

Q2

We expect to add approximately 4,900 boe/d in early September upon closing of an offer to acquire TSX-listed Find Energy Ltd.



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 Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2005, which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Financial	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
(\$ thousands except per Trust Unit amounts)						
Oil and natural gas sales	\$ 93,011	\$ 83,222	12	\$ 199,054	\$ 163,361	22
Earnings before income taxes	9,797	17,015	(42)	30,346	29,904	1
Future income tax recovery	(14,099)	(1,766)	698	(17,752)	(3,252)	446
Net earnings	23,896	18,781	27	48,098	33,156	45
Funds flow from operations	53,349	46,353	15	115,802	90,862	27
Funds flow from operations per weighted average Trust Unit	0.78	0.85	(8)	1.69	1.66	2
Distributions to unitholders	49,956	37,628	33	104,651	75,125	39
Distributions per Trust Unit	0.73	0.69	6	1.53	1.38	11
Long term debt	279,343	207,432	35	279,343	207,432	35
Unitholders' equity	687,633	482,289	43	687,633	482,289	43
Operations						
Daily production						
Oil (bbl/d)	2,290	2,354	(3)	2,228	2,341	(5)
Natural gas (mmcf/d)	103.7	81.7	27	102.5	84.2	22
Natural gas liquids (bbl/d)	2,804	2,926	(4)	2,789	3,083	(10)
Oil equivalent (boe/d)	22,386	18,891	19	22,108	19,458	14
Average prices (including hedging)						
Oil (\$/bbl)	\$ 71.34	\$ 56.75	26	\$ 65.59	\$ 56.50	16
Natural gas (\$/mcf)	\$ 6.66	\$ 7.80	(15)	\$ 7.73	\$ 7.41	4
Natural gas liquids (\$/bbl)	\$ 59.96	\$ 45.29	32	\$ 57.03	\$ 45.61	25
Oil equivalent (\$/boe)	\$ 45.67	\$ 47.83	(5)	\$ 49.64	\$ 46.08	8
Unit Trading						
Units traded (thousands)	17,018	8,916	91	44,514	18,490	141
Value traded (\$ thousands)	\$ 388,185	\$ 186,959	108	\$ 1,072,923	\$ 398,888	169
Unit price						
High	\$ 26.18	\$ 22.19		\$ 29.52	\$ 23.35	
Low	\$ 18.72	\$ 19.60		\$ 18.72	\$ 19.60	
Close	\$ 21.20	\$ 21.55		\$ 21.20	\$ 21.55	
Units outstanding, end of period (thousands)	68,427	54,524		68,427	54,524	

INTERIM

SHININGBANK
ENERGY INCOME FUND

Interim Report 2006

fellow unitholders

President's Message On July 13, subsequent to the end of the second quarter, we announced an offer to purchase all of the outstanding shares of Find Energy Ltd., ("Find"), a successful TSX-listed junior explorer. We are very excited about the transaction as it will add approximately 4,900 boe/d upon closing in early September. More importantly, Find's substantial undeveloped lands will increase the growth potential in our core liquids-rich natural gas producing area of west-central Alberta.

Q2 2006 HIGHLIGHTS

- PRODUCTION INCREASED 19% FROM Q2 2005 DUE TO THE ACQUISITION OF BLIZZARD ENERGY INC. IN AUGUST 2005, PLUS VOLUMES ADDED THROUGH OUR DEVELOPMENT DRILLING PROGRAM.
- UNITHOLDERS HAVE RECEIVED DISTRIBUTIONS TOTALING \$1.53 PER UNIT YEAR TO DATE, UP 11% FROM \$1.38 PER UNIT IN 2005.
- GAS PRICES CONTINUED TO FALL AND WERE DOWN 15% FROM LAST YEAR'S SECOND QUARTER AVERAGE DUE TO THE LINGERING EFFECTS OF AN UNSEASONABLY WARM WINTER ON GAS STORAGE INVENTORIES.
- IN LIGHT OF REDUCED GAS PRICES, WE ANNOUNCED THAT THE AUGUST DISTRIBUTION WILL BE \$0.23 PER UNIT, THE SAME AMOUNT UNITHOLDERS RECEIVED FROM MID-2003 THROUGH TO LATE 2005.

That announcement was made following a quarter marked by 19% production growth from second quarter 2005, but continued gas price weakness. While we remain bullish on gas over the long term, prices have fallen substantially since late last year. Our second quarter gas prices averaged \$6.66/mcf after a hedging gain of \$0.08/mcf, a decrease of 15% from \$7.80/mcf for the same period in 2005 and down 43% from \$11.70/mcf in last year's fourth quarter. The pricing slide is the direct result of the unusually warm winter across much of North America which slashed demand and has left higher than normal levels of gas in storage.

Distributions and cash flow

Year to date, we have distributed \$1.53 per unit compared with \$1.38 for the first six months of 2005. Funds flow from operations for the six months was up slightly at \$1.69 per unit from \$1.66 in 2005, although it was down slightly in the second quarter at \$0.78 per unit from \$0.85 in 2005. The downward gas price trend has been seen in our distributions.

