Shiningbank Energy Income Fund

SHN.UN

BUILT FOR THE LONG TERM

Q2 Second Quarter Report 2005

- **Distributions remained stable** at $0.69 per unit for the ninth consecutive quarter ($0.23 per unit per month).
- **Closed acquisition of Outlook Energy Corp. for $31.4 million**, adding approximately 600 boe/d of production.
- **An additional 4,600 boe/d was added August 2** through the closing of the $275 million acquisition of Blizzard Energy Inc.
- **Natural gas prices averaged $7.80/mcf**, one of the highest ever for a quarterly period.

SECOND QUARTER 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	(1
Value traded ($ thousands)	**$ 186,959**	$ 201,264	(7)	**$ 398,888**	$ 388,635	
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	

FELLOW UNITHOLDERS

It was an eventful second quarter. We announced two acquisitions which have significantly increased production going into the second half of the year. Approximately 5,200 boe/d, 95% natural gas, has been added to our production volumes; 600 boe/d on June 21, and 4,600 boe/d on August 2. Both acquisitions were completed at attractive prices, and we expect them to be accretive to Unitholders on all measures: cash flow, net asset value, and both production and reserves on a per unit basis.

In addition to volume growth, the transactions have increased our natural gas weighting to 78% of total production. Another and longer-term impact was to double our undeveloped land holdings, with the acquired acreage located in areas that strategically fit with our focus on long-life natural gas assets with attractive development potential.

ACQUISITIONS

Outlook Energy Corp.

The first acquisition was the $31.4 million purchase of Outlook Energy Corp., a private natural gas focused company, adding current production of 600 boe/d, 95% natural gas. The majority of that production is from properties near existing Shiningbank operations in west-central Alberta. We also acquired 6,000 net acres of undeveloped land in the area. This purchase was funded entirely through Shiningbank's existing credit facilities and closed on June 21.

This acquisition was an excellent property fit with our west-central Alberta producing areas and brings with it a program of development drilling opportunities with the potential to increase its production by 30 – 50% by the end of 2005. We estimate adding approximately $2 million to our capital expenditure program in the second half of 2005 as we begin to exploit these assets. In July, we drilled two wells on these properties, both of which are potential gas wells pending completion and tie-in.

Blizzard Energy Inc.

The second and much larger acquisition, a $275 million cash and Trust Unit deal with Blizzard Energy Inc., closed on August 2 boosting production by approximately 4,600 boe/d, again, 95% natural gas. Shiningbank acquired an attractive suite of long-life natural gas properties located in the Peace River Arch area near Grande Prairie and the Sousa area of north-western Alberta. In these two concentrated core areas we have also acquired 265,000 acres of undeveloped land with an attractive portfolio of multi-zone drilling opportunities which we will begin pursuing in the second half of this year.

This acquisition was accomplished through a "plan of arrangement" which required the affirmative vote of 2/3 of Blizzard shareholders and received 98% approval from those shareholders. Under the plan, Shiningbank has issued 8.8 million Trust Units, paid $46.6 million in cash and assumed $42.0 million in debt and working capital deficiency to fund the purchase. Because of the relative strength of the price of Shiningbank units, this acquisition is expected to be highly accretive to cash flow and net asset value per unit.

Blizzard was a publicly traded junior oil and gas company which had grown to produce over 5,000 boe/d in less than two years through a combination of acquisition, exploration and development. As part of the transaction, the management team of Blizzard retained approximately 400 boe/d in a newly created public junior oil and gas company. For Shiningbank, the key features of the Blizzard acquisition were:

- production of approximately 4,600 boe/d
- 95% of production is natural gas
- extremely focused properties in two areas – Sousa in northwest Alberta and in the Peace River Arch area near Grande Prairie, Alberta
- production is in areas with established infrastructure
- significant inventory of development drilling possibilities on 265,000 acres of undrilled land
- virtually all of the gas production is uncontracted and unhedged.

During the second half of 2005, we will commence exploitation of these lands. A major development program is planned for first quarter 2006 in the Sousa area, and further programs are planned for the Grande Prairie opportunities later in 2005 and early 2006.

PRODUCTION

Second quarter production decreased by 9% to 18,891 boe/d from second quarter 2004. The reduction was due to normal production declines which were in line with our internal expectations. The tie-in of an estimated 500 boe/d from wells drilled in last year's fourth quarter and first quarter 2005 was delayed due to a prolonged spring break-up and record rainfall in June. Flood damage also caused the partial shut-in of the Caroline area resulting in the loss of approximately 225 boe/d for the quarter, some of which will continue into the third quarter. Regular planned maintenance reduced second quarter production by 135 boe/d and will temporarily reduce volumes by an approximate 425 boe/d in the third quarter.

