

2002

Second Quarter Report

- **DISTRIBUTIONS INCREASED 8% FROM THE FIRST QUARTER TO \$0.54 PER UNIT**, mainly as a result of improved commodity prices.
- **THE BALANCE SHEET WAS STRENGTHENED** with a new equity issue in the quarter.
- **A MAJOR ACQUISITION WAS COMPLETED IN JUNE**, which added 2.2 mmcf/d of natural gas and 110 bbl/d of NGL.

SECOND QUARTER HIGHLIGHTS

(\$ thousands, except Trust Unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
FINANCIAL				
Oil and natural gas sales	\$ 36,804	\$ 53,472	\$ 66,627	\$ 98,542
Net earnings	7,061	20,431	10,043	40,491
Cash flow	19,243	30,995	34,178	57,154
Distributable income	17,897	27,410	32,456	49,138
Per unit	0.54	1.10	1.04	2.20
Acquisition and development costs	25,685	669	30,248	5,867
Long term debt	87,760	107,847	87,760	107,847
Unitholders' equity	293,613	232,540	293,613	232,540

OPERATIONS

Daily Production				
Oil (bbl/d)	2,190	2,363	2,189	1,845
Natural gas (mmcf/d)	66.6	68.0	65.6	54.8
Natural gas liquids (bbl/d)	1,432	1,595	1,448	1,331
Oil equivalent (boeld @ 6 mcf/boe)	14,721	15,294	14,573	12,313
Average Prices				
Oil (Cdn\$/bbl)	\$ 36.61	\$ 38.76	\$ 33.26	\$ 39.60
Natural gas (Cdn\$/mcf)	\$ 4.32	\$ 6.53	\$ 4.00	\$ 7.74
Natural gas liquids (Cdn\$/bbl)	\$ 25.35	\$ 32.00	\$ 22.71	\$ 34.95
Oil equivalent (boeld @ 6 mcf/boe)	\$ 27.47	\$ 38.42	\$ 25.26	\$ 44.22

UNIT TRADING

Units traded (thousands)	6,661	8,239	13,180	14,055
Value traded (\$ thousands)	96,195	142,767	186,729	240,995
Unit price				
High	\$ 15.20	\$ 18.70	\$ 15.49	\$ 18.70
Low	\$ 13.70	\$ 14.51	\$ 12.50	\$ 14.51
Close	\$ 14.50	\$ 15.00	\$ 14.50	\$ 15.00
Units outstanding (thousands)	33,143	24,918	33,143	24,918

The Fund is named after Shiningbank Lake which is near the first property acquired by the Trust.

Shiningbank comes from an Aboriginal name describing the lake's clay banks which shine like gold in the sun.

Shiningbank's second quarter results reflect stronger oil and gas prices which increased distributions by 8% over the first quarter. Oil and NGL prices rose by more than 20% on average from the first quarter, largely due to the unrest in the Middle East and continued OPEC production quotas. Natural gas prices were also strong in the quarter, increasing by 18% on average from the first quarter. These price increases were behind the growth in our distribution to unitholders for the quarter.

Gas Price Cycles

Natural gas prices are continuing to reflect changing market conditions. In the second quarter, we received an average \$4.32/mcf, while third quarter prices have dropped to the \$2.75/mcf range. The decline was driven by the slower than expected recovery in the US economy, which has reduced incremental demand and left storage volumes at a higher level than expected earlier in the year. For the remainder of the summer, we are seeing futures contracts trading at about Cdn\$3.50/mcf, rising to Cdn\$5.50/mcf for 2003. We will continue to see natural gas prices cycle through lows, however, we believe that the medium- to long-term outlook is positive.

- **NATURAL GAS PRICES WILL CONTINUE TO FLUCTUATE** over the short term until market demand rebalances gas storage inventories.
- **LONGER-TERM, WE REMAIN BULLISH ON THE OUTLOOK FOR NATURAL GAS**, recognizing that markets and pricing will always move through cycles.

