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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker, licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sunshine Oilsands Ltd., you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities, the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Corporation.



阳光油砂
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)*
(HK stock code: 2012)

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**(1) PROPOSED CONVERSION OF CONVERTIBLE BONDS
BY CONNECTED PERSON
(2) APPLICATION FOR WHITEWASH WAIVER
and
(3) NOTICE OF SPECIAL GENERAL MEETING**



Donvex Capital Limited
富域資本有限公司

**Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders**

Meeting Date: February 26, 2021 at 10:00 a.m. (Hong Kong time) /
February 25, 2021 at 7:00 p.m. (Calgary time)

February 3, 2021

** for identification purpose only*

TABLE OF CONTENTS

Page

DEFINITIONS.....	3
NOTICE OF SGM.....	7
LETTER FROM THE BOARD	11
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	29
LETTER FROM DONVEX CAPITAL	32
APPENDIX I - FINANCIAL INFORMATION OF THE GROUP	47
APPENDIX II - GENERAL INFORMATION	56
APPENDIX III - LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT ESTIMATES	72
APPENDIX IV - LETTER FROM DONVEX CAPITAL ON THE PROFIT ESTIMATES.....	75

DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“adjustment of conversion price”	If and whenever the Corporation shall issue wholly for cash any new Shares (other than Shares issued on the exercise of Conversion Right or on the exercise of any other rights of conversion into, or subscription for, Shares) or the issue or grant of options, warrants or other rights to subscribe or purchase Shares, at a price per Share which is less than the Conversion Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction: $(P+Q)/R$ P is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares; Q is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would be able to purchase at the Conversion Price in force immediately before such issue (representing the aggregate consideration divided by the Conversion Price); and R is the number of Shares in issue immediately after the issue of such additional Shares.
“Announcement”	the announcement of the Corporation dated October 16, 2020 (Hong Kong time) in relation to, among others, the Proposed Conversion and the Whitewash Waiver
“associate(s)”	has the same meaning as ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	A business day is a day on which the Stock Exchange is open for the transaction of business
“CB” or “Convertible Bonds”	the fixed rate convertible bonds issued pursuant to the Subscription Agreement
“Concert Group”	the Subscriber and the parties acting in concert with it, including Mr. Kwok Ping Sun and his wholly-owned company, Tai Feng Investments Limited, Ms. Gloria Ho, Mr. Michael J Hibberd and Ms. Xijuan Jiang (excluding independent non-executive Directors)
“Completion”	completion of the Subscription of CB pursuant to the terms of the Subscription Agreement

“connected person(s)”	Has the meanings as ascribed thereto under the Listing Rules
“controlling shareholder”	Has the meaning as ascribed to it in the Listing Rules
“Conversion Price”	HK\$0.632 per Share, subject to adjustment from time to time under the terms and conditions of the Subscription Agreement
“Conversion” or “Proposed Conversion”	The Subscriber’s proposal for converting all the CB at Conversion Price
“Conversion Rights”	the rights attached to the CB to convert the whole or part thereof into Conversion Shares
“Conversion Share(s)”	A total of 113,924,051 new Share(s) at a Conversion Price of HK\$0.632 per Share (subject to adjustments from time to time under the terms and conditions of the Subscription Agreement) to be allotted and issued ex-divided by the Corporation upon the exercise of the Conversion Rights
“Director(s)”	the Directors of the Corporation
“Executive(s)”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Corporation and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third party(ies)”	independent third party(ies) who is/are not connected person(s) of the Corporation and is/are independent of and not connected with the Corporation and its Directors, Chief Executives, and Substantial Shareholders of the Corporation or any of its subsidiaries or their respective associates
“Issuance”	the issuance of CB to the Subscriber under the Subscription Agreement
“Issue Date”	the date on which completion of the issuance of and the subscription for the CB occurs pursuant to the Subscription Agreement
“Independent Board Committee”	an independent committee of the Board established by the Board comprising all non-executive Director(s) who have no direct or indirect interest in the Whitewash Waiver and the Conversion, being Mr. Yi He, Mr. Guangzhong Xing, Mr. Alfa Li and Ms. Linna Liu, to advise the Independent Shareholders as to whether the Whitewash Waiver and the Conversion are fair and reasonable and in the interests of the Corporation and the Independent Shareholders as a whole. Mr. Michael J Hibberd and Ms. Xijuan Jiang are presumed to be acting in concert with the Subscriber and therefore considered to have an interest in the Conversion and the Whitewash Waiver, thus they are excluded from the Independent Board Committee
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board and which appointment was approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent

	Shareholders in respect of terms of the Whitewash Waiver and the Conversion
“Independent Shareholders”	Shareholders other than the Subscriber, its associates and the Concert Group and those who are involved or interested in the Whitewash Waiver and/or the Conversion and those who are required to abstain from voting at the SGM to consider the approval of the Whitewash Waiver and the Conversion
“Latest Practicable Date”	January 29, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“Last Trading Day”	September 30, 2020, being the last trading day of the Shares immediately prior to the date of Announcement
“Kwok Ping Sun” or “Chairman Sun” or “Mr. Sun”	Mr. Kwok Ping Sun, being the Chairman, executive Director and Substantial Shareholder of the Corporation; and as at the Latest Practicable Date, directly or indirectly interested in 36,308,540 Shares of the Corporation, representing approximately 28.03% of the issued share capital of the Corporation
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	31 March 2022
“Relevant Period”	the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Class “A” Common Voting Share(s) in the issued share capital of the Corporation
“Share Options” or “Options”	the share option(s) to subscribe for Share(s) under the Post-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the Post-IPO Share Option Scheme adopted by the Corporation on January 26, 2012 and this Scheme was subsequently amended by (i) a resolution passed at the Corporation’s annual general and special meeting of Shareholders held on May 7, 2013; and (ii) a resolution of the Board on June 13, 2013. Apart from this Share Option Scheme, the Group has no other share option scheme currently in force
“Shareholder(s)”	holder(s) of the Class “A” Common Voting Share(s)
“SGM” or “Meeting”	the special general meeting of the Corporation to be convened and held on February 26, 2021 at 10:00 a.m.(Hong Kong time) / February 25, 2021 at 7:00 p.m.(Calgary time) to consider, and if thought fit, approve the Whitewash Waiver and the Conversion
“Specific Mandate”	the specific mandate granted to the Board at the special general meeting held on May 25, 2020
“Subscription Agreement”	the subscription agreement dated April 1, 2020 (Hong Kong Time) in respect of the Subscription of CB and entered into between the Corporation and the Subscriber

“Subscriber” or “Prime Union”	Prime Union Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Sun
“Subscription”	the subscription by the Subscriber for the CB on the terms and subject to the conditions under the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the Shares not already owned by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the Conversion
“%”	per cent.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SGM

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SUNSHINE OILSANDS LTD.
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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)*

(HK Stock Code: 2012)

NOTICE OF SPECIAL GENERAL MEETING

**TO BE HELD AT 10:00 A.M. ON FEBRUARY 26, 2021 (HONG KONG TIME)
AND 7:00 P.M. ON FEBRUARY 25, 2021 (CALGARY TIME)**

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM” or the “General Meeting”) of the holders (the “Shareholders”) of Class “A” Common Voting Shares (the “Shares”) of Sunshine Oilsands Ltd. (“Sunshine” or the “Corporation”) will be held at 21st Floor, CMA Building, 64 Connaught Road Central, Hong Kong on February 26, 2021 at 10:00 a.m. (Hong Kong Time) / February 25, 2021 at 7:00 p.m. (Calgary Time), for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments.

RESOLUTIONS

1. **“THAT** the conversion of all convertible bonds by Prime Union Enterprises Limited, being the Subscriber, under the subscription agreement dated April 1, 2020 (the “**Subscription Agreement**”) entered into between the Corporation (as issuer) and Prime Union Enterprises Limited (the “**Subscriber**”) (as subscriber) in respect of the subscription of fixed rate convertible bonds in an aggregate principal amount of HK\$72,000,000 (the “**Subscription**”) by the Subscriber at a conversion price of HK\$0.632 (subject to adjustment under the terms of the Subscription Agreement) per conversion share be and are hereby approved and confirmed; and **THAT** any one director of the Corporation be and is hereby authorized to do all such things and take all such actions (including but not limited to the allotment and issuance of the Conversion Shares) and execute all documents (including the affixation of the common seal of the Corporation where execution under seal is required) as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the conversion.”

** for identification purpose only*

2. **“THAT** subject to the Executive (as defined in the circular of the Corporation dated February 3, 2021 (the **“Circular”**), a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this General Meeting for the purpose of identification) granting the Whitewash Waiver (as defined in the Circular) to the Subscriber and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the **“Takeovers Code”**) waiving any obligation on the part of the Subscriber to make a mandatory general offer to the holders of securities of the Corporation to acquire the securities of the Corporation other than those already owned or agreed to be purchased by the Subscriber and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the conversion (the **“Whitewash Waiver”**), be and is hereby approved and **THAT** any one director of the Corporation be and is hereby authorized to do all acts and things and execute such documents (including the affixation of the common seal of the Corporation where execution under seal is required) and take all steps which, in his/her opinion deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver.”

Registered Shareholders

If you hold Shares in your own name, you are a registered shareholder of the Corporation (**“Registered Shareholder”**). As a Registered Shareholder, if you are unable to attend the General Meeting in person and wish to ensure that your Shares are voted at the SGM, you must complete, date and sign the enclosed form of proxy and deliver it in accordance with the instructions set out in the form of proxy and in the Circular. Such form of proxy is also published on the HKEx news’ website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Corporation at www.sunshineoilsands.com.

Beneficial Shareholders

If your Shares are held in an account with a brokerage firm or an intermediary (i.e. a broker, investment firm, clearing house or a similar entity), you are a beneficial shareholder of the Corporation (**“Beneficial Shareholder”**). Beneficial Shareholders should follow the instructions set out in the voting instructions form or other form of proxy provided by your intermediaries to ensure that your Shares will be voted at the SGM.

BY ORDER OF THE BOARD OF DIRECTORS
SUNSHINE OILSANDS LTD.

(signed) “Kwok Ping Sun”

Kwok Ping Sun
Executive Chairman

Calgary, Alberta, February 3, 2021
Hong Kong, February 3, 2021

Notes:

1. *Any shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of his/her/it. A shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder of the Corporation but must be present in person at the meeting to represent the Shareholder. Completion and return of the form of Proxy will not preclude a Shareholder from attending the SGM and voting in person. In such event, his/her/its form of Proxy will be deemed to have been revoked.*
2. *Where there are joint holders of any Share, any one of such joint holders may appoint the chair of the SGM to vote at the SGM, in respect of such Share as if he/she/it was solely entitled thereto.*
3. *In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited:*
 - (i) *at the Corporation's principal share registrar in Canada, being Alliance Trust Company, at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3 at least 48 hours before the SGM (i.e. by no later than 7:00 p.m. on February 23, 2021 (Calgary Time)); or*
 - (i) *at the Corporation's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the SGM (i.e. by no later than 10:00 a.m. on February 24, 2021 (Hong Kong Time));*

or any adjournment thereof, at which the proxy is to be used; or (iii) to the chairman of the SGM on the date of the SGM or any reconvening thereof, or in any other manner provided by law.

4. *The Subscriber (Prime Union Enterprises Limited) and parties acting in concert with it, including Mr. Kwok Ping Sun and his wholly-owned company, Tai Feng Investments Limited, Ms. Gloria Ho, Mr. Michael J Hibberd, Ms. Xijuan Jiang and those who are involved or interested in the Conversion and the Whitewash Waiver are required to abstain from voting on the above resolutions.*
5. *The resolutions as set out above will be determined by way of a poll. For Resolution (1), it has to be approved by more than 50% of the vote cast by the Independent Shareholders (as defined in the Circular) ; and for Resolution (2), it has to be approved by at least 75% of the vote cast by the Independent Shareholders (as defined in the Circular) at the SGM.*
6. **PRECAUTIONARY MEASURES**

In view of the COVID-19 pandemic situation, the Corporation will strictly implement the following precautionary measures at the SGM to safeguard the health and safety of every attendee of the SGM.

- a) *Appropriate seating will be arranged at the venue of the SGM in order to meet the relevant regulatory requirements to ensure social distancing. As a result, the number of Participants in one single venue will be restricted and where necessary, multiple meeting rooms with telecommunication facilities and/or computer devices will be put in use;*
- b) *At the entrance of the Venue, compulsory body temperature checks will be conducted on every person attending the SGM. Any person with a body temperature of over 37.3 degrees Celsius, or has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the SGM Venue;*

- c) Every attendee is required to wear a surgical mask throughout the SGM;*
- d) Every attendee is required to sign and complete a health declaration form before admission to the Venue;*
- e) any person who has travelled outside Hong Kong within 14 days immediately before the Meeting (the “Recent Travel History”), is subject to quarantine or self-quarantine in relation to COVID-19, or has close contact with any person under quarantine or with the Recent Travel History shall not attend the SGM;*
- f) Any attendee who declines any of the abovementioned measures will not be admitted to the Venue; and*
- g) No refreshments or drinks or corporate gifts will be provided to attendees at the SGM.*

As at the date of this notice, 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.

