units issuable upon conversion of non-escrowed shares	366,301	
Trust Units issuable upon conversion of 353,614 escrowed shares	491,605	
Total Trust Units issuable upon conversion of all shares	857,906	

¹ The Exchangeable Shares are non-transferable.

(d) Trust Unit Rights Incentive Plan

At June 30, 2005, there were 1,937,734 (2004 - 1,578,335) rights outstanding, of which 620,234 (2004 - 503,335) were exercisable at a weighted average exercise price of \$13.29 (2004 - \$13.62).

	Number	Weighted Average Exercise Price
Balance, December 31, 2004	1,396,901	\$14.74
Granted	767,500	21.45
Exercised	(201,667)	12.45
Forfeited	(25,000)	18.83
Balance before reduction of exercise price	1,937,734	\$17.58
Reduction of exercise price		(0.66)
Balance, June 30, 2005	1,937,734	\$16.92

The following table summarizes information about Trust Unit rights outstanding and exercisable at June 30, 2005:

Range of Exercise Prices	Rights Outstanding			Rights Exercisable	
	Number Outstanding At 6/30/05	Weighted Average Remaining Contractual Life (Yrs)	Weighted Average Exercise Price	Number Exercisable At 6/30/05	Weighted Average Exercise Price
\$9.00 to \$12.99	640,235	6.7	\$ 12.24	480,235	\$ 12.37
\$13.00 to \$16.99	459,999	8.5	\$ 16.58	139,999	\$ 16.45
\$17.00 to \$21.50	837,500	9.5	\$ 20.69	-	-
\$9.00 to \$21.50	1,937,734	8.3	\$ 16.92	620,234	\$ 13.29

Shiningbank recorded Trust Unit incentive compensation expense of \$1,222,000 for the six months ended June 30, 2005 (2004 – \$602,000) and \$607,000 for the quarter (2004 - \$304,000) for rights issued between 2003 and 2005, and which vested in 2005.

During the first half of 2005, \$408,000 (2004 - \$211,000) of contributed surplus was transferred to Trust Unit equity in respect of rights exercised during the period. For the second quarter, \$209,000 (2004 - \$124,000) was transferred.

The following table reconciles the movement in the contributed surplus balance:

Contributed surplus	Amount (000s)
Balance, December 31, 2004	\$ 1,416
Trust Unit incentive compensation	1,222
Net benefit on rights exercised ¹	(408)
Balance, June 30, 2005	\$ 2,230

¹ Upon exercise, the net benefit is reflected as a reduction of contributed surplus and an increase to Unitholders' capital.

The \$3.6 million fair value of the 767,500 rights issued during the first half of 2005 (\$223,000 fair value of 50,000 rights issued during the quarter) was estimated using a Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 3.81 to 4.21% (3.81 to 4.14% for the quarter), volatility of 60%, life of 10 years, and a distribution 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. The rights granted on January 1, 2002 fully vested on January 1, 2005 and therefore, no Trust Unit incentive compensation expense related to those rights would have been recorded during the quarter. For the six months ended June 30, 2004, Shiningbank's net income would have decreased by \$254,000 (\$127,000 for the quarter) due to additional Trust Unit incentive compensation expense related to those rights. Neither basic nor diluted per Trust Unit figures would have changed as a result of this additional expense.

(e) Per Trust Unit amounts

For the six months ended June 30, 2005, the weighted average number of Trust Units and non-escrowed Exchangeable Shares outstanding was 54,714,567 (2004 – 50,253,923) and for the three months ended June 30, 2005 was 54,813,864 (2004 - 53,569,521). In computing diluted net earnings per Trust Unit, the dilutive effect of Trust Unit rights and escrowed Exchangeable Shares added 677,306 Trust Units (2004 –

956,302) for the six months and 596,453 (2004 – 972,407) for the quarter, to the weighted average number of Trust Units outstanding.

5. Other Cash Flow Disclosures

	Three months ended June 30, 2005 (000s)	Three months ended June 30, 2004 (000s)	Six months ended June 30, 2005 (000s)	Six months ended June 30, 2004 (000s)
Change in non-cash operating working capital				
Accounts receivable	\$ (1,193)	\$ (7,897)	\$ 6,242	\$ (24,682)
Prepaid expenses	17	(170)	15	(1,713)
Accounts payable and accrued liabilities	5,776	(1,141)	7,315	6,756
	\$ 4,600	\$ (9,208)	\$ 13,572	\$ (19,639)

Change in non-cash financing working capital

Distributions payable to Unitholders	\$ 86	\$ 148	\$ 169	\$ 4,258
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Change in non-cash investing working capital

Accounts payable for capital accruals	\$ (3,217)	\$ 1,465	\$ (3,064)	\$ 3,837
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Cash payments

Cash payments made for taxes	\$ 88	\$ 145	\$ 92	\$ 301
Cash payments made for interest	\$ 1,751	\$ 507	\$ 3,701	\$ 2,003

6. Financial Instruments

At June 30, 2005, Shiningbank held certain oil and natural gas hedge contracts, the terms of which are listed in the following table. The estimated market value at June 30, 2005, had the contracts been settled at that time, would have been a loss of \$1.5 million.

Period	Commodity	Volume	Price
April 1, 2005 – December 31, 2005	Gas	5,000 GJ/d	\$5.00/GJ floor
			\$6.39/GJ ceiling
April 1, 2005 – October 31, 2005	Gas	5,000 GJ/d	\$6.70/GJ
April 1, 2005 – October 31, 2005	Gas	5,000 GJ/d	\$6.65/GJ floor
			\$7.75/GJ ceiling
May 1, 2005 – October 31, 2005	Gas	5,000 GJ/d	\$6.90/GJ floor
			\$9.50/GJ ceiling
November 1, 2005 – March 31, 2006	Gas	5,000 GJ/d	\$7.50/GJ floor
			\$12.00/GJ ceiling
January 1, 2005 – June 30, 2005	Oil	500 bbl/d	US\$37.00/bbl floor
			US\$50.50/bbl ceiling
February 1, 2005 – December 31, 2005	Oil	500 bbl/d	US\$40.00/bbl floor
			US\$55.40/bbl ceiling

7. Subsequent Event

The Fund, the Corporation and Blizzard Energy Inc. (“Blizzard”) entered into an arrangement agreement dated June 6, 2005, as amended and restated June 27, 2005. Pursuant to the Arrangement Agreement, the Fund will acquire the majority of Blizzard's natural gas assets, while certain of Blizzard's producing assets and undeveloped lands will be transferred to Zenas Energy Corp. As a result, pursuant to the Arrangement, Shiningbank issued 8,837,793 Trust Units and \$46.6 million cash in exchange for all of the issued and outstanding shares of Blizzard and assumed debt and working capital deficiency of approximately \$42.0 million. The Plan was approved by Blizzard Shareholders at a Special Meeting held on July 28, 2005.

Upon the above mentioned close, the Corporation’s revolving credit facility was increased from \$250 million to \$330 million.

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

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