

Q1

We expect the new monthly distribution level of 25 cents per unit will be sustainable for the foreseeable future, barring an extended period of weak gas prices.



Forward-looking statements

This document 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 this document and in the Fund's 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.

Three months ended March 31,

Financial	2006	2005	%
(\$ thousands except per Trust Unit amounts)			
Oil and natural gas sales	\$ 106,043	\$ 80,139	32
Net earnings before income taxes	20,549	12,889	59
Future income tax recovery	(3,653)	(1,486)	146
Net earnings after income taxes	24,202	14,375	68
Funds flow from operations	62,453	44,509	40
Distributions to unitholders	54,695	37,497	46
Distributions per Trust Unit	0.80	0.69	16
Long term debt	232,359	178,746	30
Unitholders' equity	711,615	496,898	43
Operations			
Daily production			
Oil (bbl/d)	2,165	2,327	(7)
Natural gas (mmcf/d)	101.3	86.8	17
Natural gas liquids (bbl/d)	2,773	3,242	(14)
Oil equivalent (boe/d)	21,828	20,031	9
Average prices (including hedging)			
Oil (\$/bbl)	\$ 59.43	\$ 56.25	6
Natural gas (\$/mcf)	\$ 8.83	\$ 7.03	26
Natural gas liquids (\$/bbl)	\$ 54.03	\$ 45.91	18
Oil equivalent (\$/boe)	\$ 53.77	\$ 44.41	21
Unit Trading			
Units traded (thousands)	27,497	9,574	187
Value traded (\$ thousands)	\$ 684,737	\$ 211,929	223
Unit price			
High	\$ 29.52	\$ 23.35	
Low	\$ 21.26	\$ 19.77	
Close	\$ 24.50	\$ 21.49	
Units outstanding, end of period (thousands)	68,378	54,320	

INTERIM

SHININGBANK
ENERGY INCOME FUND

Interim Report 2006

fellow unitholders

President's Message Across the industry, the first quarter was notable for extremes in commodity pricing. Crude oil prices continued to be volatile but have escalated to set a series of new records in 2006. Gas prices, after hitting unusual highs in fourth quarter 2005, dropped dramatically as markets responded to the warmest January in many years and a warm winter across much of North America.

Q1 2006 HIGHLIGHTS

- WITH A DRAMATIC DROP IN GAS PRICES FROM FOURTH QUARTER 2005, DISTRIBUTIONS WERE SET AT \$0.25 PER UNIT BEGINNING WITH THE APRIL PAYMENT, DOWN FROM \$0.30 PER UNIT FOR THE PREVIOUS FOUR MONTHLY DISTRIBUTIONS.
- DEVELOPMENT DRILLING RECORDED 98% SUCCESS ON 105 WELLS (82.3 NET).
- PRODUCTION INCREASED 9% FROM FIRST QUARTER 2005 WITH WELLS FROM THE Q1 DRILLING PROGRAM STILL TO BE TIED-IN FOLLOWING SPRING BREAK-UP.

At Shiningbank, production growth and a gas price of \$11.70/mcf in last year's fourth quarter, our highest quarterly average ever, allowed us to increase monthly distributions to \$0.30 from December through to March. With falling gas prices, we averaged \$8.83/mcf for the quarter, still well above the \$7.03/mcf recorded in first quarter 2005. As a result, distributions were set at \$0.25 per unit beginning with the April payment, up from our monthly distribution base of \$0.23 per unit for the last two years. The new distribution level is based on current commodity prices, production growth from the accretive nature of the acquisition of Blizzard Energy Inc. ("Blizzard") in August 2005, and the high success rate of our development drilling program. We expect the new distribution level to be sustainable for the foreseeable future barring an extended period of weak gas prices.

Outlook for gas prices

The recent drop in natural gas prices is a good illustration of the market's quick response to the supply-demand scenario in North America. The warm weather in January led to a drastic reduction in gas use through the heart of the heating season. As a result, we are now coming out of the heating season with storage levels 30% higher than last year, and 60% higher than the five-year average. While this will weigh on gas prices for this summer, we anticipate that gas prices will recover heading into next winter's heating season.

Overall, there have been no changes in the long term fundamentals for gas. In fact, we believe gas prices may have found a floor based on a few indicators that we use. For industries with the ability to switch fuels, energy equivalency, the amount of energy produced at the burner tip, is weighed against price to determine energy choice. The gas to oil equivalency has risen to over 9 to 1,

allowing those with the capability, to switch to gas instead of oil for their energy needs. Other indicators are the one-, three- and five-year forward price curves for gas which have turned upward again after declining rapidly earlier in the year, signaling that buyers are coming back to the market. Additionally, there are signs that utility buyers are re-entering the lower-priced gas market, which also supports the demand side.