Production

We experienced 18% production growth over the first six months of 2001 as a result of the Ionic acquisition in second quarter 2001. However, our volumes declined 4% from second quarter 2001 due to natural declines, partially offset by the acquisition of producing wells at Minehead, Alberta, effective June 1, 2002.

- **SECOND QUARTER PRODUCTION WAS DOWN 4% FROM SECOND QUARTER 2001** to an average 14,721 boe/d, primarily as a result of natural declines.
- **YEAR-TO-DATE NATURAL GAS VOLUMES ROSE 20% OVER 2001** to an average 65.6 mmcf/d.
- **75% OF PRODUCTION WAS NATURAL GAS**, and we remain the royalty trust with the highest percentage of natural gas production in Canada.



Acquisition Activity

During the quarter we completed the acquisition of producing natural gas wells at Minehead, a long-life, operated natural gas property in west-central Alberta at a cost of \$21.1 million. The wells are operated by Shiningbank and produce liquids-rich natural gas, which is consistent with our other production in nearby areas.

- **THE MINEHEAD ACQUISITION INCREASED PRODUCTION** by approximately 2.2 mmcf/d of natural gas and 110 bbl/d of NGL effective June 1, 2002.

Strengthening the Balance Sheet

On May 2, 2002, in combination with the Minehead acquisition, we entered into a bought-deal equity financing whereby we issued 4.025 million Trust Units at \$14.20 per unit for gross proceeds of \$57.2 million. This was our largest ever bought-deal financing. The funds were applied to the Minehead acquisition and the excess was used to reduce debt until required for other acquisitions.

- **OUR DEBT HAS BEEN REDUCED** to approximately \$88 million as a result of the equity issue.
- **OUR DEBT TO CASH FLOW RATIO HAS BEEN REDUCED** to 1.2 times anticipated 2002 annual cash flow.
- **OUR ABILITY TO GROW REMAINS INTACT**, as Shiningbank has available lines of credit that will allow us to take advantage of acquisition opportunities.

Outlook

We are continuing to manage the Fund with the prime goal of generating superior returns to unitholders. While natural gas markets will continue to reflect changing supply and demand, we are committed to bridging pricing lows and capturing the highs. This involves continually improving our balance sheet, along with the careful evaluation and acquisition of oil and gas properties that fit our financial and operating criteria. It is a strategy that has allowed Shiningbank to continue to be a top performer in the oil and gas trust sector.



Arne R. Nielsen
Executive Chairman

August 13, 2002



David M. Fitzpatrick
President and Chief Executive Officer



Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended June 30, 2002 and the audited consolidated financial statements and MD&A for the year ended December 31, 2001. Unless otherwise noted, all tables reflect data for the second quarter of 2002 and 2001.

Results of Operations

Boe volumes are reported at 6:1 with 6 mcf = 1 bbl

Production Volumes

For the first half of the year, daily production was 18% higher than 2001 as a result of the Ionic acquisition in April 2001, and the Greencourt acquisition in August 2001. Daily production for second quarter 2002 averaged 14,721 boe/d, down 4% from second quarter 2001 mainly due to natural declines of producing properties which were partially offset by property acquisitions. Sales of minor properties also contributed approximately 250 boe/d to the quarterly decline.

DAILY PRODUCTION VOLUMES

	Three months ended June 30,			Six months ended June 30,		
	2002	2001	% change	2002	2001	% change
Oil (bbl/d)	2,190	2,363	(7)%	2,189	1,845	19%
Natural gas (mmcf/d)	66.6	68.0	(2)%	65.6	54.8	20%
NGL (bbl/d)	1,432	1,595	(10)%	1,448	1,331	9%
Oil equivalent (boe/d)	14,721	15,294	(4)%	14,573	12,313	18%

Pricing – After Hedging

Since the start of 2002, West Texas Intermediate benchmark oil has largely traded in the range of US\$20-30/bbl, with pricing movements influenced by uncertainties in the Middle East. Oil prices improved in the second quarter with the Fund realizing an average price of Cdn\$36.61/bbl, 6% lower than second quarter 2001 and 23% higher than first quarter 2002. Hedging reduced the realized price by \$0.05/bbl.