LETTER FROM THE BOARD



阳光油砂

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)

(HK stock code: 2012)

Suite 1100, 700 - 6th Ave SW
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Canada

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February 3, 2021

*To the Shareholders
and the holders of securities of the Corporation*

Dear Sir / Madam,

- (i) Proposed Conversion of Convertible Bonds by Connected Person**
- (ii) Application for Whitewash Waiver**
- and**
- (iii) Notice of Special General Meeting**

INTRODUCTION

Reference is made to the Corporation's announcement dated April 1, 2020 (Hong Kong time) (the "**CB Announcement**") and the circular dated April 24, 2020 (Hong Kong time) (the "**Circular**") in relation to, among other matters, the Subscription for the fixed rate convertible bonds in an aggregate principal amount of HKD72,000,000 issued by the Corporation; and the poll results announcement dated May 25, 2020 (Hong Kong time) in relation to the poll results of the special general meeting held on May 25, 2020 (Hong Kong time) by the Corporation for the purposes of, among other matters, approving the Subscription.

Reference is also made to the announcement dated October 16, 2020 (Hong Kong time) (the "**Announcement**") in relation to, among other matters, the Proposed Conversion of the CB and the application for Whitewash Waiver.

** for identification purpose only*

The purpose of this circular is to provide you with information on (i) full details of the Subscription, the Conversion and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Conversion and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver and the Conversion; (iv) other information as required under the Listing Rules and the Takeovers Code; and (v) a notice of the SGM.

THE SUBSCRIPTION

On April 1, 2020 (Hong Kong time), the Corporation entered into a Subscription Agreement with the Subscriber in respect of the Subscription for the fixed rate convertible bonds in an aggregate principal amount of HK\$72,000,000 issued by the Corporation.

Principal terms of the CB are summarized as follows:

Issuer	:	Sunshine Oilsands Limited
Subscriber	:	Prime Union Enterprises Limited
Principal Amount	:	HK\$72,000,000
Term	:	2 years
Maturity Date	:	March 31, 2022
Denomination	:	The CB are issued in denomination of HK\$ 1,000,000 each
Interest	:	The CB shall bear an interest rate of 8% per annum on the outstanding principal amount thereof from the Issue Date, payable by the Corporation at the Maturity Date
Conversion Price	:	HK\$0.632 per Share (Conversion price is set at the higher of :- <ul style="list-style-type: none"> ➤ the closing price on execution date of the Subscription Agreement; and ➤ the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to execution date of the Subscription Agreement)
Conversion	:	The CB holder has the rights to convert any outstanding principal of the CB into the Shares during the period from the date of six months after the date of the Subscription Agreement until the Maturity Date, subject to the Corporation's written approval

Given that, the Corporation shall not allot and issue Shares to the CB holder if upon the exercise of the Conversion Rights (i) the CB holder and parties acting in concert aggregated together with existing Shares held shall be interested (whether directly or indirectly) in 29.90% or more of the consequential enlarged issued share capital of the Corporation unless the CB holder has obtained a Whitewash Waiver from the SFC; (ii) any other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer unless the CB holder has obtained a Whitewash Waiver from the SFC; or (iii) the Corporation shall fail to maintain a 25% public float

- | | | |
|---------|---|--|
| Listing | : | The CB will not be listed on the Stock Exchange or any other stock exchanges. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares |
| Ranking | : | The Conversion Shares, when issued and fully paid, will rank <i>pari passu</i> among themselves and with all existing Shares presently in issue and at the time of allotment and issue of the Conversion Shares and in particular shall rank in full for all dividends and other distributions declared made or paid hereafter |

Full details of the Subscription, the Subscription Agreement and the terms of the CB are set out in the Announcement and the Circular.

The Conversion Price, being HK\$0.632, represents:

- i. a discount of approximately 59.49% to the closing price of HK\$1.65 per Share as quoted on the Stock Exchange on the Last Trading Day;
- ii. a discount of approximately 59.90% to the average closing price of HK\$1.576 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- iii. a discount of approximately 61.06% to the average closing price of HK\$1.623 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- iv. a discount of approximately 53.19% to the closing price of HK\$1.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- v. a discount of approximately 92.22% to the audited consolidated net asset value of approximately HK\$8.13 per Share as at December 31, 2019; and
- vi. a discount of approximately 90.62% to the unaudited consolidated net asset value of approximately HK\$6.74 per Share as at June 30, 2020.

COMPLETION OF SUBSCRIPTION AND RECENT UPDATE

The Subscription was then passed by the Shareholders at the Corporation's special general meeting held on May 25, 2020 (Hong Kong time). Therefore, all necessary resolutions have been passed through, i.e. the Subscription and the allotment and issuance of the Conversion Shares to the Subscriber under Specific Mandate as required by the Listing Rules. The Specific Mandate has already been granted. The Listing Committee has conditionally granted (subject to allotment) and has not withdrawn or revoked the approval of listing of and permission to deal in all the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Right. All the conditions precedent set out in the Subscription Agreement have been fulfilled. The Subscription of CB has been completed on June 15, 2020. The Corporation also received notice for conversion from the Subscriber on October 1, 2020. The Subscriber stated that it intended to convert the CB in whole. As at the Latest Practicable Date, the Subscriber have signed an irrevocable undertaking that it will not sell the Conversion Shares within 12 months from the date that the CB is converted.

As detailed above, the CB shall not be converted provided that upon exercise of the conversion rights, (i) the CB holder and parties acting in concert with it shall be interested (whether directly or indirectly) in 29.90% or more of the consequential enlarged issued share capital of the Corporation unless the CB holder has obtained a whitewash waiver from the SFC; (ii) any other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer unless the CB holder has obtained a whitewash waiver from the SFC; or (iii) the Corporation shall fail to maintain a 25% public float. The Conversion is also subject to the Corporation's written approval, other than that the Conversion is not subject to any other conditions. The Subscriber, as intended to convert the CB in whole, which would result in it and its concert parties being interested in 62.64% of the Shares and trigger a mandatory general offer under the Takeovers Code, has made application to the SFC for a Whitewash Waiver. Should the Whitewash Waiver not be approved at the SGM or not be granted by the SFC, the Subscriber will not proceed with the Conversion.

As at the date of this Circular, the Corporation does not believe that the Conversion and the Whitewash Waiver gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Corporation notes that the Executive may not grant the whitewash waiver if the Conversion and/or the Whitewash Waiver does not comply with other applicable rules and regulations.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber (a company wholly-owned by Mr. Sun) and the Concert Group are interested in an aggregate of 38,579,335 Shares, representing approximately 29.78% of the issued share capital of the Corporation. In addition, Mr. Sun has been granted options under the Post-IPO Share Option Scheme entitling him to acquire 6,933,580 Shares (representing approximately 5.35% of the issued capital of the Corporation as at the Latest Practicable Date) upon full exercise of these options. Mr. Sun has irrevocably undertaken to the Corporation that he will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code when exercising the Options granted under the Post-IPO Share Option Scheme.

Under the terms of the Subscription Agreement, the issue price for the CB is HK\$72,000,000 (being 100% of the principal amount of the CB). Based on the initial Conversion Price of HK\$0.632 per Share (subject to adjustment of conversion price as defined under the section "Definition" in this Circular, as at the Latest Practicable Date, there is no adjustment to the conversion price in respect of the Proposed Conversion), a maximum of 113,924,051 new Shares will be allotted and issued upon full conversion of the CB to the Subscriber, representing (i) approximately 87.94% of the existing issued share capital of

the Corporation as at the Latest Practicable Date; and (ii) approximately 46.79% of the issued share capital of the Corporation as enlarged by the issuance of the Conversion Shares (assuming there is no repurchase of Shares or issuance of other new Shares). The interest of the Subscriber and the Concert Group will increase to 152,503,386 Shares in aggregate (representing approximately 62.64% of the issued capital of the Corporation as enlarged by the allotment and issuance of the Conversion Shares, assuming there is no other change to the issued share capital of the Corporation). As the maximum potential holding of voting rights resulting from the proposed Conversion will exceed 50%, the Subscriber and the Concert Group may increase their holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

Under Rule 26.1 of the Takeovers Code, the acquisition of voting rights in the Corporation by the Concert Group from less than 30% to 30% or more will trigger an obligation on the Concert Group to make a general offer for all the securities of the Corporation other than those already owned or agreed to be acquired by the Concert Group, unless (i) the Conversion is approved by more than 50% of the vote cast by the Independent Shareholders at the SGM by way of poll; and (ii) the Whitewash Waiver is granted by the Executive and approved by at least 75% of the vote cast by the Independent Shareholders at the SGM by way of poll.

The Subscriber has made application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Conversion Shares pursuant to the Subscription. The Whitewash Waiver, in order to be granted by the Executive, would be subject to, among other things, the Proposed Conversion being approved by more than 50% of the votes cast by Independent Shareholders and the approval by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll. Should the Whitewash Waiver and/or the Conversion not be approved at the SGM or the Whitewash Waiver not be granted by the SFC, the Subscriber will not proceed with the Conversion.

Mr. Sun, Ms. Gloria Ho, Mr. Michael J Hibberd and Ms. Xijuan Jiang, being presumed to be acting in concert with the Subscriber, have abstained from voting at the Board meeting held for the purposes of approving the Whitewash Waiver and the Conversion. The Concert Group and those parties who are involved or interested in the Whitewash Waiver and/or the Conversion shall abstain from voting on the resolutions to be proposed at the SGM to approve, among others, the same.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE CORPORATION

As at the Latest Practicable Date:

- (1) The Corporation has 129,554,630 Class “A” Common Voting Shares in issue;
- (2) The Corporation has 9,056,001 share options (the “**Share Options**”) under the Post-IPO Share Option Scheme outstanding;
- (3) The Corporation issued convertible bonds (the “**2019 CB**”) in an aggregate principal amount of USD\$10,450,000 on June 17, 2019 to LionRock Soleil L.P., which is an independent third-party. The 2019 CB bears an interest rate of 10% per annum. The holders of the 2019 CB have the rights to convert the 2019 CB into Shares at the conversion price of HK\$4.09 per Share (adjusted on a post share-consolidation basis) at any time up to 2 years from the issue date. Should the independent third-party exercise the 2019 CB, 19,979,685 Shares will be issued representing 15.42% of the shareholding as the Latest Practicable Date;
- (4) The Corporation issued CB in an aggregate principal amount of HK\$72,000,000 to the Subscriber on April 1, 2020. The CB bears an interest rate of 8% per annum. Subject to the terms of the Subscription Agreement, the Subscriber has the rights to convert the CB in whole or in part into

Shares at an initial Conversion Price of HK\$0.632 per Share (subject to adjustment) at any time up to March 31, 2022; and

- (5) Save for the Share Options, the CB and the 2019 CB mentioned above, the Corporation does not have any other convertible securities, options, warrants or other derivatives outstanding which are convertible or exchangeable into Shares.

The table below depicts the shareholding structure of the Corporation, assuming there is no change in the issued share capital of the Corporation, (i) as at the Latest Practicable Date; (ii) immediately after full conversion of the Convertible Bonds based on the initial Conversion Price; (iii) immediately after full conversion of the CB and 2019 CB and (iv) immediately after full conversion of the CB, 2019 CB and the exercise of all exercisable options outstanding:

Notes:

	As at the Latest Practicable Date		Immediately upon full conversion of CB		Immediately upon full conversion of CB and 2019 CB (for illustrative purposes only)		Immediately upon full conversion of CB, 2019 CB, and all exercisable share options have been exercised (for illustrative purposes only)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Subscriber ¹	10,338,000	7.98%	124,262,051	51.04%	124,262,051	47.17%	124,262,051	45.61%
Tai Feng Investments Ltd ¹	8,556,750	6.60%	8,556,750	3.51%	8,556,750	3.25%	8,556,750	3.14%
Mr. Sun ¹	17,413,790	13.44%	17,413,790	7.15%	17,413,790	6.61%	24,347,370	8.94%
Other Directors								
Michael J Hibberd ²	2,165,981	1.67%	2,165,981	0.89%	2,165,981	0.82%	3,099,561	1.14%
Xijuan Jiang ³	104,814	0.08%	104,814	0.04%	104,814	0.04%	124,814	0.05%
Gloria Ho ⁴	-	-	-	-	-	-	400,000	0.15%
The Subscriber and parties acting in concert with it	38,579,335	29.78%	152,503,386	62.64%	152,503,386	57.89%	160,790,546	59.02%
Independent non-executive directors:								
Yi He	139,682	0.11%	139,682	-	139,682	0.05%	256,349	0.09%
Guangzhong Xing	-	-	-	-	-	-	66,667	0.02%
2019 CB Holder:								
LionRock Soleil L.P. ⁵	-	-	-	-	19,979,685	7.58%	19,979,685	7.33%
Other Public Shareholders⁶	90,835,613	70.11%	90,835,613	37.31%	90,835,613	34.48%	91,354,454	33.53%
Total	129,554,630	100.00%	243,478,681	100.00%	263,458,366	100.00%	272,447,701	100.00%

- 1) Mr. Sun is the Executive Chairman and a Substantial Shareholder of the Corporation. He is interested or deemed to be interested in an aggregate of 36,308,540 Shares (representing approximately 28.03% of the share capital of the Corporation as at the Latest Practicable Date), including (i) 10,338,000 Shares held by the Subscriber, a company directly and wholly-owned by Mr. Sun; (ii) 8,556,750 Shares directly held by Tai Feng Investments Limited, another company directly and wholly-owned by him and (iii) 17,413,790 Shares beneficially held by him. As at the Latest Practicable Date, Mr. Sun has share options to subscribe for an aggregate 6,933,580 Shares granted by the Corporation under the Post-IPO Share Option Scheme of the Corporation.
- 2) Mr. Michael J Hibberd is the Non-Executive Vice-Chairman of the Corporation and is presumed to be acting in concert with the Subscriber under the Takeovers code.
- 3) Ms. Xijuan Jiang is a Non-Executive Director of the Corporation and is presumed to be acting in concert with the Subscriber under the Takeovers code.
- 4) Ms. Gloria Ho is an Executive Director of the Corporation and is presumed to be acting in concert with the Subscriber under the Takeovers code.