In the first quarter, unitholders received \$0.30 per unit in monthly distributions reflecting a gas price spike late in 2005. For the second quarter, as gas prices softened we reduced distributions to \$0.25 per unit per month. In July, we announced a second reduction that will see unitholders receive \$0.23 per unit beginning with the August distribution, the same level paid from mid-2003 through to late 2005. We expect the \$0.23 per unit to be sustainable in the current gas price environment and with our hedging program which currently has approximately 30% of our volumes locked in at attractive prices through the summer with additional gas hedged through the winter.

Commodity price trends

It is normal to see gas prices soften during the second and third quarters, however, this year it has been more pronounced due to high levels of gas in storage resulting from the unseasonably warm winter across much of North America. This storage overhang has continued to weaken gas prices through the year. While the summer is the injection season when storage is refilled in readiness for the winter heating season, storage builds have been significantly less than in prior years. We expect to see continued price weakness through the rest of the summer and in September and October, typically the pricing low points for the year. However, we do expect a recovery later in the year once the heating season starts in November.

Oil prices are once again setting all-time highs as this is written. For the quarter, our realized prices were \$71.34/bbl. In the near term, we have no reason to believe that there will be any material change in oil prices, but we continue to conservatively plan our capital programs around lower prices for both oil and gas.

Acquisition of Find Energy Ltd.

The acquisition of Find was announced in July with the full support of the Boards of Directors of both Shiningbank and Find. For Shiningbank unitholders, the acquisition is a logical extension of our existing west-central Alberta natural gas operations. The addition of Find's significant undeveloped acreage will add substantial low risk opportunities over the next several years, which we will exploit to improve both production volumes and our base of long-life reserves.

Find is a natural gas-weighted oil and gas company with its principal asset directly adjacent to our O'Chiese area – one of the most important locations for our development drilling program. Find's assets will increase production from one of our key areas and provide access to additional gas processing infrastructure in this important area. Find controls infrastructure in each of its core areas and operates the majority of its production which will allow us to develop the properties at our own pace and on a cost-effective basis. Find's properties are also characterized by high working interests, high netbacks and low operating costs of \$6.09/boe based on first quarter results, which should have the net effect of reducing Shiningbank's overall operating costs.

A takeover bid offer and circular was mailed to all Find shareholders on July 31 with shares required to be tendered by September 6, the expected closing date. Shiningbank is offering 0.465 of a Trust Unit for each common share of Find. The following are some of the key highlights of the transaction:

- Two-thirds of Find's shares are required to be tendered; almost one-third has already been committed by Find's directors, officers and certain insiders.
- The transaction is expected to be immediately accretive to Shiningbank unitholders on all key per unit metrics including cash flow, production and net asset value.
- Shiningbank will issue approximately 17.3 million units and will assume Find's net debt of \$62 million.
- When the deal closes Shiningbank will have a market capitalization of approximately \$1.9 billion.
- Shiningbank will add approximately 4,900 boe/d, 77% natural gas, comprised of approximately 22.5 mmcf/d of natural gas and 1,100 bbl/d of oil and NGL.
- New hedges have been put in place by Shiningbank on 10 mmcf/d for the period from September to December 2006 to cover almost half of the acquired natural gas production to help stabilize distributions through what we believe will be a weak pricing point.
- 165,000 net acres of undeveloped land will be added in our core west-central Alberta area, substantially increasing our development drilling opportunities for several years.
- Proved plus probable reserves total 16 mmmboe, 71% natural gas and with a reserve life index of 8.9 years.
- Reserves were acquired at a cost of \$25.87/boe proved plus probable, net of the value of undeveloped land.
- The potential exists to improve production from the Find properties to approximately 6,000 boe/d over the next year through the tie-in of already completed wells, thus improving the acquisition metrics and the accretion to unitholders.
- Drilling is continuing on Find's undeveloped acreage through the transition period and into the fourth quarter.

Successful development drilling

In the second quarter we refocused our drilling activity away from the winter-only Sousa area to our year-round drilling areas in Ferrier/O'Chiese and Grande Prairie. Of the 21 (6.0 net) wells drilled, eight (3.6 net) wells were in these two areas. Our success rate was 100% which yielded 13 (3.9 net) gas wells, and eight (2.1 net) oil wells. We spent approximately \$23 million, bringing our year to date expenditures to \$77 million. Capital expenditures in the second half of the year are expected to slow down somewhat and we are planning to spend approximately \$125 million by year end, including capital on the Find properties, up from our previous estimates.

A fundamental in our program is to be very selective about targeting prospects with the best economic impact, particularly in the current environment of increased costs and lower short-term gas prices. The Find acquisition will add to our inventory of high quality drillable prospects with continued drilling on these new properties planned through the third and fourth quarters.

