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## SHININGBANK ENERGY INCOME FUND

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### NOTICE OF THE ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

TAKE NOTICE that the annual and special meeting (the "Fund Meeting") of the Unitholders of Shiningbank Energy Income Fund (the "Fund") will be held at the Calgary Petroleum Club, McMurray Room, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, at 3:00 p.m. (Calgary time) on Tuesday, May 15, 2007 for the following purposes:

1. to receive the consolidated financial statements of the Fund for the year ended December 31, 2006 and the auditors' report thereon;
2. to appoint auditors of the Fund;
3. to direct the appointment of auditors for Shiningbank Holdings Corporation, Shiningbank Energy Ltd. and SLP Holdings Inc.;
4. to elect nominees for directors of Shiningbank Holdings Corporation;
5. to elect nominees for directors of Shiningbank Energy Ltd.;
6. to elect nominees for directors of SLP Holdings Inc.;
7. to re-appoint Computershare Trust Company of Canada as trustee of the Fund;
8. to consider a special resolution which, if passed, will amend the amended and restated Trust Indenture of the Fund dated September 6, 2005 and the Unanimous Shareholder Agreement of Shiningbank Energy Ltd. dated October 9, 2002 and terminate the Unanimous Shareholder Agreement of Shiningbank Holdings Corporation dated October 9, 2002; and
9. to transact any other business which may properly come before the Fund Meeting.

Calgary, Alberta  
March 14, 2007

Shiningbank Energy Income Fund,  
by its Administrator, Shiningbank Energy Ltd.

(signed) "Murray J. Desrosiers"  
Murray J. Desrosiers  
Corporate Secretary & General Counsel

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The specific details of the matters proposed to be put before the Fund Meeting and the text of the resolutions are set forth in the Information Circular accompanying this notice.

**UNITHOLDERS OF THE FUND WHO ARE UNABLE TO ATTEND THE FUND MEETING IN PERSON ARE REQUESTED TO DATE AND SIGN THE ENCLOSED FORM OF PROXY AND TO MAIL IT TO, OR DEPOSIT IT WITH, COMPUTERSHARE TRUST COMPANY OF CANADA ("COMPUTERSHARE"), STOCK AND BOND TRANSFER DEPARTMENT, 100 UNIVERSITY AVENUE, 9<sup>TH</sup> FLOOR, TORONTO, ONTARIO, M5J 2Y1. IN ORDER TO BE VALID AND ACTED UPON AT THE FUND MEETING, A FORM OF PROXY MUST BE RECEIVED BY COMPUTERSHARE AT LEAST 24 HOURS BEFORE THE TIME SET FOR THE FUND MEETING OR ANY ADJOURNMENT THEREOF (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS). PLEASE NOTE THAT NO PROXIES CAN BE ACCEPTED AFTER THIS TIME INCLUDING AT THE FUND MEETING. UNITHOLDERS OF RECORD AT THE CLOSE OF BUSINESS ON MARCH 19, 2007, WILL BE ENTITLED TO NOTICE OF, AND TO ATTEND AND VOTE AT, THE FUND MEETING.**

## SHININGBANK HOLDINGS CORPORATION

### NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the annual meeting of the shareholders of Shiningbank Holdings Corporation ("SHC") will be held at the Calgary Petroleum Club, McMurray Room, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, at 4:00 p.m. (Calgary time) on Tuesday, May 15, 2007, at which Unitholders of Shiningbank Energy Income Fund are entitled to attend, for the following purposes:

1. to receive and consider the financial statements of SHC for the year ended December 31, 2006;
2. to appoint auditors of SHC;
3. to elect directors of SHC; and
4. to transact any other business which may properly come before the meeting.

Calgary, Alberta  
March 14, 2007

By Order of the Board of Directors

(signed) "Murray J. Desrosiers"  
Murray J. Desrosiers  
Corporate Secretary

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The specific details of the matters proposed to be put before the meeting of SHC are set forth in the Information Circular accompanying this notice.

**UNITHOLDERS OF SHININGBANK ENERGY INCOME FUND ARE ENTITLED TO ATTEND THIS MEETING BUT ARE NOT ENTITLED TO VOTE. AT THE MEETING OF SHC, COMPUTERSHARE TRUST COMPANY OF CANADA, ON BEHALF OF SHININGBANK ENERGY INCOME FUND, WILL VOTE ALL OF THE SHARES OF SHC ACCORDING TO THE DIRECTIONS GIVEN BY RESOLUTIONS TO BE PASSED AT THE MEETING OF UNITHOLDERS OF SHININGBANK ENERGY INCOME FUND.**

**SHININGBANK ENERGY LTD.**

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that the annual meeting of the shareholders of Shiningbank Energy Ltd. ("SEL") will be held at the Calgary Petroleum Club, McMurray Room, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, at 4:15 p.m. (Calgary time) on Tuesday, May 15, 2007, at which Unitholders of Shiningbank Energy Income Fund are entitled to attend, for the following purposes:

1. to receive and consider the financial statements of SEL for the year ended December 31, 2006;
2. to appoint auditors of SEL;
3. to elect directors of SEL; and
4. to transact any other business which may properly come before the meeting.

Calgary, Alberta  
March 14, 2007

By Order of the Board of Directors

(signed) "Murray J. Desrosiers"  
Murray J. Desrosiers  
Corporate Secretary

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The specific details of the matters proposed to be put before the meeting of the Corporation are set forth in the Information Circular accompanying this notice.

**UNITHOLDERS OF SHININGBANK ENERGY INCOME FUND ARE ENTITLED TO ATTEND THIS MEETING BUT ARE NOT ENTITLED TO VOTE. AT THE MEETING OF THE CORPORATION, SHININGBANK HOLDINGS CORPORATION WILL VOTE ALL OF THE SHARES OF THE CORPORATION ACCORDING TO THE DIRECTIONS GIVEN BY RESOLUTIONS TO BE PASSED AT THE MEETING OF UNITHOLDERS OF SHININGBANK ENERGY INCOME FUND.**

**SLP HOLDINGS INC.**

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that the annual meeting of the shareholders of SLP Holding Inc. ("SLP") will be held at the Calgary Petroleum Club, McMurray Room, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, at 4:30 p.m. (Calgary time) on Tuesday, May 15, 2007, at which Unitholders of Shiningbank Energy Income Fund are entitled to attend, for the following purposes:

1. to receive and consider the financial statements of SLP for the year ended December 31, 2006;
2. to appoint auditors of SLP;
3. to elect directors of SLP; and
4. to transact any other business which may properly come before the meeting.

Calgary, Alberta  
March 14, 2007

By Order of the Board of Directors

(signed) "Murray J. Desrosiers"  
Murray J. Desrosiers  
Corporate Secretary

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The specific details of the matters proposed to be put before the meeting of SLP are set forth in the Information Circular accompanying this notice.

**UNITHOLDERS OF SHININGBANK ENERGY INCOME FUND ARE ENTITLED TO ATTEND THIS MEETING BUT ARE NOT ENTITLED TO VOTE. AT THE MEETING OF SLP, COMPUTERSHARE TRUST COMPANY OF CANADA, ON BEHALF OF SHININGBANK ENERGY INCOME FUND, WILL VOTE ALL OF THE SHARES OF SLP ACCORDING TO THE DIRECTIONS GIVEN BY RESOLUTIONS TO BE PASSED AT THE MEETING OF UNITHOLDERS OF SHININGBANK ENERGY INCOME FUND.**

## SHININGBANK ENERGY INCOME FUND

### INFORMATION CIRCULAR

#### ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

##### SOLICITATION OF PROXIES FOR FUND MEETING

This Information Circular is furnished in connection with the solicitation of proxies by the management of Shiningbank Energy Ltd., as the administrator of Shiningbank Energy Income Fund (the "Fund"), for use at the Annual and Special Meeting (the "Fund Meeting") of the holders (the "Unitholders") of trust units (the "Trust Units") issued by the Fund, to be held on May 15, 2007 at 3:00 p.m. (Calgary time) at the Calgary Petroleum Club, McMurray Room, Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Meeting. This Information Circular is dated March 14, 2007 and information contained herein is given as of March 1, 2007, unless otherwise specifically stated.

##### SHC SHAREHOLDER'S MEETING

Pursuant to the terms of a Unanimous Shareholder Agreement dated October 9, 2002 (the "SHC Unanimous Shareholder Agreement"), Unitholders are entitled to notice of, and to attend at, the annual meeting of the shareholders of Shiningbank Holdings Corporation ("SHC") to be held on May 15, 2007 at 4:00 p.m. (Calgary time) at the Calgary Petroleum Club, McMurray Room, Calgary, Alberta, but have no right to vote at that meeting. This meeting is described herein as the "SHC Shareholder's Meeting". At the SHC Shareholder's Meeting, the trustee of the Fund (the "Trustee") (presently Computershare Trust Company of Canada), on behalf of the Fund, will vote all of the shares of SHC according to the directions given by resolutions to be passed at the Fund Meeting. The Fund has agreed to refrain from exercising its voting rights as a shareholder of SHC, except as directed by the Unitholders.

##### SEL SHAREHOLDER'S MEETING

Pursuant to the terms of a Unanimous Shareholder Agreement dated October 9, 2002 (the "SEL Unanimous Shareholder Agreement"), Unitholders are entitled to notice of, and to attend at, the annual meeting of Shiningbank Energy Ltd. ("SEL" or the "Corporation") to be held on May 15, 2007 at 4:15 p.m. (Calgary time) at the Calgary Petroleum Club, McMurray Room, Calgary, Alberta, but have no right to vote at that meeting. This meeting is described herein as the "SEL Shareholder's Meeting". At the SEL Shareholder's Meeting, SHC will vote all of the shares of the Corporation according to the directions given by resolutions to be passed at the Fund Meeting. SHC has agreed to refrain from exercising its voting rights as a shareholder of the Corporation except as directed by the Unitholders.

##### SLP SHAREHOLDER'S MEETING

Unitholders shall receive notice of, and may attend at, the annual meeting of SLP Holdings Inc. ("SLP") to be held on May 15, 2007 at 4:30 p.m. (Calgary time) at the Calgary Petroleum Club, McMurray Room, Calgary, Alberta, but have no right to vote at that meeting. This meeting is described herein as "SLP Shareholder's Meeting". At the SLP Shareholder's Meeting, the Trustee, on behalf of the Fund, will vote all of the shares of SLP according to the directions given by resolutions to be passed at the Fund Meeting.

##### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Form of Proxy are the Chairman of the Board and the President of the Corporation.

**A UNITHOLDER HAS A RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A UNITHOLDER OF THE FUND, OTHER THAN A PERSON DESIGNATED IN THE FORM OF PROXY AS NOMINEE, TO ATTEND AND ACT FOR AND ON BEHALF OF SUCH UNITHOLDER AT THE FUND MEETING AND MAY EXERCISE SUCH RIGHT BY INSERTING THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY PROVIDED OR MAY SUBMIT ANOTHER APPROPRIATE FORM OF PROXY. IF A UNITHOLDER APPOINTS A PERSON DESIGNATED IN THE FORM OF PROXY AS NOMINEE AND DOES NOT DIRECT THE SAID NOMINEE TO VOTE EITHER IN FAVOUR OF OR AGAINST OR TO ABSTAIN ON A MATTER OR MATTERS WITH RESPECT TO WHICH AN OPPORTUNITY HAS BEEN GIVEN TO SPECIFY HOW THE TRUST UNITS REGISTERED IN THE NAME OF SUCH UNITHOLDER SHALL BE VOTED, THE PROXY SHALL BE VOTED IN FAVOUR OF SUCH MATTER OR MATTERS.**

In order to be acted upon and voted, properly executed proxies of Unitholders must be received at the Toronto office of Computershare Trust Company of Canada at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, at least 24 hours before the time set for the Fund Meeting or any adjournments thereof (excluding Saturdays, Sundays and holidays). Accordingly, such proxies must be received by no later than 3:00 p.m. (Calgary time) on Monday, May 14, 2007. **PLEASE NOTE THAT NO PROXIES CAN BE ACCEPTED AFTER THIS TIME INCLUDING AT THE FUND MEETING.**

Any person or corporation giving a proxy has the power to revoke such proxy prior to the exercise thereof by instrument in writing executed by the Unitholder, or by his attorney authorized in writing or, if the Unitholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited at the address set out above, at least 24 hours before the time set for the Fund Meeting or any adjournments thereof (excluding Saturdays, Sundays and holidays) or with the Chairman of the Fund Meeting prior to the commencement of the Fund Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

#### **ACTION TO BE TAKEN UNDER THE PROXY**

Unless the Unitholder specifies otherwise, proxies in the form enclosed which are properly executed and returned will be voted in favour of the matters referred to in the Notices of Meeting. In each case where the giver of a proxy has appropriately specified that the proxy is to be voted otherwise, it will be voted in accordance with the specifications so made. The persons named in the enclosed proxy, who are members of the management of the Corporation, may, if in their judgment it is deemed to be advisable, vote such proxy to adjourn the Fund Meeting from time to time. It is the intention that, as to any matters or business other than the matters described herein which may be properly brought before the meeting, a vote may be cast pursuant to the enclosed proxy in accordance with the judgment of the person or persons voting the same. Management of the Corporation knows of no such amendments, variations, or other matters to come before the meeting other than the matters referred to in the Notices of Meeting.

