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阳光油砂

SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

(a corporation incorporated under the Business Corporations Act of the Province of Alberta, Canada with limited liability)

(HKEX: 2012)

ANNOUNCEMENT OF RESULTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2021

Sunshine Oilsands Ltd. is pleased to announce its financial results for the first quarter ended March 31, 2021. Please see the attached announcement for further information.

By Order of the Board of Sunshine Oilsands Ltd.

Sun Kwok Ping
Executive Chairman

Hong Kong, May 24, 2021
Calgary, May 23, 2021

As at the date of this announcement, the Board consists of Mr. Kwok Ping Sun and Ms. Gloria Pui Yun Ho as executive directors; Mr. Michael John Hibberd, Ms. Linna Liu and Ms. Xijuan Jiang as non-executive directors; and Mr. Yi He, Mr. Alfa Li and Mr. Guangzhong Xing as independent non-executive directors.

**For identification purposes only*

Sunshine Oilsands Ltd.
Announcement of Results for the First Quarter
ended March 31, 2021
1Q21 net attributable loss (excluding non-
recurring foreign exchange gain/ losses)
increased by 11.8% to CAD\$17.0 m
versus CAD\$15.2 m in 1Q20

CALGARY/HONG KONG – Sunshine Oilsands Ltd. (the “Corporation” or “Sunshine”) (HKEX: 2012) today announced its financial results for the first quarter ended March 31, 2021. The Corporation’s condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements and management’s discussion and analysis have been filed on SEDAR (www.sedar.com) and with The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (www.hkexnews.hk) and are available on the Corporation’s website (www.sunshineoilsands.com). All figures used in this release are in Canadian dollars unless otherwise stated.

MESSAGE TO SHAREHOLDERS

For the three months ended March 31, 2021, the Company’s average bitumen production was 0 bbls/day. Diluent was blended with the bitumen as part of the production process to create the marketable “Dilbit” blend product, and the average dilbit sales volume was 27 bbls/day in the first quarter of 2021.

SUNSHINE’S CAPITAL RAISING AND OTHER EQUITY ACTIVITIES DURING 1Q21

As at October 1, 2020, the Company has received notice for conversion from the Subscriber of the HK\$72,000,000 CB as per the Subscription agreement dated 1 April 2020. The Subscriber, as intended to convert the CB in whole, has made application to the Securities & Futures Commission of Hong Kong (“HKSF”) for a Whitewash Waiver. The Whitewash Waiver was conditionally granted by HKSF on March 4, 2021. The Conversion and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on March 5, 2021.

SUMMARY OF FINANCIAL FIGURES

For 1Q21, net attributable loss (excluding non-recurring foreign exchange gain/losses) increased by 11.8% to CAD\$17.0 million, versus CAD \$15.2 million in 1Q20.

As at March 31, 2021 and December 31, 2020, the Corporation notes the following selected balance sheet figures.

<i>(Canadian \$000s)</i>	March 31, 2021	December 31, 2020
Cash	469	838
Trade and other receivables	2,100	1,636
Exploration and evaluation assets	255,529	256,195
Property, plant and equipment	477,384	481,825
Total liabilities	593,700	596,240
Shareholders’ equity	162,509	165,420

2021 OUTLOOK

Sunshine will continue to focus on cost controls and carefully monitor developments in crude oil markets as well as the development of COVID-19 pandemic in North America. The Company is also continuing with its joint venture for re-activation of the Muskwa and Godin Area activities as international oil price recovers.

Kwok Ping Sun

Executive Chairman

Gloria Ho

Chief Financial Officer

ABOUT SUNSHINE OILSANDS LTD.

The Corporation is a Calgary based public corporation, listed on the Hong Kong Stock Exchange since May 1, 2012. The Corporation is focused on the development of its significant holdings of oil sands and heavy oil leases in the Athabasca oil sands region. The Corporation owns interests in oil sands and petroleum and natural gas leases in the Athabasca region of Alberta. The Corporation is currently focused on executing milestone undertakings in the West Ells project area. West Ells Phase 1 is operational and has an initial production target of 5,000 barrels per day.

For further enquiries, please contact:

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FORWARD LOOKING INFORMATION

This announcement contains forward-looking information relating to, among other things, (a) the future financial performance and objectives of Sunshine; (b) the plans and expectations of the Corporation; and (c) the anticipated closings of the current private placements and the timing thereof. Such forward-looking information is subject to various risks, uncertainties and other factors. All statements other than statements and information of historical fact are forward-looking statements. The use of words such as “estimate”, “forecast”, “expect”, “project”, “plan”, “target”, “vision”, “goal”, “outlook”, “may”, “will”, “should”, “believe”, “intend”, “anticipate”, “potential”, and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on Sunshine’s experience, current beliefs, assumptions, information and perception of historical trends available to Sunshine, and are subject to a variety of risks and uncertainties including, but not limited to, those associated with resource definition and expected reserves and contingent and prospective resources estimates, unanticipated costs and expenses,

regulatory approval, fluctuating oil and gas prices, expected future production, the ability to access sufficient capital to finance future development and credit risks, changes in Alberta's regulatory framework, including changes to regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations and the impact thereof and the costs associated with compliance. Although Sunshine believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions and factors discussed in this announcement are not exhaustive and readers are not to place undue reliance on forward-looking statements as the Corporation's actual results may differ materially from those expressed or implied. Sunshine disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise, subsequent to the date of this announcement, except as required under applicable securities legislation. The forward-looking statements speak only as at the date of this announcement and are expressly qualified by these cautionary statements. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of the Corporation's material risk factors, see risk factors described in other documents we file from time to time with securities regulatory authorities, all of which are available on the Hong Kong Stock Exchange at www.hkexnews.hk or the Corporation's website at www.sunshineoilsands.com.



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SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2021



Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("Sunshine" or the "Company") for the three months ended March 31, 2021 is dated May 23, 2021, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months period ended March 31, 2021 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.95 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2020 was approximately 1.63 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the Western Hemisphere and the third largest oil resource in the world. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

The Company's focus is on evaluating and developing its oil sands assets with the completion and operation of the 5,000 bbls/day Phase I commercial West Ells (the "Project"). When financing is available, the Company is planning to add an additional 5,000 barrels per day Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at March 31, 2021, the Company had invested approximately \$1.29 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at March 31, 2021, the Company had \$0.47 million in cash.

The Company relies on its ability to obtain various forms of financing and cash flow from operations to fund administration expenses and future exploration and development cost of its projects. The Company's ability to continue as a going concern is dependent on continuing operations and development in West Ells, marketing bitumen blends at favorable prices, achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that steps management will take will be successful. As such, there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

Operational Update

West Ells

On March 1, 2017, the Company achieved a key milestone. The Project commenced commercial production. Hence, effective March 1, 2017, the Company started recording revenue, royalties, expenses and depletion of the West Ells Project.

For the three months ended March 31, 2021, the Company's average bitumen production was 0 bbls/day. Diluent was blended at a 0% volumetric rate with the bitumen as part of the production process to create the marketable "Dilbit" blend product, and the average dilbit sales volume was 27 bbls/day in the first quarter of 2021.

On March 31, 2020, the Board has decided to temporarily suspend production due to volatility in the international crude oil market, severe decline in crude oil prices, and having considered the fact that the Company's West Ells production equipment and road need repair, coupled with the outbreak of COVID-19 in Canada.

The Company expects that the temporary suspension will not have a material adverse impact on its operations. Management of the Company will continue to closely monitor developments in the international crude oil market and intends to take appropriate actions accordingly in response to the actual situation, and act in the best interests of the Company and its shareholders as a whole.

Thickwood and Legend



The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2021. Once the Thickwood and Legend Lake's projects are sanctioned for development and construction, additional significant financing will need to be secured to proceed.

Muskwa and Godin Clastics Operations (Non-Operated 50% working interest)

As at the date of this announcement, Muskwa has no production. Development of Muskwa area is expected to be reactivated in 2021 under new ownership of Reenergy, at no cost to Sunshine.

Summary of Quarterly Results

The following table summarizes selected unaudited financial information for the Company for the last eight quarters:

(\$ thousands except per share & bbl/d)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Bitumen sales (bbl/d)	22	-	-	-	871	1,657	2,130	2,049
Petroleum sales	144	78	266	-	3,840	9,192	12,691	14,434
Royalties	-	-	-	-	6	94	179	277
Diluent	-	-	560	46	1,236	3,133	3,345	3,747
Transportation	43	-	151	(4)	2,379	2,933	4,561	4,140
Operating costs	1,825	1,518	1,584	1,940	4,679	3,027	4,765	5,616
Finance cost	13,422	11,304	13,998	(6,501)	6,149	26,448	8,290	9,433
Net loss	2,688	(41,190)	12,028	(14,591)	41,770	43,530	19,140	9,799
Per share - basic and diluted restated at post share consolidation	0.02	(0.02)	0.09	0.16	0.32	0.64	0.33	0.28
Capital expenditures ¹	428	450	294	431	299	654	549	1,095
Total assets	756,209	761,660	766,750	771,561	773,605	760,658	775,818	781,385
Working capital deficiency ²	513,103	509,044	538,179	260,532	262,004	515,555	488,052	489,793
Shareholders' equity	162,509	165,420	141,463	153,514	134,418	158,885	201,204	217,723

1. Included payments for exploration and evaluation, property, plant and equipment.
 2. The working capital deficiency includes the USD current portion of the Notes converted to CAD at each period end exchange rate.

