



STONEHAM
DRILLING TRUST

TSX SYMBOL: SDG.UN



STONEHAM DRILLING TRUST MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006

Management's Discussion and Analysis (MD&A) should be read in conjunction with the Consolidated Financial Statements and Notes thereto of Stoneham Drilling Trust for the year ended December 31, 2005, Management's Discussion and Analysis for the year ended December 31, 2005, and the unaudited Consolidated Financial Statements for the three and six months ended June 30, 2006 and 2005. The Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Throughout this report the term "Stoneham" has been used to refer to Stoneham Drilling Trust, its subsidiaries, Stoneham Drilling Limited Partnership, Stoneham Drilling Inc. and Stoneham Administration Inc., as the context requires.

The information in this MD&A was prepared on August 3, 2006, and incorporates all relevant considerations to that date. This discussion provides management's analysis of Stoneham's historical financial and operating results and provides estimates of Stoneham's future financial and operating performance based on information currently available. Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results to vary significantly from the results implied by such forward looking statements. Consequently readers should not place undue reliance on any forward-looking statements. Readers should also be aware that historical results are not necessarily indicative of future performance. Forward-looking statements are based on the estimates and opinions of management at the date the statements are made, and, subject to its obligations under applicable law, Stoneham does not intend, and does not assume any obligation to update these forward looking statements if conditions or opinions should change.

Additional information relating to Stoneham, including the annual information form for the year ended December 31, 2005, may be found on Stoneham's website at www.stonehamdrilling.com or on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Overview

Stoneham Drilling Trust (the Trust) is an open-ended investment trust governed by the laws of the Province of Alberta pursuant to the Declaration of Trust. The Trust was established for the purpose of investing in property including the securities of Stoneham Drilling Limited Partnership (the Partnership), Stoneham Drilling Inc., and Stoneham Administration Inc., the manager of the Trust. The Trust is the limited partner in the Partnership holding a 99.99% interest. Stoneham Drilling Inc. is the general partner of the Partnership (the General Partner) holding the remaining 0.01% interest. Valiant Trust Company (the Trustee) is the Trustee of the Trust. The beneficiaries of the Trust are the holders of the trust units.

Selected Financial Information

\$ 000s except for per trust unit data and trust units outstanding	Three months ended June 30,		Six months ended June 30,	
	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)
Revenue	11,079	5,321	29,653	14,878
Net earnings	2,004	867	7,811	2,979
Per trust unit (basic and diluted)	0.25	0.14	0.97	0.54
Cash flow from operations (1)	3,043	1,332	10,559	4,263
Per trust unit (diluted)	0.38	0.22	1.32	0.77
Total assets	107,180	62,470	107,180	62,470
Long term debt (2)	717	2,769	717	2,769
Weighted average trust units outstanding				
Basic and diluted	8,023,261	6,156,561	8,023,261	5,556,407
EBITDA (3)	2,806	1,264	10,106	4,255

(1) Readers are advised that cash flow from operations does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to other companies. However, Stoneham does compute cash flow from operations on a consistent basis for each reporting period.

(2) Long term debt includes obligations under capital lease and callable debt, including the current portion of each.

(3) EBITDA means earnings before interest, taxes, depreciation and amortization. Readers are cautioned that EBITDA does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to other companies. However, Stoneham does compute EBITDA on a consistent basis for each reporting period. A reconciliation to a GAAP measure can be found on page 5 of this MD&A.

Highlights

- Net earnings for the second quarter of 2006 more than doubled to \$2.0 million from \$0.9 million during the same period in 2005 as a result of the improved rig utilization, new drilling rigs deployed in 2005 and price increases.
- Cash flow from operations increased 128% to \$3.0 million for the three months ended June 30, 2006, compared to \$1.3 million in the second quarter last year.
- On a diluted trust unit basis, net earnings in the second quarter of 2006 increased 79% to \$0.25 (2005 - \$0.14), while cash flow from operations rose 73% to \$0.38 (2005 - \$0.22).
- During the second quarter of 2006 Stoneham's rig utilization was 57.1%, which continued to exceed the industry average of 37.5% as reported by the Canadian Association of Oilwell Drilling Contractors (CAODC).
- Stoneham declared distributions of \$3.0 million or \$0.375 per trust unit to unitholders during the second quarter of 2006.