On the NYMEX, the average benchmark natural gas price for second quarter 2002 was down 23% from the same period in 2001, but up 37% from the first quarter of 2002. Shiningbank's average realized gas price for the quarter of Cdn\$4.32/mcf was down 34% from second quarter 2001, but up 18% from the first quarter 2002 price of Cdn\$3.66/mcf. Hedging added \$0.07/mcf to the realized price. In the third quarter, gas prices have fallen to the Cdn\$2.75/mcf range due to high storage inventory volumes, a lagging economic recovery and no material increase in demand in the major gas consuming regions.

AVERAGE PRICES – AFTER HEDGING

	Three months ended June 30,			Six months ended June 30,		
	2002	2001	% change	2002	2001	% change
Oil (Cdn\$/bbl)	36.61	38.76	(6)%	33.26	39.60	(16)%
Natural gas (Cdn\$/mcf)	4.32	6.53	(34)%	4.00	7.74	(48)%
NGL (Cdn\$/bbl)	25.35	32.00	(21)%	22.71	34.95	(35)%
Oil equivalent (Cdn\$/boe)	27.47	38.42	(29)%	25.26	44.22	(43)%
WTI (US\$/bbl)	26.26	28.13	(7)%	24.09	28.43	(15)%
NYMEX natural gas (US\$/mmbtu)	3.41	4.42	(23)%	2.95	5.33	(45)%

Revenue

Second quarter revenues were lower than in 2001 due to commodity price declines and reduced volumes. For the first half of the year, commodity price decreases more than offset volume increases, leading to an overall drop in revenues of \$34.7 million before hedging gains. Hedging added a total of \$447,000 in the quarter and \$1.8 million year-to-date compared with a gain of \$309,000 for second quarter 2001 and a reduction of \$1.2 million for the first half of 2001. The following table sets out the changes in revenue attributable to increases and decreases in production volumes and prices of oil and gas for the stated periods:

2002/2001 REVENUE VARIANCE ANALYSIS – BEFORE HEDGING

(000s)	Three months ended June 30,		Six months ended June 30,	
	2002/2001	2001/2000	2002/2001	2001/2000
Crude oil and NGL				
Volume increase (decrease)	\$ (1,101)	\$ 5,566	\$ 3,142	\$ 5,935
Price increase (decrease)	(1,267)	(57)	(5,648)	712
Net increase (decrease)	(2,368)	5,509	(2,506)	6,647
Natural gas				
Volume increase (decrease)	(843)	14,012	\$ 15,335	16,811
Price increase (decrease)	(13,565)	14,089	\$ (47,521)	41,488
Net increase (decrease)	\$ (14,408)	\$ 28,101	\$ (32,186)	\$ 58,299

Royalties

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalties paid to others. Royalty rates were lower in the first half of 2002 relative to 2001 due mainly to the price-sensitive rate structure for Alberta Crown royalties. In 2001, substantially higher natural gas prices raised the average Crown royalty rate to 24.1%, but that effect has now diminished with lower prices. A further reduction for the six-month 2002 royalty rate was due to certain one-time adjustments made to Crown royalty estimates in the fourth quarter of 2001. Without these adjustments, the average royalty rate would have been approximately 19.6% for the six month period.

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Total royalties, net (000s)	\$ 7,309	\$ 11,770	\$ 11,661	\$ 23,739
As % of revenue	19.9%	22.0%	17.5%	24.1%
Per boe	\$ 5.46	\$ 8.46	\$ 4.42	\$ 10.65

Operating Costs

Operating costs for the second quarter rose by 16% on a boe basis over the same period last year due to higher operating costs associated with properties acquired during 2001 and generally higher field costs. Incremental costs were incurred in late 2001 and first quarter 2002 to bring these new properties up to Shiningbank's standards. As a result, costs in most areas have come down in the second quarter averaging 5% less than in the first quarter.

