



January 18, 2007

TSX: SHN.UN

## NEWS RELEASE FOR IMMEDIATE RELEASE

### **Shiningbank Energy announces February distribution, revised distribution policy and 2007 operating guidance**

Shiningbank Energy Income Fund (the "Fund" or "Shiningbank") today announced a reduced monthly cash distribution beginning in February 2007, revised distribution policy, 2007 guidance and operating metrics, and an internal estimate of its current tax pools.

#### **HIGHLIGHTS**

- Monthly distributions are being reduced to C\$0.15 per unit beginning with the distribution payable on February 15, 2007. Weak gas prices were one factor in the reduction from \$0.23 per unit; more importantly, the Fund has moved to preserve its financial flexibility in light of the dramatic drop in equity markets following the federal government's announcement of its intention to begin taxing income trusts in 2011.
- The lower distribution equates to an approximate 14% annualized pre-tax cash-on-cash yield based on the Fund's closing price of \$13.26 on January 17. This compares to an average cash-on-cash yield of 14-15% for the sector.
- Shiningbank's payout ratio has been reduced to 60-65% of estimated 2007 cash flow from its three-year average of 84%. This new distribution policy is aimed at funding substantially all distributions and capital expenditures from cash flow, improving the sustainability of cash distributions.
- 2007 production is forecast to average between 25,500 and 26,000 boe/d, an increase of approximately 10-12% from 2006 as a result of the acquisition of Find Energy Ltd. last September and the effects of Shiningbank's development drilling program.
- 2007 capital spending of \$110 to \$120 million, roughly the same level as in 2006, is aimed at offsetting normal declines on the production base.
- Tax pools are internally estimated at \$805 million. An update will be available with the release of year-end 2006 financials.

“Shiningbank’s distributions have historically tracked gas prices and it is unfortunate that a four-year low in gas pricing occurred just as the government announced changes in the tax rules for trusts. This combination has resulted in a dramatic drop in the market value of trusts, including Shiningbank, and has led us to reduce our distributions,” said Dave Fitzpatrick, President and Chief Executive Officer. “But gas price futures for 2007 are showing stronger pricing later in the year and we are optimistic about our development drilling program. We expect that our development drilling program will offset most of our normal production declines, while our acquisition of Find Energy should add moderate production and cash flow growth this year.”

## **DISTRIBUTION POLICY**

### **Reduced monthly distribution**

Shiningbank has lowered its monthly cash distribution to C\$0.15 per unit beginning with the distribution payable on February 15, 2007. The distribution is payable to unitholders of record on January 31, 2007, and the ex-distribution date is January 29, 2007. This distribution level represents an approximate 14% annualized pre-tax cash-on-cash yield based on the January 17, 2007 closing price of C\$13.26 per unit. This 35% reduction from \$0.23 per unit is in response to an extended period of declining natural gas prices and a much higher cost of capital resulting from the drop in the Fund’s unit price following the federal government’s announcement of a new tax regime for trusts. As a result, Shiningbank has lowered its payout ratio in order to fund substantially all of its capital program from cash flow.

### **Lower payout ratio**

With a lower level of monthly distributions, Shiningbank’s payout ratio for 2007 will be in the range of 60-65% of estimated cash flow, down from its three-year average of 84%. This lower payout ratio takes into account one impact of the government’s tax changes – a much higher cost of capital resulting from the significant drop in the Fund’s unit price. Considering this change in equity markets, Shiningbank believes it is critical to preserve financial strength and flexibility by using cash flow rather than debt or equity to fund capital expenditures. Shiningbank plans to fund substantially all of its 2007 capital program with available cash flow.

## **2007 GUIDANCE**

### **Highlights**

- Production is forecast to increase approximately 10-12% from 2006 to average 25,500 to 26,000 boe/d.
- Approximately 30% of natural gas production and 20% of oil production is hedged for 2007.
- Capital expenditures of \$110 to \$120 million will fund the drilling of approximately 210 development wells (85 net), focused primarily on liquids-rich natural gas wells. Incremental production from the development drilling program is expected to offset almost all production declines for the year.

- Operating costs are forecast to average \$7.50 to \$7.75/boe.
- General and administrative costs are expected to average \$1.65 to \$1.75/boe.

## Production forecast

2007 production is forecast to average 25,500 to 26,000 boe/d, down marginally from fourth quarter 2006, but a 10-12% increase over full-year 2006. The increase stems primarily from the acquisition of Find Energy Ltd., late in third quarter 2006, which added approximately 4,900 boe/d. Natural gas production is expected to average approximately 120 mmcf/d and account for 76% of total production. Production additions from the 2007 capital program are expected to offset almost all of the base production declines which are estimated at 18% annually. No acquisition or divestment activity is included in these estimates.