#### **SIGNATURE OF PROXY**

The Form of Proxy must be executed by the Unitholder or his attorney authorized in writing, or if a Unitholder is a corporation, the Form of Proxy must be signed in its corporate name under its corporate seal or under the hand of any officer or attorney duly authorized and persons signing as executors, administrators, trustees or in some other representative capacity should so indicate following their signature. The appropriate instrument evidencing qualification and authority to act should accompany the proxy (unless such has been previously filed with the Trustee or the Fund). **IF YOUR TRUST UNITS ARE REGISTERED IN THE NAME OF A BROKER OR OTHER INTERMEDIARY, THE FORM OF PROXY RECEIVED BY THE TRUSTEE MUST BE SIGNED BY THE REGISTERED HOLDER. THE INSTRUCTIONS FROM THE INTERMEDIARY ENCLOSED WITH THE FORM OF PROXY SHOULD BE FOLLOWED.**

#### **VOTING BY NON-REGISTERED UNITHOLDERS**

Only registered Unitholders or the persons they appoint as their proxies are permitted to vote at the Fund Meeting. However, in many cases, Trust Units beneficially owned by a person (a "Non-Registered Holder") are registered either:

- (i) in the name of an intermediary (an "Intermediary") (which may include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans) that the Non-Registered Holder deals with in respect of the Trust Units; or
- (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of Reporting Issuer*, the Fund has distributed copies of this Information Circular and the accompanying Notices of Meeting together with the form of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Frequently, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived their right to receive Meeting Materials will either:

- (i) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number of Trust Units beneficially owned by the Non-Registered Holder but which is not otherwise completed. Since the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under "Appointment and Revocation of Proxies"; or
- (ii) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company in accordance with the directions accompanying the voting instruction form. A Non-Registered Holder receiving a voting instruction form cannot use such form to vote his or her Trust Units directly at the Meeting; rather the voting instruction form must be returned to the Intermediary well in advance of the Meeting to have his or her Trust Units voted.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Trust Units they beneficially own. A Non-Registered Holder who wishes to attend and vote at the Meeting in person (or to have another person attend and vote on behalf of the Non-Registered Holder) should print the Non-Registered Holder's (or such other person's) name in the blank space provided for that purpose in the first paragraph of the proxy form or, in the case of a voting instruction form, follow the corresponding instructions on that form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary and its service company, as applicable.**

#### **THIS SOLICITATION IS MADE ON BEHALF OF THE ADMINISTRATOR OF THE FUND**

The solicitation is made on behalf of the Fund by the management of the Corporation, as the administrator of the Fund. This solicitation is being made primarily by mail but may also be made personally by telephone and facsimile by directors, officers and other employees of the Corporation who have been delegated responsibility for the solicitation of proxies on behalf of the Fund and who will not be additionally compensated therefor. The total cost of soliciting proxies will be borne by the Fund.

#### **TRUST UNITS ENTITLED TO VOTE AND PRINCIPAL UNITHOLDERS**

Pursuant to the terms of the Trust Indenture dated May 16, 1996, as amended and restated on September 6, 2005 between the Corporation and the Trustee, on behalf of the Fund (the "Trust Indenture"), Unitholders are entitled to notice of, and to attend at the Fund Meeting and to one vote per Trust Unit held on any ballot thereat.

The Corporation has set the close of business of the Trustee at its office in Calgary, Alberta, on March 19, 2007 as the date for determination of Unitholders entitled to receive notice of the Fund Meeting, the SHC Shareholder's Meeting, the SEL Shareholder's Meeting and the SLP Shareholder's Meeting. The registered Unitholders at that time are entitled to attend and vote at the Fund Meeting and to attend the SHC Shareholder's Meeting, the SEL Shareholder's Meeting and the SLP Shareholder's Meeting.

As at March 1, 2007, the Fund had 85,943,397 issued and outstanding Trust Units. In addition, there were 272,266 Exchangeable Shares of SHC issued and outstanding, which Exchangeable Shares are entitled to one vote per share at the Fund Meeting. To the best of the knowledge of the management of the Corporation, no persons beneficially own, directly or indirectly, Trust Units carrying more than 10% of the voting rights attached to the issued and outstanding Trust Units.

#### **MATTERS TO BE CONSIDERED AT THE FUND MEETING**

Capitalized terms used in this section and not otherwise defined herein shall have the meanings ascribed to such terms in the Trust Indenture.

#### **FINANCIAL STATEMENTS**

The consolidated financial statements of the Fund for the year ended December 31, 2006, together with the auditors' report thereon, will be presented at the Fund Meeting.

**APPOINTMENT OF AUDITORS**

It is proposed that the firm of KPMG LLP, Chartered Accountants, of Calgary, Alberta, be re-appointed as auditors of the Fund, to hold office until the next annual meeting of the Unitholders or until their successor is appointed and that the Board of Directors of the Corporation (the "Board") be authorized to fix the remuneration of the auditors. KPMG LLP have been the auditors of the Fund since its inception in 1996. The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies in favour of a resolution to re-appoint KPMG LLP as auditors of the Fund and authorize the Board to fix their remuneration.

Pursuant to the terms of the SHC Unanimous Shareholder Agreement, the Unitholders will direct the Trustee as to the appointment of auditors of SHC. It is proposed that KPMG LLP be appointed auditors of SHC until the next annual meeting of SHC, and that the Board of Directors of SHC be authorized to fix the remuneration of the auditors.

Pursuant to the terms of the SEL Unanimous Shareholder Agreement, the Unitholders will direct SHC as to the appointment of auditors of the Corporation. It is proposed that KPMG LLP be appointed auditors of the Corporation until the next annual meeting of the Corporation, and that the Board be authorized to fix the remuneration of the auditors.

The Unitholders will direct the Trustee as to the appointment of auditors of SLP. It is proposed that KPMG LLP be appointed auditors of SLP until the next annual meeting of SLP, and that the Board of Directors of SLP be authorized to fix the remuneration of the auditors.

A summary of the aggregate fees billed by KPMG LLP in each of the last two fiscal years is contained in the Fund's Annual Information Form for the year ended December 31, 2006 under the heading "Audit Committee".

**INSTRUCTION TO TRUSTEE AS TO ELECTION OF DIRECTORS OF SHC, SEL AND SLP**

Pursuant to the terms of the SHC Unanimous Shareholder Agreement and the SEL Unanimous Shareholder Agreement, the members of the Boards of Directors of SHC and the Corporation are to be selected by a vote of the Unitholders at the Fund Meeting. Pursuant to the Trust Indenture, the members of the Board of Directors of SLP are to be selected by a vote of the Unitholders at the Fund Meeting. Edward W. Best, Richard W. Clark, David M. Fitzpatrick, D. Grant Gunderson, Robert B. Hodgins, Arne R. Nielsen and Warren D. Steckley have been proposed as the Fund's nominees as directors of SHC and the Corporation. David M. Fitzpatrick, Arne R. Nielsen and Warren D. Steckley have been proposed as the Fund's nominees as directors of SLP.

**At the Fund Meeting, the persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies (i) to direct the Trustee, on behalf of the Fund, to vote the shares of SHC and to direct SHC to vote the shares of the Corporation in favour of the election, as directors of the SHC and the Corporation, of Edward W. Best, Richard W. Clark, David M. Fitzpatrick, D. Grant Gunderson, Robert B. Hodgins, Arne R. Nielsen and Warren D. Steckley, and (ii) to direct the Trustee, on behalf of the Fund, to vote the shares of SLP in favour of the election, as directors of SLP, of David M. Fitzpatrick, Arne R. Nielsen and Warren D. Steckley.**

The following table sets forth information about each individual nominated for election as a director of SHC, SEL or SLP, as applicable:

Edward W. Best	Calgary, Alberta	Director since: April 22, 1996
<p>Mr. Best is a retired businessman. During his career as a professional geologist, he worked at BP Canada Inc. for 30 years where he held various management and professional positions, including President of the Oil and Gas Division and director.</p> <p>Mr. Best currently is also a director of TG World Energy Corp. (TSX Venture).</p> <p>Mr. Best is the Chair of the Compensation Committee and a member of the Audit Committee and the Environment, Health, Safety and Reserve Committee. During 2006, Mr. Best attended 8 of 8 Board meetings and 5 of 6 Board committee meetings.</p> <p>As at March 1, 2007, Mr. Best beneficially owned, directly or indirectly, or had control or direction over 35,500 Trust Units and 43,334 options to acquire Trust Units.</p>		

<b>Richard W. Clark</b>	<b>Calgary, Alberta</b>	<b>Director since: June 20, 2005</b>
<p>Mr. Clark is a partner at the Calgary office of the national law firm of Gowling Lafleur Henderson LLP where he practices primarily in the areas of securities and corporate finance law. From July, 1996 to September, 2005, Mr. Clark was the Corporate Secretary of the Corporation.</p> <p>Mr. Clark currently is also a director of the following public issuers: Strike Petroleum Ltd. (TSX Venture) and Petroflow Energy Ltd. (TSX Venture).</p> <p>Mr. Clark is the Chair of the Corporate Governance Committee and a member of the Compensation Committee and the Environment, Health, Safety and Reserve Committee. During 2006, Mr. Clark attended 8 of 8 Board meetings and 3 of 3 Board committee meetings.</p> <p>As at March 1, 2007, Mr. Clark beneficially owned, directly or indirectly, or had control or direction over 6,375 Trust Units and 45,000 options to acquire Trust Units.</p>		
<b>David M. Fitzpatrick</b>	<b>Calgary, Alberta</b>	<b>Director since: April 22, 1996</b>
<p>Mr. Fitzpatrick has been involved with the Fund since its formation in July, 1996 in the following capacities: President and Chief Executive Officer of the Corporation (October, 2001 to present); and President and Chief Operating Officer (July, 1996 to September, 2001). Mr. Fitzpatrick is a professional engineer.</p> <p>Mr. Fitzpatrick currently is also a director of the following public issuers: Fairquest Energy Ltd. (TSX); and Strike Petroleum Ltd. (TSX Venture).</p> <p>Although Mr. Fitzpatrick is not a member of any Board committees, he is invited to attend all meetings of the Board committees. During 2006, Mr. Fitzpatrick attended 8 of 8 Board meetings and 7 of 7 Board committee meetings.</p> <p>As at March 1, 2007, Mr. Fitzpatrick beneficially owned, directly or indirectly, or had control or direction over 55,859 Trust Units and 408,333 options to acquire Trust Units. Mr. Fitzpatrick, through Kivacorp Petroleum Ltd., also owns 99,558 Exchangeable Shares (exchangeable as at March 1, 2007 into 160,776 Trust Units for no additional consideration), of which 75,775 are subject to escrow conditions until October 9, 2007.</p>		
<b>D. Grant Gunderson</b>	<b>Calgary, Alberta</b>	<b>Director since: April 22, 1996</b>
<p>Mr. Gunderson is a retired businessman. From 1994 to 2003, Mr. Gunderson worked at Sayer Securities Limited where he directed corporate and asset evaluation activities, developed business plans and provided advice on financial reorganizations and mergers and acquisitions in the petroleum and natural gas industry. Mr. Gunderson has extensive experience in the resources sector with Pacific Petroleums Ltd., Mobil Oil Canada Ltd., Canadian Superior Oil Ltd. and Bowtex Energy (Canada) Corporation.</p> <p>Mr. Gunderson currently is also a director (or equivalent) of Stoneham Drilling Trust (TSX).</p> <p>Mr. Gunderson is a member of the Audit Committee, the Corporate Governance Committee and the Environmental, Health, Safety and Reserve Committee. During 2006, Mr. Gunderson attended 8 of 8 Board meetings and 6 of 6 Board committee meetings.</p> <p>As at March 1, 2007, Mr. Gunderson beneficially owned, directly or indirectly, or had control or direction over 29,000 Trust Units and 43,334 options to acquire Trust Units.</p>		