Third quarter outlook

In the third quarter, our low-risk drilling program should continue to offset our natural production declines and stabilize our production volumes. The addition of Find in September will increase volumes by about 4,900 boe/d with the full impact to be seen in the fourth quarter. Our guidance for the second half of the year has been increased to 25,000 to 25,500 boe/d reflecting the impact of the Find acquisition from early September to year end. While gas prices have been weak, our high quality properties are continuing to deliver excellent netbacks and cash flow. As a result, we expect the \$0.23 per unit monthly distribution to be sustainable in the current gas price environment barring further and lengthy price declines.

In closing

In closing, I would like to mention that on July 31, Shiningbank marked its 10th anniversary. Over that time, we have generated an annual 29% compound rate of return and delivered cash distributions in excess of \$23 per unit, making us one of the top performers in the energy trust sector. Our superior returns have been based on strategic fundamentals that stress the acquisition of quality assets that are immediately accretive to our unitholders, and building a base of properties with stable production characteristics, long life reserves and opportunities for low risk development drilling. The Find acquisition meets all of those criteria, and we look forward to Find shareholders and Shiningbank unitholders benefiting from the combined entity.

[Signed]

David M. Fitzpatrick
President and Chief
Executive Officer

August 3, 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 and six month periods ended June 30, 2006. This information is provided as of August 3, 2006. The second quarter and half-year results have been compared with the corresponding periods in 2005. This MD&A should be read in conjunction with the Fund's audited consolidated comparative 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 both the MD&A and 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.

Recent Development

On July 13, 2006, Shiningbank and Find Energy Ltd. ("Find") jointly announced that Shiningbank Energy Ltd. (a wholly-owned subsidiary of Shiningbank) had made an offer to acquire all of the outstanding common shares of Find on the basis of 0.465 of a Trust Unit of the Fund for each common share of Find. The offer was mailed to shareholders of Find on July 31, 2006, is open for acceptance until September 6, 2006 and is conditional upon, among other things, there being validly deposited under the offer at least 66 $\frac{2}{3}$ % of the common shares of Find, calculated on a diluted basis.

Results of Operations

Production Volumes

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Oil (bbl/d)	2,290	2,354	(3)	2,228	2,341	(5)
Natural gas (mmcf/d)	103.7	81.7	27	102.5	84.2	22
Natural gas liquids (bbl/d)	2,804	2,926	(4)	2,789	3,083	(10)
Oil equivalent (boe/d)	22,386	18,891	19	22,108	19,458	14
Natural gas % of production	77%	72%	5	77%	72%	5

Daily production for the second quarter averaged 22,386 boe/d, up 19% from the same period last year. For the first half of the year, daily production volumes averaged 22,108 boe/d, 14% higher than 2005. The increase was primarily due to the acquisition of Blizzard Energy Inc. ("Blizzard"), which closed August 2, 2005. The Blizzard assets contributed 19% to second quarter 2006 production and 18% to production year to date. 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 the 2005 comparative periods due to natural declines. Production for the remainder of 2006 is anticipated to average 25,000 to 25,500 boe/d assuming that the proposed acquisition of Find closes in early September 2006.

Pricing – Including Hedging Activity

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Average prices – including hedging						
Oil (\$/bbl)	\$ 71.34	\$ 56.75	26	\$ 65.59	\$ 56.50	16
Natural gas (\$/mcf)	\$ 6.66	\$ 7.80	(15)	\$ 7.73	\$ 7.41	4
Natural gas liquids (\$/bbl)	\$ 59.96	\$ 45.29	32	\$ 57.03	\$ 45.61	25
Oil equivalent (\$/boe)	\$ 45.67	\$ 47.83	(5)	\$ 49.64	\$ 46.08	8
Benchmark prices						
WTI (US\$/bbl)	\$ 70.70	\$ 53.20	33	\$ 67.09	\$ 51.51	30
AECO natural gas (Cdn\$/mcf)	\$ 6.27	\$ 7.37	(15)	\$ 7.77	\$ 7.03	11

Natural Gas

Shiningbank's realized natural gas price averaged \$6.66/mcf for the quarter, 15% lower than second quarter 2005. Year to date, the average price was 4% higher at \$7.73. Hedging increased the realized gas price by \$0.08/mcf for the quarter and \$0.09/mcf year to date. This compares with a 2005 hedging loss of \$0.05/mcf for the quarter and no significant impact on the year to date 2005 price. 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 did not occur in the second quarter and is not expected 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 \$71.34/bbl, up 26% from second quarter 2005. Realized oil prices for the first half were \$65.59/bbl, up 16% from first half 2005. Hedging had no effect on the price for the quarter, but added \$0.01/bbl year to date. This compares with 2005 hedging losses of \$0.83/bbl for the quarter and \$0.61/bbl for the first six months.

The benchmark West Texas Intermediate ("WTI") price averaged 33% higher for the quarter and 30% year to date; 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\$75.00/bbl for the remainder of 2006.