On the supply side, gas supply fundamentals haven't changed. Producers are still on a treadmill of replacing production with new reserves in the conventional basins in North America. Longer term, new supply sources such as LNG, Arctic gas and coal bed methane are not expected to have material effects for a number of years.

Successful development drilling

In the first quarter we conducted our most active drilling program in the history of the Fund. We drilled 105 wells (82.3 net), with 79 of those wells at 100% interest in the Sousa area of north-western Alberta. Our success rate was 98% which yielded 96 gas wells (78.8 net), six oil wells (1.4 net), one service well (0.1 net) and two dry holes (2.0 net). This program was affected by the warm January weather, which raised costs of the program, but, thanks to a period of cold weather at the end of March, we completed most of the anticipated drilling. We spent almost \$54 million, which is expected to be over half of our 2006 capital program. Drilling in the second quarter is expected to be relatively quiet due to the onset of road bans with spring break-up.

Production growth

First quarter production increased 9% to 21,828 boe/d from first quarter 2005. This growth reflects the volumes added from the Blizzard acquisition last August. While volumes were down from 23,288 boe/d in fourth quarter 2005, this reflects normal production declines together with the sale of approximately 300 boe/d of production in fourth quarter 2005, and does not include production additions from the first quarter drilling program. We expect to replace our declines once wells drilled early in the year are onstream, likely by the end of the second quarter.

Strong pricing

Our quarterly gas prices averaged \$8.83/mcf after a hedging gain of \$0.09/mcf. In the first quarter last year, our gas price averaged \$7.03/mcf after a hedging gain of \$0.04/mcf. With the high level of gas in storage, we expect to see some price softening during the summer months, typically the pricing low point for the year. However, we do expect a recovery later in the year based on gas market fundamentals and partly, the strength of oil prices.

Oil prices are setting all-time highs as this is written. For the quarter, realized prices were \$59.43/bbl. We have no reason to believe that there will be any material change in oil prices in the near term, but we continue to plan our capital programs around lower prices for both oil and gas.

Management appointments

We are pleased to announce two management team appointments. Greg Moore, Vice President, Operations, recently took on the added responsibilities of Chief Operating Officer. Greg has been the key person responsible for the Fund's engineering and field operations since the inception of the Fund in 1996. We also appointed Bruce Thornhill as Vice President, Geology. Bruce joined Shiningbank in 2004 as Manager of Development Geology. With over 25 years experience in development and exploration geology, including experience in both western Canada and east coast off-shore projects, Bruce brings valuable experience to our development drilling activities.

Second quarter outlook

As we head into the second quarter we will see the results of our winter drilling program pay off in terms of production growth and the stabilization of our natural declines. While gas prices have come off unusual highs in last year's fourth quarter, they are back to levels similar to those seen in second quarter 2005, and are continuing to provide excellent netbacks and cash flow. As a result, we expect to sustain distributions at the new level of \$0.25 per unit for the foreseeable future barring an extended weak period for gas prices.

[Signed]

David M. Fitzpatrick
President and Chief
Executive Officer

May 9, 2006

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 months ended March 31, 2006. This information is provided as of May 8, 2006. The first quarter results have been compared with the corresponding period in 2005. This MD&A should be read in conjunction with the Fund's audited consolidated financial statements for the years ended December 31, 2005 and 2004, together with the accompanying notes, and the Annual Information Form ("AIF") for the year ended December 31, 2005. These documents and additional information about the Fund are available on SEDAR at www.sedar.com.

Management's Discussion and Analysis

Non-GAAP Measures

Management believes that funds flow and operating netbacks are useful supplemental measures. All references to funds flow throughout this MD&A are based on funds flow from operations, which management uses to analyze operating performance and leverage. Funds 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 generally accepted accounting principles ("GAAP"). The Fund considers funds flow a key measure of performance as it demonstrates the Fund's ability to generate the cash flow necessary to fund future distributions and capital investments and repay indebtedness. Operating netback, which is calculated as average unit sales price less royalties, transportation costs and operating costs, represents the cash margin for product sold, calculated on a boe basis. The Fund considers operating netback a key measure as it indicates the relative performance of crude oil and natural gas assets. Funds flow and operating netback 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 "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 the MD&A and in the AIF 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.

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

	Three months ended March 31,		
	2006	2005	%
Oil (bbl/d)	2,165	2,327	(7)
Natural gas (mmcf/d)	101.3	86.8	17
Natural gas liquids (bbl/d)	2,773	3,242	(14)
Oil equivalent (boe/d)	21,828	20,031	9
Natural gas % of production	77%	72%	5

First quarter daily average production grew 9% over first quarter 2005 primarily due to the acquisition of Blizzard Energy Inc. ("Blizzard"), which closed August 2, 2005. The Blizzard assets contributed 18% to first quarter 2006 production. Production growth was partially offset by the natural declines of producing properties, which are estimated to average 15% per year, and by fourth quarter 2005 dispositions which averaged 300 boe/d. Oil and NGL production was lower than in first quarter 2005 due to natural declines. Production for the remainder of 2006 is anticipated to average 22,500 to 23,000 boe/d.