- 5) *LionRock Soleil L.P., an independent third-party, is the holder of the 2019 CB issued by the Corporation. It will remain a public shareholder upon full conversion of CB.*
- 6) *Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.*
- 7) *As at the Latest Practicable Date, the Corporation has 9,056,001 options outstanding under the Post-IPO Share Option Scheme, of which: a) 518,841 Options were not held by the Directors but are all exercisable, and b) 8,537,160 Options were granted to the Directors as shown below:*

	Name	Number of Securities Underlying Unexercised Options (#)	Number of Options exercisable as at the date hereof	Option Exercise Price (HK\$)	Option Expiration Date
1	Kwok Ping Sun	91,360	91,360	29.6	23-Sep-21
		842,220	842,220	29.6	23-Sep-21
		6,000,000	6,000,000	11.8	5-Jul-23
2	Gloria Ho ¹⁰	100,000	100,000	20.5	3-Dec-21
		300,000	300,000	11.8	5-Jul-23
3	Michael John Hibberd	933,580	933,580	29.6	23-Sep-21
4	Xijuan Jiang	20,000	20,000	17.5	17-Aug-21
5	Yi He ⁸	20,000	20,000	17.5	17-Aug-21
		30,000	30,000	15.5	3-Apr-22
		100,000	66,667	3.65	9-Sep-24
6	Linna Liu	-	-	-	-
7	Guangzhong Xing	100,000	66,667	3.65	9-Sep-24
8	Alfa Li	-	-	-	-
Subtotal		8,537,160	8,470,494		

- 8) *Mr. David Yi He is an Independent Non-Executive Director of the Corporation and also holds 139,682 shares in the Corporation as at the Latest Practicable Date.*
- 9) *Save as disclosed above, none of the Directors have any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Corporation as at the Latest Practicable Date.*
- 10) *The Corporation wishes to clarify that the options exercise price (HK\$) for options granted to Ms. Gloria Ho which will expire on December 3, 2021 should be HK\$ 20.5 instead of HK\$ 0.41 in the section “CHANGE IN THE SHAREHOLDING STRUCTURE OF THE CORPORATION” of the announcement issued by the Corporation on October 16, 2020.*

INFORMATION ABOUT THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability on August 31, 2012 whose issued shares are entirely beneficially owned by Mr. Sun, the Executive Chairman and a Substantial Shareholder of the Corporation. The Subscriber is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Sun, the Executive Chairman and a Substantial Shareholder of the Corporation, is the sole director of the Subscriber. Please refer to the section headed “**12. DIRECTORS OF THE CORPORATION**” in Appendix II of this Circular for detailed profile of Mr. Sun.

INFORMATION ABOUT SUNSHINE

The Corporation is a Calgary based public corporation, listed on the Stock Exchange since March 1, 2012 and is focused on the development of its significant holdings of oil sands leases in the Athabasca oil sands region. It relies heavily 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.

Summary of published financial results of the Corporation for the second quarter ended June 30, 2020 is set out below:

	June 30, 2020		December 31, 2019		December 31, 2018	
(\$000s)	CAD	HKD ¹	CAD	HKD ²	CAD	HKD ³
Cash	470	2,673	1,254	7,518	583	3,347
Trade and other receivables	13,168	74,903	16,519	99,035	13,457	77,250
Prepaid expense and deposits	5,704	32,446	6,934	41,571	3,208	18,416
Exploration and evaluation assets	270,508	1,538,726	270,014	1,618,789	269,218	1,545,454
Property, plant and equipment	476,887	2,712,668	479,055	2,872,032	492,815	2,829,018
Total liabilities	618,047	3,515,626	601,773	3,607,752	527,328	3,027,141
Shareholders' equity	153,514	873,231	175,755	1,053,687	251,953	1,446,343

(\$000s except per share & bbl/d)	Q2 2020		Q1 2020	
	CAD	HKD ¹	CAD	HKD ⁴
Bitumen sales (bbl/d)	-	-	871	4,760
Petroleum sales	-	-	3,840	20,984
Royalties	-	-	6	33
Diluent	46	262	1,236	6,754
Transportation	-4	-23	2,379	13,000
Operating costs	1,940	11,035	4,679	25,568
Finance cost	-6,501	-36,980	6,149	33,601
Net loss/(gain)	-14,591	-82,998	41,770	228,251
Per share - basic and diluted	-0.16	-1	0.32	2
Capital expenditures ¹	431	2,452	299	1,634
Total assets	771,561	4,388,857	773,605	4,227,350
Working capital deficiency ²	260,532	1,481,980	262,004	1,431,716
Shareholders' equity	153,514	873,231	134,418	734,525

Note:

1. Based on the Bank of Canada's nominal noon exchange rate (June 30, 2020) of HK\$1.00 = CAD 0.1758
2. Based on the Bank of Canada's nominal noon exchange rate (December 31, 2019) of HK\$1.00 = CAD 0.1668
3. Based on the Bank of Canada's nominal noon exchange rate (December 31, 2018) of HK\$1.00 = CAD 0.1742
4. Based on the Bank of Canada's nominal noon exchange rate (March 31, 2020) of HK\$1.00 = CAD 0.1830

Unfavourable market conditions faced by the Corporation

Recently, the Corporation's liquidity has seriously deteriorated as a result of the economic hit brought about by COVID-19, causing drastic drop in oil demand and pricing; access to the funding was also obstructed due to the sluggish financial market. On March 31, 2020, the Board decided to temporarily

suspend production. The suspension further tightened the Corporation's operating income and cash flow. The Corporation was therefore in urgent financing need to sustain its day-to-day operation and administration expenses, and to meet its debt repayment obligations due in June, July and August 2020. As stated in the 2020 interim results, the Corporation recorded a cash and cash equivalents balance to CDN470,000, representing a 63% decline from CDN1,254,000 as at December 31, 2019. The operating cash flow for the three months ended June 30, 2020 recorded a net outflow of CDN2.0 million versus a net inflow of CDN0.7 million for the same period in 2019. The Corporation incurred a working capital deficiency of CDN260.5 million as at June 30, 2020.

Limitation on financing alternative

Before the execution of the CB transaction, the Corporation's management has already exhausted all available methods of raising funds, i.e. high yield debt issuance, bank loans, equity financing, none of which was successful due to the deterioration of financial performance of the Corporation and recent poor market sentiment as the result of the impact of COVID-19. After considering the above, and after arms' length negotiation and careful consideration, in order to meet the urgent funding needs, the Corporation discussed and came up with a proposal with Chairman Sun, being the Chairman, Executive Director and Substantial Shareholder of the Corporation, whereby the Corporation will issue CB to Chairman Sun on terms stipulated in the Subscription Agreement.

REASONS FOR CONVERSION

Having taken into account the unfavorable market conditions faced by the Corporation and the limitation on financing alternative, the Corporation would be delighted to accept the Proposed Conversion from the Subscriber. And, thereafter, the Subscriber applied for the Whitewash Waiver.

Benefits from the Conversion

If the Whitewash Waiver is not granted by the Executive, the Subscriber will not proceed with the Conversion. It is believed that it would be detrimental for the Corporation and its Shareholders given the various benefits of the Conversion in the following:

- (i) The financing cost for the Corporation is significantly lowered as the CB interest at 8.0% per annum can be saved upon the Conversion which is a substantial amount in view of the current liquidity position of the Corporation as at June 30, 2020;
- (ii) Given the Corporation's current debt-to-equity ratio was 402.60% as at June 30, 2020, compared to 342.39% as at December 31, 2019. Upon the Conversion, the debt-to-equity ratio is expected to be lowered to 377.13%. The lowered gearing would enable the Corporation to be more persuasive in debt financing discussions in order to obtain additional funds and meet the funding needs of the Corporation after completion of the Conversion;
- (iii) In view of the funding needs to continuously sustain the monthly operational costs especially during the market downturn, the Corporation's management has recently been engaged in discussions with financial institutions and institutional investors for funding opportunities. The feedback from the prospective institutional investors is that the shareholding structure of the Corporation is very fragmented, in particular, the largest shareholder is not a controlling shareholder. Therefore, they believe that the largest shareholder failed to demonstrate a high level of confidence and commitment in developing the business of the Corporation with a long-term perspective. After the Conversion, the Subscriber and its concert parties would become the controlling shareholder having 62.64% of the stake. The Corporation would then have a stronger position to present its shareholder support and commitment in fundraising negotiations; and

- (iv) The Subscriber would be encouraged to even more actively participate in the operational turnaround of the Corporation with greater share ownership after the Conversion. There will be a better shareholder interest alignment. The Independent Shareholders are also given the opportunity to witness and benefit from the future developments of the Corporation together with the Subscriber.

INTENTION OF THE SUBSCRIBER ON CURRENT OPERATIONS

Mr. Sun (and the Subscriber) is confident about the future prospects of Corporation in the long run as the oil demand and thus oil prices will eventually recover and that stringent cost control measures are in place. They intend to support the current business development of the Corporation without bringing in major changes to its operations, fixed asset deployment and employment of the current employees.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Conversion and the Whitewash Waiver. It comprises of all non-executive Director(s) who have no direct or indirect interest in the Whitewash Waiver and the Conversion, being Mr. Yi He, Mr. Guangzhong Xing, Mr. Alfa Li and Ms. Linna Liu, to advise the Independent Shareholders as to whether the Whitewash Waiver and the Conversion are fair and reasonable and in the interests of the Corporation and the Independent Shareholders as a whole. Mr. Michael J Hibberd and Ms. Xijuan Jiang are presumed to be acting in concert with the Subscriber and therefore considered to have an interest in the Conversion and the Whitewash Waiver, thus they are excluded from the Independent Board Committee.

The Independent Financial Adviser

Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Whitewash Waiver and the Conversion. The appointment of Donvex Capital has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

SGM

A notice convening the SGM to be held at 21st Floor, CMA Building, 64 Connaught Road Central, Hong Kong on February 26, 2021 at 10:00 a.m. (Hong Kong time) / February 25, 2021 at 7:00 p.m. (Calgary time) is set out in this circular for the purpose of considering and, if thought fit, passing the resolutions in relation to the Conversion and the Whitewash Waiver.

Full text of the resolutions to be proposed at the SGM are set out in paragraph “**RESOLUTIONS**” below. They will be determined by way of poll by the Independent Shareholders.

Shareholders other than the Subscriber, its associates and the Concert Group (including Mr. Kwok Ping Sun and his wholly-owned company, Tai Feng Investments Limited, Ms. Gloria Ho, Mr. Michael J Hibberd and Ms. Xijuan Jiang) and those who are involved or interested in the Whitewash Waiver and/or the Conversion shall abstain from voting at the SGM to consider the approval of the Whitewash Waiver and the Conversion.

Save as disclosed above, except for the Subscriber and its Concert Group, no other existing Shareholder has material interest in the Whitewash Waiver and the Conversion, and therefore no Shareholder is required to abstain from voting in relation to the resolutions to approve the Whitewash Waiver and the Conversion to be proposed at the SGM.

PRECAUTIONARY MEASURES

In view of the COVID-19 pandemic situation, the Corporation will strictly implement the following precautionary measures at the SGM to safeguard the health and safety of every attendee of the SGM.

- 1) Appropriate seating will be arranged at the venue of the SGM in order to meet the relevant regulatory requirements to ensure social distancing. As a result, the number of Participants in one single venue will be restricted and where necessary, multiple meeting rooms with telecommunication facilities and/or computer devices will be put in use;
- 2) At the entrance of the Venue, compulsory body temperature checks will be conducted on every person attending the SGM. Any person with a body temperature of over 37.3 degrees Celsius, or has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the SGM Venue;
- 3) Every attendee is required to wear a surgical mask throughout the SGM;
- 4) Every attendee is required to sign and complete a health declaration form before admission to the Venue;
- 5) any person who has travelled outside Hong Kong within 14 days immediately before the Meeting (the “**Recent Travel History**”), is subject to quarantine or self-quarantine in relation to COVID-19, or has close contact with any person under quarantine or with the Recent Travel History shall not attend the SGM;
- 6) Any attendee who declines any of the abovementioned measures will not be admitted to the Venue; and
- 7) No refreshments or drinks or corporate gifts will be provided to attendees at the SGM.