Results of Operations

Operating Netback

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2021	2020
Realized bitumen revenue	\$ 144	\$ 2,604
Transportation	(43)	(2,379)
Royalties	-	(6)
Net bitumen revenues	101	219
Operating costs	(1,825)	(4,679)
Operating cash flow	\$ (1,724)	\$ (4,460)
Operating netback (\$ / bbl)	(705.94)	(56.29)

1. Operating cash flow is a non-GAAP measure which is defined in the Advisory section of the MD&A.

The Operating cash flow for the three months ended March 31, 2021 was a loss of \$1.7 million compared to a net loss of \$4.5 million for the three months ended March 31, 2020. Operating netback loss per barrel increased by \$649.65/bbl from a loss of \$56.29/bbl to a loss of \$705.94/bbl. The increase in the loss of operating cash flow per barrel was primarily because operating cost per barrel was relatively larger than 1Q20 due to the decrease in dilbit sales volume.



Bitumen Production

	For the three months ended March 31,	
(Barrels/day)	2021	2020
Bitumen production	-	995

Bitumen production at West Ells for the three months ended March 31, 2021 averaged at 0 Bbls/day compared to 995 Bbls/day for the three months ended March 31, 2020. Bitumen production decreased by 995 Bbls/day for the three months ended March 31, 2021 compared to the same period in 2020 due to temporary production suspension since March 31, 2020. The Company will continue to monitor the international oil market and the development of Covid-19 pandemic in North America closely.

Bitumen Sales

	For the three months ended March 31,	
(Barrels/day)	2021	2020
Bitumen sales	22	871

Bitumen sales at West Ells for the three months ended March 31, 2021 averaged 22 Bbls/day compared to 871 Bbls/day for the three months ended March 31, 2020. Bitumen sales decreased by 849 Bbls/day for the three months ended March 31, 2021 compared to the same period of 2020 due to temporary suspension of production since March 31, 2020.

Petroleum Sales, net of royalties

	For the three months ended March 31,	
(\$ thousands, except \$/bbl)	2021	2020
Petroleum sales	\$ 144	\$ 3,840
Royalties	-	(6)
Petroleum sales, net of royalties	\$ 144	\$ 3,834
\$ / bbl	58.75	48.37

Petroleum sales are from the sales of dilbit. Petroleum sales, net of royalties for the three months ended March 31, 2021 was \$0.1 million compared to \$3.83 million for the three month ended March 31, 2020. Petroleum sales per barrel increased by \$10.38/bbl to \$58.75/bbl compared to \$48.37/bbl for the same period of 2020. The decrease of \$3.70 million sales (net of royalties) is mainly due to temporary suspension of production since March 31, 2020.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above \$55 per barrel, to a maximum of 9% when the WTI crude oil price is \$120 per barrel or higher. The West Ells project is currently in pre-payout. Royalties for the three months ended March 31, 2021 decreased by \$0.006 million compared to the same period of 2020. The decrease was mainly due to temporary suspension of production since March 31, 2020.

Bitumen Realization

	For the three months ended March 31,	
(\$ thousands, except \$/bbl)	2021	2020
Dilbit revenue	\$ 144	\$ 3,840
Diluent blended	-	(1,236)
Realized bitumen revenue ¹	\$ 144	\$ 2,604
\$ / bbl	58.75	32.85

1. Realized bitumen revenue is used to calculate operating netbacks.

Bitumen realization represents the Company's realized petroleum revenue ("Dilbit revenue"), net of diluent expenses. Dilbit revenue represents the Company's revenue from its bitumen produced at West Ells project blended with purchased diluent. The cost of blending is impacted by the amount of diluent required and the Company's cost of purchasing and transporting the diluent. A portion of the diluent expense is effectively recovered in the sales price of the blended product.

During the three months ended March 31, 2021, the Company's bitumen realization revenue was \$0.1 million compared to \$2.6 million for the three months ended March 31, 2020. Bitumen realization decreased by \$2.46



million for the three months ended March 31, 2021 mainly due to temporary suspension of production since March 31, 2020. For the three months ended March 31, 2021, the bitumen realized price per barrel increased by \$25.90/bbl to \$58.75/bbl compared to \$32.85/bbl for the three months ended March 31, 2020.

Diluent Costs

(\$ thousands, except \$/bbl and blend ratio)	For the three months ended March 31,	
	2021	2020
Diluent	\$ -	\$ 1,236
\$ / bbl	-	15.60
Blend ratio	-	19.8%

At West Ells, diluent is blended with the bitumen as part of the production process to create a marketable dilbit blend product at the West Ells. Diluent expense is mainly impacted by the required amount, cost of purchasing and transporting diluent, Canadian and U.S. benchmark pricing, the timing of diluent inventory purchases and changes in value of the Canadian dollar relative to the U.S. dollar.

Diluent costs for the three months ended March 31, 2021 and March 31, 2020 were \$0 million and \$1.2 million respectively. Diluent costs decreased by \$1.2 million for the three months ended March 31, 2021 mainly due to temporary suspension of production since March 31, 2020. For the three months ended March 31, 2021, the diluent cost per barrel was reduced by \$15.60/bbl to \$0/bbl from \$15.60/bbl for the same period in 2020.

Transportation

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2021	2020
Transportation	\$ 43	\$ 2,379
\$ / bbl	17.76	30.02

Transportation cost includes trucking costs for dilbit from 3rd parties and pipeline terminals fees. The transportation expense in the three months ended March 31, 2021 and March 31, 2020 was \$0.04 million and \$2.4 million, respectively. Transportation costs decreased by \$2.3 million for the three months ended March 31, 2021 mainly due to decrease in dilbit sales volume. For the three months ended March 31, 2021, transportation cost per barrel decreased by \$12.26/bbl to \$17.76/bbl from \$30.02/bbl for the same period in 2020 mainly due to decreased rate charged by third-party trucking companies.

Operating Costs

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2021	2020
Energy operating costs	\$ 661	\$ 985
Non-energy operating costs	1,164	3,694
Operating costs	\$ 1,825	\$ 4,679
\$ / bbl	746.94	59.04

Operating costs are comprised of the sum of non-energy operating costs and energy cost. Non-energy operating cost represents production-related operating activities, excluding energy operating costs. Energy operating costs represent the cost of natural gas for the production of steam and power at the West Ells facilities.

The operating expense per barrel for the three months ended March 31, 2021 was \$746.94/bbl compared to \$59.04/bbl for the three months ended March 31, 2020. For the three months ended March 31, 2021, the operating costs per barrel increased by \$687.90/bbl compared to the same period in 2020 primarily due to no production since March 31, 2020. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production resumes at West Ells.

General and Administrative Costs

(\$ thousands)	For the three months ended March 31,	
	2021	2020
Salaries, consultants and benefits	\$ 967	\$ 1,534
Rent	54	9



Legal and audit		271		130
Other		287		699
Balance, end of year	\$	1,579	\$	2,372

The Company's general and administrative costs were \$1.6 million and \$2.4 million for the three months ended March 31, 2021 and March 31, 2020 respectively. General and administrative costs decreased by \$0.8 million for the three months ended March 31, 2021 primarily due to workforce reductions as a result of temporary suspension of production since March 31, 2020 and the Company's continued focus on cost management.

Finance Costs

		March 31, 2021		March 31, 2020	
Interest expense on senior notes, including yield maintenance premium	\$	10,259	\$	4,870	
Interest expense on other loans		1,479		936	
Financing related costs		-		2	
Other interest expense		1,482		15	
Other interest expense - leases		40		42	
Unwinding of discounts on provisions		162		284	
	\$	13,422	\$	6,149	

The Company's finance costs were \$1.7 million for the three months ended March 31, 2021 compared to \$6.1 million for the three months ended March 31, 2020. Finance cost increased by \$7.3 million for the three months ended March 31, 2021 compared to the same period in 2020 as a result of an increase of \$5.4 million attributed to interest expense on senior notes including YMP, an increase of \$1.5 million attributed to other interest expense, and an increase of \$0.5 million attributed to interest expense on other loan.

Share-based Compensation

(\$ thousands)		For the three months ended March 31,						
		2021			2020			
	Total	Capitalized	Expensed	Total	Capitalized	Expensed		
Share-based compensation	\$	1	-	1	\$	127	-	127

Share-based compensation expense for the three months ended March 31, 2021 was \$0 compared to \$0.1 million for the same period in 2020. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Depletion and Depreciation

(\$ thousands, except \$/bbl)	For the three months ended March 31,			
	2021		2020	
	\$		\$	
Depletion	\$	-	\$	2,058
Depreciation		299		424
Depletion and depreciation	\$	299	\$	2,482
Depletion (\$ / bbl)		N/A		25.97

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at that time, the Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. The depletion rate is based on unit-of-production.