Pricing – Including Hedging Activity

	Three months ended March 31,		
	2006	2005	%
Average prices – including hedging			
Oil (\$/bbl)	\$ 59.43	\$ 56.25	6
Natural gas (\$/mcf)	\$ 8.83	\$ 7.03	26
Natural gas liquids (\$/bbl)	\$ 54.03	\$ 45.91	18
Oil equivalent (\$/boe)	\$ 53.77	\$ 44.41	21
Benchmark prices			
WTI (US\$/bbl)	\$ 63.48	\$ 49.84	27
AECO natural gas (Cdn\$/mcf)	\$ 9.27	\$ 6.69	39

Natural Gas

Shiningbank's realized natural gas price was 26% higher than 2005 at an average \$8.83/mcf for the quarter. Hedging increased the realized gas price by \$0.09/mcf for the quarter compared with a hedging gain of \$0.04/mcf in first quarter 2005. Shiningbank has historically received a premium gas price to AECO benchmark monthly prices, but this was reduced in first quarter 2006 due to a reduction in daily versus monthly index gas prices. This variation is not expected to continue in the remainder of 2006 but could occur again in periods of rapidly weakening daily prices.

Oil and Natural Gas Liquids

Realized oil prices for the quarter averaged \$59.43/bbl, up 6% from first quarter 2005. Hedging had no effect on the price for the quarter compared with a hedging loss of \$0.37/bbl in first quarter 2005.

The benchmark West Texas Intermediate ("WTI") price averaged 27% higher than in first quarter 2005, however the relative strength of the Canadian dollar moderated the impact of the higher US dollar prices. Oil prices are expected to remain high in US dollar terms, with futures prices currently averaging over US\$65.00/bbl for the remainder of 2006.

NGL prices were also strong reflecting high oil prices. The average NGL price in first quarter 2006 was 18% higher than in first quarter 2005 at \$54.03/bbl. Shiningbank's NGL prices typically average approximately 80% of Edmonton par oil prices. In first quarter 2006, the Fund's NGL prices averaged 90%, slightly higher than usual due to strong demand for NGL for use as diluent in the transportation of heavy oil.

Hedging

Shiningbank maintains an active hedging program designed to reduce the variability of funds 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, 2006 – October 31, 2006	Gas	5,000 GJ/d	\$7.50/GJ floor \$12.00/GJ ceiling
May 1, 2006 – October 31, 2006	Gas	10,000 GJ/d	\$5.50/GJ floor \$9.75/GJ ceiling
January 1, 2006 – June 30, 2006	Oil	500 bbl/d	US\$55.00/bbl floor US\$89.00/bbl ceiling
July 1, 2006 – December 31, 2006	Oil	500 bbl/d	US\$55.00/bbl floor US\$89.10/bbl ceiling

Revenues

(000s)	Three months ended March 31,			
	2006	% of Revenue	2005	% of Revenue
Oil	\$ 11,581	11	\$ 11,858	15
Natural gas	79,700	75	54,567	68
Natural gas liquids	13,486	13	13,396	17
Other income	415	–	72	–
Gas hedging	861	1	324	–
Oil hedging	–	–	(78)	–
	\$ 106,043	100	\$ 80,139	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 March 31,	
	2006/2005	
Oil and natural gas liquids		
Volume decrease		\$ (2,757)
Price increase		2,648
Net decrease		\$ (109)
Natural gas		
Volume increase		\$ 9,213
Price increase		16,457
Net increase		\$ 25,670

Royalties

	Three months ended March 31,		
	2006	2005	%
Total royalties, net (000s)	\$ 20,373	\$ 18,541	10
As a % of revenue	19.2%	23.1%	(17)
Per boe	\$ 10.37	\$ 10.28	1

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The royalty rate decreased in first quarter 2006 due to increasing production from the Sousa area, where the Fund has lower royalty rates. The Fund expects royalty rates to average 21.0% for the remainder of 2006.

Transportation Costs

	Three months ended March 31,		
	2006	2005	%
Transportation costs (000s)	\$ 1,451	\$ 1,167	24
Per boe	\$ 0.74	\$ 0.65	14

Transportation costs increased 14% on a boe basis from first quarter 2005 due to increased transportation costs related to the Blizzard properties. Transportation costs are expected to average \$0.80/boe for the remainder of 2006.

Operating Costs

	Three months ended March 31,		
	2006	2005	%
Operating costs (000s)	\$ 16,134	\$ 11,772	37
Per boe	\$ 8.21	\$ 6.53	26

Operating costs on a boe basis increased 26% from 2005 due to industry cost pressures, higher fuel and power costs together with additional workover costs at Sousa. This was partially offset by the incorporation of the Blizzard properties which have lower operating costs. Operating costs are expected to average \$7.25/boe for the remainder of 2006.