Operational Highlights

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Average number of rigs (1)	10	7	43%	10	6.8	47%
Number of rigs at quarter end	10	7	43%	10	7	43%
Operating days (2)	520	297	75%	1,323	786	68%
Stoneham rig utilization rate (3)	57.1%	46.6%	23%	73.1%	63.6%	15%
CAODC industry average (3)	37.5%	32.4%	16%	58.2%	51.6%	13%

(1) Rig 7 was deployed in February 2005.

(2) Operating days represent the days the rig is in operation from spud to rig release. It does not include stand-by, moving, rig-up or rig-out days.

(3) Rig utilization is the percentage of operating days to total days available.

Operating days increased 75% in the second quarter of 2006 to 520 and 68% year-over-year to 1,323. The increase is a result of increased capacity resulting from the 2005 rig construction program, continued strong demand for our services and improved utilization from more favourable weather conditions than were experienced in 2005. During the second quarter of 2005, record levels of rainfall in parts of western Canada decreased the number of operating days by impeding rig movement. Stoneham continues to operate at a utilization rate higher than the industry average and expects that this trend will continue for the remainder of the year.

The Canadian drilling industry is seasonal with activity building over the summer and fall and peaking during the winter months as northern transportation routes become accessible. The peak Canadian drilling season ends with spring break-up, at which time drilling operations are curtailed due to seasonal road bans (temporary prohibitions on road use). As warm weather returns in the spring many secondary roads are incapable of supporting the weight of heavy equipment until they have completely dried out. This spring break-up usually occurs in April and May and generally lasts from four to eight weeks.

Revenue and Operating Expenses

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Revenue	11,079	5,321	108%	29,653	14,878	99%
Operating expenses	7,257	3,364	116%	17,702	9,316	90%

The increase in operating days, price increases, and higher day rates associated with the new rigs resulted in higher revenue in the second quarter of 2006 and for the six months ended June 30, 2006. Revenue per operating day increased 19% to \$21,306 in the second quarter of 2006, from \$17,917 for the same period in 2005. Year-over-year revenue per operating day grew 19% to \$22,413 in 2006 from \$18,928 in 2005.

Operating expenses in the second quarter of 2006 were also higher due to the increase in activity, wage increases, higher rig consumable costs and certain rig recertification expenses. Operating expenses per operating day increased 24% to \$13,956 from \$11,326 during the same period in 2005. During the quarter Rigs 4, 5 and 6 were recertified accounting for 32% of the per operating day increase. Recertification of three rigs also took place in 2005, but with nearly 70% of the work taking place in the first quarter.

The increase in operating days, wage increases and higher costs for rig consumables also increased operating expense for the six months ended June 30, 2006. Operating expenses per operating day increased to \$13,380 from \$11,853 per operating day.

Modifications in the terms of contracts with our customers over time have resulted in a significant increase in operating expenditures that are recovered at cost from the customer. As a result of the increased significance of these amounts, Stoneham has applied the recommendations of CICA Emerging Issues Committee Abstract 123, Reporting Revenue Gross as a Principal Versus Net as an Agent, meaning that these cost recoverable amounts are now recorded as revenue and operating expenses rather than being netted as was the case previously. The first quarter 2006 and the three and six month 2005 comparative results have been restated to reflect this change. On a per operating day basis, this results in revenue and operating expenses increasing by \$1,532 for the second quarter of 2006 (2005 - \$597) and by \$2,315 for the six months ended June 30, 2006 (2005 - \$1,196).

General and Administrative Expenses

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
General and administrative expenses	1,016	694	46%	1,845	1,307	41%

The increases in general and administrative expenses in 2006 are attributable to the impact of additional staff hired throughout 2005 and 2006 to manage our larger fleet and other costs, including insurance, associated with Stoneham's growth.

Amortization

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Amortization	1,040	465	124%	2,748	1,284	114%

Amortization of property, plant and equipment more than doubled for the three and six months ended June 30, 2006. The increase is partially a result of the increase in operating days in the first half of 2006, because the majority of Stoneham's capital assets are amortized on a unit-of-production basis. Per operating day amortization also rose reflecting the higher cost of the new higher capacity equipment purchased in the last half of 2005.