RECOMMENDATION TO VOTE BY PROXY

The Corporation reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. Furthermore, the Corporation would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and strongly recommends Shareholders to appoint the Chairman of the SGM as their proxy and submit their Proxy Form as early as possible.

A form of Proxy for use at the SGM is enclosed with this circular. You are requested to complete the enclosed form of Proxy in accordance with the instructions printed thereon and return the same as soon as possible to:-

- (i) the Corporation’s principal share registrar in Canada, being Alliance Trust Company, at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3 during regular business hours and in any event not less than 48 hours (i.e. by no later than 7:00 p.m. on February 23, 2021 (Calgary Time)); or

- (ii) the Corporation's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, during regular business hours and in any event not less than 48 hours (i.e. by no later than 10:00 a.m. on February 24, 2021 (Hong Kong Time))

before the time appointed for the holding of the SGM or any adjournment thereof.

RECORD DATE

All Registered Shareholders as at 4:30 p.m. on January 25, 2021 (Hong Kong Time) and 4:30 p.m. on January 24, 2021 (Calgary time), as the case may be (the "**Record Date**"), may vote in person at the SGM or any adjournments thereof, or they (including a Beneficial Shareholder) may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

RESOLUTIONS

At the SGM, the Independent Shareholders will be asked to approve the following resolutions:

1. "**THAT** the conversion of all convertible bonds by Prime Union Enterprises Limited, being the Subscriber, under the subscription agreement dated April 1, 2020 (the "**Subscription Agreement**") entered into between the Corporation (as issuer) and Prime Union Enterprises Limited (the "**Subscriber**") (as subscriber) in respect of the subscription of fixed rate convertible bonds in an aggregate principal amount of HK\$72,000,000 (the "**Subscription**") by the Subscriber at a conversion price of HK\$0.632 (subject to adjustment under the terms of the Subscription Agreement) per conversion shares be and are hereby approved and confirmed; and **THAT** any one director of the Corporation be and is hereby authorized to do all such things and take all such actions (including but not limited to the allotment and issuance of the Conversion Shares) and execute all documents (including the affixation of the common seal of the Corporation where execution under seal is required) as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the conversion."
2. "**THAT** subject to the Executive (as defined in the circular of the Corporation dated February 3, 2021) (the "**Circular**"), a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification)) granting the Whitewash Waiver (as defined in the Circular) to the Subscriber and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") waiving any obligation on the part of the Subscriber to make a mandatory general offer to the holders of securities of the Corporation to acquire the securities of the Corporation other than those already owned or agreed to be purchased by the Subscriber and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the conversion (the "**Whitewash Waiver**"), be and is hereby approved and **THAT** any one director of the Corporation be and is hereby authorized to do all acts and things and execute such documents (including the affixation of the common seal of the Corporation where execution under seal is required) and take all steps which, in his/her opinion deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver."

GENERAL PROXY INFORMATION

(a) Voting at the SGM

If you hold Shares in your own name, you are a registered shareholder of the Corporation (“**Registered Shareholder**”). Registered Shareholders can vote their Shares at the SGM, in person. Registered Shareholders who wish to vote by proxy, must follow the procedures described below under the paragraph headed “Voting by proxy” to exercise their voting rights.

(b) Voting by proxy

As a Registered Shareholder, if you choose not to attend the SGM in person and wish to ensure that your voting rights are exercised at the Meeting, you must complete, date and sign the enclosed form of Proxy and deliver it in accordance with the instructions set out in the form of proxy and in this circular. Such form of Proxy is also published on the HKExnews’ website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Corporation at www.sunshineoilsands.com.

Appointment of Proxy Holder

A proxy is a document that authorizes someone else to attend the SGM and cast the votes for a Registered Shareholder. The accompanying form of proxy (the “**Proxy**”) is the form proxying the chair of the SGM to vote on behalf of the Registered Shareholder.

A Proxy must be in writing and must be executed by you as Registered Shareholder, or by your attorney authorized in writing, or if the Registered Shareholder is a corporation or other legal entity, under its corporate seal or by an officer or attorney thereof duly authorized.

The chair at the SGM or any person that you named in the Proxy will vote the Shares represented thereby in accordance with your instructions on any ballot that may be called. If you specify a choice with respect to any matter to be acted upon, your Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (i) each matter or group of matters identified therein for which a choice is not specified;
- (ii) any amendment to or variation of any matter identified therein; and
- (iii) any other matter that properly comes before the SGM.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Shares represented by the Proxy for the approval of such matter.

Submission of Proxy Form

Registered Shareholders in Hong Kong

Registered Shareholders who received this circular and other accompanying materials of the SGM from the Corporation’s branch share registrar in Hong Kong, and who elect to submit a Proxy may do so by completing, dating and signing the accompanying Proxy and returning it to the Corporation’s branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East Wan Chai, Hong Kong, ensuring that the Proxy is received during regular business hours at least 48 hours, excluding

Saturdays, Sundays and public holidays in Hong Kong (i.e. 10:00 a.m. on February 24, 2021 (Hong Kong time)) before the SGM, or any adjournment thereof, at which the Proxy is to be used.

Overseas Registered Shareholders

Overseas Registered Shareholders shall receive this circular and other accompanying materials of the SGM from the Corporation's principal share registrar in Canada. If you elect to submit a Proxy, you may do so by completing, dating and signing the accompanying Proxy and returning it to the Corporation's principal share registrar in Canada, being Alliance Trust Company at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3 ensuring that the Proxy is received during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary (i.e. 7:00 p.m. on February 23, 2021 (Calgary time)) before the SGM, or any adjournment thereof, at which the Proxy is to be used.

(c) Proxy Information for Beneficial Shareholders

If your Shares are held in an account with a brokerage firm or an intermediary (i.e. a broker, investment firm, clearing house or a similar entity), you are a beneficial shareholder of the Corporation (“**Beneficial Shareholder**”). Beneficial Shareholders should follow the instructions set out in the voting instructions form or other form of proxy provided by your intermediaries to ensure that your Shares will be voted at the SGM.

The information set out in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the SGM are those deposited by Registered Shareholders.

Many Shareholders of the Corporation are Beneficial Shareholders because the Shares they own are not registered in their own names, but are instead registered in the name of the brokerage firm, bank, trust company or clearing house through which they purchased the Shares. Shares beneficially owned by a Beneficial Shareholder are registered either:

- (i) in the name of an intermediary (an “**Intermediary**”) that the Beneficial Shareholder deals with in respect of the shares of the Corporation (Intermediaries include, among others, banks, trust companies, securities dealers, securities brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSAs and similar plans); or
- (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or HKSCC Nominees Limited) of which the Intermediary is a participant.

In accordance with applicable securities law requirements, the Corporation will have distributed copies of the notice of SGM, this circular, and the Proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Beneficial Shareholders.

Intermediaries are required to forward the Meeting Materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Beneficial Shareholders. Every intermediary or service company has its own mailing procedures and provides its own return instructions to clients.

You should carefully follow the instructions of your broker or intermediary in order to ensure that your Shares are voted at the SGM. The form of proxy supplied to you by your broker will be similar to the Proxy provided by the Corporation to its Registered Shareholders. However, its purpose is limited to instructing the intermediary on how to vote on your behalf.

In Canada, most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge mails a voting instruction form in lieu of a Proxy provided by the Corporation. The voting instruction form will name the same persons as the Corporation’s Proxy to represent you at the SGM. You have the right to appoint the chair of the SGM to represent you at the SGM. To exercise this right, you should complete the voting instruction form and then it must be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the SGM. If you receive a voting instruction form from Broadridge, you cannot use it to vote Shares directly at the SGM. The voting instruction form must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the SGM in order to have the Shares voted.

(d) Revocation of Proxy

A Shareholder who has submitted a Proxy may revoke it at any time prior to the exercise thereof. In addition to revocation in any other manner permitted by law, a Shareholder who has given a Proxy may revoke it by executing a Proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Shareholder or such person’s authorized attorney in writing or, if such person is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date or a valid notice of revocation to the Corporation’s principal share registrar in Canada, being Alliance Trust Company at Suite 1010, 407-2nd Street SW, Calgary, Alberta, Canada T2P 2Y3, or the Corporation’s branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East Wan Chai, Hong Kong, as applicable, or at the address of the registered office of the Corporation at Suite 1100, 700-6th Avenue S.W., Calgary, Alberta, Canada T2P 0T8, during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary (i.e. 7:00 p.m. on February 23, 2021 (Calgary time) or 10:00 a.m. on February 24, 2021 (Hong Kong time)) before the SGM, or any adjournment thereof, at which the Proxy is to be used, or to the chairman of the SGM on the day of the SGM or any reconvening thereof, or in any other manner provided by law.

A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed in this circular, the management of the Corporation is not aware of any material interest of any Director or executive officers or anyone who has held office as such since the beginning of the Corporation’s last financial year or any “informed person” of the Corporation (as defined under applicable Canadian securities laws) or of any associate or affiliate of any of the foregoing in any matter to be acted on at the SGM.

Shareholders and potential investors of the Corporation should note that the Whitewash Waiver is a possibility only and may not be granted by the Executive.

The Conversion is subject to the passing of resolutions mentioned above and the granting of Whitewash Waiver by the Executive of SFC. As the Conversion may or may not proceed, Shareholders and potential investors of the Corporation are advised to exercise caution when dealing in the Shares and other securities of the Corporation.

RECOMMENDATION

An Independent Board Committee has been established to advise the Independent Shareholders, and Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Whitewash Waiver and the Conversion.

Shareholders should note that there's a divergence of view between the Independent Board Committee members. Ms. Linna Liu, who represents the Shareholder of the Corporation, Bank of China Group Investment Limited, considers that the Conversion at the moment would have potential negative impact on the Share price if the Subscriber sells the Conversion Shares below market price and therefore the Conversion is not in the interests of all Shareholders. Whereas other Independent Board Committee members are of a different opinion.

All other Independent Board Committee members, having taken into account the arguments for/against the Conversion and the Whitewash Waiver as summarized below:

For:

- 1) As at the Latest Practicable Date, the Subscriber have signed an irrevocable undertaking that it will not sell the Conversion Shares within 12 months from the date that the CB is converted. Therefore, there would be no immediate price impact arising from sale of the Conversion Shares by the Subscriber which should address Ms. Linna Liu's concern;
- 2) the benefits of Conversion including finance cost savings of CDN\$1 million per year, improved finance and shareholding structure of the Corporation by lowering debt-to-equity ratio from 402.6% as at 30 June 2020 to 377.13% after full conversion, and therefore the Corporation will be more persuasive in debt financing discussions;
- 3) if the Whitewash Waiver is not granted, the Subscriber will not convert and redeem the CB instead (the Subscriber does not wish to extend the CB after maturity); and
- 4) taking into account the Corporation has approximately CDN\$0.2 million cash balance as at October 31, 2020 only but it has to sustain its day-to-day operation and administration expenses, as well as to meet its debt repayment obligations. The Management has exhausted all available method of fund raising, including debt financing and equity financing and none of which was successful due to the deterioration of financial performance of the Corporation, in particular to its high gearing ratio and the continued net loss position of the Corporation. Based on management's estimate on the operational cashflow profile for 2021 and 1H2022, taking into account COVID-19 may still persist at least for the first 6-9 months in 2021, and that the funding market continues to deteriorate, they are not optimistic of having HK\$72 million fund raised for redemption of the CB at maturity. The Corporation management believes it will not be able to repay such principal

plus interest (principal of HK\$72 million and interest of HK\$ 5.8 million for the CB). For other liabilities, the Management will seek to either extend before maturity or raise additional funding when the market becomes more favorable to meet these obligations. The CB Conversion enables the Corporation to enjoy an 8% interest expense savings accruing from the date of Conversion to the maturity and is expected to help lower the gearing ratio and facilitate any future fund raise.

Against:

- 5) the Conversion Price represents a discount of 62.6% against the closing price as at the date of the Announcement and a deep discount (more than 90%) to the net asset value per Share as at December 31, 2019 and June 30, 2020.

Shareholders and potential investors should also note that the potential shareholding interests of the Corporation to be held by the Subscriber and the parties acting in concert will exceed 50% upon full Conversion of the CB. In the event of the Whitewash Waiver is granted, the Subscriber and the parties acting in concert may increase their shareholding interests of the Corporation without incurring any further obligations under Rule 26 of the Takeovers Code to make a mandatory general offer.