Depletion and depreciation expense was \$0.3 million for the three months ended March 31, 2021 compared to \$2.5 million for the three months ended March 31, 2020, respectively.

As of March 31, 2021, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets or the West Ells CGU.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three months ended March 31, 2021 and 2020. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax



losses will be utilized before their expiry dates. At March 31, 2021, the Company had total available tax deductions of approximately \$1.72 billion, with unrecognized tax losses that expire between 2030 and 2039.

Liquidity and Capital Resources

	March 31, 2021		December 31, 2020	
Working capital deficiency	\$	513,103	\$	509,044
Shareholders' equity		162,509		165,420
	\$	675,612	\$	674,464

On August 8, 2014, the Company completed an offering of USD \$200 million senior secured notes (the "Notes") at an offering price of USD \$938.01 per USD \$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and had a potential maturity date of August 1, 2017, if certain conditions were met as explained below.

The conditions were if by February 1, 2016, the Company had not: (1) received at least USD \$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "Agreement"). On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement ("FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations of terms listed on the Agreement and fully reinstate the Agreement, provided that the Company made the following payments on or before March 27, 2017:

- Payment of USD \$2.8 million representing 20% of the yield maintenance premium originally due on August 1, 2016;
- Payment of USD \$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment USD \$5.2 million was paid;
- the Company agreed to repurchase and the Forbearing Holders agreed to sell up to USD \$11.2 million of Senior Notes in exchange for common shares of the Company, pending on conditions.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the yield maintenance premium to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of USD \$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Forbearing Holders of USD \$5.0 million on April 30, 2017, USD \$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "Amended FA"). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of USD \$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of USD \$1.8 million by October 30, 2017;
- Repayment of USD \$5.0 million and USD \$15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company was to obtain financing of USD \$5.0 million within 45 days after signing the Amended FA;
- The Company was to obtain financing of USD \$5.0 million every quarter.

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfill the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended FA. Furthermore, Sunshine did not fulfill repayment requirements of USD \$1.8 million on October 30, 2017, USD \$5.0 million on February 1, 2018 and USD \$15.0 million on May 1, 2018.

On August 1, 2018, the Company was required, amongst other matters, to repay notes principal, and any previous outstanding payment commitments. The Company did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the noteholders signed a Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);



- The Company is to obtain financing of at least USD \$5.0 million by April 30, 2019 to maintain sufficient liquidity.

On April 24, 2020, the Company and the Forbearing Holders confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the “**FRAA**”). The principal terms of the FRAA include:

- The FRAA covers the period from December 31, 2019 to August 31, 2021 (“Period of Forbearance”);
- Same as the Forbearance Reinstatement and Amending Agreement executed on November 1, 2018, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2021, and during the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial Forbearance Agreement executed on September 12, 2016.

The Board believes the entering into of the FRAA is in the interests of the Company and its shareholders as a whole in view that the FRAA will provide the Company with additional time to repay or refinance the indebtedness owned by the Company to the Noteholders under the Notes, whilst at the same time the financing cost has been substantially lowered to reasonable market level.

On February 5, 2021 (Calgary time), the Company and the Forbearing Holders entered into an interest waiver agreement (the “Interest Waiver Agreement”) pursuant to which the Forbearing Holders agree to unconditionally and irrevocably waive the interest accrued between January 1, 2020 to December 31, 2020 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated April 24, 2020 (the “Waiver of Interest”) which amounted to US\$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

The Notes contain various non-financial covenants, which among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business, reporting status and undertaking certain corporate transactions.

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US\$5.0 million (the “Permitted Debt”). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US\$5.0 million to US\$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of March 31, 2021, the Company had incurred unsecured Permitted Debt for a total of US\$36.9 million (CAD\$46.4 million equivalent).

On or around February 27, 2019, Group was required to pay CAD \$0.7M into the Alberta Court of Queen’s Bench, and which amount was subsequently released from Court on or about October 15, 2019 in satisfaction of the creditor’s judgment. The judgment is under appeal by the Group. On June 19, 2019, the Group received another notice from the Alberta Court of Queen’s Bench. As a result, CAD \$0.54 million of cash was to be put aside for creditor repayment subsequent to end of Q219. The court case was then dismissed.

The Company has been named as a Defendant in Court of Queen’s Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the “Claimant”) by Statement of Claim (the “Action”) filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company’s IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for \$40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company’s Statement of Defence was filed on April 2, 2014. The Claimant’s application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As at March 31, 2021, no amounts have been accrued in the Condensed Consolidated Interim Financial Statements as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Company received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016-2020 municipal property taxes and have accrued up to 31 March 2021 which amounted to \$11.3 million in total. The Company was also accrued overdue penalties of \$6.72 million. Since then the Company was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this announcement, the Company believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Company has sought judicial review to determine the effect of non-compliant tax notices on RMWB’s property tax claim.

The Company is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were



to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At March 31, 2021, the Company had incurred \$0.82 million (US \$1.03 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of \$1USD = \$1.2575 CAD.

The Company's strategy is to access sufficient capital, through equity issuances, monetization, joint ventures and the utilization of debt, in order to maintain a capital base that properly supports the objectives of maintaining financial flexibility and of sustaining future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital deficiency levels. The Company's liquidity may be adversely affected if the Company's access to the capital markets is hindered because of financial market conditions generally, or as a result of conditions specific to the Company.

For the three months ended March 31, 2021, the Company reported a net loss including non-controlling interest of \$2.7 million. At March 31, 2021, the Company had a working capital deficiency of \$513.1 million.

The Company's debt-to-asset ratio, measured based on total liabilities divided by total assets was 79% as at March 31, 2021, compared to 78% as at December 31, 2020.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2021.

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2021 would have been impacted by \$Nil (2019: \$Nil) and the carrying value of the debt at March 31, 2021 would have been impacted by \$2.5 million (2020: \$3.0 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2021 would have been impacted by \$Nil (2019: \$Nil) and the carrying value of the debt at March 31, 2021 would have been impacted by \$0.34 million (2020: \$0.18 million).

Commitments and Contingencies

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company's commitments and contingencies, please refer the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months period ended March 31, 2021 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020.

Transactions with Related Parties

For the three months ended March 31, 2021, a consulting Company, to which a director of Sunshine is related, charged the Company \$0.13 million (December 31, 2020 – \$0.5 million) for management and advisory services.

As at 31 March 2021, Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 36,308,540 common shares of the Company, which represents approximately 28.03% of the Company's outstanding common shares.

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds ("CB") in an aggregate principal amount of HK\$ 72,000,000. With an initial conversion price of HK\$0.632 per share, a maximum of 113,924,051 new Class "A" common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds was used for financing general working capital and repayment of debts. On October 1, 2020, the Company has received notice for conversion



from the Subscriber. The Conversion and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on 5 March 2021.

On March 25, 2019, the Company signed a supplementary agreement with Renergy Petroleum (Canada) Co., Ltd, owned by Mr. Kwok Ping Sun, regarding the proposed Amendment of the Joint Operating Agreements on Muskwa and Godin area oil sands leases.

As at March 31, 2021, the Company had loans from related companies, which are unsecured, interest bearing at 10% per annum, and of which approximately CAD \$36,036,000 can be rollover for a period of 3 to 12 months.

Off-balance Sheet Arrangements

No asset or liability value was assigned to these agreements on the Company's balance sheet. As at March 31, 2021, the Company did not have any other off-balance sheet arrangements.

Subsequent Events

On April 7, 2021, the Conversion of the HKD 72m CB has been completed. 113,924,051 Conversion shares have been fully allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement dated April 1, 2020. After the Conversion, Mr. Kwok Ping Sun, the Company's executive Chairman, has beneficial ownership of 150,232,591 shares in the Company.

Changes in Accounting Policies

These Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2020, with the exception of the adoption of IFRS 16 described below. These Condensed Consolidated Interim Financial Statements do not include all of the information and disclosures required in the Corporation's annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2020.

Critical Accounting Policies and Estimates

The Company's critical accounting estimates are those estimates having a significant impact on the Company's financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgements, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgements, assumptions and estimates may be subject to change.

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to the Company's 2020 annual MD&A.

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2020, which is available at www.hkexnews.hk. The 2020 annual report of the Company is available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk.

Disclosure Controls and Procedures

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Frank Ng, who temporarily assumes direct responsibility for all CEO tasks and functions, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Group is made known to the Group's CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. As at March 31, 2021, the Chief Financial Officer and the interim Chief Executive Officer evaluated the design and operation of the Group's DC&P. Based on that evaluation, the Executive Director of the Board and the Chief Financial Officer and the interim Chief Executive Officer concluded that the Group's DC&P were effective as at March 31, 2021.

Internal Controls over Financial Reporting

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Frank Ng, who temporarily assumes direct responsibility for all CEO tasks and functions, have designed, or caused to be designed under their



supervision, internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of the Group’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Group used the criteria established in “Internal Control – Integrated Framework” published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework); they have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Group’s ICFR at March 31, 2021, and concluded that the Group’s ICFR are effective at March 31, 2021 for the foregoing purpose.