Operating Netbacks

(\$/boe)	Three months ended March 31,		
	2006	2005	%
Oil and natural gas sales	\$ 53.77	\$ 44.41	21
Other income	0.21	0.04	425
Royalties	(10.37)	(10.28)	1
Transportation costs	(0.74)	(0.65)	14
Operating costs	(8.21)	(6.53)	26
Operating netbacks	\$ 34.66	\$ 26.99	28

Total operating netback increased 28% quarter over quarter due mainly to higher commodity prices. This was partially offset by higher transportation and operating costs.

General and Administrative Costs

	Three months ended March 31,		
	2006	2005	%
General and administrative costs (000s)	\$ 2,713	\$ 2,177	25
Per boe	\$ 1.38	\$ 1.21	14
Per average Trust Unit	\$ 0.04	\$ 0.04	–

General and administrative costs increased 14% on a boe basis from first quarter 2005 due to higher activity levels related to acquisitions and development activities, increasing costs due to additional regulatory requirements and significant pressure on salary and benefit costs in a very competitive environment for staff. General and administrative costs for the remainder of 2006 are expected to be approximately \$1.40/boe.

Interest on Long Term Debt

	Three months ended March 31,		
	2006	2005	%
Interest on long term debt (000s)	\$ 2,663	\$ 1,844	44
Per boe	\$ 1.36	\$ 1.02	33
Per average Trust Unit	\$ 0.04	\$ 0.03	33

Interest expense per average Trust Unit increased 33% from first quarter 2005 due to higher debt levels resulting from an active development program, and higher interest rates. Shiningbank is currently in compliance with all external debt covenants. All of Shiningbank's debt is floating rate bank debt. Interest expense for the remainder of 2006 is expected to be approximately \$1.50/boe.

Depletion, Depreciation and Accretion

	Three months ended March 31,		
	2006	2005	%
Depletion, depreciation and accretion (000s)	\$ 40,819	\$ 30,637	33
Per boe	\$ 20.78	\$ 16.99	22

Depletion, depreciation and accretion per boe rose 22% for the first quarter. The increase was primarily related to the effect of the acquisition of Outlook Energy Corp. ("Outlook") in the second quarter of 2005 and the Blizzard acquisition in third quarter 2005.

Trust Unit Incentive Compensation

	Three months ended March 31,		
	2006	2005	%
Trust Unit incentive compensation (000s)	\$ 961	\$ 615	56
Per boe	\$ 0.49	\$ 0.34	44

During first quarter 2006, two new issues aggregating 856,000 Trust Unit rights were granted (2005 – one issue of 717,500 Trust Unit rights). 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 first quarter 2006 expense of \$961,000 (2005 – \$615,000) represented the fair value of rights issued during 2003 through to 2006. All of these costs are "non-cash" costs and are not deducted in determining distributions to unitholders.

Internalization of Management Contract

	Three months ended March 31,		
	2006	2005	%
Internalization of management contract (000s)	\$ 124	\$ 368	(66)
Per boe	\$ 0.06	\$ 0.20	(70)

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 a fee equal to 3.25% of net operating income, a fee equal to 1.5% of 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 first quarter 2006, \$124,000 (2005 – \$368,000) was expensed, representing the amortization of these escrowed Exchangeable Shares.

Taxes

	Three months ended March 31,		
	2006	2005	%
Capital and large corporation taxes (000s)	\$ 256	\$ 129	98
Future income tax recovery (000s)	\$ (3,653)	\$ (1,486)	146
Per boe	\$ (1.73)	\$ (0.75)	131

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

The following table sets out changes in net earnings before and after income taxes.

	Three months ended March 31,		
	2006	2005	%
Net earnings before income taxes (000s)	\$ 20,549	\$ 12,889	59
Per Trust Unit – basic	\$ 0.30	\$ 0.24	25
– diluted	\$ 0.30	\$ 0.23	30
Net earnings after income taxes (000s)	\$ 24,202	\$ 14,375	68
Per Trust Unit – basic	\$ 0.35	\$ 0.26	35
– diluted	\$ 0.35	\$ 0.26	35

Distributions to Unitholders

(000s except per Trust Unit amounts)	Three months ended March 31,		
	2006	2005	%
Funds flow from operations	\$ 62,453	\$ 44,509	40
Capital expenditures	(53,674)	(14,462)	271
Asset retirement expenditures	(278)	(473)	(41)
Working capital adjustments	46,194	7,923	483
Distributions to unitholders	\$ 54,695	\$ 37,497	46
Distributions per Trust Unit	\$ 0.80	\$ 0.69	16
Trust Units outstanding, end of period	68,378	54,320	26
Payout ratio	88%	84%	

Total distributions to unitholders for the quarter increased 46% over the same period in 2005 to \$54.7 million. The increase was attributable to improved funds flow due to large gains in commodity pricing and higher production volumes. The increase in the number of Trust Units outstanding and larger deductions for planned capital expenditures partially offset the higher funds flow. The Fund paid out 88% of its funds flow for first quarter 2006 compared with 84% in first quarter 2005. Total accumulated Trust Unit distributions were \$744.9 million.