Given all the factors abovementioned, and taking into account the principal factors and reasons considered by Donvex Capital (i.e. the improved financial structure from Conversion; interest payment savings with the Conversion; the immediate Share price impact from sale of Conversion Shares by the Subscriber will be reduced with the Undertaking; no Conversion will be made by the Subscriber should the Whitewash Waiver not be granted; the negative impact on the Group in the event of redemption; no definite correlation between the Conversion Price and the oil price and the acceptable dilution effect), despite (i) the benefit of the Subscriber from the Conversion, including the Subscriber may have a potential gain on disposal of the Conversion Shares by the Subscriber in the open market, given the deep discount on the Conversion Price as compared to (a) the closing price of the Shares on the date of the Conversion Announcement and (b) the NAV per Shares as at December 31, 2019 and June 30, 2020; (ii) if the oil price is recovered to pre-COVID 19 level and therefore the production of the Corporation is resumed, the Conversion Price may represent larger discount to the Share price; (iii) the Subscriber will acquire majority control of the Corporation at a depressed price and will be able to approve the ordinary resolutions without reference to others; (iv) the Subscriber will be in a position to increase its shareholdings without triggering any mandatory offer in future; (v) one of the Independent Board Committee, Ms. Linna Liu, considered that the Conversion at the moment would have potential negative impact on the Share price if the Subscriber sells the Conversion Shares below market price, given that the Conversion Price of HK\$0.632 per Share is much lower than the current market price, and therefore the Conversion is not in the interests of Independent Shareholders; and (vi) the Conversion may reduce the theoretical market price of the Corporation upon the Conversion, as it may have immediate negative impact on the Share price from dilution effect to the public Shareholders, the Independent Board Committee members (excluding Ms. Linna Liu) consider that the Conversion and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Corporation and its Independent Shareholders as a whole.

For details, please refer to the “**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**” at page 29 and “**LETTER FROM DONVEX CAPITAL**” at page 32 of this circular for recommendations in respect of the terms of the Whitewash Waiver and the Conversion.

GENERAL

Your attention is also drawn to the Letter from the Independent Board Committee, the Letter from Donvex Capital and the additional information set out in the appendix to this circular and the notice of SGM.

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

Financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2019. Documents affecting the rights of security holders, along with other information relating to the Corporation, may be found on the Corporation's website at www.sunshineoilsands.com.

DIRECTORS

As at the Latest Practicable Date, 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.

RESPONSIBILITY STATEMENT

This Circular, for which the Directors of the Corporation collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Corporation. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

DIRECTORS' APPROVAL

The contents and sending of this circular have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS SUNSHINE OILSANDS LTD.

(signed) "Kwok Ping Sun"

Kwok Ping Sun

Executive Chairman

Calgary, Alberta, February 3, 2021
Hong Kong, February 3, 2021

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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阳光油砂

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

(HKEX: 2012)

February 3, 2021

To the Independent Shareholders

Dear Sir / Madam,

**(I) PROPOSED CONVERSION OF CONVERTIBLE BONDS BY CONNECTED PERSON
UNDER SPECIFIC MANDATE
(II) APPLICATION FOR WHITEWASH WAIVER
AND
(III) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

We refer to the circular dated February 3, 2021 issued by the Corporation (the “**Circular**”), of which this letter forms part. Capitalized terms defined in this Circular have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Conversion and the Whitewash Waiver are in the interests of the Corporation and the Independent Shareholders as a whole and whether or not the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Conversion and the Whitewash Waiver are set out in the “Letter from the Board” as contained in the Circular. None of the members of the Independent Board Committee have any direct or indirect interest in the Conversion and the Whitewash Waiver.

Donvex Capital has been appointed to advise the Independent Board Committee, and the Independent Board Committee has approved the appointment of Donvex Capital as Independent Financial Adviser, and the Independent Shareholders in relation to the Conversion and the Whitewash Waiver. We wish to draw your attention to the letter from Donvex Capital to the Independent Board Committee and the Independent Shareholders which contain its advice in respect of the Conversion and the Whitewash Waiver and as set out at page 32 in the Circular. Your attention is also drawn to the general information set out in the Circular.

** For identification purposes only*

Shareholders should note that there's a divergence of view between the Independent Board Committee members. Ms. Linna Liu, who represents the Shareholder of the Corporation, Bank of China Group Investment Limited, considers that the Conversion at the moment would have potential negative impact on the Share price if the Subscriber sells the Conversion Shares below the market price and therefore the Conversion is not in the interests of all Shareholders. Whereas other Independent Board Committee members are of a different opinion.

All other Independent Board Committee members, having taken into account the arguments for/against the Conversion and the Whitewash Waiver as summarized below:

For:

1) As at the Latest Practicable Date, the Subscriber have signed an irrevocable undertaking that it will not sell the Conversion Shares within 12 months from the date that the CB is converted. Therefore, there would be no immediate price impact arising from the sale of the Conversion Shares by the Subscriber which should address Ms. Linna Liu's concern;

2) the benefits of Conversion including finance cost savings of CDN\$1 million per year, improved finance and shareholding structure of the Corporation by lowering debt-to-equity ratio from 402.6% as at June 30, 2020 to 377.13% after full conversion, and therefore the Corporation will be more persuasive in debt financing discussions;

3) if the Whitewash Waiver is not granted, the Subscriber will not convert and redeem the CB instead (the Subscriber does not wish to extend the CB after maturity); and

4) taking into account the Corporation has approximately CDN\$0.2 million cash balance as at October 31, 2020 but it has to sustain its day-to-day operation and administration expenses, as well as to meet its debt repayment obligations. The Management has exhausted all available method of fund raising, including debt financing and equity financing and none of which was successful due to the deterioration of financial performance of the Corporation, in particular to its high gearing ratio and the continued net loss position of the Corporation. Based on management's estimate on the operational cashflow profile for 2021 and 1H2022, taking into account COVID-19 may still persist at least for the first 6-9 months in 2021, and that the funding market continues to deteriorate, they are not optimistic of having HK\$72 million fund raised for redemption of the CB at maturity. The Corporation management believes it will not be able to repay such principal plus interest (principal of HK\$72 million and interest of HK\$5.8 million for the CB) and will default on the CB. For other liabilities, the Management will seek to either extend before maturity or raise additional funding when the market becomes more favorable to meet these obligations. The CB Conversion enables the Corporation to enjoy an 8% interest expense savings accruing from the date of Conversion to the maturity and is expected to help lower the gearing ratio and facilitate any future fund raise.

Against:

5) the Conversion Price represents a discount of 62.6% against the closing price as at the date of the Announcement and a deep discount (more than 90%) to the net asset value per Share as at December 31, 2019 and June 30, 2020.

Shareholders and potential investors should also note that the potential shareholding interests of the Corporation to be held by the Subscriber and the parties acting in concert will exceed 50% upon full Conversion of the CB. In the event of the Whitewash Waiver is granted, the Subscriber and the parties acting in concert may increase their shareholding interests of the Corporation without incurring any further obligations under Rule 26 of the Takeovers Code to make a mandatory general offer.

Given all the factors abovementioned, and taking into account the principal factors and reasons considered by Donvex Capital (i.e. the improved financial structure from Conversion; interest payment savings with the Conversion; the immediate share price impact from sale of Conversion Shares by the Subscriber will be reduced with the Undertaking; no Conversion will be made by the Subscriber should the Whitewash Waiver not be granted; the negative impact on the Group in the event of redemption; no definite correlation between the Conversion Price and the oil price and the acceptable dilution effect), despite (i) the benefit of the Subscriber from the Conversion, including the Subscriber may have a potential gain on disposal of the Conversion Shares by the Subscriber in the open market, given the deep discount on the Conversion Price as compared to (a) the closing price of the Shares on the date of the Conversion Announcement and (b) the NAV per Shares as at December 31, 2019 and June 30, 2020; (ii) if the oil price is recovered to pre-COVID 19 level and therefore the production of the Corporation is resumed, the Conversion Price may represent larger discount to the Share price; (iii) the Subscriber will acquire majority control of the Corporation at a depressed price and will be able to approve the ordinary resolutions without reference to others; (iv) the Subscriber will be in a position to increase its shareholdings without triggering any mandatory offer in future; (v) one of the Independent Board Committee, Ms. Linna Liu, considered that the Conversion at the moment would have potential negative impact on the Share price if the Subscriber sells the Conversion Shares below market price, given that the Conversion Price of HK\$0.632 per Share is much lower than the current market price, and therefore the Conversion is not in the interests of Independent Shareholders; and (vi) the Conversion may reduce the theoretical market price of the Corporation upon the Conversion, as it may have immediate negative impact on the Share price from the dilution effect to the public Shareholders, the Independent Board Committee members (excluding Ms. Linna Liu) consider that the Conversion and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Corporation and its Independent Shareholders as a whole.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Linna Liu
Non-Executive Director

Yi He, David
*Independent Non-Executive
Director*

Guangzhong Xing
*Independent Non-Executive
Director*

Alfa Li
*Independent Non-Executive
Director*

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 2501-2502, 25th Floor
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

February 3, 2021

*The Independent Board Committee and the Independent Shareholders of
Sunshine Oilsands Limited*

Dear Sir/Madam,

APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Conversion and the Whitewash Waiver, details of which are set out in the letter from the Board (the **"Letter from the Board"**) contained in the circular of the Corporation dated February 3, 2021 to the Shareholders (the **"Circular"**), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

Reference is made to the announcement dated April 1, 2020 (the **"Subscription Announcement"**), the circular dated April 24, 2020 (the **"Subscription Circular"**) and the announcement dated October 16, 2020 (the **"Conversion Announcement"**) in relation to, among other things, the Conversion and the Whitewash Waiver.

On April 1, 2020, the Corporation entered into the Subscription Agreement with the Subscriber, pursuant to which the Corporation conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the convertible bonds issued by the Corporation in an aggregate principal amount of HK\$72,000,000 (the **"CB"**).

On May 25, 2020, all necessary resolutions have been passed through by the then independent shareholders at the SGM held for the purposes of approving the Subscription and the allotment and issuance of the Conversion Shares.

On October 16, 2020, the Corporation has received the notice for conversion from the Subscriber. As detailed in the section headed "The Subscription" of the Letter from the Board, the CB shall not be converted upon exercise of the conversion rights given that (i) the CB holder and parties acting in concert with it shall be interest (whether directly or indirectly) in 29.90% or more of the consequential enlarged issued share capital of the Corporation unless the CB holder has obtained a whitewash waiver from the SFC; (ii) any other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer (**"MGO"**) unless the CB holder has obtained a whitewash waiver from the SFC; or (iii) the Corporation shall fail to maintain a 25% public float.

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with it (including Mr. Kwok Ping Sun (**"Mr. Sun"**), Tai Feng Investments Limited, Mr. Michael John Hibberd, Ms. Xijuan Jiang, and Ms. Gloria Ho), directly or indirectly, hold 38,579,335 Shares, representing approximately 29.78% of the existing issued share capital of the Corporation. In addition, Mr. Sun has been granted options under the Post-IPO Share Option Scheme entitling him to acquire 6,933,580 Shares (representing approximately 5.35% of the issued capital of the Corporation as at the Latest Practicable Date) upon full exercise of these options. Mr. Sun has irrevocably undertaken to the Corporation that he will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code when exercising the Options granted under the Post-IPO Share Option Scheme.

Upon full conversion of the CB and based on the initial Conversion Price of HK\$0.632 per Share (the “**Conversion**”), a maximum of 113,924,051 new Shares will be allotted and issued to the Subscriber, representing approximately (i) 87.94% of the existing issued share capital of the Corporation as at the Latest Practicable Date; and (ii) 46.79% of the issued share capital of the Corporation as enlarged by the issuance of the Conversion Shares (assuming that there is no repurchase of Shares or issuance of other new Shares). Hence, upon the Conversion, the shareholding of the Subscriber and the parties acting in concert with it will increase from 38,579,335 to 152,503,386 Shares in aggregate (representing approximately 62.64% of the issued share capital of the Corporation as enlarged by the issuance of the Conversion Shares, assuming that there is no repurchase of Shares or issuance of other new Shares), whereby triggering a MGO under Rule 26 of the Takeovers Code.

Accordingly, the Subscriber in the absence of the Whitewash Waiver, would be obliged to make a MGO under Rule 26 of the Takeovers Code for all the Shares and other securities of the Corporation not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that it would, subject to among others, the approval by Independent Shareholders of the Conversion and the Whitewash Waiver at the SGM by way of poll, grant the Whitewash Waiver.

Shareholders and public investors should note that the potential shareholding interests of the Corporation to be held by the Subscriber and parties acting in concert will exceed 50% upon full conversion of the CB. In the event the Whitewash Waiver is granted, the Subscriber and parties acting in concert may increase their shareholding interests of the Corporation without incurring any further obligation under Rule 26 of the Takeovers Code to make a MGO.

The Independent Board Committee, comprising all of (i) non-executive Directors who have no direct or indirect interest in the Conversion and the Whitewash Waiver, namely Ms. Linna Liu; and (ii) the independent non-executive Directors, namely Messrs. Yi He, Guangzhong Xing and Alfa Li, has been established to advise the Independent Shareholders on (i) whether the Conversion and the Whitewash Waiver are in the interests of the Corporation and the Shareholders as a whole; and (ii) how to vote in relation to the Conversion and the Whitewash Waiver at the SGM. Being the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Corporation or any other parties that could reasonably be regarded as relevant to our independence. In addition to our engagement as the Independent Financial Adviser, we have only acted as an independent financial adviser to the then special/ independent board committee and independent shareholders of the Corporation in relation to the following transactions in last two years:

- (i) the proposed issue of new Shares to the then connected Directors (details of which were set out in the circular of the Corporation dated June 4, 2019) which has been completed and is not related to the Conversion and Whitewash Waiver; and
- (ii) the issue of convertible bonds, being the subject matter of the Conversion and the Whitewash Waiver (details of which were set out in the Subscription Circular), which has been completed.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in respect of the Conversion and the Whitewash Waiver. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Corporation.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Corporation (the

“Management”). We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and Management and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the SGM. The Corporation will notify the Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible after the Latest Practicable Date and throughout the offer period (as defined under the Takeovers Code).

The Circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Conversion and the Whitewash Waiver, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Independent Shareholders will be notified of any material changes to such information provided and our opinion as soon as possible after the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Corporation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Whitewash Waiver and the Conversion and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Conversion and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

Principal business and information of the Group

With reference to the Letter from the Board, the Corporation is principally engaged in the development of its oil sands assets for production of bitumen in the Athabasca oil sands region in Alberta, Canada. The Corporation owns interests in approximately one million acres of oil sands and petroleum and natural gas leases in the Athabasca region, which focuses on executing milestone undertakings in the West Ells project area.

Unfavourable market conditions faced by the Group

On March 31, 2020, the Board decided to temporarily suspend production in view of the drastic drop in oil demand and pricing as a result of the impact of COVID-19. Such suspension tightened the operating income and cash flow of the Group. Therefore, the liquidity and financial performance of the Group have seriously deteriorated for 6M2020 (as defined below) and the Corporation was in urgent funding needs to (a) sustain its day-to-day operation and administration expenses, and (b) meet its debt repayment obligations of approximately CDN\$20.5 million due within 1 year from the date of the Conversion Announcement, including (i) a loan from an independent third party with outstanding amount of approximately CDN\$9.7 million (the “**I3P Loan**”); and (ii) a convertible bond issued to an independent third party with outstanding amount of approximately CDN\$10.8 million (the “**2019 CB**”). Both the lender of the I3P Loan and the 2019 CB holder do not hold any shareholding interest in the Corporation. As of the Latest Practicable Date, the production of the Corporation has not been resumed due to the recent development of COVID-19 pandemic in Canada; and (ii) the oil price has not recovered to pre-COVID 19 level. The Management also confirmed that there is no definitive schedule for the resumption of such production.

Historical financial information of the Group

The table below sets forth a summary of the consolidated financial information of the Group for (i) the six months ended June 30, 2020 (“**6M2020**”) and June 30, 2019 (“**6M2019**”) extracted from the Corporation’s interim report for 6M2020; and (ii) the year ended December 31, 2019 (“**FY2019**”) and December 31, 2018 (“**FY2018**”) extracted from the Corporation’s annual report for FY2019:

	6M2020 CDN\$'000 (Unaudited)	6M2019 CDN\$'000 (Unaudited)	FY2019 CDN\$'000 (Audited)	FY2018 CDN\$'000 (Audited)
Revenue				
- Petroleum sales, net of royalties	3,834	20,106	41,716	37,007
Net loss for the period/year attributable to the Shareholders	27,120	34,915	80,642	126,996

FY2019 vs. FY2018

According to the annual report for FY2019, the revenue of the Group increased by approximately CDN\$4.7 million or 12.7% from approximately CDN\$37.0 million for FY2018 to approximately CDN\$41.7 million for FY2019, which was mainly attributed to (i) increase in sales volume of bitumen from 1,653 barrels per day for FY2018 to 1,700 barrels per day for FY2019; and (ii) increase in bitumen price per barrel from approximately CDN\$43.52 for FY2018 to approximately CDN\$49.34 for FY2019.

The net loss attributable to the Shareholders decreased by approximately CDN\$46.4 million or 36.5% from approximately CDN\$127.0 million for FY2018 to approximately CDN\$80.6 million for FY2019, which was mainly attributed to (i) the increase in sales volume of bitumen and bitumen price per barrel which led to the increase of revenue of approximately CDN\$4.7 million or 12.7%; (ii) the improvement of cost management in particular the workforce, leading to the decrease of salaries of approximately CDN\$0.9 million or 13.0%; and (iii) the unrealized foreign exchange gain from translation of USD denominated senior notes of approximately CDN\$13.0 million (FY2018: loss of approximately CDN\$22.0 million).

6M2020 vs. 6M2019

According to the interim report for 6M2020, the petroleum sales, net of royalties of the Group decreased by approximately CDN\$16.3 million or 81.1% from approximately CDN\$20.1 million for 6M2019 to approximately CDN\$3.8 million for 6M2020, which was mainly attributed to temporary suspension of bitumen production from April, 1 2020 to June, 30 2020 (“**2020Q2**”) due to drastic drop in oil demand and pricing as a result of the impact of COVID-19.

The net loss attributable to the Shareholders decreased by approximately CDN\$7.8 million or 22.3% from approximately CDN\$34.9 million for 6M2019 to approximately CDN\$27.1 million for 6M2020, which was mainly attributed to (i) the decrease in finance costs due to the prior year adjustment for interest expenses on senior notes; and (ii) the decrease in diluent cost, transportation costs, and operation costs as a result of the temporary suspension of bitumen production in 2020Q2.

	As at June 30, 2020 <i>CDN'000</i> <i>(Unaudited)</i>	As at December 31, 2019 <i>CDN'000</i> <i>(Audited)</i>	As at December 31, 2018 <i>CDN'000</i> <i>(Audited)</i>
Cash and cash equivalents	470	1,254	583
Total liabilities	618,047	601,773	527,328
Net assets	153,514	175,755	251,953

The cash and cash equivalents of the Group increased by approximately CDN\$0.7 million from approximately CDN\$0.6 million as at December 31, 2018 to approximately CDN\$1.3 million as at December 31, 2019, which was mainly attributed to the net of (i) proceeds from bonds, shareholder’s loans and other loans; and (ii) net cash used in operating activities and investing activities. The cash and cash equivalents of the Group subsequently decreased by approximately CDN\$0.8 million to approximately CDN\$0.5 million as at June 30, 2020, which was mainly attributed to the net effect of (i) the net proceeds from the Subscription of approximately CDN\$9.1 million; (ii) the payment for exploration and evaluation assets of approximately CDN\$0.5 million; and (iii) net cash used in operating activities of approximately CDN\$9.1 million due to the operating loss for 6M2020 as a result of the temporary suspension of bitumen production in 2020Q2.

The total liabilities of the Group increased by approximately CDN\$74.5 million or 14.1% from approximately CDN\$527.3 million as at December 31, 2018 to approximately CDN\$601.8 million as at December 31, 2019, which was mainly attributed to the increase in interest payables by approximately CDN\$62.2 million or 41.8% from approximately CDN\$148.9 million as at December 31, 2018 to approximately CDN\$211.1 million as at December 31, 2019. The total liabilities of the Group subsequently increased by approximately CDN\$16.2 million or 26.9% to approximately CDN\$618.0 million as at June 30, 2020, which was mainly attributed to the issue of the CB of approximately CDN\$12.7 million. The Group recorded current liabilities of CDN\$478.6 million, CDN\$531.0 million and CDN\$279.9 million as at December 31, 2018, December 31, 2019 and June 30, 2020, respectively.

The net assets of the Group decreased by approximately CDN\$76.2 million or 30.2% from approximately CDN\$252.0 million as at December 31, 2018 to approximately CDN\$175.8 million as at December 31, 2019, which was mainly attributed to the net loss attributable to the Shareholders of approximately CDN\$80.6 million for FY2019. The net assets of the Group subsequently decreased by approximately CDN\$22.3 million to approximately CDN\$153.5 million as at June 30, 2020, which was mainly attributed to the net effect of (i) the net loss attributable to the Shareholders of approximately CDN\$27.1 million for 6M2020; and (ii) the recognition of the equity portion of the CB in relation to the Subscription of approximately CDN\$4.5 million.

Audit opinions

As set out under the section headed “Detail of emphasis of matter or material uncertainty related to going concern and disclaimer of opinion contained in the auditor’s report” in the Appendix I to the Circular, the auditors of the Corporation expressed the following opinions for FY2019, FY2018 and for year ended December 31, 2017 (“FY2017”):

FY2019

The auditor of the Corporation was Zhonghui Anda CPA Limited (“Zhonghui”) who expressed a disclaimer of opinion on the consolidated financial statements of the Group on (i) the exploration and evaluation assets, plant and equipment and (ii) the material uncertainty related to going concern.

FY2018 and FY2017

The auditor of the Corporation was PricewaterhouseCoopers LLP (“PwC”). The audit opinions of PwC in respect of FY2018 and FY 2017 were not qualified nor modified, although an emphasis of matter on material uncertainties related to going concern were contained in the auditor’s report of PwC for FY2018 and FY2017.

Disclaimer of opinion for FY2019

i) Impairment assessment of Exploration and evaluation (“E&E”) assets and property, plant and equipment (“PPE”)

Zhonghui issued a disclaimer of opinion based on dramatic drop in oil price at the time of the annual audit for FY2019 whilst the independent valuer had forecasted higher oil price in its reserves report. As set out under the section “Details of and Management’s view on the Audit Qualifications” in the Corporation’s annual report for FY2019, the Corporation suggested to Zhonghui that they could quantify the impact of and/or recommend if any impairment provision was needed so that the Corporation could take up as an audit adjustment into the financial statements for FY2019. However, Zhonghui did not quantify the actual or potential impact.

With reference to the supplemental announcement in relation to the audit modification dated July 26, 2020, the Management considered that such disclaimer of opinion may also due to the lack of time for Zhonghui to understand historical information and business practices of the Corporation and the industry as it was newly appointed as the Corporation’s auditor in February 2020. As such, the Corporation suggested in both its annual report for FY2019 and supplemental announcement that the failure to propose an audit adjustment was due to the incompetence of Zhonghui.

ii) Material uncertainty related to going concern

Zhonghui stated in its auditor report that the validity of applying going concern basis for preparation of the consolidated financial statements depends upon whether 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 which is how they formed their opinion.

Profit Estimates of the Group

With reference to the below statements set out under the section headed “Material Change” in Appendix I to the Circular (the “**Profit Estimates**”):

- i) The Group recorded substantial decrease in revenue for the 10 months ended October 31, 2020 (“**10M2020**”) as compared to the 10 months ended October 31, 2019 (“**10M2019**”) mainly due to suspension in production since March 31, 2020.
- ii) The Group recorded substantial decrease in diluent expense, transportation and operating expense as compared to 10M2019 due to suspension in production since March 31, 2020.
- iii) The Group recorded substantial decrease in finance cost for 10M2020 as compared to 10M2019 as reduction of Senior Note interest expense and the yield maintenance premium and forbearance fee have been removed.
- iv) The Group recorded substantial decrease in net loss as compared to 10M2019 mainly due to reduction of operating loss and finance cost as a result of the production suspension.
- v) The Group recorded foreign Exchange loss for 10M2020 vs a foreign exchange gain in 10M2019 mainly due to weak CAD/USD in the first quarter of 2020.

The Profit Estimates constitute profit forecast under Rule 10 of the Takeovers Code and is reported by the auditors and the financial adviser as set out in Appendix III and IV to the Circular, respectively.

2. Principal terms of the Subscription Agreement

Date:	April 1, 2020
Parties:	(a) the Corporation; and (b) the Subscriber
Principal amount:	HK\$72,000,000
Terms:	2 years
Maturity date:	March 31, 2022 (the “ Maturity Date ”)
Interest:	8% per annum on the total principal amount
Denomination:	The CB is issued in denomination of HK\$1,000,000 each.
Conversion Price:	HK\$0.632 per Share
Conversion Rights:	The CB holder has the right to convert any outstanding principal of the CB into the Shares during the period from the date of six months after the date of the Subscription Agreement until the Maturity Date, subject to the Corporation’s written approval.

In any circumstances, the Corporation shall not allot and issue Shares to the CB holder upon the exercise of the Conversion Rights, if (i) the CB holder and parties acting in concert aggregated together with existing Shares held shall be interested (whether directly or indirectly) in 29.90% or more of the consequential enlarged issued share capital of the Corporation unless the CB holder has obtained a whitewash waiver from the SFC; (ii) any other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a MGO unless the CB holder has obtained a whitewash waiver from the SFC; or (iii) the Corporation shall fail to maintain a 25% public float.

Adjustment of the Conversion Price: If and whenever the Corporation shall issue wholly for cash any new Shares (other than Shares issued on the exercise of Conversion Right or on the exercise of any rights of conversion info, or subscription for, Shares) or the issue or grant of options, warrants or other rights to subscribe or purchase Shares, at a price per Share which is less than the Conversion Price, the Conversion Price shall adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$(P+Q)/R$$

P is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

Q is the number of Shares which the aggregate consideration (if any) receivables for the issue of such additional Shares would be able to purchase at the Conversion Price in force immediately before such issue (representing the aggregate consideration divided by the Conversion Price); and

R is the number of Shares in issue immediately after the issue of such additional Shares.

Voting rights: The CB holder shall not be entitled to attend or vote at any meeting of the Corporation.