No material changes in the Company’s ICFR were identified during the three months period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR. It should be noted that a control system, including the Company’s disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

This MD&A includes references to certain measures which do not have a standardized meaning as prescribed by IFRS, such as “operating netbacks” and “funds from operations”, and therefore are considered non-GAAP measures. These non-GAAP measures are commonly used in the oil and gas industry and the Company believes including such measures is useful to investors. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to measures calculated in accordance with IFRS as, given the non-standardized meanings, these measures may not be comparable to similar measures presented by other issuers.

Cash Flow Used in Operations

Cash flow used in operations is non-GAAP measure utilized by the Company to analyze operating performance and liquidity. Cash flow used in operations excludes the net change in non-cash operating working capital and decommissioning expenditures while the IFRS measurement “Net cash used in operating activities” includes these items. Cash flow used in operations is reconciled to Net cash used in operating activities in the table below:

(\$ thousands)	Three Month Ended March 31	
	2021	2020
Net cash used in operating activities	\$ (2,820)	\$ (5,905)
Add (deduct)		
Net change in non-cash operating working capital items	(483)	(516)
Cash flow used in operations	\$ (3,303)	\$ (6,421)

Forward-Looking Information

Certain statements in this MD&A are forward-looking statements that are, by their nature, subject to significant risks and uncertainties and the Company hereby cautions investors about important factors that could cause the Company’s actual results to differ materially from those projected in a forward-looking statement. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this MD&A), uncertainties and other factors some of which are beyond the Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, the Company strongly cautions investors against placing undue reliance on any such forward-looking statements. Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the resources and reserves described can be profitably produced in the future. Further, any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.



All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement.

Additional Stock Exchange Information

Additional information required by the SEHK and not shown elsewhere in this announcement is as follows:

Code of Corporate Governance Practice (the “Code”)

The Company is committed to maintaining high standards of corporate governance. The Company recognizes that corporate governance practices are fundamental to the effective and transparent operation of a company and its ability to protect the rights of its shareholders and enhance shareholder value.

The Company confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the “Hong Kong Listing Rules”), has been complied with following its public listing, save that the Company has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis by the shareholders of the Company at each annual general meeting, which is consistent with the market practice in Canada.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”)

The Company confirms that it has adopted the Model Code, as set out in Appendix 10 to the Hong Kong Listing Rules, following its public listing. Having made specific enquiry with all directors, the directors have confirmed and complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions.

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Company during the period ended March 31, 2021.

Name	December 31, 2020	Granted	Exercised	Forfeited	Expired	March 31, 2021
Kwok Ping Sun	6,933,580	-	-	-	-	6,933,580
Michael Hibberd	933,580	-	-	-	-	933,580
Gloria Ho	400,000	-	-	-	-	400,000
Yi He	150,000	-	-	-	-	150,000
Linna Liu	-	-	-	-	-	-
Xijuan Jiang	20,000	-	-	-	-	20,000
Guangzhong Xing ⁽¹⁾	100,000	-	-	-	-	100,000
Alfa Li	-	-	-	-	-	-
Sub-total for Directors	8,537,160	-	-	-	-	8,537,160
Sub-total for other share option holders	518,841	-	-	-	-	518,841
Total	9,056,001	-	-	-	-	9,056,001

1. Mr. Guangzhong Xing was appointed to be independent non-executive Director of the Company on June 25, 2019

Please refer to our consolidated financial statements included in the 2020 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2020.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended March 31, 2021 was 0.60-2.00 (year ended December 31, 2020 - \$0.60). Options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management’s best estimate for the



effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2018 and 2017.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the three months ended March 31, 2021 and year ended December 31, 2020. The Grant date share price and Exercise price for the year of 2019 have been restated on a post share consolidation basis.

Input Variables	Three month period	Year ended
	ended March 31, 2021	December 31, 2020
Grant date share price (\$)	0.60-2.00	0.60-2.00
Exercise Price (\$)	0.60-2.00	0.60-2.00
Expected volatility (%)	61.88-63.91	61.88-63.91
Option life (years)	1.88-2.47	1.32-2.50
Risk-free interest rate (%)	1.48-1.95	1.48-1.95
Expected forfeitures (%)	15.39-15.39	15.39-15.39

Purchase, Sale or Redemption of Sunshine’s Listed Securities

Class “A” Common Shares

General mandate

2021 activity

As at October 1, 2020, the Company has received notice for conversion from the Subscriber of the HK\$72,000,000 CB as per the Subscription agreement dated 1 April 2020. The Subscriber, as intended to convert the CB in whole, has made application to the Securities & Futures Commission of Hong Kong (“HKSF”) for a Whitewash Waiver. The Whitewash Waiver was conditionally granted by HKSF on March 4, 2021. The Conversion and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on March 5, 2021.

2020 activity

On January 3, 2020, the Board proposed to implement a Share Consolidation on the basis that every fifty (50) Existing Shares will be consolidated into one (1) Consolidated Share. The total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation was rounded down to a whole number by cancelling any fractional Shares of the Company arising from the Share Consolidation. The Share Consolidation was conditional upon, among other things, the approval of the Shareholders at the SGM. The Board proposed to change the board lot size for trading on the Stock Exchange from 500 Existing Shares to 1,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

On February 24, 2020, a Special General Meeting approved the Share Consolidation and the Change in Board Lot Size became effective on February 26, 2020.

On February 27, 2020, the Company entered into a settlement agreement for a total of 1,443,000 consolidated Class “A” common shares at a price of HKD \$1.31 per share (post-consolidation) for gross proceeds of HKD \$1,896,134.68. On March 5, 2020, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds (“CB”) in an aggregate principal amount of HK\$ 72,000,000. With an initial conversion price of HK\$0.632 per share, a maximum of 113,924,051 new Class “A” common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds will be used for financing general working capital and repayment of debts.

Shares Outstanding



SUNSHINE OILSANDS LTD.

As at March 31, 2021, the Company had 129,554,630 Class “A” common shares issued and outstanding.

Employees

As at March 31, 2021, the Company has 21 full-time employees. For the three months ended March 31, 2021, total staff costs amounted to \$1.0 million.

Dividends

The Company has not declared or paid any dividends in respect of the three months period ended March 31, 2021 (three months period ended March 31, 2020 - \$Nil).

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three months ended March 31, 2021, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

This Quarterly results announcement is published on the websites of SEDAR (www.sedar.com), the SEHK (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.

This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

Outlook

Sunshine will continue to focus on cost controls and carefully monitor developments in crude oil markets. The Company is also continuing with its joint venture for re-activation of the Muskwa and Godin Area activities as international oil price recovers.



阳光油砂

SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020



SUNSHINE OILSANDS LTD.

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the Condensed Consolidated Interim Financial Statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.



Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	March 31, 2021	December 31, 2020
Assets			
<i>Current assets</i>			
Cash		\$ 469	\$ 838
Trade and other receivables	4	2,100	1,636
		<u>2,569</u>	<u>2,474</u>
<i>Non-current assets</i>			
Other loan receivables	4	12,685	12,882
Other receivables	4	6,562	6,562
Exploration and evaluation	5	255,529	256,195
Property, plant and equipment	6	477,384	481,825
Right-of-use assets	7	1,480	1,722
		<u>753,640</u>	<u>759,186</u>
		<u>\$ 756,209</u>	<u>\$ 761,660</u>
Liabilities and Shareholders' Equity			
<i>Current liabilities</i>			
Trade and accrued liabilities	8	\$ 227,068	\$ 223,711
Other loans	9.2	1,217	1,158
Loans from related companies	21.3	36,036	32,745
Senior notes	9.3	249,795	252,911
Lease liabilities	7	1,556	993
		<u>515,672</u>	<u>511,518</u>
<i>Non-current liabilities</i>			
Bonds	9.1	9,189	9,306
Other loans	9.2	13,007	13,204
Loans from related companies		-	263
Lease liabilities		-	801
Provisions	10	55,832	61,148
		<u>593,700</u>	<u>596,240</u>
Shareholders' Equity			
Share capital	12	1,296,798	1,296,814
Convertible bond-conversion options		4,108	4,170
Reserve for share-based compensation	13.3	76,412	76,411
Exchange fluctuation reserve		(495)	(412)
Deficit		(1,213,929)	(1,211,241)
Equity attributable to owners of the Company		<u>162,894</u>	<u>165,742</u>
Non-controlling interests		(385)	(322)
		<u>162,509</u>	<u>165,420</u>
		<u>\$ 756,209</u>	<u>\$ 761,660</u>

Going concern (Note 2)
Commitments and contingencies (Note 22)
Subsequent events (Note 25)

Approved by the Board

"David Yi He"
Independent Non-Executive Director
See accompanying notes to the Condensed Consolidated Interim Financial Statements.