NGL prices were also strong reflecting high oil prices. The quarterly average NGL price was 32% higher than in second quarter 2005 at \$59.96/bbl, and 25% higher year to date at \$57.03/bbl. Shiningbank's NGL prices typically average approximately 80% of Edmonton par oil prices. In second quarter 2006, the Fund's NGL prices averaged 84%, 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 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
July 1, 2006 – March 31, 2007	Gas	5,000 GJ/d	\$6.00/GJ floor \$10.05/GJ ceiling
July 1, 2006 – March 31, 2007	Gas	5,000 GJ/d	\$6.25/GJ floor \$10.50/GJ ceiling
July 1, 2006 – October 31, 2006	Gas	5,000 GJ/d	\$6.47/GJ
September 1, 2006 – December 31, 2006	Gas	10,000 GJ/d	\$6.65/GJ
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 June 30,				Six months ended June 30,			
	2006	% of Revenue	2005	% of Revenue	2006	% of Revenue	2005	% of Revenue
Oil	\$ 14,867	16	\$ 12,335	15	\$ 26,448	13	\$ 24,193	15
Natural gas	62,090	67	58,364	70	141,790	71	112,931	69
Natural gas liquids	15,302	16	12,057	14	28,788	15	25,453	15
Other income	(14)	–	1,005	1	401	–	1,077	1
Gas hedging	766	1	(360)	–	1,627	1	(36)	–
Oil hedging	–	–	(179)	–	–	–	(257)	–
	\$ 93,011	100	\$ 83,222	100	\$ 199,054	100	\$ 163,361	100

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

Sales Variance Analysis (Including Hedging Activity)

(000s)	Three months ended June 30,			Six months ended June 30,		
	2006/2005			2006/2005		
Oil and natural gas liquids						
Volume decrease	\$ (828)			\$ (3,579)		
Price increase	6,784			9,426		
Net increase	\$ 5,956			\$ 5,847		
Natural gas						
Volume increase	\$ 15,667			\$ 24,601		
Price increase (decrease)	(10,815)			5,921		
Net increase	\$ 4,852			\$ 30,522		

Royalties

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Total royalties, net (000s)	\$ 16,062	\$ 17,063	(6)	\$ 36,435	\$ 35,604	2
As a % of revenue	17.3%	20.5%	(16)	18.3%	21.8%	(16)
Per boe	\$ 7.88	\$ 9.93	(21)	\$ 9.11	\$ 10.11	(10)

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The royalty rate decreased by 16% in both the second quarter and year to date due to increasing production from the Sousa area where the Fund has lower royalty rates, combined with several one-time recoveries. The Fund expects royalty rates to average 20% for the remainder of 2006, including the effect of the Find properties which have slightly higher royalty rates.

Transportation Costs

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Transportation costs (000s)	\$ 1,381	\$ 1,075	28	\$ 2,832	\$ 2,242	26
Per boe	\$ 0.68	\$ 0.63	8	\$ 0.71	\$ 0.64	11

Transportation costs increased 8% on a boe basis from second quarter 2005 and 11% year to date due to higher transportation costs related to the Blizzard properties. Transportation costs are expected to average \$0.75/boe for the remainder of 2006.

Operating Costs

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Operating costs (000s)	\$ 17,064	\$ 13,949	22	\$ 33,198	\$ 25,721	29
Per boe	\$ 8.38	\$ 8.11	3	\$ 8.30	\$ 7.30	14

Operating costs on a boe basis increased 3% from second quarter 2005 and 14% year over year due to industry cost pressures, higher fuel and power costs together with workover costs at Sousa in first quarter. The increases were partially offset by the incorporation of the Blizzard properties which have lower operating costs. Operating costs are expected to decline to \$7.50/boe for the remainder of 2006 with the incorporation of lower operating cost properties from Find contributing to the stability of this rate later in the year.

Operating Netbacks

(\$/boe)	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Oil and natural gas sales	\$ 45.67	\$ 47.83	(5)	\$ 49.64	\$ 46.08	8
Other income (loss)	(0.01)	0.58	(102)	0.10	0.31	(68)
Royalties	(7.88)	(9.93)	(21)	(9.11)	(10.11)	(10)
Transportation costs	(0.68)	(0.63)	8	(0.71)	(0.64)	11
Operating costs	(8.38)	(8.11)	3	(8.30)	(7.30)	14
Operating netbacks	\$ 28.72	\$ 29.74	(3)	\$ 31.62	\$ 28.34	12

Total operating netbacks decreased 3% quarter over quarter due mainly to lower natural gas prices. Year to date total operating netbacks increased 12% over 2005 primarily as a result of higher commodity prices. This increase was partially offset by higher transportation and operating costs.

General and Administrative Costs

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
General and administrative costs (000s)	\$ 2,156	\$ 1,750	23	\$ 4,869	\$ 3,927	24
Per boe	\$ 1.06	\$ 1.02	4	\$ 1.22	\$ 1.12	9
Per average Trust Unit	\$ 0.03	\$ 0.03	-	\$ 0.07	\$ 0.07	-

General and administrative costs increased 4% on a boe basis from second quarter 2005 and 9% year over year due to higher activity levels related to acquisitions and development activities, higher costs due to additional regulatory requirements and significant pressure on salaries and benefits in a very competitive environment for staff. General and administrative costs are expected to be approximately \$1.45/boe for full year 2006, including incremental costs from the Find acquisition.