Early redemption: The CB shall not be redeemed by the Corporation before the Maturity Date.

Completion of the Subscription

Completion of the Subscription has taken place as the conditions of the Subscription Agreement have been fulfilled.

On May 25, 2020, all necessary resolutions have been passed through by the then independent shareholders at the SGM held for the purposes of approving the Subscription.

The Listing Committee has conditionally granted (subject to allotment) and has not withdrawn or revoked the approval of listing of and permission to deal in all the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Right. All the conditions precedent set out in the Subscription Agreement have been fulfilled.

Information and intention of the Subscriber

With reference to the Letter from the Board, the Subscriber is a company incorporated in the British Virgin Islands with limited liability on August 31, 2012 whose issued shares are entirely beneficially owned by Mr. Sun, the Executive Chairman and a Substantial Shareholder of the Corporation. The Subscriber is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Sun, the Executive Chairman and a Substantial Shareholder of the Corporation, is the sole director of the Subscriber.

The Subscriber does not intend to bring in any major changes to its operations, fixed asset deployment and employment of the current employees. On 12 January 2021, the Subscriber signed a legally binding undertaking, pursuant to which the Subscriber has irrevocably undertaken not to dispose the Conversion Shares for 12 months upon the completion of the Conversion (the “**Undertaking**”). However, the Subscriber will not proceed with the Conversion if the Whitewash Waiver is not granted or not approved by Independent Shareholders. The Subscriber will not consider selling down its shareholding interests in the Corporation and then converting the CB partially to avoid triggering the MGO. Upon the Maturity Date, the Subscriber will request the Corporation to redeem the CB.

In view of (i) the intention of the Subscriber; (ii) the experience of Mr. Sun (Mr. Sun has been an Executive Chairman and Executive Director of the Corporation for over 5 years); and (iii) the confidence of the Subscriber about the future prospects of the Corporation, we consider that the Conversion and the Whitewash Waiver will benefit the Corporation and the Independent Shareholders as a whole as the Conversion will align the interest of the Subscriber with the Corporation and encourage the Subscriber to become more committed to the business development of the Group after increasing the shareholding interest of the Subscriber by the Conversion, despite the Subscriber may have gained control of the Corporation at a discounted price through acquiring the Conversion Shares at the Conversion Price that represented a deep discount to the closing price of the Shares on the date of Conversion Announcement, which is at a disadvantage of the Independent Shareholders.

Prospects and outlook of the Group after the Conversion

In the event the Whitewash Waiver is granted and the COVID 19 pandemic is recovered, the Directors are confident about the future prospects of the Group in long run given that:

- (i) the improvement in the financial position of the Group after full conversion of the CB, may allow the Group to obtain additional (1) debt financing from financial institutions and/or (2) equity financing from potential investors;
- (ii) based on the forecast from The U.S. Energy Information Administration (the “EIA”), the demand and price of oil will eventually recover to pre-COVID 19 level after the COVID 19 pandemic; and
- (iii) the stringent cost control measures of the Group are currently in place in order to improve the liquidity of the Group.

Having taken into account of the above and given the Subscriber does not intend to sell the Conversion Shares within 12 months from the date of the Conversion as discussed in the section headed “Information and intention of the Subscriber”, we concur with the view of the Directors in respect of the prospects and outlook of the Group.

Assessment on the Conversion Price

With reference to the Letter from the Board, the Conversion Price represented:

- (i) a discount (i.e. approximately 62.6%) to the closing price of HK\$1.690 on the date of the Conversion Announcement;

- (ii) a discount (i.e. approximately 92.2%) to the audited net asset value of the Group (the “NAV”) of HK\$8.13 per Share as at December 31, 2019; and
- (iii) a discount (i.e. approximately 90.6%) to the unaudited NAV of HK\$6.74 per Share as at June 30, 2020.

We consider the Conversion Price may not be fair and reasonable to the Independent Shareholders after taking into account:

- (i) the deep discount to the closing price on the date of the Conversion Announcement was mainly attributed to the sharp increase of the Share price after the date of Subscription Announcement as well as sharp decrease just before the date of Subscription Announcement, and therefore the Conversion Price is below the closing price of the Shares on the date of Conversion Announcement. As advised by the Directors, they are not aware of any particular reasons for the aforesaid Share price movement; and
- (ii) the Conversion Price represented a deep discount to the NAV per Share as at December 31, 2019 and June 30, 2020.

Conclusion

Notwithstanding the Conversion Price represented a deep discount to (a) the closing price on the date of Conversion Announcement and (b) the NAV per Share as at December 31, 2019 and June 30, 2020, and therefore may not be fair and reasonable to the Independent Shareholders, we are of the view that the Conversion is in the interests of the Corporation and the Independent Shareholders as a whole after taking into account the information and intention of the Subscriber and the reasons as discussed in the section headed “Reasons and Benefits of the Whitewash Waiver”.

3. Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with it (including Mr. Kwok Ping Sun and Tai Feng Investments Limited, Mr. Michael John Hibberd, Ms. Xijuan Jiang, and Ms. Gloria Ho), directly or indirectly, hold 38,579,335 Shares, representing approximately 29.78% of the existing issued share capital of the Corporation. In addition, Mr. Sun has been granted options under the Post-IPO Share Option Scheme entitling him to acquire 6,933,580 Shares (representing approximately 5.35% of the issued capital of the Corporation as at the Latest Practicable Date) upon full exercise of these options.

Upon the Conversion, a maximum of 113,924,051 new Shares will be allotted and issued to the Subscriber, representing approximately (i) 87.94% of the existing issued share capital of the Corporation as at the Latest Practicable Date; and (ii) 46.79% of the issued share capital of the Corporation as enlarged by the issuance of the Conversion Shares (assuming that there is no repurchase of Shares or issuance of other new Shares). Hence, upon the Conversion, the shareholding of the Subscriber and the parties acting in concert with it will increase to 152,503,386 Shares in aggregate (representing approximately 62.64% of the issued share capital of the Corporation as enlarged by the issuance of the Conversion Shares, assuming that there is no repurchase of Shares or issuance of other new Shares), whereby triggering a MGO under Rule 26 of the Takeovers Code.

Accordingly, the Subscriber in the absence of the Whitewash Waiver, would be obliged to make a MGO under Rule 26 of the Takeovers Code for all the Shares and other securities of the Corporation not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that it would, subject to among others, the approval by Independent Shareholders of the Conversion and the Whitewash Waiver at the SGM by way of poll, grant the Whitewash Waiver.

Shareholders and public investors should note that the potential shareholding interests of the

Corporation to be held by the Subscriber and parties acting in concert will exceed 50% upon full conversion of the CB. In the event the Whitewash Waiver is granted, the Subscriber and parties acting in concert may increase their shareholding interests of the Corporation without incurring any further obligation under Rule 26 of the Takeovers Code to make a MGO.

4. Reasons for and Benefits of the Whitewash Waiver

We are aware that the Subscriber will acquire the Conversion Shares with the Conversion Price which is at a deep discount to (a) the closing price of the Shares on the date of Conversion Announcement; and (b) the NAV per Share as at December 31, 2019 and June 30, 2020, when the Subscriber proceeds with the Conversion. Although the Subscriber may (i) have a potential gain from disposing the Conversion Shares in the open market based on such discount; and/or (ii) gain control of the Corporation at a price which is significantly below the closing price of the Shares on the date of Conversion Announcement, we have further assessed the negative impact on the Group from the redemption of the CB in the event the Whitewash Waiver could not be obtained.

Redemption of the CB

In the event the Subscriber does not proceed with the Conversion, the CB will be redeemed upon the Maturity Date. We consider the redemption of the CB would not be in the interests of the Corporation and the Independent Shareholders as a whole after taking into the account the following factors:

a) Unable to enjoy the benefits of the Conversion

With the redemption, the Corporation will not be able to enjoy the benefits of the Conversion including: (a) the savings of 8% p.a. interest expense accruing from the date of Conversion to the Maturity Date which we estimated to be CDN\$1 million assuming that the CB is converted before the end of the first quarter of 2021 (after the SGM); and (b) the Conversion will improve the financial structure of the Group by reducing its debt-to-equity ratio from 210.8% to 195.1%. The Management, as stated in the section headed “Inability of the Corporation to redeem the CB at maturity”, has exhausted all available method of fund raising, including debt financing and equity financing and none of which was successful due to the deterioration of financial performance of the Group, in particular its high gearing ratio and the continued net loss position of the Group. As at the date of this letter, the Conversion is the only available method to improve the financial structure of the Group. Without the Conversion to reduce the gearing ratio of the Group, the Corporation may not attract any additional financing to sustain its day-to-day operation and administration expenses. By reducing the gearing ratio and improving the financial structure of the Group after the Conversion, it may at least allow the Corporation to have an opportunity to obtain other additional financing from the external market to remain its operation; and

b) Inability of the Corporation to redeem the CB at maturity

As discussed with the Management, the Management believes that the Corporation will not have sufficient fund to redeem the CB principal plus interests of HK\$ 83.5 million when it falls due, given that:

- (i) the Group only had approximately CDN\$0.2 million cash on hand as at October 31, 2020;
- (ii) the Management has exhausted all available method of fund raising, including debt financing and equity financing and none of which was successful due to the deterioration of financial performance of the Corporation, in particular its high gearing ratio and the continued net loss position of the Group. In addition, the Management is of the view that the investment sentiment will remain poor as a result of having the COVID-19 pandemic for at least another 6 to 9 months in 2021. As such, without the Conversion, the Management considered it would be difficult to improve the financial performance of the Group and obtain additional

financing from the external market to redeem the CB at maturity; and

- (iii) with reference to the Letter from the Board, the Subscriber does not intend to extend the CB after maturity. In addition, the Management is of the view that the extension of the CB is not in the best interests of the Corporation and the Independent Shareholders as a whole, as it will incur further interest expenses which the Group is not able to settle such interest in view of the factors (i) and (ii) as discussed above.

In the event the Corporation fails to redeem the CB at maturity and defaults on the CB, it may trigger cross-default of other loans of the Corporation.

We concur with the Management's view that the Corporation may not have sufficient fund to redeem the CB and extension of the CB is not in the best interests of the Corporation, after taking into account the high gearing ratio and deteriorating financial performance of the Group as discussed in the section headed "Historical financial information of the Group."

Conclusion

Despite the benefits for the Subscriber from the Conversion, including the Subscriber may (1) have a potential gain on disposal of the Conversion Shares by the Subscriber in the open market, given the deep discount on the Conversion Price as compared to (a) the closing price of the Shares on the date of the Conversion Announcement and (b) the NAV per Share as at December 31, 2019 and June 30, 2020; and (2) gain majority control of the Corporation at a discounted price which the Subscriber may approve any ordinary resolutions of the Corporation without reference to others, we are of the view that the Whitewash Waiver is fair and reasonable and in the best interests of the Corporation and the Independent Shareholders as a whole after taking into account the negative impact on the Group in the event of the redemption of the CB.

5. Possible dilution effect on the shareholding interests of the public Shareholders

As depicted by the shareholding table in the section headed "Change in Shareholding Structure of the Corporation before and after the Conversion" of the Letter from the Board, upon the Conversion and based on the initial Conversion Price of HK\$0.632 per Share, the shareholding interests of the existing public Shareholders would be diluted from approximately 70.11% to (i) approximately 37.31% (assuming that there is no repurchase of Shares or issuance of other new Shares); or (ii) approximately 33.53% (assuming that (a) all the outstanding share options of the Corporation are exercised in full and Shares have been issued; and (b) the 2019 CB issued by the Corporation is converted in full and Shares have been issued). The said dilutions are for illustration purpose only as the Conversion is subject to restrictions stated under the section headed "Principal terms of the CB" of the Letter from the Board.

Assessment on the possible dilution effect on the shareholding interests of the public Shareholders

The maximum dilution effect of the Conversion would be the dilution of the shareholding interests of the existing public Shareholders from approximately 70.11% to approximately 33.53% (assuming that (a) all the outstanding share options of the Corporation are exercised in full and Shares have been issued; and (b) the 2019 CB issued by the Corporation is converted in full and Shares have been issued) (the "**Maximum Dilution Effect**").

We are of the view that the Maximum Dilution Effect is justifiable and reasonable after having taken into consideration that, the Conversion will improve the financial structure of the Group by reducing on the debt-to-equity ratio from 210.8% to 195.1%. The Management, as stated in section headed "Inability of the Corporation to redeem the CB at maturity", has exhausted all available method of fund raising, including debt financing and equity financing and none of which was successful due to the deterioration of financial performance of the Group, in particular its high gearing ratio and the continued net loss position of the Group. As at the date of this letter, the Conversion is the only available method to improve the financial structure of the Group. Without the Conversion to reduce the gearing ratio of the Group, the Corporation may not attract any additional financing to sustain its day-to-day operation and administration expenses. By reducing the gearing ratio and improving the financial structure of the Group after the Conversion, it may at least allow the

Corporation to have an opportunity to obtain other additional financing from the external market to remain its operation.