PRICING

Gas prices in the second quarter averaged $7.80/mcf. While spot prices have been higher in the past for short periods of time, our average price was one of the highest ever received by the Fund for a full quarter. This unprecedented level is due primarily to the strength in oil prices, combined with general nervousness about the ability of the gas supply to meet demand. Contributing to the market's anxiety are concerns surrounding air conditioning demand with warm summer weather and the early onset of an active hurricane season which, as we saw last year, can disrupt supply from the US Gulf of Mexico.

Oil prices remain at all-time highs as this is written. For the second quarter, realized prices set a new quarterly high averaging $56.75/bbl. We do not see any reason for short-term weakening in markets and expect robust pricing in the second half of the year.

DEVELOPMENT ACTIVITY

During the second quarter, Shiningbank participated in drilling 16 wells (4.0 net), with all but two (2.0 net) operated by others. We delayed most of our operated drilling program until the summer months in order to reduce costs associated with winter operations. However, the summer program did not really get started in Alberta until mid-July due to drilling delays across the industry caused by an extended spring break-up season and heavy rainfall in June. Most of Shiningbank's wells were not completed by the end of the quarter and we are awaiting accurate test data. However, based on present indications, of the 16 wells drilled, two are potential oil wells (1.3 net), 13 are potential gas wells (2.6 net) and one was a dry hole (0.1 net). These wells should be completed in the third quarter with production commencing later in the year.

NEW DIRECTOR

We would like to welcome Richard W. Clark to the Board of Directors. Richard has been the Fund's Corporate Secretary and general counsel since its inception in 1996 and has contributed greatly to our success. Richard has practiced law in Calgary since 1991 and is currently a partner with Gowling Lafleur Henderson LLP, the Fund's external legal advisor. Richard's knowledge of the oil and gas business and securities legislation will add significant strength to the Board.

SUSTAINABLE DISTRIBUTIONS

The growth in production and cash flow from our two recent acquisitions, mainly the Blizzard deal, will begin to be seen in the third quarter. Longer-term, we have acquired substantial undeveloped lands which fit with our strategy of focusing on long-life natural gas assets with attractive and substantial multi-zone development opportunities. As we move to exploit these opportunities, a prime goal will be to maintain distributions at a steady level while using cash flow as much as possible to fund an active capital expenditure program. The unprecedented strength in natural gas prices is helping greatly in achieving this goal. While wet weather and poor field conditions worked against the entire industry through the past spring and early summer, we expect to be back on course with drilling and well tie-ins over the course of the year. In all, Shiningbank is well positioned to continue to provide stable distributions to Unitholders.

DAVID M. FITZPATRICK
President and Chief Executive Officer

August 4, 2005

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 ("Shiningbank" or the "Fund") 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 MD&A 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 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 MD&A 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 MD&A 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 MD&A 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

	Three months ended June 30,				Six months ended June 30,			
(000s)	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)

	Three months ended June 30,	Six months ended June 30,
(000s)	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

	Three months ended June 30,			Six months ended June 30,		
($/boe)	2005	2004	%	2005	2004	%
Oil and natural gas sales	**$ 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

	Three months ended June 30,			Six months ended June 30,		
(000s except per Trust Unit amounts)	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
Per Trust Unit – 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
Per Trust Unit – 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
Per Trust Unit – 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
Per Trust Unit – 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

		Payments Due by Period			
(000s)	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 (unaudited)	December 31, 2004 (audited)
ASSETS		
Current assets		
Accounts receivable	**$ 43,974**	$ 50,712
Prepaid expenses	**4,456**	4,471
	48,430	55,183
Fixed assets (note 3)		
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 (note 2)	**207,432**	182,147
Future income taxes	**37,814**	33,266
Asset retirement obligation	**26,696**	30,242
Unitholders' equity		
Trust Units (note 4)	**713,718**	706,954
Exchangeable Shares (note 4)	**7,755**	7,019
Contributed surplus (note 4)	**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

	Three months ended June 30,		Six months ended June 30,	
(unaudited) ($ thousands, except per Trust Unit amounts)	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	**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

	Three months ended June 30,		Six months ended June 30,	
(unaudited) ($ thousands)	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:

	Rights Outstanding			Rights Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 2005	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at June 30, 2005	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,		Six months ended June 30,	
(000s)	2005	2004	2005	2004
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
Change in non-cash investing working capital				
Accounts payable for capital accruals	**$ (3,217)**	$ 1,465	**$ (3,064)**	$ 3,837
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.

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: SHN.UN

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