On a per Trust Unit basis, distributions increased 16% for first quarter 2006. Distributions per Trust Unit in fourth quarter 2005 increased to \$0.30 per Trust Unit from \$0.23 per Trust Unit which had been paid since June 2003. This increase reflected stable production performance and strength in natural gas prices. Due to the weakening in natural gas prices in first quarter 2006, distributions were decreased to \$0.25 per Trust Unit for the distribution paid on April 15, 2006. Future distributions are subject to change as dictated by commodity prices, operations and future business development.

Funds Flow from Operations

The following table reconciles a non-GAAP measure, funds flow from operations, to the nearest GAAP measure, cash flow from operating activities.

(000s)	Three months ended March 31,		
	2006	2005	%
Cash flow from operating activities	\$ 64,236	\$ 53,008	21
Change in non-cash working capital	(2,061)	(8,972)	(77)
Asset retirement expenditures	278	473	(41)
Funds flow from operations	\$ 62,453	\$ 44,509	40

Quarterly Financial Information

(000s except per Trust Unit amounts)	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
Oil and natural gas sales	\$ 106,043	\$ 144,539	\$ 111,763	\$ 83,222
Net earnings before income taxes	20,549	49,336	28,259	17,015
Per Trust Unit – basic	0.30	0.72	0.46	0.31
– diluted	0.30	0.71	0.46	0.31
Net earnings after income taxes	24,202	50,085	30,995	18,781
Per Trust Unit – basic	0.35	0.73	0.51	0.34
– diluted	0.35	0.72	0.50	0.34
Funds flow from operations	62,453	94,181	67,721	46,353
Per weighted average Trust Unit	0.91	1.38	1.11	0.85
Distributions to unitholders	54,695	61,391	45,750	37,628
Per Trust Unit	0.80	0.90	0.69	0.69
Payout ratio	88%	65%	68%	81%

	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004
Oil and natural gas sales	\$ 80,139	\$ 82,453	\$ 74,713	\$ 80,723
Net earnings before income taxes	12,889	13,974	12,297	12,851
Per Trust Unit – basic	0.24	0.26	0.24	0.24
– diluted	0.23	0.25	0.23	0.24
Net earnings after income taxes	14,375	88,038	15,900	16,072
Per Trust Unit – basic	0.26	1.62	0.30	0.30
– diluted	0.26	1.60	0.29	0.29
Funds flow from operations	44,509	47,220	42,924	45,190
Per weighted average Trust Unit	0.81	0.87	0.80	0.84
Distributions to unitholders	37,497	37,390	37,226	36,977
Per Trust Unit	0.69	0.69	0.69	0.69
Payout ratio	84%	79%	87%	82%

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

Volume increases occurred through the acquisition of Birchill Resources Limited in second quarter 2004, the acquisition of Outlook in second quarter 2005 and again with the acquisition of Blizzard in third quarter 2005. The Fund's development drilling program strives to replace natural declines on the production base, with results affected by such factors as field conditions, availability of drilling and production equipment and drilling success. Shiningbank's drilling success rate in first quarter 2006 was 98%.

Natural gas prices remained strong through the past eight quarters with a sharp increase in third and fourth quarter 2005 followed by a return to more normal levels in first quarter 2006. Oil prices increased substantially in late 2004 and continued to rise in 2005 and first quarter 2006. Distributions per Trust Unit increased 16% in first quarter 2006 based on stable production volumes and high commodity prices, particularly for natural gas. The increase in funds flow from higher commodity prices was used to fund capital expenditures and to pay distributions on a greater number of Trust Units outstanding.

Costs of Acquisition and Development Activities

A total of \$53.7 million was spent on drilling and new facilities in first quarter 2006, compared with \$14.5 million in the same period in 2005. Funds flow funded \$7.8 million of these expenditures, with the balance funded by proceeds from the Fund's Distribution Reinvestment Plan of \$2.5 million and bank debt and working capital drawdown of \$43.4 million.

A total of 105 wells (82.3 net) were drilled in first quarter 2006, of which 96 (78.8 net) were successful gas wells, six (1.4 net) were successful oil wells, one (0.1 net) was a service well and two (2.0 net) were dry and abandoned.

In the remainder of 2006, the Fund plans to spend an additional \$35 to \$40 million on drilling, tie-ins, new facilities and maintenance capital. This will be funded through a combination of funds flow, proceeds from the Fund's Distribution Reinvestment Plan and debt financing.