"Kwok Ping Sun"
Executive Director



SUNSHINE OILSANDS LTD.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in thousands of Canadian dollars, except for per share amounts)

For the three months ended March 31,	Notes	2021		2020	
Petroleum sales, net of royalties	14	\$	144	\$	3,834
Other income	16		-		429
Foreign exchange gains/(losses)	20.4		14,337		(26,609)
			<u>14,481</u>		<u>(22,346)</u>
<i>Expenses</i>					
Diluent			-		1,236
Transportation			43		2,379
Operating			1,824		4,679
Depletion, depreciation and impairment	6,7		299		2,482
General and administrative	17		1,579		2,372
Finance costs	18		13,422		6,149
Stock based compensation	13.3		1		127
			<u>\$ 17,169</u>		<u>\$ 19,424</u>
Loss before income taxes			(2,688)		(41,770)
Income taxes	11		-		-
Net Loss			(2,688)		(41,770)
Net Loss attributable to Non-controlling interests			(63)		59
Net loss and comprehensive loss for the year attributable to equity holders of the Group			<u>\$ (2,751)</u>		<u>\$ (41,711)</u>
Basic and diluted loss per share	19	\$	(0.02)	\$	(0.32)

See accompanying notes to the Condensed Consolidated Interim Financial Statements..



SUNSHINE OILSANDS LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)

Attributable to Equity Holders

	Share capital	Reserve for share based compensation	Convertible Bond	Exchange fluctuation reserve	Deficit	Total	Non-controlling interests	Total Equity
Balance at December 31, 2020	\$ 1,296,814	\$ 76,411	\$ 4,170	(412)	\$(1,211,241)	\$ 165,742	\$ (322)	\$ 165,420
Net loss and comprehensive loss for the period	-	-	-	-	(2,688)	(2,688)	(63)	(2,751)
Exchange fluctuation reserve	-	-	-	(83)	-	(83)	-	(83)
FX Gain/loss	-	-	(62)	-	-	(62)	-	(62)
Issue of common shares (note 12)	-	-	-	-	-	-	-	-
Issue of shares under employee share savings plan	-	-	-	-	-	-	-	-
Issue of shares Director Share Arrangement (note 12)	-	-	-	-	-	-	-	-
Issue of shares upon exercise of share options	-	-	-	-	-	-	-	-
Share option reserve transferred on exercise of stock options	-	-	-	-	-	-	-	-
Recognition of share-based payments (note 13.3)	-	1	-	-	-	1	-	1
Share issue costs, net of deferred tax (\$Nil)	(16)	-	-	-	-	(16)	-	(16)
Three Months Ended March 31, 2021	\$1,296,798	\$76,412	\$ 4,108	(495)	\$(1,213,929)	\$ 162,894	\$ (385)	\$ 162,509
Balance at December 31, 2019	\$ 1,296,523	\$ 75,904	-	-	\$(1,196,599)	\$ 175,828	\$ (73)	\$175,755
Net loss and comprehensive loss for the period	-	-	-	-	(41,711)	(41,711)	(59)	(41,770)
Issue of common shares (note 12)	324	-	-	-	-	324	-	324
Issue of shares under employee share savings plan	-	-	-	-	-	-	-	-
Issue of shares Director Share Arrangement	-	-	-	-	-	-	-	-
Issue of shares upon exercise of share options	-	-	-	-	-	-	-	-



SUNSHINE OILSANDS LTD.

	Share capital	Reserve for share based compensation	Convertible Bond	Exchange fluctuation reserve	Deficit	Total	Non-controlling interests	Total Equity
Share option reserve transferred on exercise of stock options	-	-	-	-	-	-	-	-
Recognition of share-based payments (note 13.3)	-	127	-	-	-	127	-	127
Share issue costs, net of deferred tax (\$Nil)	(18)	-	-	-	-	(18)	-	(18)
Three Months Ended March 31, 2020	\$ 1,296,829	\$ 76,031	-	-	\$ (1,238,310)	\$ 134,550	\$ (132)	\$134,418

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



SUNSHINE OILSANDS LTD.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

For the three months ended March 31	Notes	2021	2020
<i>Cash flows used in operating activities</i>			
Net loss including non-controlling interests		\$ (2,688)	\$ (41,770)
Finance costs	18	13,422	6,149
Unrealized foreign exchange (gains)/losses	20.4	(14,337)	26,593
Other interest costs		-	-
Other income	16	-	(2)
Depletion, depreciation and impairment	6,7	299	2,482
Share-based compensation	13.3	1	127
Movement in non-cash working capital	24	483	515
Net cash (used in) operating activities		(2,820)	(5,906)
<i>Cash flows used in investing activities</i>			
Other income received	16	-	2
Payments for exploration and evaluation assets	5	(227)	(226)
Payments for property, plant and equipment	6	(201)	(73)
Movement in non-cash working capital	24	119	139
		(309)	(158)
Net cash used in investing activities		(309)	(158)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares		-	-
Payments for share issue costs	12	(16)	(18)
Payment for finance and interests costs	18	(62)	(815)
Proceeds from bonds	9.1	631	4,458
Payment for bonds	9.1	(546)	(336)
Proceeds from related companies' loans	21.3	6,372	213
Repayment of related companies' loans	21.3	(3,430)	-
Payment of lease liabilities		(266)	(252)
Movement in non-cash working capital	24	(78)	1,952
Net cash provided by financing activities		2,605	5,202
Effect of exchange rate changes on cash held in foreign currency	20.4	155	(2)
Net increase / (decrease) in cash		(369)	(864)
Cash, beginning of period		838	1,254
Cash, end of period		\$ 469	\$ 390

See accompanying notes to the Condensed Consolidated Interim Financial Statements. .



Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

1. General information

Sunshine Oilsands Ltd. (the “Company”) was incorporated under the laws of the Province of Alberta on February 22, 2007. The address of its principal place of business is 1100, 700 – 6th Avenue S.W., Calgary, Alberta, Canada T2P 0T8. The Company’s shares were listed on the Stock Exchange of Hong Kong Limited (“SEHK”) on March 1, 2012 pursuant to an initial public offering (“IPO”) and trades under the stock code symbol of “2012”. On November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange (“TSX”) and traded under the symbol of “SUO”. On September 30, 2015, the Company completed a voluntary delisting from the TSX. The Company continues to be a reporting issuer in Canada. The Company and its subsidiaries are collectively referred to as the “Group”.

The Group is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada. Details of the subsidiaries are set out in note 23.

On April 15, 2019, Sang Xiang Petroleum & Chemical (Hebei) Limited (“Sunshine Hebei”) was incorporated in China and is a joint venture company in which the Company owns 51% interests. The address of the principal place of business for Sunshine Hebei is Techno Building, Level 4, Room 0430, Chengde Hi-Tech Industry Development Zone, Hebei Province.

On March 31, 2020, the Board has decided to temporarily suspend production due to volatility in the international crude oil market, severe decline in crude oil prices, and having considered the fact that the Company’s West Ells production equipment and road need repair, coupled with the outbreak of COVID-19 in Canada.

The Company expects that the temporary suspension will not have a material adverse impact on its operations. Management of the Company will continue to closely monitor developments in the international crude oil market and intends to take appropriate actions accordingly in response to the actual situation, and act in the best interests of the Company and its shareholders as a whole.

2. Basis of preparation

Going Concern

The Condensed Consolidated Interim Financial Statements have been prepared on a basis which asserts that the Group will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Group is unable to meet its obligations as they fall due the preparation of these Financial Statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Group’s assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material. Specifically, in the absence of additional financing and the restructuring of current debt (Note 9) the Group would be unlikely to be able to continue the development of the West Ells project and the Group would be required to consider divestiture of the West Ells project and other assets. Such curtailment of activity would likely materially and negatively impact the Group’s assessment of the carrying values of assets and liabilities associated with the West Ells project.

The Group incurred a loss including non-controlling interests of CAD \$2.7 million for the year ended March 31, 2021, and as at March 31, 2021, the Group had net current liabilities of CAD \$240.5 million. The Group will need to refinance or restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. The validity of which depends upon that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing to meet its liabilities as they fall due in the foreseeable future.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at March 31, 2021, the availability of additional financing, and the timing and extent of capital and operating expenditures.



The Company's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. The timing and extent of forecast capital and operating expenditures is based on the Company's 2021 budget and on management's estimate of expenditures expected to be incurred beyond 2021. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program. There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 9.3). Management continually monitors the Company's financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following March 31, 2021.

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance. The Condensed Consolidated Interim financial statements have been prepared on the historical cost basis. Any financial instruments are measured at fair value. The Condensed Consolidated Interim financial statements are presented in Canadian Dollars ("\$").

The Condensed Consolidated Interim Financial Statements reflect management's best estimates after giving consideration to likely outcomes. The Group has consistently applied the accounting policies to all periods presented in these financial statements. Certain information and disclosures normally included in the audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted, except for the adoption of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited annual Consolidated Financial Statements for the year ended December 31, 2020.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied for the first time the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB").