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Operating costs (000s)	\$ 7,109	\$ 6,350	\$ 14,686	\$ 10,497
As % of revenue	19.3%	11.9%	22.0%	10.7%
Per boe	\$ 5.31	\$ 4.56	\$ 5.57	\$ 4.71

General and Administrative Costs

General and administrative costs rose by 9% over the first half 2001 due to increased activity resulting from acquisitions. However, these costs declined for the six month period on both a per boe and Trust Unit basis due to efficiencies resulting from improved economies of scale. No general and administrative costs were capitalized.

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
General and administrative costs (000s)	\$ 1,191	\$ 1,015	\$ 2,155	\$ 1,974
As % of revenue	3.2%	1.9%	3.2%	2.0%
Per boe	\$ 0.89	\$ 0.73	\$ 0.82	\$ 0.89
Per Trust Unit	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.09

Management Fees

Management fees were lower in 2002 due to the lower operating income resulting from reduced commodity prices. Management fees were also lower when compared against three variables: as a percentage of revenue, on a per boe basis and on a per Trust Unit basis.

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Management fees (000s)	\$ 761	\$ 1,108	\$ 1,260	\$ 2,183
As % of revenue	2.1%	2.1%	1.9%	2.2%
As % of distributable income	4.3%	4.0%	3.9%	4.4%
Per boe	\$ 0.57	\$ 0.80	\$ 0.48	\$ 0.98
Per Trust Unit	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.10

Interest

Interest expense was 28% lower in second quarter 2002 than in 2001 due to lower average debt levels and lower interest rates. For the six month period, interest was 13% higher in 2002 than 2001 as a result of higher average debt volumes.

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Interest (000s)	\$ 1,162	\$ 1,617	\$ 2,516	\$ 2,211
As % of revenue	3.2%	3.0%	3.8%	2.2%
Per boe	\$ 0.87	\$ 1.16	\$ 0.95	\$ 0.99
Per Trust Unit	\$ 0.04	\$ 0.07	\$ 0.08	\$ 0.10

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization rose by 19% for the second quarter of 2002 compared with 2001. For the year to date, the 63% increase resulted from higher production volumes and higher rates per boe. Per boe costs rose mainly as a result of higher-priced acquisitions over the past two years commensurate with the higher commodity prices during these years.

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Depreciation and depletion (000s)	\$ 15,052	\$ 12,632	\$ 30,235	\$ 18,495
As % of revenue	40.9%	23.6%	45.4%	18.8%
Per boe	\$ 11.24	\$ 9.08	\$ 11.46	\$ 8.30

Net Earnings

Shiningbank recorded net earnings of \$7.1 million (\$0.22 per Trust Unit) in the second quarter compared with \$20.4 million (\$0.83 per Trust Unit) in second quarter 2001. For the first half of 2002, net earnings were \$10.0 million (\$0.32 per Trust Unit) compared with \$40.5 million (\$1.86 per Trust Unit) for the same period 2001. Significantly lower commodity prices were the main reason for lower net earnings in 2002.

Distributable Income

Distributable income for the second quarter decreased to \$17.9 million from \$27.4 million in the same period last year due to lower operating income resulting primarily from substantially lower commodity prices. For the first half of the year, distributions were \$32.5 million compared with \$49.1 million last year. On a per Trust Unit basis, second quarter distributions decreased to \$0.54 from \$1.10 in 2001. Compared with first quarter 2002, distributable income per unit increased 8% due to a strengthening in commodity prices during the year.



Costs of Acquisitions and Development

In the first half, Shiningbank acquired a total of \$25.9 million in new properties. The most significant purchase was the \$21.1 million acquisition of natural gas producing properties in the Minehead area of west-central Alberta, close to other properties operated by the Fund. The Fund disposed of non-core properties in 12 transactions, which generated proceeds of \$7.5 million. Costs of drilling and new facilities in second quarter 2002 totaled \$1.7 million, compared with \$948,000 in 2001. During the first half of 2002, these costs totaled \$4.4 million.