<b>Robert B. Hodgins</b>	<b>Calgary, Alberta</b>	<b>Director since: May 15, 2006</b>
<p>Mr. Hodgins is a retired businessman. Mr. Hodgins is a Chartered Accountant and has been a senior financial executive with several senior Canadian issuers, including Pengrowth Energy Trust, Canadian Pacific Limited and TransCanada PipeLines Limited, during his 25 year career.</p> <p>Mr. Hodgins currently is also a director (or equivalent) of the following public issuers: AltaGas Income Trust (TSX); Enerflex Systems Income Fund (TSX); Fairborne Energy Trust (TSX); and MGM Energy Corp. (TSX).</p> <p>Mr. Hodgins is the Chair of the Audit Committee and a member of the Compensation Committee and the Corporate Governance Committee. During 2006, Mr. Hodgins attended 6 of 6 Board meetings and 4 of 4 Board committee meetings that occurred while he was a director.</p> <p>As at March 1, 2007, Mr. Hodgins beneficially owned, directly or indirectly, or had control or direction over 9,500 Trust Units and 20,000 options to acquire Trust Units.</p>		
<b>Arne R. Nielsen</b>	<b>Calgary, Alberta</b>	<b>Director since: April 22, 1996</b>
<p>Mr. Nielsen is a retired businessman. Mr. Nielsen has been involved with the Fund since its formation in July, 1996 in the following capacities: Chairman of the Board of the Corporation (July, 2003 to present); Executive Chairman of the Corporation (October, 2001 to July, 2003); and Chairman of the Board and Chief Executive Officer of the Corporation (July, 1996 to September, 2001). During his career as a professional geologist, Mr. Nielsen held several senior executive positions with Mobil Oil Canada Ltd., including Chairman and Chief Executive Officer.</p> <p>Mr. Nielsen currently is also a director of the following public issuers: Softrock Minerals Ltd. (TSX Venture); and VAALCO Energy Inc. (American Stock Exchange).</p> <p>Mr. Nielsen is a member of the Audit Committee and the Corporate Governance Committee. During 2006, Mr. Nielsen attended 8 of 8 Board meetings and 6 of 6 Board committee meetings.</p> <p>As at March 1, 2007, Mr. Nielsen beneficially owned, directly or indirectly, or had control or direction over 109,846 Trust Units and 95,000 options to acquire Trust Units. Mr. Nielsen, through Proximus Energy Corporation, also owns 172,708 Exchangeable Shares (exchangeable as at March 1, 2007 into 278,906 Trust Units for no additional consideration).</p>		
<b>Warren D. Steckley</b>	<b>Calgary, Alberta</b>	<b>Director since: April 22, 1996</b>
<p>Mr. Steckley is currently President and Chief Operating Officer of Barnwell of Canada, Limited, an oil and gas company and a wholly-owned subsidiary of Barnwell Industries Inc., a public company which trades on the American Stock Exchange. Mr. Steckley is a professional engineer.</p> <p>Mr. Steckley currently is also a director of Strike Petroleum Ltd. (TSX Venture).</p> <p>Mr. Steckley is the Chair of the Environment, Health, Safety and Reserve Committee and a member of the Audit Committee and the Compensation Committee. During 2006, Mr. Steckley attended 8 of 8 Board meetings and 6 of 6 Board committee meetings.</p> <p>As at March 1, 2007, Mr. Steckley beneficially owned, directly or indirectly, or had control or direction over 35,300 Trust Units and 43,334 options to acquire Trust Units.</p>		

**RE-APPOINTMENT OF TRUSTEE**

Pursuant to Article 6.1 of the Trust Indenture, it is necessary to re-appoint, or to appoint a successor to, the trustee of the Fund at an annual meeting of the Unitholders, for an ensuing two years. It is proposed that Computershare Trust Company of Canada be re-appointed trustee of the Fund for the two year period ending at the closing of the annual meeting of the

Unitholders to be held in 2009. Computershare (including its predecessor Montreal Trust Company of Canada) has been the Trustee since the inception of the Fund in 1996.

Unitholders will be asked at the Fund Meeting to consider and, if deemed advisable, to approve, by simple majority of votes cast at the Fund Meeting, the following resolution (the "Trustee Resolution") to re-appoint Computershare Trust Company of Canada as trustee of the Fund:

"BE IT RESOLVED THAT Computershare Trust Company of Canada (the "Trustee") be re-appointed trustee of Shiningbank Energy Income Fund (the "Fund") under the Trust Indenture dated May 16, 1996, as amended and restated on September 6, 2005, between Shiningbank Energy Ltd. and the Trustee, on behalf of the Fund, for a two year period ending upon the termination of the annual meeting of the Unitholders of the Fund to be held in 2009."

**The Board has determined that the re-appointment of Computershare Trust Company of Canada as Trustee is in the best interests of the Fund and its Unitholders and unanimously recommends that Unitholders vote in favour of the Trustee Resolution.**

**At the Fund Meeting, the persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies in favour of the Trustee Resolution.**

#### **AMENDMENTS TO TRUST INDENTURE AND SEL UNANIMOUS SHAREHOLDER AGREEMENT AND TERMINATION OF SHC UNANIMOUS SHAREHOLDER AGREEMENT**

The Corporation has completed a detailed review of the Trust Indenture, the SEL Unanimous Shareholder Agreement and the SHC Unanimous Shareholder Agreement and determined that various types of amendments are necessary. The Trust Indenture and the SEL Unanimous Shareholder Agreement were based on templates established when the Fund was created approximately eleven years ago. Since then experience with royalty trusts has caused an evolution of the clauses used in such governing documents. Accordingly, a variety of changes are needed to bring the Trust Indenture into conformity with current industry practices. Furthermore, the Corporation is of the view that the SHC Unanimous Shareholder Agreement is no longer required and its existence is solely attributed to certain terms in the Trust Indenture, which the Corporation proposes to amend at the Fund Meeting. These changes are necessary to streamline the structure and operation of the Fund and its subsidiary entities to allow the Fund to carry out its business in an efficient manner and in the best interests of the Unitholders.

In summary, the proposed amendments to the Trust Indenture and the SEL Unanimous Shareholder Agreement are intended to achieve the following:

- Simplify the Annual Meeting Process: Unitholders presently have the right to receive notice of and to attend at the annual meetings of the Fund and any other Managed Entities (as that term is defined in the Trust Indenture), which presently includes SHC, SEL and SLP. Historically, Unitholders have chosen to only attend the annual meeting of the Fund. The revisions to the Trust Indenture and the SEL Unanimous Shareholder Agreement will result in Unitholders no longer receiving notice of and having the right to attend at the annual meetings of any Managed Entities (as that term is defined in the Trust Indenture). The Unitholders will continue to receive notice of and have the right to attend at the annual meeting of unitholders of the Fund. This approach is consistent with that followed by other oil and gas royalty trusts.
- Simplify the Voting Process: Unitholders presently have the right to vote on the election of directors, the appointment of auditors and any amendments to the by-laws of the Managed Entities (as that term is defined in the Trust Indenture). Due to the complexity of the Fund's organizational structure, it is administratively inefficient to allow Unitholders to vote on these matters for each subsidiary entity of the Fund. The revisions to the Trust Indenture and the SEL Unanimous Shareholder Agreement will result in Unitholders retaining the right to direct how the shares of SEL are voted with respect to the election of directors and the appointment of auditors and the taking of any action as may be required by applicable laws to be submitted to the Unitholders for approval. The Board is of the view that it is appropriate for Unitholders to retain voting rights with respect to SEL as it is the entity that manages substantially all of the Fund's assets and acts as the administrator of the Fund. This approach is consistent with that followed by other oil and gas royalty trusts.
- Simplify the Organizational Structure: The amendments to the Trust Indenture will eliminate the need for the SHC Unanimous Shareholder Agreement, eliminate the requirement that any new Managed Entities (as that term is defined in the Trust Indenture) have a unanimous shareholder agreement and allow for certain restrictions in the SEL

Unanimous Shareholder Agreement to be deleted. The requirement that Unitholders approve the issuance of additional shares of SEL will be deleted from the SEL Unanimous Shareholder Agreement. This will allow the Fund to capitalize SEL, one of its indirectly wholly-owned subsidiary entities, in the most appropriate manner.

- **Simplify the Reporting Process:** The Trust Indenture presently requires that the Fund to mail its annual and interim financial statements to all registered Unitholders. The amendments to the Trust Indenture will allow the Fund to follow a process similar to that used for beneficial Unitholders where an annual request form is delivered to Unitholders and such materials are only mailed to those Unitholders who request them. The amendments to the Trust Indenture will also allow the Fund to deliver such documents electronically to those Unitholders who request that they be delivered in this manner.

A more detailed description of the proposed amendments to the Trust Indenture and the SEL Unanimous Shareholder Agreement is attached to this Information Circular as Schedule "A".

Unitholders will be asked at the Fund Meeting to consider and, if deemed advisable, to approve, the following special resolutions to amend the Trust Indenture and the SEL Unanimous Shareholder Agreement and to terminate the SHC Unanimous Shareholder Agreement (the "Special Resolution"):

"BE IT RESOLVED THAT:

- (a) the amendments provided for in Schedule "A" to the Information Circular of Shiningbank Energy Income Fund (the "Fund") dated March 14, 2007 ("Schedule A") to the amended and restated Trust Indenture of the Fund dated September 6, 2005 between Shiningbank Energy Ltd. (the "Corporation") and Computershare Trust Company of Canada (the "Trustee"), as trustee of the Fund, be and are hereby approved;
- (b) the Trustee, the Corporation and Shiningbank Holdings Corporation ("SHC") be and are hereby directed to amend the Unanimous Shareholder Agreement of the Corporation dated October 9, 2002 among SHC, the Corporation and the Trustee, as provided for in Schedule A;
- (c) the Trustee and the Corporation be and are hereby directed to terminate the Unanimous Shareholder Agreement of SHC dated October 9, 2002 among SHC, the Trustee, Proximus Energy Corporation and Kivacorp Petroleum Ltd.; and
- (d) the Trustee, as trustee of the Fund, and any officer or director of the Corporation for and on behalf of the Corporation, in its own capacity and in its capacity as administrator of the Fund, be and are hereby authorized to do all such things and to execute all such documents or instruments as may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions, provided that the directors of the Corporation may, in their discretion and without further approval of the Unitholders, revoke and rescind this special resolution before it is acted upon."

Approval of the proposed amendments to the Trust Indenture and the SEL Unanimous Shareholder Agreement and termination of the SHC Unanimous Shareholder Agreement requires approval of not less than 66 2/3% of the votes cast in respect of the Special Resolution by or on behalf of the Unitholders present in person or represented by proxy at the Fund Meeting.

The Board has determined that amending the Trust Indenture and the SEL Unanimous Shareholder Agreement and terminating the SHC Unanimous Shareholder Agreement is in the best interests of the Fund and its Unitholders and unanimously recommends that Unitholders vote in favour of the Special Resolution.