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 17	Insurance Contracts ³
Amendments to IFRS 16	COVID-19 - Related Rent Concessions ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and



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Amendments to IAS 39, IFRS4, IFRS 7, IFRS 9 and IFRS 16	Its Associate or Joint Venture ⁴
Amendments to IFRS 3	Interest Rate Benchmark Reform - Phase 2 ¹
Amendments to IAS 16	Reference to the Conceptual Framework ²
Amendments to IAS 37	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to IAS 1 and IFRS Practice Statement 2	Onerous contracts: Cost of fulfilling a contract ²
Amendments to IAS 8	Disclosure of Accounting Policies ³
Amendments to IAS 1	Definition of Accounting Estimates ³
Amendments to IFRSs	Classification of liabilities as Current or Non-current ³
	Annual Improvements to IFRS 2018 - 2020 cycle ²

- 1 Effective for annual periods beginning on or after January 1, 2021
- 2 Effective for annual periods beginning on or after January 1, 2022
- 3 Effective for annual periods beginning on or after January 1, 2023
- 4 Effective date not yet been determined
- 5 Effective for annual periods beginning on or after June 1, 2020

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

4. Trade and other receivables

	March 31, 2021	December 31, 2020
Trade receivables	\$ -	\$ -
Other receivables – current	2,100	1,636
Other loan receivables-non-current	12,685	12,882
Other receivables – non current	6,562	6,562
	<u>\$ 21,347</u>	<u>\$ 21,080</u>

The Group allows an average credit period of 30 days to its trade customers. The Group transacts with a number of oil and natural gas marketing companies, and the marketing companies typically remit amounts to the Group by the 25th day of the month following production.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

As at March 31, 2021, the directors of the Company considered the ECL on trade receivables was insignificant.

5. Exploration and evaluation

Balance, December 31, 2019	\$ 253,144
Capital expenditures	1,077
Non-cash expenditures ¹	1,974



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Impairment loss		-
Balance, December 31, 2020	\$	<u>256,195</u>
Capital expenditures		227
Non-cash expenditures ¹		(893)
Balance, March 31, 2021	\$	<u>255,529</u>

1. Non-cash expenditures include capitalized share-based compensation and changes in decommissioning obligations.

At the end of the reporting period, the Group assessed impairment for its E&E Assets. For the purpose of impairment testing, the recoverable amount of E&E Assets was determined using judgement and internal estimates. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. Recoverable amount was based on the FVLCD model using the land sale price observed in Northern Alberta for similar properties.

For the three months ended March 31, 2021, the Group did not recognize an impairment loss based on its assessment the estimated recoverable amount exceeded the carrying value.

6. Property, plant and equipment

	Crude oil assets		Corporate assets		Total
Cost					
Balance, December 31, 2019	\$	894,515	\$	5,487	\$ 900,002
Disposal of Asset		(4,850)		-	(4,850)
Capital expenditures		-		397	397
Non-cash expenditures ¹		9,762		-	9,761
Exchange alignment		-		(2)	(2)
Balance, December 31, 2020	\$	<u>899,427</u>	\$	<u>5,882</u>	\$ 905,309
Capital expenditures		216		15	201
Non-cash expenditures ¹		(4,584)		-	(4,584)
Balance, March 31, 2021	\$	<u>895,059</u>	\$	<u>5,897</u>	\$ 900,926

1. Non-cash expenditures include capitalized share-based compensation and changes in decommissioning obligations.

	Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment					
Balance, December 31, 2019	\$	416,520	\$	4,427	\$ 420,947
Depletion and depreciation expense		2,058		479	2,537
Impairment loss		-		-	-
Balance, December 31, 2020	\$	<u>418,578</u>	\$	<u>4,906</u>	\$ 423,484
Depletion and depreciation expense		-		59	59
Balance, March 31, 2021	\$	<u>418,578</u>	\$	<u>4,965</u>	\$ 423,543
Carrying value, December 31, 2020	\$	480,849	\$	976	\$ 481,825
Carrying value, March 31, 2021	\$	<u>476,480</u>	\$	<u>904</u>	\$ 477,384

As at March 31, 2021, the Group did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the West Ells Cash Generating Unit (CGU).

7. Right-of-use Assets and Leases Liabilities



Right-of-use Assets

	Trucks & Trailers	Offices	Total
Balance, January 31, 2020	648	1,436	2,084
Lease terminated	(591)	-	(591)
Additions	-	1,198	1,198
Depreciation	(57)	(896)	(953)
Exchange alignment	-	(16)	(16)
December 31, 2020	-	1,722	1,722
Additions	-	-	-
Depreciation	-	(242)	(242)
March 31, 2021	-	1,480	1,480

Leases Liabilities

Balance Sheets

	March 31, 2021
Lease liabilities	\$ 1,556

Cash Flow Summary

	Three Months Ended March 31, 2021
Total cash flow used for leases	\$ 266

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease which is 10% for the offices.

8. Trade and accrued liabilities

	March 31, 2021	December 31, 2020
Trade payables	\$ 16,674	\$ 15,493
Interest payables	184,731	184,972
Other payables	15,884	15,884
Accrued liabilities	9,779	7,362
	\$ 227,068	\$ 223,711

The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting period:

	March 31, 2021	December 31, 2020
Trade		
0 - 30 days	\$ 204	\$ -
31 - 60 days	133	-
61 - 90 days	700	554
> 90 days	15,637	14,939
	16,674	15,493



9. Debt

9.1 Bonds

		March 31, 2021		December 31, 2020
Non-current	\$	9,189	\$	9,306

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds (“CB”) in an aggregate principal amount of HK\$ 72,000,000. With an initial conversion price of HK\$0.632 per share, a maximum of 113,924,051 new Class “A” common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds was used for financing general working capital and repayment of debts. On October 1, 2020, the Company has received notice for conversion from the Subscriber. The Conversion and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on 5 March 2021. On April 7, 2021, the Conversion was completed and 113,924,051 new shares were duly allotted and issued to the Subscriber.

9.2 Other loans

		March 31, 2021		December 31, 2020
Current	\$	1,217	\$	1,158
Non-current		13,007		13,204
	\$	14,224	\$	14,362

As at March 31, 2021, the balances are unsecured interest bearing of 0%-20% (2020: 0-20%) per annum, and of which approximately CAD \$1,217,000 (2020: \$1,158,000) have a maturity date by December 31, 2021.

Included in the above balance is approximately CAD \$13,007,000 for which the Group and an independent Hong Kong-based investment holding company entered into loan agreements and under which the Group provided Renminbi (“CNY”) loan and received Hong Kong dollar (“HKD”) loan from the investment holding company. The Group has to repay HKD to receive CNY from the investment holding company.

9.3 Senior notes

On August 8, 2014, the Company completed an offering of USD \$200 million senior secured notes (the “Notes”) at an offering price of USD \$938.01 per USD \$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and had a potential maturity date of August 1, 2017, if certain conditions were met as explained below.

The conditions were if by February 1, 2016, the Company had not: (1) received at least USD \$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the “Forbearing Holders”) entered into a long-term forbearance agreement in respect of the Notes (the “Agreement”). On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement (“FRA”) and a Note Exchange Agreement (the “NEA”) with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations of terms listed on the Agreement and fully reinstate the Agreement, provided that the Company made the following payments on or before March 27, 2017:

- Payment of USD \$2.8 million representing 20% of the yield maintenance premium originally due on August 1, 2016;
- Payment of USD \$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment USD \$5.2 million was paid;



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- the Company agreed to repurchase and the Forbearing Holders agreed to sell up to USD \$11.2 million of Senior Notes in exchange for common shares of the Company, pending on conditions.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the yield maintenance premium to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of USD \$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Forbearing Holders of USD \$5.0 million on April 30, 2017, USD \$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "Amended FA"). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of USD \$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of USD \$1.8 million by October 30, 2017;
- Repayment of USD \$5.0 million and USD \$15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company was to obtain financing of USD \$5.0 million within 45 days after signing the Amended FA;
- The Company was to obtain financing of USD \$5.0 million every quarter.

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfill the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended FA. Furthermore, Sunshine did not fulfill repayment requirements of USD \$1.8 million on October 30, 2017, USD \$5.0 million on February 1, 2018 and USD \$15.0 million on May 1, 2018.

On August 1, 2018, the Company was required, amongst other matters, to repay notes principal, and any previous outstanding payment commitments. The Company did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the noteholders signed a Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company is to obtain financing of at least USD \$5.0 million by April 30, 2019 to maintain sufficient liquidity.

On April 24, 2020, the Company and the Forbearing Holders confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The FRAA covers the period from December 31, 2019 to August 31, 2021 ("Period of Forbearance");
- Same as the Forbearance Reinstatement and Amending Agreement executed on November 1, 2018, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2021, and during the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial Forbearance Agreement executed on September 12, 2016.

On February 5, 2021 (Calgary time), the Company and the Forbearing Holders entered into an interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holders agree to unconditionally and irrevocably waive the interest accrued between January 1, 2020 to December 31, 2020 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated April 24, 2020 (the "Waiver of Interest") which amounted to US\$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

The Board believes the entering into of the FRAA is in the interests of the Company and its shareholders as a whole in view that the FRAA will provide the Company with additional time to repay or refinance the indebtedness owned by the Company to the Noteholders under the Notes, whilst at the same time the financing cost has been substantially lowered to a reasonable market level.