Interest on Long Term Debt

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Interest on long term debt (000s)	\$ 3,276	\$ 1,931	70	\$ 5,939	\$ 3,775	57
Per boe	\$ 1.61	\$ 1.12	44	\$ 1.48	\$ 1.07	38
Per average Trust Unit	\$ 0.05	\$ 0.04	25	\$ 0.09	\$ 0.07	29

Interest expense per average Trust Unit increased 25% from second quarter 2005 and 29% for the six month period. The increase was 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 \$1.75/boe.

Depletion, Depreciation and Accretion

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Depletion, depreciation and accretion (000s)	\$ 42,473	\$ 29,367	45	\$ 83,292	\$ 60,004	39
Per boe	\$ 20.85	\$ 17.08	22	\$ 20.81	\$ 17.04	22

Depletion, depreciation and accretion per boe rose 22% for both the second quarter and six month period. The increase was primarily related to 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 June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Trust Unit incentive compensation (000s)	\$ 955	\$ 607	57	\$ 1,916	\$ 1,222	57
Per boe	\$ 0.47	\$ 0.35	34	\$ 0.48	\$ 0.35	37

During second quarter 2006, three new issues aggregating 45,000 Trust Unit rights were granted (2005 – three issues totalling 50,000 Trust Unit rights). Five new issues of rights aggregating 901,000 (2005 – 767,500) 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 2006 expense of \$955,000 (2005 – \$607,000) represented the fair value of rights issued during 2003 through to mid-2006. During the first six months of 2006, the total expense was \$1.9 million (2005 – \$1.2 million). All of these costs are "non-cash" costs and are not deducted in determining distributions to unitholders.

Internalization of Management Contract

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Internalization of management contract (000s)	\$ 124	\$ 368	(66)	\$ 248	\$ 736	(66)
Per boe	\$ 0.06	\$ 0.21	(71)	\$ 0.06	\$ 0.21	(71)

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 second quarter 2006, \$124,000 (2005 – \$368,000) was expensed, representing the amortization of these escrowed Exchangeable Shares. During the first six months of 2006, \$248,000 was expensed (2005 – \$736,000).

Taxes

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Capital and large corporation taxes (000s)	\$ (277)	\$ 97	(386)	\$ (21)	\$ 226	(109)
Future income tax recovery (000s)	\$ (14,099)	\$ (1,766)	698	\$ (17,752)	\$ (3,252)	446
Per boe	\$ (7.06)	\$ (0.97)	628	\$ (4.45)	\$ (0.86)	417

The Fund is obligated to pay provincial capital taxes in its operating entities. Under the Fund's structure, payments are made from Shiningbank Energy Ltd. to 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. First quarter 2006 provisions for federal large corporations tax were reversed in second quarter reflecting recently introduced changes to the Tax Act. Future income taxes were also lower mainly due to lower tax rates enacted in the second quarter of 2006.

Earnings

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

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Earnings before income taxes (000s)	\$ 9,797	\$ 17,015	(42)	\$ 30,346	\$ 29,904	1
Per Trust Unit – basic	\$ 0.14	\$ 0.31	(55)	\$ 0.44	\$ 0.55	(20)
– diluted	\$ 0.14	\$ 0.31	(55)	\$ 0.44	\$ 0.54	(19)
Net earnings (000s)	\$ 23,896	\$ 18,781	27	\$ 48,098	\$ 33,156	45
Per Trust Unit – basic	\$ 0.35	\$ 0.34	3	\$ 0.70	\$ 0.61	15
– diluted	\$ 0.35	\$ 0.34	3	\$ 0.70	\$ 0.60	17

Distributions to Unitholders

(000s except per Trust Unit amounts)	Three months ended June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Funds flow from operations	\$ 53,349	\$ 46,353	15	\$ 115,802	\$ 90,862	27
Capital expenditures	(23,153)	(11,270)	105	(76,827)	(25,732)	199
Asset retirement expenditures	(1,105)	(437)	153	(1,383)	(910)	52
Working capital adjustments	20,865	2,982	600	67,059	10,905	515
Distributions to unitholders	\$ 49,956	\$ 37,628	33	\$ 104,651	\$ 75,125	39
Distributions per Trust Unit	\$ 0.73	\$ 0.69	6	\$ 1.53	\$ 1.38	11
Trust Units outstanding, end of period	68,427	54,524	25	68,427	54,524	25
Payout ratio	94%	81%		90%	83%	

Total distributions to unitholders increased 33% for the second quarter and 39% year to date over 2005. The increases were attributable to improved funds flow due mainly to 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 94% of its funds flow for second quarter 2006 and 90% year to date (2005 – 81% second quarter, 83% first half). Accumulated Trust Unit distributions since inception total \$794.9 million.