**At the Fund Meeting, the persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies in favour of the Special Resolution to amend the Trust Indenture and the SEL Unanimous Shareholder Agreement and to terminate the SHC Unanimous Shareholder Agreement.**

Copies of the current versions of the Trust Indenture (filed on September 8, 2005), the SEL Unanimous Shareholder Agreement (filed on March 28, 2005) and the SHC Unanimous Shareholder Agreement (filed on March 28, 2005) are available on SEDAR (www.sedar.com). Copies of the proposed amended and restated Trust Indenture and SEL Unanimous Shareholder Agreement are available by contacting the Corporate Secretary of the Corporation at (403) 268-7477.

## **OTHER BUSINESS**

The Corporation knows of no amendment, variation or other matter to come before the Fund Meeting other than the matters referred to in the Notice of Meeting. If any other matter properly comes before the Fund Meeting, however, the accompanying proxies will be voted on such matter in accordance with the best judgment of the person or persons voting the proxies.

### **MATTERS TO BE CONSIDERED AT THE SHC SHAREHOLDER'S MEETING**

#### **APPOINTMENT OF AUDITORS**

The Trustee, on behalf of the Fund, will vote the shares of SHC as directed by resolution of the Unitholders at the Fund Meeting, for the appointment of its auditors. KPMG LLP, Chartered Accountants, using their offices in Calgary, Alberta, have been proposed for re-appointment as auditors of the Corporation, to hold office until the next annual meeting thereof. KPMG LLP were first appointed auditors of SHC on August 22, 2002. See "Matters to be Considered at the Fund Meeting – Appointment of Auditors".

#### **ELECTION OF DIRECTORS**

The terms of the current directors of SHC expire at the end of the SHC Shareholder's Meeting. Pursuant to the terms of the SHC Unanimous Shareholder Agreement, the Trustee, on behalf of the Fund, will vote for the Board of Directors of SHC pursuant to the instructions of the Unitholders. The Unitholders will direct the Trustee, on behalf of the Fund, how to vote with respect to the seven nominees: Edward W. Best, Richard W. Clark, David M. Fitzpatrick, D. Grant Gunderson, Robert B. Hodgins, Arne R. Nielsen and Warren D. Steckley as directors of SHC. See "Matters to be Considered at the Fund Meeting – Instruction to Trustee as to Election of Directors of SHC, SEL and SLP".

#### **OTHER MATTERS**

The Corporation knows of no amendment, variation or other matter to come before the SHC Shareholder's Meeting other than the matters referred to in the Notice of Meeting for the SHC Shareholder's Meeting.

### **MATTERS TO BE CONSIDERED AT THE SEL SHAREHOLDER'S MEETING**

#### **APPOINTMENT OF AUDITORS**

SHC will vote the shares of the Corporation as directed by resolution of the Unitholders at the Fund Meeting, for the appointment of its auditors. KPMG LLP, Chartered Accountants, using their offices in Calgary, Alberta, have been proposed for re-appointment as auditors of the Corporation, to hold office until the next annual meeting thereof. KPMG LLP were first appointed auditors of the Corporation on April 22, 1996. See "Matters to be Considered at the Fund Meeting – Appointment of Auditors".

#### **ELECTION OF DIRECTORS**

The terms of the current directors of the Corporation expire at the end of the SEL Shareholder's Meeting. Pursuant to the terms of the SEL Unanimous Shareholder Agreement, SHC will vote for the Board of Directors of the Corporation pursuant to the instructions of the Unitholders. The Unitholders will direct SHC how to vote with respect to the seven nominees: Edward W. Best, Richard W. Clark, David M. Fitzpatrick, D. Grant Gunderson, Robert B. Hodgins, Arne R. Nielsen and Warren D. Steckley as directors of the Corporation. See "Matters to be Considered at the Fund Meeting - Instruction to Trustee as to Election of Directors of SHC, SEL and SLP".

#### **OTHER MATTERS**

The Corporation knows of no amendment, variation or other matter to come before the SEL Shareholder's Meeting other than the matters referred to in the Notice of Meeting for the SEL Shareholder's Meeting.

## **MATTERS TO BE CONSIDERED AT THE SLP SHAREHOLDER'S MEETING**

### **APPOINTMENT OF AUDITORS**

The Trustee, on behalf of the Fund, will vote the shares of SLP as directed by resolution of the Unitholders at the Fund Meeting, for the appointment of its auditors. KPMG LLP, Chartered Accountants, using their offices in Calgary, Alberta, have been proposed for re-appointment as auditors of SLP, to hold office until the next annual meeting thereof. KPMG LLP were first appointed as auditors of SLP on May 10, 2005. See "Matters to be Considered at the Fund Meeting – Appointment of Auditors".

### **ELECTION OF DIRECTORS**

The terms of the current directors of SLP expire at the end of the SLP Shareholder's Meeting. The Trustee, on behalf of the Fund will vote for the Board of Directors of SLP pursuant to the instructions of the Unitholders. The Unitholders will direct the Fund how to vote with respect to the three nominees: David M. Fitzpatrick, Arne R. Nielsen and Warren D. Steckley as directors of the Corporation. See "Matters to be Considered at the Fund Meeting - Instruction to Trustee as to Election of Directors of SHC, SEL and SLP".

### **OTHER MATTERS**

The Corporation knows of no amendment, variation or other matter to come before the SLP Shareholder's Meeting other than the matters referred to in the Notice of Meeting for the SLP Shareholder's Meeting.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION OF THE DIRECTORS AND OFFICERS OF SHC AND SLP**

The officers and directors of both SHC and SLP do not receive compensation of any kind for their positions as officers or directors of such companies.

### **COMPENSATION OF DIRECTORS OF THE CORPORATION**

The Board, through its Compensation Committee, is responsible for the development and implementation of a compensation plan for the independent directors of the Corporation. No compensation is paid to a member of the Board who is also a member of management.

The main objectives of the compensation plan are: (a) to attract and retain the services of the most qualified individuals; (b) to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in board and committee membership and at a level that approximates the median compensation paid to directors of a peer group of oil and gas royalty trusts; and (c) to align the interests of the directors with the Unitholders. To meet and maintain these objectives, the Compensation Committee annually performs a review of the compensation plan, which includes surveying the compensation paid to directors of a peer group of oil and gas royalty trusts. The Compensation Committee recommends any changes to the compensation plan to the Board for consideration and, if deemed appropriate, approval.

The following table sets forth the retainers and fees that were paid by the Corporation to the independent directors during the year ended December 31, 2006. In addition, directors were reimbursed for any expenses incurred to attend a board or committee meeting.

<b>Compensation Element</b>	<b>Amount (\$)</b>
Board Retainer – Annual	15,000
Additional Chair of Board Retainer – Annual	15,000
Additional Board Committee Chair Retainer – Annual:	
Audit	10,000
Compensation	3,000
Corporate Governance	3,000
Environment, Health, Safety and Reserve	3,000
Meeting Attendance Fee <sup>(1)</sup>	1,000

**Note:**

- (1) Meeting attendance fees are paid for each Board or Committee meeting attended, provided that only one meeting attendance fee is paid where more than one meeting is held on the same day. Meeting attendance fees are not paid for teleconference meetings. The Chairman of the Board is paid a meeting attendance fee of \$1,500.

During the year ended December 31, 2006, the Corporation paid an aggregate of \$184,375 to the independent directors as compensation for their services as directors of the Corporation. The following table sets forth retainers and fees that were paid by the Corporation to each independent director during the year ended December 31, 2006.

<b>Name</b>	<b>Board Retainer (\$)</b>	<b>Board/Committee Chair Retainer (\$)</b>	<b>Meeting Attendance Fees Paid (\$)</b>	<b>Total (\$)</b>
Edward W. Best	15,000	3,000	11,000	29,000
Richard W. Clark <sup>(1)</sup>	15,000	1,500	11,000	27,500
D. Grant Gunderson <sup>(2)</sup>	15,000	5,000	12,000	32,000
Robert B. Hodgins <sup>(3)</sup>	9,375	5,000	8,000	22,375
Arne R. Nielsen	15,000	15,000	13,500	43,500
Warren D. Steckley	15,000	3,000	12,000	30,000

**Notes:**

- (1) Richard W. Clark is a partner at the law firm of Gowling Lafleur Henderson LLP, which receives fees for the provisions of legal services to the Corporation.
- (2) D. Grant Gunderson was Chair of the Audit Committee from January 1, 2006 to June 13, 2006.
- (3) Robert B. Hodgins was elected as a director of the Corporation on May 15, 2006 and was appointed Chair of the Audit Committee on June 13, 2006.

Each member of the Board is eligible to receive options to purchase Trust Units ("Unit Options") under the Trust Unit Rights Incentive Plan of the Fund adopted and approved by the Board and the Unitholders on May 8, 2001, as amended from time to time (the "Option Plan"). All Unit Options vest over a period of three years, with the Unit Options first becoming exercisable one year from the date of grant. The Unit Options granted to members of the Board who are members of management are discussed under the heading "Summary of Executive Compensation".

The following table indicates the Unit Options granted by the Corporation to the independent directors during the financial year ended December 31, 2006.

Name	Securities Under Unit Options Granted (#)	Exercise Price at Date of Grant (\$/Security)	Market Value of Securities Underlying Unit Options at Date of Grant (\$/Security)	Expiration Date (mm/dd/yyyy)
Edward W. Best	20,000	\$29.15	\$29.15	12/31/2015
Richard W. Clark	20,000	\$29.15	\$29.15	12/31/2015
D. Grant Gunderson	20,000	\$29.15	\$29.15	12/31/2015
Robert B. Hodgins	20,000	\$22.94	\$22.94	05/16/2016
Arne R. Nielsen	20,000	\$29.15	\$29.15	12/31/2015
Warren D. Steckley	20,000	\$29.15	\$29.15	12/31/2015

The following table indicates Unit Option exercises by the independent directors of the Corporation during the financial year ended December 31, 2006 and the year end values of the Unit Options held by those persons as at December 31, 2006.

Name	Trust Units Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Unit Options at December 31, 2006 Exercisable/Unexercisable (#)		Value of Unexercised in the money Unit Options at December 31, 2006 <sup>(1)</sup> Exercisable/Unexercisable (\$)	
Edward W. Best	21,666	274,528	Nil	/ 43,334	Nil	/ Nil
Richard W. Clark	-	-	8,333	/ 36,667	Nil	/ Nil
D. Grant Gunderson	21,666	290,977	Nil	/ 43,334	Nil	/ Nil
Robert B. Hodgins	-	-	Nil	/ 20,000	Nil	/ Nil
Arne R. Nielsen	-	-	51,667	/ 43,333	96,600	/ Nil
Warren D. Steckley	21,666	279,061	Nil	/ 43,334	Nil	/ Nil

**Note:**

- (1) The value of unexercised Unit Options at December 31, 2006 was based on a closing price per Trust Unit on the TSX on December 31, 2006 of \$12.85.

In January, 2007, the Board approved the adoption of a new long-term incentive program to replace the Option Plan. Directors of the Corporation are eligible to participate in the long-term incentive program. For a description of the new long-term incentive program as well as the details of the initial grants made to Directors of the Corporation, please see "Long-term Incentive Program" and "- Long-term Incentive Program Awards – Independent Directors".

**COMPOSITION OF THE COMPENSATION COMMITTEE**

The Board has appointed a compensation committee (the "Compensation Committee") whose mandate includes compensation awards, issues and policies, and evaluation of executive performance. The Compensation Committee is comprised of four independent directors, Edward W. Best, Richard W. Clark, Robert B. Hodgins and Warren D. Steckley, and is chaired by Mr. Best. Mr. Clark was the Corporate Secretary of the Corporation from July, 1996 to September, 2005. On June 13, 2006, D. Grant Gunderson and Arne R. Nielsen ceased to be members of the Compensation Committee and Robert B. Hodgins became a member of the Compensation Committee.