10. Provisions



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Decommissioning obligations, non-current	March 31, 2021		December 31, 2020	
Balance, beginning of year	\$	61,147	\$	48,910
Effect of changes in estimates		(5,477)		11,736
Unwinding of discount rate and effect		162		502
Balance, end of year	\$	55,832	\$	61,148

As at March 31, 2021, the Group's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was \$74.0 million (December 31, 2020 - \$73.9 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 1.18% to 2.34% per annum and inflated using an inflation rate of 2.0% per annum

11. Income taxes

The components of the net deferred income tax asset are as follows:

	March 31, 2021		December 31, 2020	
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	\$	(89,296)	\$	(98,148)
Decommissioning liabilities		13,195		14,630
Share issue costs		311		85
Non-capital losses		346,105		464,470
Total Debt		(5,579)		(3,035)
Deferred tax benefits not recognized		(264,736)		(378,002)
	\$	-	\$	-

12. Share capital

The Group's authorized share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and,
- an unlimited number of Class "G" and Class "H" non-voting preferred shares.

Issued and fully paid (after share consolidation)	March 31, 2021		December 31, 2020	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	129,554,630	1,295,814	128,111,630	1,296,523
Issue of Shares – general mandate			1,443,000	324
Director Share Arrangement	-	-	-	-
Share issue costs, net of deferred tax (\$Nil)	-	(16)	-	(33)
Balance, end of year	129,554,630	1,296,798	129,554,630	1,296,814

Common shares consist of fully paid Class "A" common shares, which have no par value, carry one vote per share and carry a right to dividends.

General mandate

2021 activity

As at October 1, 2020, the Company has received notice for conversion from the Subscriber of the HK\$72,000,000 CB as per the Subscription agreement dated 1 April 2020. The Subscriber, as intended to convert the CB in whole, has



made application to the Securities & Futures Commission of Hong Kong (“HKSF”) for a Whitewash Waiver. The Whitewash Waiver was conditionally granted by HKSF on March 4, 2021. The Conversion and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on March 5, 2021.

2020 activity

On January 3, 2020, the Board proposed to implement a Share Consolidation on the basis that every fifty (50) Existing Shares will be consolidated into one (1) Consolidated Share. The total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation was rounded down to a whole number by cancelling any fractional Shares of the Company arising from the Share Consolidation. The Share Consolidation was conditional upon, among other things, the approval of the Shareholders at the SGM. The Board proposed to change the board lot size for trading on the Stock Exchange from 500 Existing Shares to 1,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

On February 24, 2020, a Special General Meeting approved the Share Consolidation and the Change in Board Lot Size became effective on February 26, 2020.

On February 27, 2020, the Company entered into a settlement agreement for a total of 1,443,000 consolidated Class “A” common shares at a price of HKD \$1.31 per share (post-consolidation) for gross proceeds of HKD \$1,896,134.68 (CDN\$323,670.19). On March 5, 2020, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds (“CB”) in an aggregate principal amount of HK\$ 72,000,000. With an initial conversion price of HK\$0.632 per share, a maximum of 113,924,051 new Class “A” common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds will be used for financing general working capital and repayment of debts.

13. Share-based compensation

13.1 Employee stock option plan

Post-IPO Stock Option Plan

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Group’s Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Group’s IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class “A” common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the Annual and Special Meeting of Shareholders on June 13, 2013. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date.

13.2 Movements in stock options

The following reconciles the stock options outstanding at the beginning and end of each period:

	March 31, 2021	December 31, 2020
--	----------------	-------------------



	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	9,056,001	2.68	9,165,687	2.67
Granted	-	-	-	-
Forfeited	-	-	(109,636)	2.84
Expired	-	-	-	-
Balance, end of period	9,056,001	2.68	9,056,001	2.70
Exercisable, end of period	9,056,001	2.68	8,989,336	2.71

Number of options was adjusted on the assumption that the Share Consolidation had been effective in the current year and prior year.

As at March 31, 2021, stock options outstanding had a weighted average remaining contractual life of 2.6 years (December 31, 2020 – 2.7 years).

13.3 Share-based compensation

Share-based compensation has been recorded in the Condensed Consolidated Interim financial statements for the years presented as follows:

	March 31, 2021		March 31, 2020	
Stock options	\$	1	\$	127
	\$	1	\$	127

14. Revenue

	March 31, 2021		March 31, 2020	
Petroleum sales	\$	144	\$	3,840
Royalties		-		(6)
Revenue from contracts with customers	\$	144	\$	3,834

All revenue from contracts with customers is derived from Canada and recognized at a point in time.

Revenue from the sale of crude oil is recognized when consideration is due when title has transferred and is generally collected in the month following the month of delivery. Revenues associated with the sale of crude oil are recognized at a point in time when control of goods have transferred, which is generally when title passes from the Group to the customer. Revenues are recorded net of crown royalties. Crown royalties are recognized at the time of production.

The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above \$55 per barrel, to a maximum of 9% when the WTI crude oil price is \$120 per barrel or higher. The West Ells project is currently in pre-payout.

Revenue is allocated to each performance obligation on the basis of its standalone selling price and measured at the transaction price, which is the fair value of the consideration and represents amounts receivable for goods or services provided in the normal course of business. The price is allocated to each unit in the series as each unit is substantially the same and depicts the same pattern of transfer to the customer.

The Group's petroleum sales are determined pursuant to the terms of the marketing agreements and spot sales agreements. The transaction price for crude oil is based on the commodity price in the month published during the delivery month and adjusted for premiums, quality adjustments and equalization adjustments. Commodity prices are based on market indices that are determined on a daily or monthly basis. Petroleum sales are received one month after the crude oil is produced and shipped and typically collected on the 25th day of the month following production.

15. Segment information



Information reported to the directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: mining, production and sales of crude oil products. The directors of the Company monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about geographical area

As all of the Group’s revenue is derived from the customers based in the Canada (country of domicile) and majority of the Group’s non-current assets are located in Canada, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	March 31, 2021	March 31, 2020
Customer A	\$ 144	\$ 3,834

16. Other income

	March 31, 2021	March 31, 2020
Interest income	\$ -	\$ 2
Other Income	-	427
Balance, end of period	\$ -	\$429

17. General and administrative costs

	March 31, 2021	March 31, 2020
Salaries, consultants and benefits	\$ 967	\$ 1,534
Rent	54	9
Legal and audit	271	130
Other	287	699
Balance, end of year	\$ 1,579	\$ 2,372

18. Finance costs

	March 31, 2021	March 31, 2020
Interest expense on senior notes, including yield maintenance premium	\$ 10,259	\$ 4,870
Interest expense on other loans	1,479	936
Financing related costs	-	2
Other interest expense	1,482	15
Other interest expense - leases	40	42
Unwinding of discounts on provisions	162	284
	\$ 13,422	\$ 6,149



19. Loss per share

The calculation of basic gain per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately CAD \$5,319,000 (2020: CAD \$41,711,000) and the weighted average number of Class “A” common shares in issue during the years as presented in the following table.

	March 31, 2021	March 31, 2020
Basic and diluted – Class “A” common shares	130,592,577	128,967,916
Loss per share	\$ 0.04	\$ (0.32)

20. Capital and financial risks management

20.1 Capital risk management

The Group can be exposed to financial risks on its financial instruments and in the way that it finances its capital requirements. The Group manages these financial and capital structure risks by operating in a manner that minimizes its exposure to volatility.

The Group’s strategy is to access sufficient capital, through equity issuances and the utilization of debt, in order to maintain a capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Group manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Group’s risk profile. In order to manage risk, the Group may from time to time issue shares and adjust its capital spending to manage current working capital levels.

The Group’s capital structure currently includes shareholders’ equity and working capital deficiency as follows:

	March 31, 2021	December 31, 2020
Working capital deficiency	\$ 513,103	\$ 509,044
Shareholders’ equity	162,509	165,420
	\$ 675,612	\$ 674,464

There is no change in the Group’s objectives and strategies of capital management for the three months ended March 31, 2021.

20.2 Categories of financial instruments

The Group’s financial assets and liabilities comprise of cash, deposits, trade and other receivables, trade and accrued liabilities, loans, bonds and senior notes (debt). The carrying value or fair value of the Group’s financial instruments carried on Condensed Consolidated Interim Statements of Financial Position are classified in the following categories:

	March 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost (including cash and cash equivalents)	\$ 21,816	\$ 21,816	\$ 21,474	\$ 21,474
Financial liabilities				
Financial liabilities at amortised cost	\$ 537,868	\$ 537,868	\$ 535,092	\$ 535,092

20.3 Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized costs in the consolidated financial statements approximate their fair values due to their short term maturity.



20.4 Currency risk

The Group is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the three months ended March 31, 2021.

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2021 would have been impacted by \$Nil (2020: \$Nil) and the carrying value of the debt at March 31, 2021 would have been impacted by \$2.5 million (2020: \$3.0 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2021 would have been impacted by \$Nil (2020: \$Nil) and the carrying value of the debt at March 31, 2021 would have been impacted by \$0.34 million (2020: \$0.18 million).