Liquidity and Capital Resources

Shiningbank's ability to grow depends on access to bank lines of credit and periodic issues of new equity to fund acquisitions. Smaller acquisitions through the course of a year may be funded by a combination of bank debt, funds flow and proceeds from the Fund's Distribution Reinvestment Plan. Equity is issued to fund single large acquisitions, or to pay down bank debt accumulated 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 \$365 million revolving credit facility, which was increased from \$330 million in April 2006, with a syndicate of Canadian chartered banks of which \$232.4 million was drawn at March 31, 2006. The revolving period extends to April 25, 2007, at which time the facility, unless renewed, reverts to a two-year term with principal payments, if necessary, commencing on July 26, 2007. 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 material 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 funds flow ratio or, at Shiningbank's option, the bankers' acceptance rate plus a stamping fee. At March 31, 2006, the debt to annualized funds flow ratio was 0.9:1.

Unitholders' Equity

A total of 191,870 Trust Units were issued during the quarter under the Trust Unit Rights Incentive Plan and the 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 May 8, 2006, the Fund had 68,400,341 Trust Units, 184,326 non-escrowed Exchangeable Shares and 151,549 escrowed Exchangeable Shares outstanding. Exchangeable Shares held in escrow will be released over the next two years under the terms of an escrow agreement. 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 March 31, 2006, the exchange rate was 1.48281 Trust Units for each Exchangeable Share.

Contractual Obligations

(000s)	Total	Payments Due by Period			
		Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long term debt principal ¹	\$ 232,359	\$ –	\$ –	\$ 232,359	\$ –
Operating leases	10,716	1,902	5,130	3,684	–
Pipeline transportation	3,156	1,144	2,012	–	–
Total obligations	\$ 246,231	\$ 3,046	\$ 7,142	\$ 236,043	\$ –

¹ Assumes that the revolving credit facility is not renewed in April 2007.

Shiningbank has ongoing capital commitments in the ordinary course of business for development drilling, equipment and facilities. These are funded through a combination of funds flow, proceeds from the Fund's Distribution Reinvestment Plan, debt financing and periodic equity financing.

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 oil and gas 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 Environmental, Corporate Governance and Reserve Review Committee of the Board of Directors of Shiningbank Energy Ltd. all review 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 the 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.

Related Party Transactions

During the three months ended March 31, 2006, Shiningbank incurred \$51,000 for legal services (2005 – \$93,000) provided by a firm in which a current director is a partner, \$20,000 of which was outstanding at March 31, 2006. These payments were made in the normal course of operations, on commercial terms, and therefore were recorded at the exchange amount.

Consolidated Balance Sheets

(\$ thousands)	March 31, 2006	December 31, 2005
	(unaudited)	(audited)
Assets		
Current assets		
Accounts receivable	\$ 63,000	\$ 76,945
Prepaid expenses	6,693	6,747
	69,693	83,692
Fixed assets		
Petroleum and natural gas properties and equipment	1,594,680	1,539,488
Accumulated depletion and depreciation	(545,394)	(505,150)
	1,049,286	1,034,338
Goodwill	51,124	51,124
Other assets	459	426
	\$ 1,170,562	\$ 1,169,580
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 80,803	\$ 78,332
Trust Unit distributions payable	34,191	40,950
	114,994	119,282
Long term debt (note 2)	232,359	199,129
Future income taxes	80,176	83,829
Asset retirement obligation	31,418	30,348
Unitholders' equity		
Trust Units (note 3)	1,001,271	996,855
Exchangeable Shares (note 3)	4,372	4,248
Contributed surplus (note 3)	3,940	3,364
Deficit	(297,968)	(267,475)
	711,615	736,992
Commitments and contingencies (note 6)		
	\$ 1,170,562	\$ 1,169,580

See selected accompanying notes to the interim financial statements

Consolidated Statements of Earnings and Deficit

(unaudited) (\$ thousands, except per Trust Unit amounts)	Three months ended March 31,	
	2006	2005
Revenues		
Oil and natural gas sales	\$ 106,043	\$ 80,139
Royalties	20,373	18,541
	85,670	61,598
Expenses		
Transportation	1,451	1,167
Operating	16,134	11,772
General and administrative	2,713	2,177
Interest on long term debt	2,663	1,844
Depletion, depreciation and accretion	40,819	30,637
Trust Unit incentive compensation (note 3)	961	615
Internalization of management contract	124	368
	64,865	48,580
Earnings before taxes	20,805	13,018
Capital and large corporation taxes	256	129
Future income tax recovery	(3,653)	(1,486)
Net earnings	\$ 24,202	\$ 14,375
Deficit, beginning of period	(267,475)	(199,445)
Distributions to unitholders	(54,695)	(37,497)
Deficit, end of period	\$ (297,968)	\$ (222,567)
Net earnings per Trust Unit (note 3)		
Basic	\$ 0.35	\$ 0.26
Diluted	\$ 0.35	\$ 0.26