**REPORT ON EXECUTIVE COMPENSATION**

The Compensation Committee, whose members are appointed by and from the Board, convenes at least once a year to assess executive management, review proposals for compensation for all executive officers and conduct an independent evaluation of compensation for current management. The Compensation Committee submits its recommendations to the Board. The Compensation Committee has the goal of achieving a competitive compensation structure that aligns the interests of management with that of the Unitholders.

The Corporation's policy is to provide a compensation package that will attract and retain qualified executive officers and at the same time link incentives to short and long term corporate objectives. During the year ended December 31, 2006, the

compensation program for executive officers of the Corporation was comprised of salary, benefits, Unit Options and a bonus plan.

The following are the components of executive compensation at the Corporation. Although each of the following components have different objectives, each are considered by the Compensation Committee to be equally important and each must be competitive relative to a peer group of oil and gas royalty trusts and similarly sized oil and gas exploration companies (the "Peer Group") against which the Corporation must compete for professional and operational staff.

### **Base Salary and Benefits**

Base salaries and benefits for executive officers are determined by the Compensation Committee on the basis of position held and related responsibilities and functions performed, having regard to base salary and benefit ranges for similar positions in the Peer Group. The Compensation Committee also utilizes an independent annual industry survey containing comparative data for the Peer Group. Compensation levels are to approximate the median level of the survey but individual performance and responsibilities are also considered by the Compensation Committee in assessing compensation.

### **Bonus Plan**

The overall purpose of the bonus plan is normally to relate a component of compensation directly to the annual results of the Fund and performance of the individual and executive group. The Board has retained complete discretion in the awarding of bonuses and utilizes independently collected comparative data for the Peer Group. Awards under the bonus plan are normally determined based on several factors, including: the Corporation's growth; financial and operating metrics such as cash flow, operating costs, general and administrative costs and netbacks; and competitive factors in the local marketplace for professional and operational staff. In 2006, industry-wide competition for high quality executive, professional and operational staff in the local marketplace was the overriding factor in determining awards under the bonus plan.

### **Long-Term Incentive Program**

Unit Options are granted as a long-term incentive. The Compensation Committee, in determining the number of Unit Options to be granted, will consider the number and terms of Unit Options held, the responsibilities and functions of the executive officer, the officer's individual and group performance and the overall performance of the Fund over a period of recent years. A wide range of performance factors such as unit price, distributions per Trust Unit, annual and multi-year yields, net asset value per Trust Unit, finding, development and acquisition costs per barrel, recycle ratio and internal rate of return are considered.

In January, 2007, the Board approved a change in the Fund's long-term incentive program. Since 2001, the long-term incentive program had consisted of the Option Plan (see "Unit Options"). After carefully reviewing the Option Plan, current trends in long-term incentive programs and giving consideration to competitive factors in the local marketplace for professional and operational staff, the Board approved the adoption of a Restricted Unit Plan and a Performance Unit Plan. With the adoption of the new long-term incentive program, it is anticipated that the granting of Unit Options under the Option Plan will only occur in limited circumstances. For a description of the new long-term incentive program as well as the details of the initial grants made to the named executive officers of the Corporation, please see "Long-term Incentive Program" and "– Long-term Incentive Program Awards – Named Executive Officers".

### **Compensation of the Chief Executive Officer**

The factors considered by the Compensation Committee in determining total compensation for the CEO, as well as the manner in which these factors are reviewed, are similar to those used in determining total compensation for the other executives of the Corporation. However, in the case of the CEO, weight is also given to the CEO's performance in such areas as leadership, communications skills and strategic vision.

The foregoing report is respectfully submitted to the Unitholders by the Compensation Committee.

Edward W. Best (Chair)  
Richard W. Clark

Robert B. Hodgins  
Warren D. Steckley

## SUMMARY OF EXECUTIVE COMPENSATION

The following table sets forth the annual, long-term and other compensation paid or granted by the Corporation for the financial years ended December 31, 2006, 2005 and 2004 to the Chief Executive Officer, the Chief Financial Officer and the other executive officers whose total salary and bonus exceeded \$150,000 in the most recently completed financial year (the "named executive officers").

Name & Principal Position	Year	Annual Compensation			Awards		Payouts	All Other Compensation (\$) <sup>(2)</sup>
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>(1)</sup>	Securities Under Options Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
David M. Fitzpatrick President and CEO	2006	325,000	250,000	Nil	100,000	Nil	Nil	20,556
	2005	275,000	220,000	Nil	125,000	Nil	Nil	17,536
	2004	250,000	200,000	Nil	100,000	Nil	Nil	18,338
Bruce K. Gibson Vice President, Finance and CFO	2006	240,000	160,000	Nil	70,000	Nil	Nil	15,456
	2005	210,000	175,000	Nil	70,000	Nil	Nil	13,653
	2004	170,000	150,000	Nil	60,000	Nil	Nil	12,809
Gregory D. Moore Vice President, Operations and COO	2006	220,000	135,000	Nil	70,000	Nil	Nil	14,227
	2005	190,000	145,000	Nil	70,000	Nil	Nil	12,413
	2004	170,000	115,000	Nil	60,000	Nil	Nil	12,783
Terry P. Prokopy Vice President, Land	2006	185,000	65,000	Nil	Nil	Nil	Nil	12,144
	2005	185,000	120,000	Nil	70,000	Nil	Nil	12,032
	2004	170,000	115,000	Nil	60,000	Nil	Nil	12,640

### Notes:

- (1) Except as disclosed in the table, perquisites and other personal benefits are less than \$50,000 and 10% of the total annual salary and bonus for any of the named executive officers.
- (2) Includes the annual contributions by the Corporation in accordance with the employee savings plan and the insurance premium paid by the Corporation with respect to term life insurance for the benefit of the executive officers. See "Employee Savings Plan".

## UNIT OPTIONS

The purpose of the Option Plan is to encourage ownership of Trust Units, to maintain a direct link between compensation and performance and to retain and motivate directors, officers, employees and consultants to optimize the Fund's long-term financial success.

The Option Plan reserves a maximum of 3,995,692 Trust Units for issuance upon the exercise of Unit Options, which represents 4.6% of the Fund's issued and outstanding Trust Units as at March 1, 2007. From July 1, 2001 (being the inception date of the Option Plan) to March 1, 2007, an aggregate of 1,281,962 Trust Units have been issued upon the exercise of Unit Options, which represents 1.5% of the Fund's issued and outstanding Trust Units as at March 1, 2007. As a result, 2,713,730 Trust Units remain reserved for issuance under the Option Plan as at March 1, 2007, which represents 3.2% of the Fund's issued and outstanding Trust Units. As at March 1, 2007, 2,628,002 Unit Options were outstanding, which represents 3.1% of the Fund's issued and outstanding Trust Units. The Fund has capacity under the Option Plan to grant an additional 85,728 Unit Options in the future.

Listed below is a summary of the principal terms of the Option Plan:

**Limitation on Trust Units Reserved:** The Option Plan reserves a maximum of 3,995,692 Trust Units for issuance upon the exercise of Unit Options, provided that the number of Trust Units reserved under the Option Plan shall not at any time exceed 7.5% of the aggregate number of issued and outstanding Trust Units unless otherwise approved by the Toronto Stock Exchange (the "TSX") and the Unitholders.

**Eligible Participants:** The directors, officers, employees and other service providers of the Corporation are eligible to participate in the Option Plan.

**Limitation on Individual Grants:** The aggregate number of Unit Options granted to any single participant under the Option Plan shall not exceed 5% of the issued and outstanding Trust Units of the Fund.

**Option Term:** The term of all Unit Options granted under the Option Plan shall not exceed ten years.

**Vesting Provisions:** Under the terms of the Option Plan, one-third of the Unit Options granted to each optionee may be exercised commencing after the first anniversary of the date of grant and an additional one-third become exercisable upon each of the following two anniversaries of the date of grant. However, these vesting provisions will be accelerated upon a change of control (as defined in the Option Plan).

**Exercise Price at Time of Grant:** The exercise price of Unit Options will be equal to the closing price of the Trust Units on the TSX on the day preceding the date of grant.

**Adjustment of Exercise Price:** Under the terms of the Option Plan, the exercise price of each Unit Option is reduced monthly pursuant to a formula. This formula provides that the exercise price of each Unit Option is reduced monthly by the aggregate amount of any decreases in the daily closing prices on the TSX of the Trust Units from the date prior to the date the Trust Units first trade "ex-distribution" (the "Ex-Distribution Date") of the monthly distribution amount thereon to the date that is prior to the next Ex-Distribution Date that is in excess of 0.83333% of the Fund's consolidated net fixed assets (the "Monthly Return Amount"); provided however that such monthly decrease in the exercise price will not exceed the amount of that month's per Trust Unit distribution amount that exceeds the Monthly Return Amount (the "Excess Monthly Return"). In addition, any amount by which the aggregate of the monthly reduction in the exercise price is less than the Excess Monthly Return for that month can be carried over to future months to permit the exercise price to be reduced further by that amount.

**Termination:** Upon the cessation of a participant's services to the Corporation (including services as a member of the Board) for any reason whatsoever (other than death), any unvested Unit Options terminate immediately and such participant will have the shorter of 60 days from the date of such cessation and the end of the option term to exercise all vested Unit Options, after which time such unexercised Unit Options will terminate; provided, however, that upon termination for cause, all Unit Options, whether vested or unvested, may, at the discretion of the Board, be terminated immediately. Upon cessation of services by reason of death, the executor or personal representative shall be entitled to exercise all vested Unit Options of the deceased for a period commencing on the date of death and ending on the date which is the shorter of six months and the end of the option term.

**Assignment:** Unit Options may not be transferred or assigned.

**Financial Assistance:** No financial assistance will be provided by the Fund or any of its affiliates to participants under the Option Plan to facilitate the exercise of Unit Options.

**Amendment:** The Option Plan may be amended, modified or terminated by the Board with the approval of the TSX, and any Unitholder approvals required by the TSX.

The following table summarizes information about outstanding Unit Options as at March 1, 2007:

Range of Exercise Prices	Outstanding Unit Options			Exercisable Unit Options	
	Number Outstanding at March 1, 2007	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at March 1, 2007	Weighted Average Exercise Price
\$7.00 to \$11.99	487,500	5.1	\$9.94	487,500	\$9.94
\$12.00 to \$15.99	442,001	6.9	14.53	418,668	14.49
\$16.00 to \$18.99	717,501	7.9	18.46	443,334	18.53
\$19.00 to \$22.99	165,000	9.1	20.78	21,666	20.94
\$23.00 to \$27.99	816,000	8.8	27.65	278,667	27.65
Total	2,628,002	7.6	\$19.22	1,649,835	\$16.54

#### Unit Options Granted During the Most Recently Completed Financial Year

The following table indicates the Unit Options granted to the named executive officers of the Corporation during the financial year ended December 31, 2006.

Name	Securities Under Unit Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise Price at Date of Grant (\$/Security)	Market Value of Securities Underlying Unit Options at Date of Grant (\$/Security)	Expiration Date (mm/dd/yyyy)
David M. Fitzpatrick	100,000	10%	\$29.15	\$29.15	12/31/2015
Bruce K. Gibson	70,000	7%	\$29.15	\$29.15	12/31/2015
Gregory D. Moore	70,000	7%	\$29.15	\$29.15	12/31/2015

**Note:**

- (1) On March 6, 2007, a further 16,909 Unit Options were granted to each of Messrs. Fitzpatrick, Gibson and Moore, all with an exercise price of \$12.80 per Trust Unit.

**Unit Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values**

The following table indicates Unit Option exercises by the named executive officers of the Corporation during the financial year ended December 31, 2006 and the year end values of the Unit Options held by those persons as at December 31, 2006.