The following table summarizes the components of the Group's foreign exchange (gains)/ losses:

	March 31, 2021	March 31, 2020
Unrealized foreign exchange loss /(gain) on translation of:		
U.S. denominated senior secured notes	\$ (14,807)	\$ 23,817
H.K. denominated loan	219	1,608
Accrued Interest Payable		-
Shareholder's Loan	(197)	1,164
Foreign currency denominated cash balances	(155)	2
Foreign currency denominated accounts payable balances	603	2
	<u>(14,337)</u>	<u>26,593</u>
Realized foreign exchange loss/(gain)	-	16
Total foreign exchange loss/(gain)	\$ (14,337)	\$ 26,609

20.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds.

The timing of cash outflows relating to financial liabilities as at March 31, 2021, are as follows:

	Total	Less than 1 year	1-2 years
Trade and accrued liabilities	\$ 227,068	\$ 227,068	\$ -
Debt ¹	<u>310,800</u>	<u>288,604</u>	<u>22,196</u>
	<u>\$ 537,868</u>	<u>\$ 515,672</u>	<u>\$ 22,196</u>

1. Principal amount of Notes and loans based on the year end exchange rate of \$1 US = 1.2575 CAD and \$1HKD = \$0.1618 CAD. Debt is due on demand.

21. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these Condensed Consolidated Interim financial statements, during the year, the Group entered into the following material related party transactions.

21.1 Trading transactions



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For the three months ended March 31, 2021, a consulting Group, to which a director of Sunshine is related, charged the Group \$0.13 million (December 31, 2020 – \$0.5 million) for management and advisory services.

As at 31 March 2021, Mr. Kwok Ping Sun, the Company’s Executive Chairman, has beneficial ownership of, or control or direction of 36,308,540 common shares of the Company, which represents approximately 28.03% of the Company’s outstanding common shares.

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds (“CB”) in an aggregate principal amount of HK\$ 72,000,000. With an initial conversion price of HK\$0.632 per share, a maximum of 113,924,051 new Class “A” common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds was used for financing general working capital and repayment of debts. On October 1, 2020, the Company has received notice for conversion from the Subscriber. The Conversion and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on 5 March 2021.

On March 25, 2019, the Group signed a supplementary agreement with Reenergy Petroleum (Canada) Co., Ltd, owned by Mr. Kwok Ping Sun, regarding the proposed Amendment of the Joint Operating Agreements on Muskwa and Godin area oil sands leases.

21.2 Compensation of key management personnel and directors

The remuneration of the directors and key management executives is determined by the Compensation Committee and consists of the following amounts:

	March 31, 2021		March 31, 2020	
Directors’ fees	\$	103	\$	102
Salaries and allowances		492		785
Share-based compensation		1		127
	\$	596	\$	1,014

21.3 Related companies’ loans

	March 31, 2021		December 31, 2020	
Current	\$	36,036	\$	32,745
Non-current		-		-
	\$	36,036	\$	32,745

As at March 31, 2021, the Group had loans from related companies which are unsecured, interest bearing at 10% per annum, and of which approximately CAD \$36,036,000 can be rollover for a period of 3 to 6 months.

22. Commitments and contingencies

22.1 Commitments

As at March 31, 2021, the Group’s commitments are as follows:

At March 31, 2021	Total	2021	2022	2023	2024	2025	Thereafter
Drilling, other equipment and contracts	305	55	50	50	50	50	50
Lease rentals (Note)	3,256	1,173	1,256	316	315	196	-
Office leases	1,752	816	670	266	-	-	-
	\$	2,044	1,976	632	365	246	50

Note:



The Group has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

22.2 Litigation

The Group has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Group (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Group to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Group's IPO) of the Group that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for \$40 million plus interest at 15% per annum since the date of the share subscription agreement. The Group's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As at March 31, 2020, no amounts have been accrued in the Condensed Consolidated Interim Financial Statements as the ultimate resolution is undeterminable at this time. The Group will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2020 municipal property taxes and have accrued up to 31 March 2021 which amounted to a total of CAD11.3 million. The Group was also accrued overdue penalties of CAD6.72 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Group's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At March 31, 2021, the Group had incurred \$0.82 million (US \$1.03 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

On or around February 27, 2019, Group was required to pay CAD \$0.7M into the Alberta Court of Queen's Bench, and which amount was subsequently released from Court on or about October 15, 2019 in satisfaction of the creditor's judgment. The judgment is under appeal by the Group. On June 19, 2019, the Group received another notice from the Alberta Court of Queen's Bench. As a result, CAD \$0.54 million of cash was to be put aside for creditor repayment subsequent to end of Q219. The court case was then dismissed.

23. Subsidiaries

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of its principal place of business is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong. As of March 31, 2020, the subsidiary had no business activity.

On July 14, 2015, Boxian Investments Limited was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of its principal place of business is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. The purpose of the subsidiary is to pursue new investment opportunities. As of March 31, 2020, the subsidiary had no business activity.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited was incorporated in China and is a wholly-owned subsidiary of the Company. The address of its principal place of business is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. As of March 31, 2020, the subsidiary had no business activity.

On April 15, 2019, Sang Xiang Petroleum & Chemical (Hebei) Limited was incorporated in China and is a subsidiary in



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which the Company owns 51% interests. The address of its principal place of business is Techno Building, Level 4, Room 0430, Chengde Hi-Tech Industry Development Zone, Hebei Province. As of March 31, 2021, the subsidiary had no business activity.

24. Supplemental cash flow disclosures

	March 31, 2021		March 31, 2020	
Cash provided by (used in):				
Trade and other receivables	\$	(36)	\$	1,669
Prepaid expenses and deposits		(428)		1,044
Trade and other payables		1,669		(2,057)
Debt settlement		-		324
Foreign Exchange changes		(681)		1,626
	\$	524	\$	2,606
Changes in non-cash working capital relating to:				
<i>Operating activities</i>				
Trade and other receivables	\$	(36)	\$	1,669
Prepaid expenses and deposits		(428)		1,044
Trade and other payables		947		(2,198)
	\$	483	\$	515
<i>Investing activities</i>				
Property, plant and equipment		119		139
<i>Financing activities</i>				
Foreign Exchange Changes-Other loans		(78)		1,628
Debt settlement		-		324
		(78)		1,952
	\$	524	\$	2,606

The following table reconciles liabilities to cash flows arising from financing activities:

25. Subsequent Events

On April 7, 2021, the Conversion of the 72m HKD CB has been completed. 113,924,051 Conversion Shares have been duly allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement dated April 1, 2020. After the Conversion, Mr. Kwok Ping Sun, the Company's executive Chairman, has beneficial ownership of 150,232,591 shares in the Company.

26. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on May 23, 2021(Calgary Time) /May 24, 2021 (Hong Kong Time).



Appendix to the consolidated financial statements (Unaudited)

Additional information required by the SEHK and not shown elsewhere in these Condensed Consolidated Interim financial statements is as follows:

A1. Sunshine Oilsands Ltd. Non-Consolidated Statement of Financial Position

	Notes	2021 CAD'000	2020 CAD'000
Asset			
<i>Current assets</i>			
Trade and other receivables		462	427
Prepaid expenses and deposits		1,400	926
Cash and cash equivalents		385	442
		2,247	1,795
<i>Non-current assets</i>			
Exploration and evaluation assets		255,341	256,189
Property, plant and equipment		477,285	481,708
Right-of-use assets		1,191	1,331
Other receivables		2,070	1,999
Loan receivables		12,685	12,882
Amounts due from subsidiaries		10,881	11,499
		759,453	765,608
Total Asset		761,700	767,403
Liabilities and Shareholders' Equity			
<i>Current liabilities</i>			
Trade and accrued liabilities		226,010	223,037
Lease liabilities		1,308	590
Loans from related companies		27,486	24,325
Other loans		1,217	1,158
Senior notes		249,795	252,911
Amount due to subsidiaries		2,564	3,456
		507,072	505,477
<i>Non-current liabilities</i>			
Convertible bonds		9,189	9,306
Other loans		13,007	13,204
Lease liabilities		1,308	766
Provisions		55,832	61,148
		79,336	84,424
Total liabilities		586,408	589,901
Shareholders' Equity			
Share capital		1,296,798	1,296,814



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	Notes	2021	2020
Convertible bonds equity reserve		4,108	4,170
Reserve for share-based compensation		76,412	76,411
Accumulated Deficit		<u>(1,202,026)</u>	<u>(1,199,893)</u>
Total shareholders' equity		<u>175,292</u>	<u>177,502</u>
Total Liabilities and Shareholders' Equity		<u><u>761,700</u></u>	<u><u>767,403</u></u>



Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

The Directors' emoluments and other staff costs are broken down as follows:

	March 31, 2021	March 31, 2020
<i>Directors' emoluments</i>		
Directors' fees	\$ 103	\$ 102
Salaries and allowances	415	557
Contribution to retirement benefit scheme	2	2
Share-based compensation	1	127
	<u>521</u>	<u>788</u>
<i>Other staff costs</i>		
Salaries and other benefits	440	867
Contribution to retirement benefit scheme	6	6
Share-based compensation	-	-
	<u>446</u>	<u>873</u>
Total staff costs, including directors' emoluments	<u>967</u>	<u>1,661</u>
Less: staff costs capitalized to qualifying assets	\$ 967	\$ 1,661