Interest Expense (Income)

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Interest on term and callable debt	13	43	-70%	32	150	-79%
Other interest (income)	(251)	(112)	124%	(485)	(158)	207%

Interest on term and callable debt, including capital leases, decreased 70% to \$0.01 million in the second quarter of 2006, and decreased 79% year to date. The reduction reflects reduced levels of term debt. Other interest is comprised of interest income derived from investing cash from the equity financings completed during 2005 that is not immediately required for Stoneham's 2006 capital expenditure program. The cash is invested in short-term low risk instruments.

Interest Rate Risk Management

Stoneham is exposed to fluctuations in interest rates on our floating rate callable debt. Stoneham manages interest rate risk by utilizing a mixture of fixed and floating rate debt.

Income Taxes

The Trust distributes all of its taxable income to its unitholders, therefore the only income taxes recognized are those incurred by the General Partner. Taxable income of the General Partner is not significant and as a result its income taxes are included with general and administrative expenses.

Liquidity and Capital Resources

At June 30, 2006, Stoneham's working capital was \$30.5 million, down from \$40.8 million at December 31, 2005. A significant portion of the December 31, 2005 balance was as a result of the December 2005 equity issue in contemplation of Stoneham's 2006 rig construction program. The decrease in working capital in the first six months of 2006 is attributable to capital expenditures on the rig construction program. As construction costs are incurred Stoneham expects the working capital balance to further decrease. During the quarter \$0.2 million of debt was repaid bringing the year to date total to \$0.8 million.

At June 30, 2006, Stoneham had available to it operating line facilities totaling \$9.5 million, of which no amounts were drawn. Subsequent to the end of the quarter, Stoneham completed the formal loan documentation to restructure its credit facilities. Under the new agreement, the Trust's obligations under capital lease and callable debt will be replaced with a \$30.0 million, 364-day extendable revolving credit facility. In addition, as part of the agreement the operating loan will be increased to \$12.0 million. Proceeds from the revolving credit facility together with existing cash balances will be used to fund the balance of the rig construction program.

Operating Activities

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Net earnings	2,004	867	131%	7,811	2,979	162%
Cashflow from operations	3,043	1,332	128%	10,559	4,263	148%

Additional operating days associated with the new drilling rigs, improved rig utilization and price increases are responsible for the increase in both net earnings and cash flow from operations. Earnings and cash flow from operations are sensitive to the demand for Stoneham's services.

Reconciliation of Non-GAAP Measure

\$ 000s	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net earnings	2,004	867	7,811	2,979
Add (deduct):				
Amortization	1,040	465	2,748	1,284
Interest on term and callable debt	13	43	32	150
Other interest (income)	(251)	(111)	(485)	(158)
EBITDA (1)	2,806	1,264	10,106	4,255

(1) EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

The above table reconciles the non-GAAP measure EBITDA to net earnings, a GAAP measure. Management believes in addition to net earnings, EBITDA and cash flow from operations provide supplemental financial information that is useful in the evaluation of Stoneham's operations. Cash flow from operations is derived from our Consolidated Statements of Cash Flows, and represents cash provided by operating activities, before changes in non-cash working

capital items. Investors should be cautioned however, that EBITDA and cash flow from operations should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of Stoneham's performance.

Investing Activities

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Capital expenditures	7,004	3,557	97%	14,627	13,256	10%

During the second quarter of 2006 Stoneham continued to incur costs on its rig construction program with deposits and progress payments continuing to be made on five of the seven drilling rigs currently under construction. Construction of these rigs is progressing as expected, with the rigs expected to be deployed during the fourth quarter of 2006. In the first quarter of 2006, the supplier constructing the other two drilling rigs was acquired by a Stoneham competitor. Timing of completion of these drilling rigs has been delayed. In connection therewith, Stoneham filed a statement of claim on May 26, 2006 against the supplier. On June 15, 2006, the supplier filed a statement of defense and counterclaim. The claims are under review by Stoneham's legal counsel.

In 2005, construction of Rigs 7 and 8 were completed in the first quarter with deposits and progress payments made on Rigs 9, 10, 11 and 12 throughout the six month period.

During the quarter the Trust announced the construction of and paid deposits on Rigs 19 and 20, which are expected to be completed in the fourth quarter of 2007 for an aggregate cost of \$23.0 million.

Financing Activities

\$ 000s	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Net change in term debt (1)	(202)	(619)	-67%	(810)	(11,006)	-93%
Changes in capital	-	-	-	-	39,470	-

(1) Includes long-term debt, callable debt, capital leases and amounts due to unitholders.