On a per Trust Unit basis, distributions increased 6% for second quarter 2006 and 11% year to date. Distributions in fourth quarter 2005 were 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 2006, distributions were decreased to \$0.25 per Trust Unit for the distribution paid on April 15, 2006 with a further decrease to \$0.23 per Trust Unit for the distribution payable on August 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 June 30,			Six months ended June 30,		
	2006	2005	%	2006	2005	%
Cash flow from operating activities	\$ 50,263	\$ 50,516	(1)	\$ 114,499	\$ 103,524	11
Change in non-cash working capital	1,981	(4,600)	(143)	(80)	(13,572)	(99)
Asset retirement expenditures	1,105	437	153	1,383	910	52
Funds flow from operations	\$ 53,349	\$ 46,353	15	\$ 115,802	\$ 90,862	27

Quarterly Financial Information

(000s except per Trust Unit amounts)	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005
Oil and natural gas sales	\$ 93,011	\$ 106,043	\$ 144,539	\$ 111,763
Earnings before income taxes	9,797	20,549	49,336	28,259
Per Trust Unit – basic	0.14	0.30	0.72	0.46
– diluted	0.14	0.30	0.71	0.46
Net earnings	23,896	24,202	50,085	30,995
Per Trust Unit – basic	0.35	0.35	0.73	0.51
– diluted	0.35	0.35	0.72	0.50
Funds flow from operations	53,349	62,453	94,181	67,721
Per weighted average Trust Unit	0.78	0.91	1.38	1.11
Distributions to unitholders	49,956	54,695	61,391	45,750
Per Trust Unit	0.73	0.80	0.90	0.69
Payout ratio	94%	88%	65%	68%

	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
Earnings before income taxes	17,015	12,889	13,974	12,297
Per Trust Unit – basic	0.31	0.24	0.26	0.24
– diluted	0.31	0.23	0.25	0.23
Net earnings	18,781	14,375	88,038	15,900
Per Trust Unit – basic	0.34	0.26	1.62	0.30
– diluted	0.34	0.26	1.60	0.29
Funds flow from operations	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%

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 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 the first half of 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 and second quarter 2006. Oil prices increased substantially in late 2004 and continued to rise in 2005 and 2006. Distributions per Trust Unit increased 6% in second quarter 2006 from the same period in 2005 based on overall production growth and the strength in pricing for oil and NGL. The increase in funds flow 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 \$23.2 million was spent on drilling and new facilities during second quarter 2006 and \$76.8 million in first half 2006, compared with \$11.3 million and \$25.7 million, respectively, for the same periods in 2005. Funds flow contributed \$3.4 million of the second quarter expenditures and \$11.2 million of the year to date expenditures, with the balance funded by proceeds from the Fund's Distribution Reinvestment Plan, bank debt and working capital drawdown.

A total of 126 wells (88.3 net) were drilled in the first half of 2006, of which 109 (82.7 net) were successful gas wells, 14 (3.5 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, exclusive of potential spending relating to the Find acquisition, 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 \$279.3 million was drawn at June 30, 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 June 30, 2006, the debt to annualized funds flow ratio was 1.3:1.

Unitholders' Equity

A total of 48,482 Trust Units were issued during the second quarter (240,712 year to date) 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 August 3, 2006, the Fund had 68,442,682 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 June 30, 2006, the exchange rate was 1.51419 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	\$ 279,343	\$ –	\$ 279,343	\$ –	\$ –
Operating leases	10,294	2,060	5,220	3,014	–
Pipeline transportation	2,859	1,139	1,720	–	–
Total obligations	\$ 292,496	\$ 3,199	\$ 286,283	\$ 3,014	\$ –

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 Environment, Health, Safety and Reserve 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 six months ended June 30, 2006, Shiningbank incurred \$170,000 for legal services (2005 – \$192,000) provided by a firm in which a current director is a partner, \$64,000 of which was outstanding at June 30, 2006. These payments were made in the normal course of operations, on commercial terms, and therefore were recorded at cost.