Liquidity and Capital Resources

Long Term Debt

Shiningbank maintains a line of credit with a syndicate of four Canadian chartered banks in the amount of \$170 million, of which \$87.8 million was drawn at June 30, 2002. In accordance with the original terms of the credit facility, the borrowing base was reduced to \$170 million from \$180 million on February 28, 2002. This facility was amended to extend the revolving period to February 27, 2003, after which it will revert to a three-year term. The borrowing base will be reduced by \$5 million on each of July 1, 2002, October 1, 2002 and January 1, 2003.

Unitholders' Equity

In May 2002, the Fund issued 4,025,000 new Trust Units at \$14.20 each for gross proceeds of \$57.2 million. As of August 13, 2002, the Fund had 33,142,937 Trust Units outstanding.

CONSOLIDATED BALANCE SHEETS

(\$ thousands)	June 30, 2002	December 31, 2001
	(unaudited)	(audited)
ASSETS		
Current assets		
Accounts receivable	\$ 19,457	\$ 24,142
Prepaid expenses	3,244	3,430
	22,701	27,572
Fixed assets		
Petroleum and natural gas properties and equipment	602,283	579,530
Accumulated depletion and depreciation	(135,975)	(105,867)
	466,308	473,663
Other assets	2,333	1,830
	\$ 491,342	\$ 503,065
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 14,975	\$ 20,352
Trust Unit distribution payable	17,897	14,559
	32,872	34,911
Long term debt (note 3)	87,760	122,459
Future income taxes	69,900	77,500
Provision for future site restoration	7,197	5,870
Unitholders' equity		
Trust Units (note 4)	391,275	337,246
Accumulated income	104,502	94,787
Accumulated royalty distributions	(202,164)	(169,708)
	293,613	262,325
	\$ 491,342	\$ 503,065

See selected accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS AND UNITHOLDERS' EQUITY

<i>For the periods ended June 30, (unaudited)</i> <i>(\$ thousands, except per Trust Unit amounts)</i>	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2002	2001	2002	2001
Revenues				
Oil and natural gas sales	\$ 36,804	\$ 53,472	\$ 66,627	\$ 98,542
Royalties	(7,309)	(11,769)	(11,661)	(23,738)
	29,495	41,703	54,966	74,804
Expenses				
Operating	7,109	6,350	14,686	10,497
General and administrative	1,191	1,015	2,155	1,974
Management fees	761	1,108	1,260	2,183
Interest on long term debt	1,162	1,617	2,516	2,211
Depreciation, depletion and amortization	15,052	12,632	30,235	18,495
Provision for future site restoration	730	632	1,500	968
Capital and large corporation taxes	29	618	171	785
	26,034	23,972	52,523	37,113
Earnings before income taxes	3,461	17,731	2,443	37,691
Future income taxes (recovery)	(3,600)	(2,700)	(7,600)	(2,800)
Net earnings	7,061	20,431	10,043	40,491
Unitholders' equity, beginning of period	250,605	160,831	262,325	118,231
Issue of Trust Units	54,025	78,965	54,029	123,452
Royalty distributions	(17,897)	(27,410)	(32,456)	(49,138)
Dividends to Manager	(181)	(277)	(328)	(496)
Unitholders' equity, end of period	\$ 293,613	\$ 232,540	\$ 293,613	\$ 232,540
Net earnings per Trust Unit				
Basic	\$ 0.22	\$ 0.83	\$ 0.32	\$ 1.86
Diluted	\$ 0.22	\$ 0.83	\$ 0.32	\$ 1.86