See selected accompanying notes to the interim financial statements

Consolidated Statements of Cash Flows

(unaudited) (\$ thousands)	Three months ended March 31,	
	2006	2005
Operating activities		
Net earnings	\$ 24,202	\$ 14,375
Items not requiring cash		
Depletion, depreciation and accretion	40,819	30,637
Internalization of management contract	124	368
Trust Unit incentive compensation	961	615
Future income tax recovery	(3,653)	(1,486)
Funds flow from operations	62,453	44,509
Asset retirement expenditures	(278)	(473)
Change in non-cash working capital (note 4)	2,061	8,972
	64,236	53,008
Financing activities		
Increase (decrease) in long term debt	33,230	(3,401)
Distributions to unitholders	(54,695)	(37,497)
Issue of Trust Units	4,031	3,093
	(17,434)	(37,805)
Change in non-cash working capital (note 4)	(6,759)	83
	(24,193)	(37,722)
Investing activities		
Property acquisitions	(778)	(1,319)
Capital expenditures	(53,674)	(14,462)
Proceeds on sale of properties	-	10
Proceeds on sale of other assets	-	332
	(54,452)	(15,439)
Change in non-cash working capital (note 4)	14,409	153
	(40,043)	(15,286)
Change in cash	\$ -	\$ -
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -

See selected accompanying notes to the interim financial statements

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2006 and 2005
(Tabular amounts are in \$ thousands, except Trust Units and per Trust Unit amounts)

1. Significant Accounting Policies

The interim consolidated financial statements have been prepared by management using Canadian generally accepted accounting principles and follow the same accounting principles and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2005 unless otherwise disclosed. The disclosures provided below are incremental to those included with the audited annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto in the Fund's 2005 financial report.

2. Long Term Debt

The Corporation maintains a \$365 million revolving credit facility (increased from \$330 million in April 2006) with a syndicate of Canadian chartered banks of which \$232.4 million was drawn at March 31, 2006. Borrowings under the credit 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 funds flow ratio, or, at the Corporation's option, the bankers' acceptance rate plus a stamping fee. The credit facility is secured by a \$600 million floating charge debenture on all assets of the Corporation together with supporting debentures and guarantees from the Fund's material subsidiaries and affiliates. The revolving period extends to April 25, 2007, at which time the credit facility, unless renewed, reverts to a two-year term with the principal payments, if necessary, commencing on July 26, 2007.

3. Trust Units

(a) Authorized

300,000,000 Trust Units

(b) Issued

	Number	Amount
Balance, December 31, 2005	68,186,198	\$ 996,855
Issued for cash under Distribution Reinvestment Plan	97,372	2,522
Issued on exercise of rights	94,498	1,510
Less: Commissions and issue costs		(1)
Transfer from contributed surplus on exercise of rights		385
Balance, March 31, 2006	68,378,068	\$ 1,001,271

(c) Exchangeable Shares¹

	Number	Amount
Balance, December 31, 2005	184,326	\$ 4,248
Amortization of deferred portion		124
Balance, March 31, 2006	184,326	\$ 4,372
Exchange ratio, March 31, 2006	1.48281	
Trust Units issuable upon conversion of non-escrowed shares	273,320	
Trust Units issuable upon conversion of 151,549 escrowed shares	224,718	
Total Trust Units issuable upon conversion of all shares	498,038	

¹ Exchangeable Shares are non-transferable.

3. Trust Units *(continued)***(d) Trust Unit Rights Incentive Plan**

At March 31, 2006, there were 2,616,502 (2005 – 2,022,734) rights outstanding, of which 950,502 (2005 – 715,234) were exercisable at a weighted average exercise price of \$14.02 (2005 – \$13.41).

	Number	Weighted Average Exercise Price
Rights		
Balance, December 31, 2005	1,855,000	\$ 16.74
Granted	856,000	\$ 29.10
Exercised	(94,498)	\$ 15.97
Balance before reduction of exercise price	2,616,502	\$ 20.81
Reduction of exercise price		(0.47)
Balance, March 31, 2006	2,616,502	\$ 20.34

The following table summarizes information about Trust Unit rights outstanding and exercisable at March 31, 2006:

	Rights Outstanding		Rights Exercisable		
	Number Outstanding At March 31, 2006	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable At March 31, 2006	Weighted Average Exercise Price
\$8.00 to \$13.99	512,500	6.1	\$ 11.04	502,500	\$ 11.00
\$14.00 to \$19.99	1,168,002	8.4	\$ 18.11	448,002	\$ 17.40
\$20.00 to \$28.99	936,000	9.7	\$ 28.22	–	\$ –
\$8.00 to \$28.99	2,616,502	8.4	\$ 20.34	950,502	\$ 14.02

Shiningbank recorded Trust Unit incentive compensation expense of \$961,000 for the three months ended March 31, 2006 (2005 – \$615,000) for rights issued between 2003 and 2006. This expense is related to costs reported in general and administrative expenses on the statement of earnings and deficit.