## Hedging

Shiningbank has hedged approximately 30% of 2007 natural gas production with a weighted average floor price of \$7.33/mcf. Hedges are also in place for approximately 20% of 2007 oil production with a floor price of US\$60.00/bbl and ceiling of US\$75.00/bbl. The following table summarizes the Fund's outstanding hedges:

| Period                              | Commodity | Volume      | Price  |
|-------------------------------------|-----------|-------------|--|
| July 1, 2006 – March 31, 2007       | Gas       | 5,000 GJ/d  | \$6.00/GJ floor<br>\$10.05/GJ ceiling        |
| July 1, 2006 – March 31, 2007       | Gas       | 5,000 GJ/d  | \$6.25/GJ floor<br>\$10.50/GJ ceiling        |
| November 1, 2006 – March 31, 2007   | Gas       | 5,000 GJ/d  | \$8.55/GJ floor<br>\$11.50/GJ ceiling        |
| January 1, 2007 – December 31, 2007 | Gas       | 10,000 GJ/d | \$6.50/GJ floor<br>\$9.00/GJ ceiling         |
| December 1, 2006 – March 31, 2007   | Gas       | 5,000 GJ/d  | \$6.75/GJ floor<br>\$9.70/GJ ceiling         |
| April 1, 2007 – October 31, 2007    | Gas       | 10,000 GJ/d | \$6.70/GJ floor<br>\$8.55/GJ ceiling         |
| April 1, 2007 – December 31, 2007   | Gas       | 10,000 GJ/d | \$7.77/GJ                                    |
| January 1, 2007 – December 31, 2007 | Gas       | 5,000 GJ/d  | \$7.00/GJ floor<br>\$8.70/GJ ceiling         |
| January 1, 2007 – December 31, 2007 | Oil       | 500 bbl/d   | US\$60.00/bbl floor<br>US\$75.00/bbl ceiling |

## Capital program

Capital expenditures for 2007 of \$110 to \$120 million will see the drilling of approximately 210 development wells (85 net). Approximately 50% of spending will be in west-central Alberta in the Ferrier/O'Chiese/West Pembina area, a low operating cost hub of activity for Shiningbank where it has historically drilled with a success rate in excess of 90%. This core area was expanded last September with the acquisition of production and substantial lands from Find Energy Ltd. A further 25% of the budget will be spent on NGL-rich development wells in the Peace River Arch area, which has many similar geological characteristics to west-central Alberta. The remaining 25% will be spent on non-operated properties, facilities and smaller areas.

## Operating costs

Operating costs are forecast to average \$7.50 to \$7.75/boe. These costs are based on higher expected field costs offset by higher production levels from areas, such as Ferrier, where operating costs are lower than average.

## General and administrative costs

General and administrative costs are expected to average \$1.65 to \$1.75/boe, slightly higher than the estimated \$1.50 to \$1.60/boe for 2006, due to inflationary pressures and increased costs for regulatory compliance.

## ESTIMATED INCOME TAX POOLS

The following table summarizes an internal estimate of tax pools at December 31, 2006. These are provided for information purposes only, and have not been verified by any government or regulatory body. These estimates could differ materially from the tax pool information which will be disclosed with the Fund's 2006 year-end financials.

Year-end 2006 tax pools – internal estimate, January 17, 2007:

|                              |                       |
|------------------------------|-----------------------|
| Trust tax pools              | \$ 383 million        |
| Operating company tax pools: |                       |
| COGPE                        | \$ 20 million         |
| CDE                          | \$ 140 million        |
| CEE                          | \$ 22 million         |
| UCC                          | \$ 170 million        |
| Other                        | <u>\$ 70 million</u>  |
| Total                        | <u>\$ 805 million</u> |

Shiningbank Energy Income Fund was founded in 1996 with a focus on natural gas. Through its first 10 years, Shiningbank generated an average 26% return per year based on selective acquisitions and the active management of its properties. Today, 76% of Shiningbank's production is natural gas, and it continues to operate a strong asset base with excellent development upside for its unitholders.

*This news release contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” 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 both the Fund’s Management’s Discussion and Analysis and Annual Information Form for the year ended December 31, 2005, 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. The Fund does not undertake to update any forward looking information in this document whether as to new information, future events or otherwise except as required by securities rules and regulations.*

*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.*

Shiningbank is listed on the Toronto Stock Exchange under the symbol SHN.UN. For further information please visit our website, [www.shiningbank.com](http://www.shiningbank.com) or contact us at:

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