Name	Trust Units Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Unit Options at December 31, 2006 Exercisable/Unexercisable (#)	Value of Unexercised in the money Unit Options at December 31, 2006 <sup>(1)</sup> Exercisable/Unexercisable (\$)
David M. Fitzpatrick	-	-	191,667 / 216,666	312,432 / Nil
Bruce K. Gibson	20,000	124,412	153,333 / 136,667	194,400 / Nil
Gregory D. Moore	-	-	130,000 / 136,667	227,268 / Nil
Terry P. Prokopy	5,000	64,940	243,333 / 66,667	452,400 / Nil

**Note:**

- (1) The value of unexercised Unit Options at December 31, 2006 was based on a closing price per Trust Unit on the TSX on December 31, 2006 of \$12.85.

**LONG-TERM INCENTIVE PROGRAM**

In January, 2007, the Board approved a new long-term incentive program which is comprised of a Restricted Unit Plan and a Performance Unit Plan. The Board has delegated the administration of the plans to the Compensation Committee. The Board designates those directors, officers and employees of, and other service providers to, the Corporation who are eligible for participation in the plans and approves any grants under the plans.

Under the Restricted Unit Plan, grants of restricted units ("Restricted Units") mature as to one-third of the number granted on each of the first, second and third anniversaries of the grant date. On each maturity date, the number of maturing Restricted Units is adjusted to give the holder credit for any distributions that have been paid since the grant date. The "adjusted" number of Restricted Units is then multiplied by the current market value of the Trust Units to determine the cash payment that the holder of the Restricted Units is entitled to receive.

Under the Performance Unit Plan, the Committee establishes performance measures and the threshold level of performance in order for performance units ("Performance Units") granted under the plan to become payable. For the Performance Units granted in 2007, the performance measure is total unitholder return (assuming reinvestment of distributions) relative to a selected peer group.

The Performance Units mature on the third anniversary of the grant date. On the maturity date, the number of Performance Units is multiplied by a performance multiplier, which is based on the percentile rank of the Fund's three-year total unitholder return relative to a selected peer group. If the Fund's percentile rank is less than 35, the performance multiplier is zero and no payments are made for the Performance Units then maturing. For percentile rankings between 35 and 75, the performance multiplier ranges from 0.4 to 2.0. The maximum performance multiplier is 2.0. Assuming that the percentile rank is greater than 34, the "performance adjusted" number of Performance Units is then adjusted to give the holder credit for any

distributions that have been paid since the grant date. The "performance and distribution adjusted" number of Performance Units is then multiplied by the current market value of the Trust Units to determine the cash payment that the holder of the Performance Units is entitled to receive.

Under both the Restricted Unit Plan and the Performance Unit Plan, the current market value of the Trust Units is based on the weighted average trading price on the TSX for the ten trading days preceding the maturity date.

In the event of a "change of control" (as defined in the Restricted Unit Plan and the Performance Unit Plan), all outstanding Restricted Units and Performance Units shall mature on a date, as determined by the Board, that is not more than 30 days prior to the date of the change of control. On such date, the applicable performance measure will be calculated to determine whether any amounts are payable under the Performance Units.

The cost of the Restricted Unit Plan and the Performance Unit Plan will be expensed in the Fund's financial statements.

### Long-Term Incentive Program Awards – Named Executive Officers

The following table indicates the number of Restricted Units granted in 2007 to the named executive officers of the Corporation (other than Terry P. Prokopy who retired effective December 31, 2006).

Name	LTIP Award (Restricted Units)	Period Until Maturation or Payout	Estimated Future Payouts Under Non Securities Price Based Plans		
			Threshold (#)	Target (#)	Maximum (#)
David M. Fitzpatrick	14,420	4,806 in 2008 4,807 in 2009 4,807 in 2010	14,420	14,420	14,420
Bruce K. Gibson	8,730	2,910 in 2008 2,910 in 2009 2,910 in 2010	8,730	8,730	8,730
Gregory D. Moore	6,330	2,110 in 2008 2,110 in 2009 2,110 in 2010	6,330	6,330	6,330

The following table indicates the number of Performance Units granted in 2007 to the named executive officers of the Corporation (other than Terry P. Prokopy who retired effective December 31, 2006).

Name	LTIP Award (Performance Units)	Period Until Maturation or Payout	Estimated Future Payouts Under Non Securities Price Based Plans <sup>(1)</sup>		
			Threshold (#) <sup>(2)</sup>	Target (#) <sup>(3)</sup>	Maximum (#) <sup>(4)</sup>
David M. Fitzpatrick	21,630	21,630 in 2010	Nil	21,630	43,260
Bruce K. Gibson	13,090	13,090 in 2010	Nil	13,090	26,180
Gregory D. Moore	9,490	9,490 in 2010	Nil	9,490	18,980

**Notes:**

- (1) With respect to the Performance Units, future payouts are based upon the total unitholder return for the Fund relative to a selected peer group over the three-year term of the Performance Units. See "Long-term Incentive Program".
- (2) Threshold is the minimum number of units that become payable on the applicable maturity date. In this case, the Fund's relative total unitholder return is less than the 35<sup>th</sup> percentile and, as a result, the performance multiplier for the Performance Units is zero.
- (3) Target is the number of units that become payable on the applicable maturity date if the specified performance target is reached. In this case, the Fund's relative total unitholder return is equal to the 50<sup>th</sup> percentile and, as a result, the performance multiplier for the Performance Units is 1.0.
- (4) Maximum is the maximum number of units that become payable on the applicable maturity date. In this case, the Fund's relative total unitholder return is in excess of the 74<sup>th</sup> percentile and, as a result, the performance multiplier for the Performance Units is 2.0.

### Long-Term Incentive Program Awards – Independent Directors

The following table indicates the number of Restricted Units granted in 2007 to the independent directors of the Corporation.

Name	LTIP Award (Restricted Units)	Period Until Maturation or Payout	Estimated Future Payouts Under Non Securities Price Based Plans <sup>(1)</sup>		
			Threshold (#)	Target (#)	Maximum (#)
Edward W. Best	1,000	333 in 2008 333 in 2009 334 in 2010	1,000	1,000	1,000
Richard W. Clark	1,000	333 in 2008 333 in 2009 334 in 2010	1,000	1,000	1,000
D. Grant Gunderson	1,000	333 in 2008 333 in 2009 334 in 2010	1,000	1,000	1,000
Robert B. Hodgins	1,000	333 in 2008 333 in 2009 334 in 2010	1,000	1,000	1,000
Arne R. Nielsen	1,000	333 in 2008 333 in 2009 334 in 2010	1,000	1,000	1,000
Warren D. Steckley	1,000	333 in 2008 333 in 2009 334 in 2010	1,000	1,000	1,000

The following table indicates the number of Performance Units granted in 2007 to the independent directors of the Corporation.

Name	LTIP Award (Performance Units)	Period Until Maturation or Payout	Estimated Future Payouts Under Non Securities Price Based Plans <sup>(1)</sup>		
			Threshold (#) <sup>(2)</sup>	Target (#) <sup>(3)</sup>	Maximum (#) <sup>(4)</sup>
Edward W. Best	3,000	3,000 in 2010	Nil	3,000	6,000
Richard W. Clark	3,000	3,000 in 2010	Nil	3,000	6,000
D. Grant Gunderson	3,000	3,000 in 2010	Nil	3,000	6,000
Robert B. Hodgins	3,000	3,000 in 2010	Nil	3,000	6,000
Arne R. Nielsen	3,000	3,000 in 2010	Nil	3,000	6,000
Warren D. Steckley	3,000	3,000 in 2010	Nil	3,000	6,000

**Notes:**

- (1) With respect to the Performance Units, future payouts are based upon the total unitholder return for the Fund relative to a selected peer group over the three-year term of the Performance Units. See "Long-term Incentive Program".
- (2) Threshold is the minimum number of units that become payable on the applicable maturity date. In this case, the Fund's relative total unitholder return is less than the 35<sup>th</sup> percentile and, as a result, the performance multiplier for the Performance Units is zero.
- (3) Target is the number of units that become payable on the applicable maturity date if the specified performance target is reached. In this case, the Fund's relative total unitholder return is equal to the 50<sup>th</sup> percentile and, as a result, the performance multiplier for the Performance Units is 1.0.
- (4) Maximum is the maximum number of units that become payable on the applicable maturity date. In this case, the Fund's relative total unitholder return is in excess of the 74<sup>th</sup> percentile and, as a result, the performance multiplier for the Performance Units is 2.0.

## **EMPLOYMENT AGREEMENTS**

Employment agreements have been entered into with each of Messrs. Fitzpatrick, Gibson, Moore and Prokopy. Upon a change of control (as defined in the applicable employment agreement), then within 30 days of the earlier of: (i) the date that the executive officer has been terminated without cause; (ii) the date of resignation by the executive officer (which must occur within six months of the change of control); or (iii) in the case of Mr. Fitzpatrick, the date the Administrative Services Agreement (as defined below) is terminated, the Corporation will be responsible for a lump sum payment to the executive officer of 36 months of salary in the case of Mr. Fitzpatrick and 18 months salary in the case of the Messrs. Gibson, Moore and Prokopy, plus benefits applicable at time of termination.

In the event that a change of control as defined in the applicable employment agreement does not result in a change of control as defined in the Option Plan, the executive shall elect to either (i) exercise all of the unexercised outstanding Unit Options held by the executive, whether or not such Unit Options have vested, and receive Trust Units upon payment of the exercise price, or (ii) receive a further lump sum payment equal to the 'in-the-money' value of all unexercised Unit Options held at that time, whether or not such Unit Options have vested, and upon the payment of such amount, the executive shall consent to the termination of all such Unit Options.

In addition, if the Corporation terminates any executive officer without cause, the Corporation will be responsible for a lump sum payment equal to, in the case of Mr. Fitzpatrick, 36 months salary and any earned portion of the bonus, and in the case of Messrs. Gibson, Moore and Prokopy, 18 months salary, and such lump sum payment shall include benefits applicable at time of termination.

## **REIMBURSEMENT OF THE CORPORATION BY THE FUND - ADMINISTRATIVE EXPENSES**

Pursuant to an administrative services agreement (the "Administrative Services Agreement") entered into by the Corporation and the Trustee, on behalf of the Fund, dated October 9, 2002, the Corporation is entitled to reimbursement from the Fund for administrative expenses. Such payment is not intended to provide the Corporation, directly or indirectly, with any financial gain or loss and the Corporation has agreed that such payment will be made only to the extent necessary to reimburse the Corporation for actual costs incurred, including carrying costs until payment. Costs and expenses incurred by the Corporation for the benefit of the Trustee or the Fund and others shall be prorated in a reasonable manner and shall be subject to reimbursement only to the extent such costs and expenses can reasonably be attributed to the services provided under the Administrative Services Agreement.

Administrative expenses are defined in the Administrative Services Agreement as the amount in aggregate representing all expenditures and costs incurred by the Corporation in the management and administration of the Fund, including: (i) reasonable costs and expenses solely and exclusively relating to the Fund which are paid to third parties by the Corporation; and (ii) reasonable costs and expenses incurred by the Corporation to the extent such costs and expenses are reasonably identifiable as being incurred specifically for the Fund including, without limitation, auditing, accounting, bookkeeping, legal, land administration, engineering, travel, telephone, data processing, reporting, executive and management time, salaries and bonuses incurred in providing services provided under the Administrative Services Agreement.

The Administrative Services Agreement may be terminated by the Trustee upon the earlier of three months from the date of such notice and the date on which a satisfactory replacement administrator is appointed in compliance with the terms of the Trust Indenture.

Upon the effective date of termination, the Corporation shall: (i) pay to or to the order of the Fund, as the case may be, all monies collected and held for it pursuant to the Administrative Services Agreement, after deducting any amounts incurred to which it is then entitled; and (ii) deliver to or to the order of the Fund a complete report including a statement showing all payments collected by it, and a statement of all monies held by it pursuant to the Administrative Services Agreement during the period following the date of the last audited statement furnished to the Fund pursuant to the Administrative Services Agreement and prior to the effective date of termination and should an auditors' report for this period be requested, the expense of such a report will be borne by the Fund.