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

	Amount
Contributed Surplus	
Balance, December 31, 2005	\$ 3,364
Trust Unit incentive compensation	961
Net benefit on rights exercised ¹	(385)
Balance, March 31, 2006	\$ 3,940

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

The \$5.4 million fair value of the 856,000 rights issued during the quarter – \$6.28 per right (2005 – \$4.65 per right) was estimated using a Black-Scholes option-pricing model with the following assumptions: risk-free interest rates of 4.1% (2005 – 4.2%), volatility of 60%, life of 10 years, and a dividend yield rate of 10% representing the difference between the anticipated distribution and the anticipated reduction 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 three months ended March 31, 2006 and March 31, 2005.

(e) Per Trust Unit amounts

For the three months ended March 31, 2006, the weighted average number of Trust Units and non-escrowed Exchangeable Shares outstanding was 68,596,675 (2005 – 54,614,166). In computing diluted net earnings per Trust Unit, the dilutive effect of unit rights and escrowed Exchangeable Shares, added 501,310 Trust Units (2005 – 1,253,690) to the weighted average number of Trust Units outstanding.

4. Other Cash Flow Disclosures

	Three months ended March 31,	
	2006	2005
Change in non-cash operating working capital		
Accounts receivable	\$ 13,945	\$ 7,435
Prepaid expenses	54	(2)
Accounts payable and accrued liabilities	(11,938)	1,539
	\$ 2,061	\$ 8,972
Change in non-cash financing working capital		
Distributions payable to unitholders	\$ (6,759)	\$ 83
Change in non-cash investing working capital		
Accounts payable for capital accruals	\$ 14,409	\$ 153
Cash payments		
Cash payments made for taxes	\$ 398	\$ 4
Cash payments made for interest	\$ 2,607	\$ 1,950

5. Financial Instruments

At March 31, 2006, Shiningbank held certain derivative financial instruments which are not recognized on the consolidated balance sheets. The estimated market value at March 31, 2006, had the contracts been settled at that time, would have been a gain of \$1.2 million.

Period	Commodity	Volume	Price
April 1, 2006 – October 31, 2006	Gas	5,000 GJ/d	\$7.50 /GJ floor \$12.00/GJ ceiling
May 1, 2006 – October 31, 2006	Gas	10,000 GJ/d	\$5.50 /GJ floor \$9.75/GJ ceiling
January 1, 2006 – June 30, 2006	Oil	500 bbl/d	US\$55.00/bbl floor US\$89.00/bbl ceiling
July 1, 2006 – December 31, 2006	Oil	500 bbl/d	US\$55.00/bbl floor US\$89.10/bbl ceiling

6. Commitments and Contingencies

The following is a summary of the Fund's contractual obligations and commitments as at March 31, 2006:

	Total	Payments Due by Period			
		Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Operating leases	\$ 10,716	\$ 1,902	\$ 5,130	\$ 3,684	\$ –
Pipeline transportation	3,156	1,144	2,012	–	–
Total obligations	\$ 13,872	\$ 3,046	\$ 7,142	\$ 3,684	\$ –

The Fund is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that any resulting settlements would not materially affect the Fund's financial position or reported results of operations.

7. Related Party Transactions

During the three months ended March 31, 2006, Shiningbank incurred \$51,000 for legal services (2005 – \$93,000) provided by a firm in which a current director is a partner, \$20,000 of which was outstanding at March 31, 2006. These payments were made in the normal course of operations, on commercial terms, and therefore were recorded at the exchange amount.

Corporate Information

Board of Directors

Arne R. Nielsen
Chairman

David M. Fitzpatrick
President and
Chief Executive Officer

D. Grant Gunderson
Director

Edward W. Best
Director

Warren D. Steckley
Director

Richard W. Clark
Director

Officers

David M. Fitzpatrick
President and
Chief Executive Officer

Gregory D. Moore
Vice President, Operations
and Chief Operating Officer

Bruce K. Gibson
Vice President, Finance
and Chief Financial Officer

Terry P. Prokopy
Vice President, Land

R. Bruce Thornhill
Vice President, Geology

Alan G. Glessing
Controller

Murray J. Desrosiers
Corporate Secretary
and General Counsel

Head Office

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Trustee

Computershare Trust
Company of Canada
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Engineering Consultants

Paddock Lindstrom & Associates Ltd.
Calgary, Alberta

Legal Counsel

Gowling Lafleur Henderson LLP
Calgary, Alberta

Stock Exchange Listing

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
GJ	gigajoule
mdbl	thousand barrels
mdbl	million 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
tcf	trillion cubic feet of natural gas

A Note About BOEs

The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.