Term debt repayments of \$0.02 million for the three months ended June 30, 2006 decreased 67% from the same period in 2005 due to debt repayment during the year. During the first quarter of 2005 the Trust completed its initial public offering and a follow up private placement. A portion of the funds from the initial public offering were used to repay certain debt facilities.

Distributions

\$ 000s, except for per trust unit amounts	Three months ended June 30,			Six months ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Net earnings	2,004	867	131%	7,811	2,979	162%
Cash flow from operations	3,043	1,332	128%	10,559	4,263	148%
Distributions paid and payable	3,009	2,309	30%	6,017	4,322	39%
Distributions per trust unit	0.375	0.375	-	0.75	0.75	-

Stoneham makes monthly distributions to unitholders from cash flow from operations, after withholding a portion of cash flow to repay debt and fund capital expenditures. The level of cash flow retained will vary based on debt levels and anticipated capital expenditures. Stoneham is prepared to adjust the payout levels in an effort to balance desired distributions with the requirement to maintain an appropriate capital structure. Stoneham maintains a policy of paying

out up to 75% of its cash flow from operations in distributions. For the three and six month periods ended June 30, 2006 the payout ratio was 99% and 57% respectively. Stoneham currently makes monthly cash distributions of \$0.125 per trust unit (\$1.50 per trust unit per annum).

At June 30, 2006 and at August 3, 2006, the Trust had 8,023,261 trust units outstanding compared with 6,156,561 trust units outstanding at June 30, 2005. The Trust does not have an equity option plan for directors, officers or employees.

Selected Quarterly Financial Information

\$ 000s except per trust unit data and utilization	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	2006	June 30 2005	2006	March 31 2005	2005	December 31 2004	2005	September 30 2004
Revenue (1)	11,079	5,321	18,573	9,556	15,239	7,997	10,458	5,421
Net earnings	2,004	867	5,807	2,112	5,133	1,938	2,662	523
Per trust unit (basic)	0.25	0.14	0.72	0.43	0.77	0.69	0.43	0.19
Per trust unit (diluted)	0.25	0.14	0.72	0.43	0.77	0.60	0.43	0.17
Cash flow from operations	3,043	1,332	7,515	2,932	6,479	2,715	3,730	1,138
Per trust unit (diluted)	0.38	0.22	0.94	0.59	0.98	0.84	0.61	0.36
Utilization:								
Stoneham	57%	47%	89%	80%	84%	82%	71%	61%
Industry	38%	32%	81%	71%	71%	62%	63%	47%

(1) Revenue has been restated to reflect the adoption of the CICA's Emerging Issues Committee Abstract 123. For additional information please see Note 1 to the financial statements for the three and six month periods ended June 30, 2006.

Stoneham Drilling Trust
Consolidated Balance Sheets

	June 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 27,328,481	\$ 35,658,986
Accounts receivable	8,895,307	14,595,531
Prepaid expenses	288,343	512,728
	36,512,131	50,767,245
Property, plant and equipment	70,667,595	58,789,021
	\$ 107,179,726	\$ 109,556,266
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,486,760	\$ 7,846,657
Distributions payable (Note 3)	1,002,908	1,002,908
Current portion of obligations under capital lease	402,484	391,251
Callable debt	140,000	757,000
	6,032,152	9,997,816
Obligations under capital lease	174,536	378,626
	6,206,688	10,376,442
UNITHOLDERS' EQUITY		
Unitholders' capital	89,198,008	89,198,008
Accumulated earnings	26,964,954	19,154,295
Accumulated distributions to unitholders (Note 3)	(15,189,924)	(9,172,479)
	100,973,038	99,179,824
	\$ 107,179,726	\$ 109,556,266