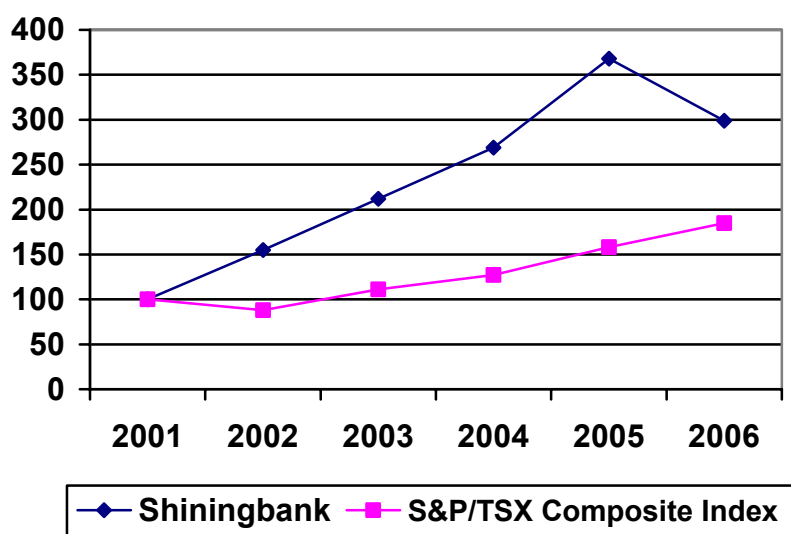
## **EMPLOYEE SAVINGS PLAN**

Effective January 1, 2001, the Corporation established an Employee Savings Plan (the "Savings Plan") to assist employees in meeting long term savings goals through the acquisition of Trust Units of the Fund and other professionally managed investment funds and to encourage its employees to have a direct investment in the Fund. Under the Savings Plan, employees may contribute as much of their semi-monthly pay period earnings to the plan as they wish, subject to a minimum contribution of 2% per pay period. The Corporation contributes an amount equal to the amount contributed by the employee to a maximum

of 6% of the employee's semi-monthly pay period earnings. The Corporation's contributions accumulate and are directly deposited into the employee's account on a monthly basis. Once deposited, the contributions vest immediately in favour of the employee even if his or her employment with the Corporation ends thereafter. All contributions under the Savings Plan are contributed to the employees' respective self-directed RRSP accounts or non-RRSP accounts. The contributions made under the Savings Plan by the Corporation are used to purchase Trust Units of the Fund in the secondary market through the facilities of the TSX. All commissions payable respecting the purchase of Trust Units are paid by the Corporation. Employees are responsible for commissions payable in connection with the sale of their Trust Units or other securities held under the Savings Plan.

### TRUST PERFORMANCE GRAPH

The following graph and table compare Shiningbank's five-year cumulative unitholder return (assuming reinvestment of distributions) for \$100 invested in the Trust Units of Shiningbank on December 31, 2001 with the cumulative total return of the S&P/TSX Composite Index (assuming reinvestment of dividends and distributions) for the five most recently completed financial years.



	December 2001	December 2002	December 2003	December 2004	December 2005	December 2006
Shiningbank	100	155	212	269	368	299
S&P/TSX Composite Index	100	88	111	127	158	185

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table details all compensation plans under which equity securities of the Fund are authorized for issuance as of December 31, 2006.

Plan Category	Number of Trust Units to be issued upon exercise of outstanding Unit Options, Warrants and Rights	Weighted-Average Exercise Price of outstanding Unit Options, Warrants and Rights	Number of Trust Units remaining available for future issuance under Equity Compensation Plans
Equity Compensation Plans Approved by Securityholders <sup>(1)</sup>	2,663,002	\$19.40	50,728
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
<b>TOTAL</b>	<b>2,663,002</b>	<b>\$19.40</b>	<b>50,728</b>

Note:

(1) See "Executive Compensation – Long-Term Incentive Program".

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Since the inception of the Fund, no directors or officers of the Corporation, nor any associate or affiliate of any of them, have been indebted to the Fund or the Corporation.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular, management of the Corporation is not aware of any material interest of any informed person, director, proposed director or officer of the Corporation, SHC or SLP, any shareholder of the Corporation, SHC or SLP who beneficially owns more than 10% of the common shares of any such corporation, any Unitholder who beneficially owns more than 10% of the Trust Units, or any known associate or affiliate of these persons, in any transaction since the commencement of the last fiscal year of the Fund or in any proposed transaction that has materially affected or would materially affect the Fund or any of its subsidiaries.

## ADDITIONAL INFORMATION

Additional information relating to the Fund is accessible on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Fund has a current Annual Information Form ("AIF") filed with the securities commissions of all the provinces of Canada pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*. Financial information is provided in the Fund's comparative financial statements and management's discussion and analysis ("MD&A") for its most recently completed financial year. The following documents will be provided to any Unitholder upon request to the Corporate Secretary of the Corporation at (403) 268-7477:

1. A copy of the AIF of the Fund, together with one copy of any document or the pertinent pages of any document, incorporated by reference in the AIF; and
2. A copy of the comparative financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements of the Fund subsequent to the financial statements for its most recently completed financial year, together with the applicable MD&A.

Such documents are also accessible on the Fund's website at [www.shiningbank.com](http://www.shiningbank.com).

## CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors of the Corporation, the members of which are elected by and are accountable to the Unitholders, and takes into account the role of the individual members of management who are appointed by the Board and who are in charge of the day-to-day management of the Corporation.

The Board is committed to sound corporate governance practices which are both in the interest of the Unitholders and contribute to effective and efficient decision making. Corporate governance practices continue to evolve and change. The Board, primarily through the Corporate Governance Committee, continually evaluates developments in the area of corporate governance and, where appropriate, implements changes to improve the Corporation's governance practices. The Board is of the view that the Corporation's approach to corporate governance is appropriate for its size and resources.

On June 30, 2005, the Canadian Securities Administrators adopted National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the "Governance Instrument") and National Policy 58-201 *Corporate Governance Guidelines* (the "Governance Policy"). The Governance Instrument and the Governance Policy replaced the TSX's guidelines for effective corporate governance which had been in effect since 1995.

The Governance Instrument requires issuers to disclose those corporate governance practices that it has adopted. The Governance Policy contains guidelines that issuers are encouraged to consider in developing their own corporate governance practices.

Listed below is a description of the Corporation's approach to corporate governance:

## **Board of Directors**

The Board is presently composed of seven members, six of whom are considered independent. The independent directors are Messrs. Best, Clark, Gunderson, Hodgins, Nielsen and Steckley. Mr. Fitzpatrick, the President and Chief Executive Officer of the Corporation, is not independent.

The directors of the Corporation serve as directors of other public issuers. The names of such issuers are contained in the biographical description of each director under "Instruction to Trustee as to Election of Directors of SHC, SEL and SLP".

At each meeting of the Board, an opportunity is provided for the independent members to meet independently of the non-independent member and members of management (commonly referred to as an "*in camera* session"). In addition, the Board committees are provided with an opportunity to hold an *in camera* session at each meeting. During the year ended December 31, 2006, a total of 12 *in camera* sessions were held by the Board and the Board committees.

The Chairman of the Board is Arne R. Nielsen. Mr. Nielsen is an independent director. The responsibilities of the Chairman of the Board include managing the affairs of the Board, including ensuring the Board is organized properly, functions effectively and meets its obligations and responsibilities, facilitating the functioning of the Board independent of management and contributing to the development of the strategic plan of the Corporation.

During the year ended December 31, 2006, the Board held eight meetings and the Board Committees held seven meetings. The attendance record of each director is contained in the biographical description of each director under "Instruction to Trustee as to Election of Directors of SHC, SEL and SLP".

## **Board Mandate**

A copy of the Mandate of the Board is attached to this Information Circular as Schedule "B".

## **Position Descriptions**

The Board does not currently have written position descriptions for the Chairman of the Board and the chair of each Board committee. As the Chairman of the Board has significant senior executive experience and has been in this role since the formation of the Fund in 1996, the Board does not believe that a written position description is necessary.

As each Board committee has written Terms of Reference that are approved by the Board, the Board does not feel that written position descriptions for the chair of each Board committee are necessary.

The Board is actively involved in discussing, establishing and approving the strategic plan of the Corporation. The principal responsibility of the Chief Executive Officer is to execute the strategic plan. The Board communicates its expectations to the Chief Executive Officer directly and monitors his performance.

## **Orientation and Continuing Education**

As all but one of the current directors have been involved with the Corporation since inception, the Board has not had a need to develop an orientation program for new directors. When a new director is appointed, it is expected that she/he would meet with the Chairman of the Board and each member of senior management to learn about the Corporation's operations, activities and governance structure and the responsibilities of a director.

Each director has the responsibility for ensuring that she/he maintains the skill and knowledge necessary to meet her/his obligations as a director. To assist directors with their continuing education, the Board has: (a) authorized the Corporate Governance Committee to approve the payment by the Corporation of the cost for a director to attend a relevant continuing education seminar; (b) requested that management keep the directors apprised of recent developments affecting the Corporation's business and their duties and responsibilities as directors through presentations at Board and Board Committee meetings and the provision of third party publications; and (c) requested that management coordinate periodic tours of field operations for the directors.

## **Ethical Business Conduct**

The Board has adopted a written code of conduct for the directors, officers, employees, consultants and contract field operators of the Corporation. On an annual basis the President of the Corporation sends a memo to all directors, officers, employees,

consultants and contract field operators of the Corporation reminding them of the requirement to comply with the terms of the code of conduct at all times. Interested persons may obtain a copy of the code of conduct from the SEDAR website at [www.sedar.com](http://www.sedar.com) (filed April 5, 2006) or by contacting the Corporate Secretary of the Corporation at (403) 268-7477.

The by-laws of the Corporation require that any director or officer who has a material interest in a transaction or agreement with the Corporation declare their conflict of interest at the time and in the manner provided in the *Business Corporations Act* (Alberta). Any such transaction or agreement shall be referred to the Board or the shareholders for approval even if such transaction or agreement is one that in the ordinary course of the Corporation's business would not require approval by the Board or the shareholders. The director with the interest in the transaction or agreement may be excused from any discussion of such matter and shall abstain from voting on any resolution related to such matter.

### **Nomination of Directors**

The Corporate Governance Committee, which is composed entirely of independent directors, is responsible for identifying individuals qualified to become new board members and recommending to the Board the new director nominees for appointment or election at the next annual meeting of unitholders.

This committee has written Terms of Reference that clearly establish the committee's purpose, responsibilities, membership qualification, appointment and removal, structure and operations, and manner of reporting to the Board.

In making its recommendations respecting the nomination of a director, the committee considers, among other factors, the competencies and skills the Board needs to possess as a whole, the competencies and skills that each existing director possesses and the competencies and skills each new nominee will bring to the boardroom. The committee also considers whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.

### **Compensation**

The Compensation Committee, which is composed entirely of independent directors, is responsible for reviewing and making recommendations to the Board regarding: (a) executive compensation policies, practices and overall philosophy; (b) the compensation of the Corporation's directors and officers; (c) the granting of long-term incentive compensation; (d) the evaluation of corporate and individual officer performance from the previous year and longer-term results; (e) the overall level and type of compensation for staff; and (f) the executive compensation disclosure contained in the Fund's information circular.

In establishing the compensation of the directors, the committee considers the commitment and knowledge required of the directors and the compensation paid by a peer group of oil and gas royalty trusts to their directors. For information regarding the compensation program for the Corporation's directors, see "Executive Compensation – Compensation of Directors of the Corporation".

With respect to establishing the compensation of the Corporation's employees (including its executive officers), the Corporation participates in annual surveys of salary, benefits and other incentive programs of a peer group of oil and gas royalty trusts and similarly sized oil and gas exploration companies in Canada conducted by Mercer Human Resources Consulting (" Mercer ") and Towers Perrin, independent compensation consultants. For further information regarding the compensation program for the Corporation's executive officers, see "Executive Compensation – Report on Executive Compensation".