See selected accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

<i>For the periods ended June 30, (unaudited)</i> (\$ thousands)	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2002	2001	2002	2001
Operating activities				
Net earnings	\$ 7,061	\$ 20,431	\$ 10,043	\$ 40,491
Depreciation, depletion and amortization	15,052	12,632	30,235	18,495
Provision for future removal and site restoration	730	632	1,500	968
Future income taxes (recovery)	(3,600)	(2,700)	(7,600)	(2,800)
Cash flows from operating activities	19,243	30,995	34,178	57,154
Changes in non-cash working capital	1,418	(20,364)	(506)	(12,102)
	20,661	10,631	33,672	45,052
Financing activities				
Increase (decrease) in long term debt	(37,814)	51,635	(34,699)	3,466
Financing costs	(1)	(685)	–	(685)
Distributions to unitholders	(17,897)	(27,410)	(32,456)	(49,138)
Issue of Trust Units	54,025	1,331	54,029	45,818
Dividends paid	(181)	(277)	(328)	(496)
	(1,868)	24,594	(13,454)	(1,035)
Changes in non-cash working capital	3,338	5,682	3,338	10,581
	1,470	30,276	(10,116)	9,546
Total cash provided	\$ 22,131	\$ 40,907	\$ 23,556	\$ 54,598
Cash flows from investing activities				
Property acquisitions	(24,009)	279	(25,855)	(1,963)
Capital expenditures	(1,676)	(948)	(4,393)	(3,904)
Long term investments	–	–	(630)	–
Acquisition of business	–	(49,300)	–	(49,300)
Proceeds on sale of fixed assets	1,811	678	7,495	750
Site restoration costs	(136)	(109)	(173)	(181)
Total cash used	\$ (24,010)	\$ (49,400)	\$ (23,556)	\$ (54,598)
Net decrease in cash	\$ (1,879)	\$ (8,493)	\$ –	\$ –
Cash taxes paid	\$ 473	\$ 695	\$ 403	\$ 715
Cash interest paid	\$ 1,043	\$ 1,382	\$ 2,436	\$ 2,246

See selected accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2002 and 2001

1. SCHEDULE OF NET PRODUCTION REVENUE AND DISTRIBUTABLE INCOME

(unaudited) (\$ thousands, except per Trust Unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Revenues				
Oil and natural gas sales	\$ 36,804	\$ 53,472	\$ 66,627	\$ 98,542
Non-crown royalties	(1,595)	(1,325)	(2,285)	(3,107)
	35,209	52,147	64,342	95,435
Expenditures				
Operating	7,109	6,350	14,686	10,497
Capital expenditures	7,350	1,712	4,383	4,668
Site restoration costs	136	109	173	181
	14,595	8,171	19,242	15,346
Net production revenue	20,614	43,976	45,100	80,089
Deductions				
Administration	1,191	1,015	2,155	1,974
Management fees	761	1,108	1,260	2,183
Interest on long term debt	1,162	1,617	2,516	2,211
Capital and large corporations taxes	29	618	171	785
Amounts not attributable to the royalty	1,136	1,790	2,201	2,605
Working capital adjustments	(6,310)	1,506	(3,140)	2,698
	(2,031)	7,654	5,163	12,456
Net production revenue in excess of deductions	\$ 22,645	\$ 36,322	\$ 39,937	\$ 67,633
Royalty income to the Fund – 99%	\$ 22,418	\$ 35,961	\$ 39,538	\$ 66,958
Crown charges net of Alberta Royalty Credit – 99%	(5,657)	(10,341)	(9,283)	(20,425)
Interest income to the Fund	1,136	1,790	2,201	2,605
Distributable income	\$ 17,897	\$ 27,410	\$ 32,456	\$ 49,138
Distributable income per Trust Unit	\$ 0.54	\$ 1.10	\$ 1.04	\$ 2.20
Trust Units outstanding	33,142,937	24,917,937	33,142,937	24,917,937

2. 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. The interim consolidated financial statements have been prepared following the same accounting principles and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2001 except as noted below. 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, 2001.