Stoneham Drilling Trust
Consolidated Statements of Earnings and Accumulated Earnings (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
		(Restated - Note 1)	(Note 1)	(Restated - Note 1)
REVENUE	\$ 11,079,229	\$ 5,321,272	\$ 29,653,040	\$ 14,877,739
EXPENSES				
Operating	7,257,548	3,363,842	17,701,570	9,316,373
Amortization	1,039,673	465,176	2,748,212	1,284,426
General and administrative	1,015,668	693,880	1,845,239	1,306,610
Interest on term and callable debt	13,556	43,466	32,770	149,517
Other interest (income)	(251,004)	(111,900)	(485,410)	(158,246)
	9,075,441	4,454,464	21,842,381	11,898,680
Net earnings	2,003,788	866,808	7,810,659	2,979,059
Accumulated earnings, beginning of period	24,961,166	10,492,048	19,154,295	8,379,797
Accumulated earnings, end of period	\$ 26,964,954	\$ 11,358,856	\$ 26,964,954	\$ 11,358,856
Earnings per unit				
Basic and diluted	\$ 0.25	\$ 0.14	\$ 0.97	\$ 0.54

Stoneham Drilling Trust
Consolidated Statements of Cash Flows (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net earnings for the period	\$ 2,003,788	\$ 866,808	\$ 7,810,659	\$ 2,979,059
Adjustments for an item not affecting cash:				
Amortization	1,039,673	465,176	2,748,212	1,284,426
Cash flow from operations	3,043,461	1,331,984	10,558,871	4,263,485
Change in non-cash working capital (Note 4)	8,638,470	3,518,030	3,914,577	2,519,649
	11,681,931	4,850,014	14,473,448	6,783,134
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(7,004,071)	(3,557,192)	(14,626,787)	(13,256,093)
Changes in accounts payable relating to investing activities	1,485,807		(1,349,861)	1,241,533
	(5,518,264)	(3,557,192)	(15,976,648)	(12,014,560)
FINANCING ACTIVITIES				
Term and callable debt repayments	(202,111)	(619,272)	(809,857)	(11,005,954)
Trust unit issue	-	-	-	39,269,830
Proceeds on exercise of Trust unit options	-	-	-	200,000
Distributions paid and payable to Trust unitholders (Note 3)	(3,008,724)	(2,308,710)	(6,017,448)	(4,321,720)
Interest paid to Trust unitholders	-	-	-	(22,978)
Changes in accounts payable relating to financing activities	-	-	-	769,570
	(3,210,835)	(2,927,982)	(6,827,305)	24,888,748
Increase (Decrease) in cash and cash equivalents	2,952,832	(1,635,160)	(8,330,505)	19,657,322
Cash and cash equivalents (Bank indebtedness), beginning of period	24,375,649	20,438,267	35,658,986	(1,919,015)
Cash and cash equivalents, end of period	\$ 27,328,481	\$ 18,803,107	\$ 27,328,481	\$ 17,738,307

Stoneham Drilling Trust
Notes to the Consolidated Financial Statements
June 30, 2006 and June 30, 2005
(unaudited)

1. Basis of Presentation

These interim financial statements were prepared using accounting policies and methods of their application consistent with those used in the preparation of the Stoneham Drilling Trust (the "Trust") audited consolidated financial statements for the year ended December 31, 2005. These interim financial statements conform in all respects to the requirements of generally accepted accounting principles in Canada for annual financial statements with the exception of certain note disclosures. As a result, these interim financial statements should be read in conjunction with the Trust's audited financial statements for the year ended December 31, 2005, contained in the Trust's 2005 annual report.

Due to the increased significance of operating expenditures recovered at cost from our customers, the Trust has applied the recommendations of CICA Emerging Issues Committee Abstract 123, Reporting Revenue Gross as a Principal Versus Net as an Agent ("EIC 123"). Under EIC 123 the cost recoverable amounts are now recorded as revenue and operating expenses rather than being netted as was the case previously. As a result an adjustment has been made to increase revenue and operating expenses \$177,262 and \$940,044 respectively for the three and six month periods ended June 30, 2005. Revenue was previously reported as \$5,144,010 and \$13,937,695 for the three and six month periods ending June 30, 2005. Operating expenses were previously reported as \$3,186,580 and \$8,376,329 for the three and six month periods ending June 30, 2005. Revenue and operating expenses for the six months ended June 30, 2006 have increased \$2,265,452 to account for expenditures recovered during the three months ended March 31, 2006.

2. Seasonality of Operations

All of the Trust's operations are carried out in Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this spring break-up has a direct impact on the Trust's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen sufficiently to support drilling equipment and services. The timing of freeze up and spring break-up affects the ability to move drilling equipment in and out of these areas. As a result, April through May is traditionally our slowest time.