In November, 2006, the Compensation Committee engaged Mercer to assist with the development of the new long-term incentive program and to provide support to the Committee in determining appropriate levels of compensation for the Corporation's directors, officers and employees for 2007. The services provided by Mercer included: (i) the provision of general market observations with respect to market trends and issues; (ii) the provision of benchmark market data; and (iii) attendance at Committee meetings in December 2006 and January 2007 to review the design of the long-term incentive program. The fees paid to Mercer for these services were \$32,500. The Corporation also participates in annual industry compensation surveys.

### **Other Board Committees**

The Board has formed four committees: Audit; Compensation; Corporate Governance; and Environment, Health, Safety and Reserve.

Information relating to the Audit Committee, including a copy of its Terms of Reference, is contained in the Fund's AIF for the year ended December 31, 2006 under the heading "Audit Committee".

In addition to its responsibilities for nominating new directors, the mandate of the Corporate Governance Committee also includes: (a) recommending and reporting to the Board on corporate governance issues, principles and guidelines; (b) reviewing the Corporation's structures and procedures to ensure that the Board is functioning independently of management; (c) reviewing the corporate governance disclosure contained in the Fund's information circular; and (d) periodically reviewing any code of business conduct and ethics, disclosure policy and insider trading and reporting guidelines approved by the Board and recommending any changes to the Board for approval.

The mandate of the Environment, Health, Safety and Reserve Committee includes: (a) adopting and overseeing the guidelines and policies for environment, health and safety matters; and (b) reviewing the annual evaluation reports on the oil and natural gas reserves of the Fund's subsidiaries and periodically reviewing the qualifications, experience and independence of, and meeting with, the consulting engineering firm retained to report on the oil and natural gas reserves of the Fund's subsidiaries.

### **Assessments**

The Board has a process where individual directors meet with the Chairman of the Board occasionally to discuss the effectiveness of the Board, the Board committees or individual directors.

### **APPROVAL**

The contents and mailing of this Information Circular have been approved by the directors of the Corporation.

**SCHEDULE "A"**  
**DETAILED DESCRIPTION OF PROPOSED AMENDMENTS TO THE**  
**TRUST INDENTURE AND THE SEL UNANIMOUS SHAREHOLDERS AGREEMENT**

*Trust Indenture*

- The definition of "Auditors" is to be amended so that it solely refers to the auditors of the Fund and no longer encompasses the auditors of the Managed Entities (as that term is defined in the Trust Indenture).
- The definition of "Material Contracts" is to be amended so that it refers to the Royalty Agreement and the Administrative Services Agreement (as both terms are defined in the Trust Indenture) and any underwriting agreement, and no longer encompasses any unanimous shareholder agreement among any of the Corporation, SHC or any other Managed Entity (as that term is defined in the Trust Indenture), the Trustee, for and on behalf of the Fund, and any shareholders of the Corporation, SHC or any other Managed Entity.
- The definition of "Unanimous Shareholder Agreement" is to be deleted in its entirety.
- Section 7.2(f) regarding the specific powers and authorities of the Trustee is to be amended so that the Trustee is no longer required to ensure that the directors of the Corporation and any other Managed Entity (as that term is defined in the Trust Indenture) are elected or appointed at intervals not exceeding eighteen months.
- Section 8.1(b) regarding the delegation of powers by the Trustee to the Corporation in its capacity as administrator of the Fund is amended so that the condition that the Corporation shall make no decisions with respect to the exercise of the voting rights at meetings of the Corporation or any other Managed Entity (as that term is defined in the Trust Indenture) is to be removed.
- Section 10.4 regarding the voting rights of Unitholders is to be amended so that the deadline for Unitholders to deposit their proxies for voting at Unitholders' meetings is changed from 24 hours to 48 hours prior to the commencement of such meetings.
- Section 10.5(a) is to be amended so that (i) the references to "Managed Entities" are deleted; (ii) the Unitholders will no longer be required to vote on the appointment of directors for any subsidiary entity of the Fund other than the Corporation; (iii) the Unitholders will no longer be required to vote on the appointment of auditors for any subsidiary entity of the Fund other than the Corporation; (iv) the Trustee shall now take such action as may be required by an ordinary resolution which relates to any other matters required by securities laws or other applicable laws or rules of a stock exchange to be submitted to the Unitholders for their approval by a threshold of more than 50%; and (v) the Unitholders will no longer vote to approve amendments to the by-laws of any subsidiary entity of the Fund.
- Section 10.5(b) is to be amended so that the Trustee is no longer required to exercise or cause the Corporation in its capacity as administrator of the Fund or others to exercise the voting rights at meetings of the Managed Entities (as that term is defined in the Trust Indenture) in favour of any matter that requires the sanction of a special resolution of the shareholder of the Managed Entities but instead shall now take such action as may be required by a special resolution which relates to any other matters required by securities laws or other applicable laws or rules of a stock exchange to be submitted to the Unitholders for their approval by a threshold of 66 2/3% or more.
- Section 16.2 regarding quarterly reporting to Unitholders is to be amended so that the Trustee will mail or "otherwise send" the Fund's interim financial statements to such Unitholders as are required under applicable securities laws within 45 days (or such other period as may be prescribed by applicable securities laws) after March 31, June 30 and September 30 in each year.
- Section 16.3(a) regarding annual reporting to Unitholders is to be amended so that the Trustee will mail or "otherwise send" the Fund's annual financial statements, together with the auditors' report thereon, to such Unitholders as are required under applicable securities laws within 90 days (or such other period as may be prescribed by applicable securities laws) after the end of each year.

*SEL Unanimous Shareholder Agreement*

- The definition of "Trust Indenture" is to be amended to change the date of the Trust Indenture from October 9, 2002 to September 6, 2005 and to remove Richardson Greenshields of Canada Limited as a party thereto.
- Section 3.2 is to be amended to clarify that SHC's obligation to vote the shares of the Corporation as resolved by the Unitholders and holders of Special Voting Units (as that term is defined in the Trust Indenture) at a meeting of Unitholders and holders of Special Voting Units is only with respect to the matters provided in Section 10.5 of the Trust Indenture for which Unitholders are provided the right to direct the voting of the shares of the Corporation.
- A new provision is to be added to provide that no amendments may be made to the SEL Unanimous Shareholder Agreement without the prior approval of the Unitholders and holders of Special Voting Units (as that term is defined in the Trust Indenture) by ordinary resolution at a meeting of the Unitholders and holders of Special Voting Units held in accordance with the Trust Indenture.
- Article 4 regarding voting is deleted in its entirety. As a result, Unitholders will no longer receive notice of and have the right to attend at the annual shareholder meeting of SEL. The Unitholders will continue to receive notice of and have the right to attend at the annual meeting of unitholders of the Fund. The amendments to the Trust Indenture will preserve the rights of Unitholders to direct how the shares of SEL are to be voted with respect to the election of directors and the appointment of auditors.
- The language in Article 4 regarding the Trustee having no voting rights respecting the Trust Units registered in the name of the Fund and that any such rights were to be exercised solely by Unitholders is to be deleted.
- Article 5 regarding issuance of shares is deleted in its entirety such that there is no longer a requirement for Unitholders' approval for the Corporation to issue additional shares.
- Article 10 is deleted in its entirety such that there is no longer a requirement for SHC and the Trustee to execute and deliver a unanimous shareholder agreement containing the same terms and conditions as the SEL Unanimous Shareholder Agreement relating to the rights of the Unitholders with respect to any wholly-owned subsidiary of SHC in addition to the Corporation, or any subsidiary of a wholly-owned subsidiary of SHC, including the Corporation, created or acquired during the term of the SEL Unanimous Shareholder Agreement.

**SCHEDULE "B"**

**SHININGBANK ENERGY LTD.**

**MANDATE OF THE BOARD OF DIRECTORS**

*(Adopted by the Board of Directors of Shiningbank Energy Ltd. on February 27, 2007)*

The Board of Directors (the "Board") of Shiningbank Energy Ltd. (the "Corporation") is responsible for the stewardship of the Corporation, the other subsidiary entities of Shiningbank Energy Income Fund (the "Fund") and the Fund itself (to the extent delegated to the Corporation pursuant to the Fund's Trust Indenture or the Administrative Services Agreement). In this document, the Fund and its subsidiary entities are collectively referred to as "Shiningbank".

In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Shiningbank. In general terms, the Board will:

- A. in consultation with the chief executive officer of the Corporation (the "CEO"), determine the strategic direction of Shiningbank;
- B. monitor the management of the business and affairs of Shiningbank;
- C. discharge the duties imposed on the Board by applicable laws; and
- D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

**Strategic Direction and Operating, Capital and Financial Plans**

- (a) require the CEO to meet with the Board at least annually to discuss the principal strategic and operational opportunities and risks of Shiningbank's business and the strategic direction of Shiningbank;
- (b) identify the principal risks of Shiningbank's business and use reasonable efforts to ensure the implementation of the appropriate systems to manage these risks;
- (c) approve the annual operating and capital budgets;
- (d) monitor Shiningbank's progress towards its annual operating and capital budgets, and revise and alter its direction through management in light of changing circumstances;
- (e) approve issuances of additional trust units or other securities of the Fund to the public and the establishment of credit facilities;
- (f) approve the distribution policy of the Fund;

**Management and Organization**

- (g) appoint the CEO and determine the terms of the CEO's employment with the Corporation;
- (h) evaluate the performance of the CEO at least annually;
- (i) in consultation with the CEO, establish the limits of management's authority and responsibility in conducting Shiningbank's business;
- (j) in consultation with the CEO, appoint all officers of the Corporation and approve the terms of each officer's employment with the Corporation;

- (k) receive annually the CEO's evaluation of the performance of each senior officer who reports to the CEO;
- (l) develop a succession plan for senior management and directors of the Corporation;
- (m) approve any proposed significant change in the management organization structure of the Corporation;
- (n) in consultation with the CEO, establish a disclosure policy for the Fund;
- (o) generally provide advice and guidance to management;

### **Finances and Controls**

- (p) use reasonable efforts to ensure that the Corporation maintains appropriate systems to manage the risks of the Shiningbank's business;
- (q) monitor the appropriateness of the Fund's capital structure;
- (r) recommend to the unitholders of the Fund a firm of chartered accountants to be appointed as the Fund's auditors;
- (s) obtain reasonable assurance that all financial information made public by the Fund (including the Fund's annual and interim financial statements) is accurate and complete and presents fairly, in all material respects, the Fund's financial position and performance in accordance with Canadian generally acceptable accounting principles;
- (t) obtain reasonable assurance that the financial performance of the Fund is properly reported to unitholders, other security holders and regulators on a timely and regular basis;
- (u) in consultation with the CEO, establish a code of business conduct and ethics to be observed by all officers and employees of the Corporation and use reasonable efforts to ensure that a process is in place to monitor compliance with such code;
- (v) require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;

### **Governance**

- (w) facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
  - (i) appointing a Chairman of the Board who is not a member of management;
  - (ii) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,
  - (iii) defining the mandate of each committee of the Board,
  - (iv) ensuring that processes are in place and are utilized to assess the effectiveness of the Board as a whole, each committee of the Board and each director, and
  - (v) establishing a system to enable any director to engage an outside adviser at the expense of the Corporation;
- (x) review annually the composition of the Board and its committees and propose nominees for election to the Board;
- (y) obtain reasonable assurance that a majority of the directors are "independent" (within the meaning of Section 1.4 of Multilateral Instrument 52-110 *Audit Committees*) and free from any direct and indirect material relationship, being one that could in the view of the Board, reasonably interfere with the exercise of a director's independent judgment;

- (z) review annually the adequacy and form of the compensation of directors;

**Delegation**

- (aa) the Board may delegate its duties to and receive reports and recommendations from any committee of the Board;

**Meetings**

- (bb) the Board shall meet at least four times per year and/or as deemed appropriate by the Chairman of the Board;
- (cc) the Board shall meet at the end of its regular quarterly meetings without members of management being present;
- (dd) minutes of each meeting shall be prepared;
- (ee) the CEO or his designate(s) may be present at all meetings of the Board;
- (ff) Vice Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board; and

**Report/Authority**

- (gg) following each meeting, the secretary of such meeting will report to the Board by way of providing draft copies of the minutes of the meetings.