Consolidated Balance Sheets

(unaudited) (\$ thousands)	June 30, 2006	December 31, 2005
Assets		
Current assets		
Accounts receivable	\$ 59,833	\$ 76,945
Prepaid expenses	6,540	6,747
	66,373	83,692
Fixed assets		
Petroleum and natural gas properties and equipment	1,618,858	1,539,488
Accumulated depletion and depreciation	(587,406)	(505,150)
	1,031,452	1,034,338
Goodwill	51,124	51,124
Other assets	491	426
	\$ 1,149,440	\$ 1,169,580
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 56,536	\$ 78,332
Trust Unit distributions payable	32,849	40,950
	89,385	119,282
Long term debt (note 2)	279,343	199,129
Future income taxes	66,077	83,829
Asset retirement obligation	27,002	30,348
Unitholders' equity		
Trust Units (note 3)	1,002,301	996,855
Exchangeable Shares (note 3)	4,496	4,248
Contributed surplus (note 3)	4,864	3,364
Deficit	(324,028)	(267,475)
	687,633	736,992
Commitments and contingencies (note 6)		
Subsequent event (note 8)		
	\$ 1,149,440	\$ 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 June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Revenues				
Oil and natural gas sales	\$ 93,011	\$ 83,222	\$ 199,054	\$ 163,361
Royalties	16,062	17,063	36,435	35,604
	76,949	66,159	162,619	127,757
Expenses				
Transportation	1,381	1,075	2,832	2,242
Operating	17,064	13,949	33,198	25,721
General and administrative	2,156	1,750	4,869	3,927
Interest on long term debt	3,276	1,931	5,939	3,775
Depletion, depreciation and accretion	42,473	29,367	83,292	60,004
Trust Unit incentive compensation (note 3)	955	607	1,916	1,222
Internalization of management contract	124	368	248	736
	67,429	49,047	132,294	97,627
Earnings before taxes	9,520	17,112	30,325	30,130
Capital and large corporation taxes	(277)	97	(21)	226
Future income tax recovery	(14,099)	(1,766)	(17,752)	(3,252)
Net earnings	\$ 23,896	\$ 18,781	\$ 48,098	\$ 33,156
Deficit, beginning of period	(297,968)	(222,567)	(267,475)	(199,445)
Distributions to unitholders	(49,956)	(37,628)	(104,651)	(75,125)
Deficit, end of period	\$ (324,028)	\$ (241,414)	\$ (324,028)	\$ (241,414)
Net earnings per Trust Unit (note 3)				
Basic	\$ 0.35	\$ 0.34	\$ 0.70	\$ 0.61
Diluted	\$ 0.35	\$ 0.34	\$ 0.70	\$ 0.60

See selected accompanying notes to the interim financial statements

Consolidated Statements of Cash Flows

(unaudited) (\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Operating activities				
Net earnings	\$ 23,896	\$ 18,781	\$ 48,098	\$ 33,156
Items not requiring cash				
Depletion, depreciation and accretion	42,473	29,367	83,292	60,004
Internalization of management contract	124	368	248	736
Trust Unit incentive compensation	955	607	1,916	1,222
Gain on sale of other assets	–	(1,004)	–	(1,004)
Future income tax recovery	(14,099)	(1,766)	(17,752)	(3,252)
Funds flow from operations	53,349	46,353	115,802	90,862
Asset retirement expenditures	(1,105)	(437)	(1,383)	(910)
Change in non-cash working capital (note 4)	(1,981)	4,600	80	13,572
	50,263	50,516	114,499	103,524
Financing activities				
Increase in long term debt	46,984	28,686	80,214	25,285
Distributions to unitholders	(49,956)	(37,628)	(104,651)	(75,125)
Issue of Trust Units	999	3,263	5,030	6,356
	(1,973)	(5,679)	(19,407)	(43,484)
Change in non-cash working capital (note 4)	(1,342)	86	(8,101)	169
	(3,315)	(5,593)	(27,508)	(43,315)
Investing activities				
Property acquisitions	(4,829)	(14)	(5,607)	(1,333)
Corporate acquisitions	–	(31,360)	–	(31,360)
Capital expenditures	(23,153)	(11,270)	(76,827)	(25,732)
Proceeds on sale of properties	–	(66)	–	(56)
Proceeds on sale of other assets	–	1,004	–	1,336
	(27,982)	(41,706)	(82,434)	(57,145)
Change in non-cash working capital (note 4)	(18,966)	(3,217)	(4,557)	(3,064)
	(46,948)	(44,923)	(86,991)	(60,209)
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 June 30, 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 of Shiningbank Energy Income Fund ("Shiningbank" or the "Fund") 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

Shiningbank Energy Ltd. (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 \$279.3 million was drawn at June 30, 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	134,314	3,369
Issued on exercise of rights	106,398	1,694
Less: Commissions and issue costs		(33)
Transfer from contributed surplus on exercise of rights		416
Balance, June 30, 2006	68,426,910	\$ 1,002,301

(c) Exchangeable Shares¹

	Number	Amount
Balance, December 31, 2005	184,326	\$ 4,248
Amortization of deferred portion		248
Balance, June 30, 2006	184,326	\$ 4,496
Exchange ratio, June 30, 2006	1.51419	
Trust Units issuable upon conversion of non-escrowed shares	279,105	
Trust Units issuable upon conversion of 151,549 escrowed shares	229,474	
Total Trust Units issuable upon conversion of all shares	508,579	

¹ Exchangeable Shares are non-transferable.

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

At June 30, 2006, there were 2,616,269 (2005 – 1,937,734) rights outstanding, of which 973,602 (2005 – 620,234) were exercisable at a weighted average exercise price of \$13.75 (2005 – \$13.29).