Effective for fiscal years beginning on or after January 1, 2002, the Fund adopted the recommendations of the CICA on accounting for stock-based compensation which apply to new rights issued after January 1, 2002. The Fund has elected to continue to account for stock-based compensation arrangements upon settlement. The exercise price of the rights granted under the Fund's rights plan may be reduced in future periods in accordance with the terms of the rights plan. The amount of the reduction cannot be reasonably estimated as it depends upon a number of factors including, but not limited to, future prices received on the sale of oil and natural gas, future production of oil and natural gas, determination of amounts to be withheld from future distributions to fund capital expenditures and the purchase and sale of property, plant and equipment. Therefore, it is not possible to determine a fair value for the rights granted under the plan.

3. LONG TERM DEBT

The Corporation has a \$170 million revolving credit facility with a syndicate of four Canadian chartered banks of which \$87.8 million was drawn at June 30, 2002. The facility has a 364 day extendable revolving period from February 28, 2002 and a three year term. The borrowing base reduces by \$5 million on each of July 1, 2002, October 1, 2002 and January 1, 2003. The facility is secured by a \$300 million floating charge debenture on all assets of the Corporation. Borrowings under the facility bear interest at the bank's prime rate or, at Shiningbank's option, the bankers' acceptance rate plus a stamping fee.

4. UNITHOLDERS' EQUITY

(a) Trust Units authorized

300,000,000 Trust Units

(b) Trust Units issued

	June 30, 2002	
	Number	Amount
Balance, beginning of period	29,117,937	\$ 337,246
Issued for cash	4,025,000	57,155
Commissions and issue costs	–	(3,126)
Balance, end of period	33,142,937	\$ 391,275

(c) Units Rights Incentive Plan

At June 30, 2002, there were 1,110,000 rights outstanding, none of which were exercisable.

	Number	Average Price
Balance, beginning of period	625,000	\$ 16.92
Granted	485,000	\$ 13.97
Balance before reduction of exercise price	1,110,000	\$ 15.63
Reduction of exercise price		\$ (0.30)
Balance, end of period	1,110,000	\$ 15.33

(d) Net earnings per Trust Unit

Net earnings per Trust Unit have been calculated using the weighted average number of Trust Units outstanding during the period of 30,007,440 (2001 – 21,485,739) and 30,887,168 (2001 – 24,381,010) for the three months ended June 30, 2002.

5. FINANCIAL INSTRUMENTS

At June 30, 2002, 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, 2002, had the contracts been settled at that time, would have been a gain of \$2,267,000.

Period	Commodity	Volume	Price
November 1, 2001 – October 31, 2002	Gas	3.0 mmcf/d	\$5.27/mcf floor \$9.11/mcf ceiling
November 1, 2001 – October 31, 2002	Gas	3.0 mmcf/d	\$6.68/mcf
April 1, 2002 – October 31, 2002	Gas	10.0 mmcf/d	\$3.16/mcf floor \$3.87/mcf ceiling
April 1, 2002 – October 31, 2002	Gas	5.0 mmcf/d	\$3.69/mcf floor \$5.64/mcf ceiling
June 1, 2002 – October 31, 2002	Gas	2.0 mmcf/d	\$5.03/mcf
November 1, 2002 – October 31, 2003	Gas	2.0 mmcf/d	\$4.22/mcf floor \$8.70/mcf ceiling
July 1, 2002 – December 31, 2002	Oil	500 bbl/d	US\$ 24.00/bbl floor US\$ 28.50/bbl ceiling

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: SHN.UN

ABBREVIATIONS

bbl barrels of oil or natural gas liquids
bcf billion cubic feet of natural gas
boe barrels of oil equivalent
(6,000 cubic feet of natural gas
is equivalent to one barrel of oil)
/d per day
mbbl thousand barrels
mboe thousand barrels of oil equivalent
mcf thousand cubic feet of natural gas
mmcf million cubic feet of natural gas
mmbtu million British thermal units
NGL natural gas liquids

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