3. Accumulated Distributions to Unitholders

The following table shows the cumulative distributions to unitholders.

	<u>\$/unit</u>	<u>Amount</u>
Amount declared during the year ended December 31, 2005	1.500	\$ 9,172,479
January, 2006	0.125	1,002,908
February, 2006	0.125	1,002,908
March, 2006	0.125	1,002,908
April, 2006	0.125	1,002,908
May, 2006	0.125	1,002,908
June, 2006 (declared and payable in July, 2006)	0.125	1,002,908

Stoneham Drilling Trust
Notes to the Consolidated Financial Statements
June 30, 2006 and June 30, 2005
(unaudited)

4. Supplemental Cash Flow Information

Changes in non-cash working capital

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
(Increase) decrease in current assets				
Accounts receivable	\$ 11,324,369	\$ 4,409,493	\$ 5,700,224	\$ 3,128,669
Prepaid expenses	123,286	59,453	224,385	473,067
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	(2,809,185)	(947,183)	(2,010,032)	(1,078,354)
Income taxes payable	-	(3,733)	-	(3,733)
	\$ 8,638,470	\$ 3,518,030	\$ 3,914,577	\$ 2,519,649
Interest paid	\$ 14,326	\$ 42,158	\$ 33,540	\$ 151,696
Income taxes paid	\$ -	\$ 1,624	\$ -	\$ 1,624

5. Subsequent Event

Subsequent to the end of the second quarter the formal loan documentation of the new credit facility was completed. Under the new facility the operating loan increases to \$10.0 million. It remains subject to margin requirements and bears interest at a rate of prime plus 0.50%. The amount available under the Trust's secondary demand operating facility remains at \$2.0 million bearing interest at a rate of prime plus 0.75%. The Trust's obligations under capital lease and callable debt as described in Notes 5 and 6 to the financial statements for the year ended December 31, 2005 will be replaced with a \$30.0 million 364 day extendible revolving credit facility. The full facility bears interest at the lenders' prime rate plus 0.75% or bankers' acceptance rate plus 2.25%. The facility is secured by a general security agreement and the assignment to the bank of all risk insurance.

Pursuant to the terms of the credit facility, the parties may agree to extend the revolving period for a further 364 day period. If not extended, the revolving facility will convert to a four year non-revolving term loan with the first payment due three months after the commencement of the term period.

**TRUST INFORMATION
STONEHAM DRILLING INC.
DIRECTORS**

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Calgary, Alberta

Donald D. Copeland ⁽²⁾⁽⁴⁾
Calgary, Alberta

D. Grant Gunderson ⁽⁴⁾
Calgary, Alberta

Bruce W. Jones
DeWinton, Alberta

Kenneth D. Poffenroth ⁽²⁾⁽³⁾
Spruce Grove, Alberta

**STONEHAM ADMINISTRATION INC.
DIRECTORS**

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D. Grant Gunderson ⁽⁵⁾
Calgary, Alberta

Perry W. Jasson ⁽²⁾⁽⁵⁾
Calgary, Alberta

Bruce W. Jones
DeWinton, Alberta

J. Wayne Thomas ⁽²⁾
Calgary, Alberta

- ⁽¹⁾ Chair of the Board
- ⁽²⁾ Member of the Audit Committee
- ⁽³⁾ Member of the Compensation Committee
- ⁽⁴⁾ Member of the Governance Committee
- ⁽⁵⁾ Member of the Governance and Compensation Committee

OFFICERS

Bruce W. Jones
President and Chief Executive Officer

Jack M. Smart, CA
Chief Financial Officer

Scott W. N. Clarke
Corporate Secretary

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Field Operations Office

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Nisku, Alberta T9E 7Y2
Telephone: (780) 955-4242
Fax: (780) 955-4757

Trustee Registrar and Transfer Agent

Valiant Trust Company
310, 606 – 4th Street S.W.
Calgary, Alberta T2P 1T1

Stock Exchange Listing

Toronto Stock Exchange
Symbol: **SDG.UN**

Auditors

PricewaterhouseCoopers LLP
3100, 111 – 5th Avenue S.W.
Calgary, Alberta T2P 5L3

Bankers

HSBC Bank Canada
9th Floor, 407 – 8th Avenue S.W.
Calgary, Alberta T2P 1E5

Legal Counsel

Blake Cassels & Graydon LLP
3500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4J8