	Number	Weighted Average Exercise Price
Rights		
Balance, December 31, 2005	1,855,000	\$ 16.74
Granted	901,000	\$ 28.78
Exercised	(106,398)	\$ 15.92
Forfeited	(33,333)	\$ 24.79
Balance before reduction of exercise price	2,616,269	\$ 20.82
Reduction of exercise price		(0.84)
Balance, June 30, 2006	2,616,269	\$ 19.98

The following table summarizes information about Trust Unit rights outstanding and exercisable at June 30, 2006:

	Rights Outstanding		Rights Exercisable		
	Number Outstanding At June 30, 2006	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable At June 30, 2006	Weighted Average Exercise Price
\$8.00 to \$15.99	899,501	6.6	\$ 12.61	740,501	\$ 12.08
\$16.00 to \$20.99	790,768	8.5	\$ 19.13	233,101	\$ 19.06
\$21.00 to \$28.99	926,000	9.5	\$ 27.87	–	\$ –
\$8.00 to \$28.99	2,616,269	8.2	\$ 19.98	973,602	\$ 13.75

Shiningbank recorded Trust Unit incentive compensation expense of \$1,916,000 for the six months ended June 30, 2006 (2005 – \$1,222,000) and \$955,000 for the quarter (2005 – \$607,000) 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	1,916
Net benefit on rights exercised ¹	(416)
Balance, June 30, 2006	\$ 4,864

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

The \$5.6 million fair value of the 901,000 rights issued during the first half of 2006 – \$6.21 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% to 4.6% (2005 – 3.8% to 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.

(e) Per Trust Unit amounts

For the six months ended June 30, 2006, the weighted average number of Trust Units and non-escrowed Exchangeable Shares outstanding was 68,639,660 (2005 – 54,714,567) and for the three months ended June 30, 2006 was 68,682,173 (2005 – 54,813,864). In computing diluted net earnings per Trust Unit, the dilutive effect of unit rights and escrowed Exchangeable Shares added 510,930 Trust Units (2005 – 677,306) for the six months, and 427,322 (2005 – 596,453) for the quarter to the weighted average number of Trust Units outstanding.

4. Other Cash Flow Disclosures

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Change in non-cash operating working capital				
Accounts receivable	\$ 3,167	\$ (1,193)	\$ 17,112	\$ 6,242
Prepaid expenses	153	17	207	15
Accounts payable and accrued liabilities	(5,301)	5,776	(17,239)	7,315
	\$ (1,981)	\$ 4,600	\$ 80	\$ 13,572
Change in non-cash financing working capital				
Distributions payable to unitholders	\$ (1,342)	\$ 86	\$ (8,101)	\$ 169
Change in non-cash investing working capital				
Accounts payable for capital accruals	\$ (18,966)	\$ (3,217)	\$ (4,557)	\$ (3,064)
Cash payments				
Cash payments made for taxes	\$ 198	\$ 88	\$ 596	\$ 92
Cash payments made for interest	\$ 2,135	\$ 1,751	\$ 4,742	\$ 3,701

5. Financial Instruments

At June 30, 2006, Shiningbank held certain derivative financial instruments which are not recognized on the consolidated balance sheets. The estimated market value at June 30, 2006, had the contracts been settled at that time, would have been a gain of \$2.6 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
July 1, 2006 – March 31, 2007	Gas	5,000 GJ/d	\$6.00/GJ floor \$10.05/GJ ceiling
July 1, 2006 – March 31, 2007	Gas	5,000 GJ/d	\$6.25/GJ floor \$10.50/GJ ceiling
July 1, 2006 – October 31, 2006	Gas	5,000 GJ/d	\$6.47/GJ
July 1, 2006 – December 31, 2006	Oil	500 bbl/d	US\$55.00/bbl floor US\$89.10/bbl ceiling

Subsequent to June 30, 2006, Shiningbank entered into an additional hedge contract.

Period	Commodity	Volume	Price
September 1, 2006 – December 31, 2006	Gas	10,000 GJ/d	\$6.65/GJ

6. Commitments and Contingencies

The following is a summary of the Fund's contractual obligations and commitments as at June 30, 2006:

	Total	Payments Due by Period			
		Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Operating leases	\$ 10,294	\$ 2,060	\$ 5,220	\$ 3,014	\$ -
Pipeline transportation	2,859	1,139	1,720	-	-
Total obligations	\$ 13,153	\$ 3,199	\$ 6,940	\$ 3,014	\$ -

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 six months ended June 30, 2006, Shiningbank incurred \$170,000 for legal services (2005 – \$192,000) provided by a firm in which a current director is a partner, \$64,000 of which was outstanding at June 30, 2006. These payments were made in the normal course of operations, on commercial terms, and therefore were recorded at cost.

8. Subsequent Event

On July 13, 2006, Shiningbank announced that it had entered into an agreement whereby the Corporation will offer to acquire, by way of a take-over bid, all of the issued and outstanding common shares of Find Energy Ltd. (the "Offer") in exchange for Trust Units of Shiningbank. Total consideration payable is approximately \$411 million, including approximately \$62 million of assumed net debt. The Offer is expected to close in September 2006.

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

Robert B. Hodgins
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

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Calgary, Alberta

Auditors

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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
mbbl	thousand barrels
mmbbl	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.