Assessment on the reasonableness of the increase in the shareholding interest of the Corporation by the Subscriber and the parties acting in concert upon full conversion of the CB

As stated in the section headed “Whitewash Waiver”, the shareholders and public investors should note that the potential shareholding interests of the Corporation to be held by the Subscriber and parties acting in concert will exceed 50% upon full conversion of the CB. In the event the Whitewash Waiver is granted, the Subscriber and parties acting in concert may increase their shareholding interests of the Corporation without incurring any further obligation under Rule 26 of the Takeovers Code to make a MGO.

We are of the view that it is reasonable from the perspective of the Independent Shareholders for the Subscriber and the parties acting in concert to increase their shareholding interests of the Corporation upon full conversion of the CB after taking into consideration of the confidence of the Subscriber about the future prospects of the Corporation and the intention of the Subscriber as discussed in the section headed “Information and intention of the Subscriber”.

Conclusion

Taking into account (i) the Undertaking; (ii) the negative impact on the Group in the event of redemption of the CB as discussed in the section headed “Reasons for and benefits of the Whitewash Waiver”; (iii) our assessment on the possible dilution effect on the shareholding interests of the public Shareholders; and (iv) our assessment on the reasonableness of the increase in the shareholding interests of the Corporation by the Subscriber and the parties acting in concert upon full conversion of the CB, we are of the view that the said level of dilution to the shareholding interests of the existing Shareholders is fair and reasonable and in the interests of the Corporation and Independent Shareholders as a whole.

6. Financial effects of the Conversion to the Group

(i) Earnings

Save for the expenses relating to the Conversion, the Conversion will not have any immediate material impact to the earnings of the Group.

(ii) Net asset value

As stated under the section headed “Historical financial information of the Group” above, the net assets attributable to the Shareholders as at June 30, 2020 was approximately CDN\$153.5 million. Upon the Conversion, the net assets attributable to the Shareholders will be improved as the Conversion would increase the share capital of the Corporation. Accordingly, the Conversion will have a positive impact to the net asset value of the Group.

(iii) Working capital

The Conversion will not have any immediate material impact on the working capital of the Group.

(iv) Gearing ratio

The Conversion will have a positive impact to the gearing ratio of the Group, including (1) the debt-to-equity ratio will be improved from 210.8% to 195.1%; and (2) the debt ratio (represented by the total debt over the total assets) will be improved from 42.0% to 40.9%.

Based on the above, the Conversion will have an overall positive effect on the Group's financial position. We consider that the Conversion is in the interests of the Corporation and the Independent Shareholders as a whole.

RECOMMENDATION

Despite (1) the benefit of the Subscriber from the Conversion, including the Subscriber may have a potential gain on disposal of the Conversion Shares by the Subscriber in the open market, given the deep discount on the Conversion Price as compared to (a) the closing price of the Shares on the date of the Conversion Announcement and (b) the NAV per Shares as at December 31, 2019 and June 30, 2020; (2) if the oil price is recovered to pre-COVID 19 level and therefore the production of the Corporation is resumed, the Conversion Price may represent larger discount to the Share price; (3) the Subscriber will acquire majority control of the Corporation at a depressed price and will be able to approve the ordinary resolutions without reference to others; (4) the Subscriber will be in a position to increase its shareholdings without triggering any mandatory offer in future; (5) one of the Independent Board Committee, Ms. Linna Liu, who is representing Bank of China Group Investment Limited as a Shareholder, considered that the Conversion at the moment would have potential negative impact on the Share price if the Subscriber sells the Conversion Shares below market price, given that the Conversion Price of HK\$0.632 per Share is much lower than the current market price, and therefore the Conversion is not in the interests of Independent Shareholders; and (6) the Conversion may reduce the theoretical market price of the Corporation upon the Conversion, as it may have immediate negative impact on the Share price from the dilution effect to the public Shareholders, we are of the opinion that (A) the Conversion and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (B) the Conversion and the Whitewash Waiver are in the interests of the Corporation and the Independent Shareholders as a whole after taken into account the following reasons and factors:

- (i) the Conversion will improve the financial structure of the Group by reducing on the debt-to-equity ratio from 210.8% to 195.1%. The Management has exhausted all available method of fund raising, including debt financing and equity financing and none of which was successful due to the deterioration of financial performance of the Group, in particular its high gearing ratio and the continued net loss position of the Group. As at the date of this letter, the Conversion is the only available method to improve the financial structure of the Group. Without the Conversion to reduce the gearing ratio of the Group, the Corporation may not attract any additional financing to sustain its day-to-day operation and administration expenses. By reducing the gearing ratio and improving the financial structure of the Group after the Conversion, it may at least allow the Corporation to have an opportunity to obtain other additional financing from the external market to remain its operation;
- (ii) the Subscriber intends to proceed with the Conversion immediately upon obtaining the Whitewash Waiver. Should the Conversion proceed, the Corporation will no longer bear any interest accruing from the date of Conversion to the maturity of the CB. As such, finance costs of approximately CDN\$1 million will be saved if the Whitewash Waiver is granted and approved by the Independent Shareholders before the end of the first quarter of 2021. Such saving would be a substantial amount to the Group, given the Group only had approximately CDN\$0.2 million cash on hand as at October 31, 2020;
- (iii) the Undertaking may address Ms. Linna Liu's concern, given that it may prevent further negative impact on the Share price arising from any sale of Shares by the Subscriber;
- (iv) the Subscriber will not proceed with the Conversion if the Whitewash Waiver is not granted or not approved by Independent Shareholders. The Subscriber will not consider selling down its shareholding interest in the Corporation and then convert the CB partially to avoid triggering the MGO either. In the event the Subscriber does not proceed with the Conversion, it will request the Corporation to redeem the CB upon its maturity and the Management believes that the Corporation will not have sufficient fund to redeem the CB;
- (v) the negative impact on the Group in the event of the redemption of the CB as discussed in the section headed "Reasons for and benefits of the Whitewash Waiver";

- (vi) there is no definite correlation between the Conversion Price and the recovery of oil price, given the resumption of the said production is subject to the development of the COVID-19 pandemic in Canada even the oil price is recovered; and
- (vii) as discussed in the section headed “Possible dilution effect on the shareholding interests of the public Shareholders”, the said level of dilution to the shareholding interests of the existing Shareholders is acceptable.

Accordingly, we recommend (A) the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Conversion and the Whitewash Waiver; and (B) the Independent Shareholders to vote in favor of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Donvex Capital Limited who has over 18 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group and significant accounting policies together with the notes to the accounts for the financial years ended December 31, 2017, 2018 and 2019 are disclosed on pages 63-116 of the 2017 annual report published on April 19, 2018, pages 59-106 of the 2018 annual report published on April 29, 2019 and pages 45-76 of the 2019 annual report published on April 27, 2020, respectively. The unaudited consolidated financial statements of the Group and significant accounting policies together with the notes to the accounts for the six months ended June 30, 2020 are disclosed on pages 18-38 of the 2020 interim report published on August 28, 2020.

The said annual reports and interim report of the Company are available on the Corporation's Website at <https://sunshineoilsands.com/investor/financial-reports.html> and website of the Stock Exchange at www.hkexnews.hk through the links below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltn20180419752.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429331.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042702953.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0828/2020082801268.pdf>

Summary of financial information of the Group

No dividend was paid or declared by the Corporation during the three years ended December 31, 2017, 2018 and 2019 and for the period ended June 30, 2020.

The following is a summary of the unaudited consolidated financial results of the Group for the three and six months ended June 30, 2020 as extracted from the 2020 interim report of the Group published on August 28, 2020.

(CDN \$000s except per share)	Three months ended	Six months ended
	June 30, 2020	
Revenues and Other Income		
Petroleum sales, net of royalties	\$ -	\$ 3,834
Other income	14	443
	14	4,277
Expenses		
Diluent	46	1,282
Transportation	-4	2,375
Operating	1,940	6,619
Depletion and depreciation	354	2,836
General and administrative	1,992	4,364
Finance costs	-6,501	-352
Stock based compensation	127	254
Foreign exchange (gains)/losses	-12,458	14,151

(CDN \$000s except per share)	Three months ended		Six months ended	
	\$		\$	
		-14,504		31,529
(Gain)/Loss before income taxes		-14,518		27,252
Income taxes		-		-
Net (gain)/loss		-14,518		27,252
Less: Net (Gain)/Loss and comprehensive (gain)/loss attributable to Non-controlling interests		-73		-132
Net (gain)/loss and comprehensive (gain)/loss for the year attributable to equity holders of the Group		-14,591		27,120
Basic and diluted (gain)/loss per share	\$	-0.16	\$	0.21

The following is a summary of the audited consolidated results of the Group for the three years ended December 31, 2019, 2018 and 2017 as extracted from the relevant annual reports of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

(Expressed in thousands of Canadian dollars)

For the year ended December 31,	2019		2018	2017
Revenue	41,716	\$	37,007	33,634
Other income	530		8	10
	42,246		37,015	33,644
<i>Expenses</i>				
Diluent	11,716		11,301	10,759
Transportation	13,955		15,417	12,080
Operating	17,989		20,702	19,856
Depletion, depreciation and impairment	15,707		13,656	209,736
General and administrative	9,050		12,602	15,746
Finance costs	66,905		55,349	61,223
Share-based compensation	1,373		4,009	3,244
Foreign exchange (gains)/losses, net	(13,734)		30,975	(17,148)
	122,961	\$	164,011	315,496
Loss before income tax	(80,715)		(126,996)	(281,852)
Income tax	-		-	-
Net loss	(80,715)		(126,996)	(281,852)
Less: Net loss and comprehensive loss attributable to non-controlling interests	(73)		-	-
Net loss and total comprehensive loss for the year attributable to owners of the Company	(80,642)	\$	(126,996)	(281,852)
			(restated)	
Basic and diluted loss per share	(0.64)		(1.06)	(0.05)

The following is a summary of the consolidated statement of financial position of the Group as at December 31, 2019, 2018 and 2017 as extracted from the relevant annual report of the Corporation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars)

As at December 31,	2019	2018	2017
Assets			
<i>Current assets</i>			
Cash and cash equivalents	1,254 \$	583	3,671
Trade and other receivables	16,519	13,457	4,932
Prepaid expenses and deposits	6,934	3,208	1,110
	<u>24,707</u>	<u>17,248</u>	<u>9,713</u>
<i>Non-current assets</i>			
Other receivables	1,668	-	-
Exploration and evaluation assets	270,014	269,218	268,227
Property, plant and equipment	479,055	492,815	507,415
Right-of-use assets	2,084	-	-
	<u>752,821</u>	<u>762,033</u>	<u>775,643</u>
	<u>777,528 \$</u>	<u>779,281</u>	<u>785,356</u>
Liabilities and Shareholders' Equity			
<i>Current liabilities</i>			
Trade and accrued liabilities	247,603 \$	183,137	120,316
Other liabilities	-	-	3,452
Shareholders' loans	12,622	-	5,339
Other loans	12,793	24,462	-
Senior notes	257,999	270,990	249,199
	<u>531,017</u>	<u>478,589</u>	<u>378,306</u>
<i>Non-current liabilities</i>			
Bonds	13,572	-	-
Shareholders' loans	4,383	-	-
Other loans	1,668	-	-
Lease liabilities	2,223	-	-
Provisions	48,910	48,739	50,481
	<u>601,773</u>	<u>527,328</u>	<u>428,787</u>
Shareholders' Equity			
Share capital	1,296,523	1,293,379	1,275,008
Reserve for share-based compensation	75,904	74,531	70,522
Deficit	(1,196,599)	(1,115,957)	(988,961)
Equity attributable to owners of the Company	<u>175,828</u>	<u>251,953</u>	<u>356,569</u>
Non-controlling interests	(73)	-	-
	<u>175,755</u>	<u>251,953</u>	<u>356,569</u>
	<u>777,528 \$</u>	<u>779,281</u>	<u>785,356</u>

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
(Expressed in thousands of Canadian dollars)

Attributable to owners of the Corporation

	Share capital	Reserve for share-based compensation	Deficit	Total	Non- controlling interests	Total equity
Balance at January 1, 2019	\$ 1,293,379	\$ 74,531	\$(1,115,957)	\$ 251,953	-	\$ 251,953
Net loss and total comprehensive loss for the year	-	-	(80,642)	(80,642)	(73)	(80,715)
Issue of common shares	2,812	-	-	2,812	-	2,812
Issue of shares Director Share Arrangement	344	-	-	344	-	344
Recognition of share-based payments	-	1,373	-	1,373	-	1,373
Share issue costs, net of deferred tax (\$Nil)	(12)	-	-	(12)	-	(12)
Balance at December 31, 2019	\$ 1,296,523	\$ 75,904	\$(1,196,599)	\$ 175,828	\$ (73)	\$175,755
Balance at January 1, 2018	\$ 1,275,008	\$ 70,522	\$(988,961)	356,569	\$ -	356,569
Net loss and total comprehensive loss for the year	-	-	(126,996)	(126,996)	-	(126,996)
Issue of common shares	18,631	-	-	18,631	-	18,631
Recognition of share-based payments	-	4,009	-	4,009	-	4,009
Share issue costs, net of deferred tax (\$Nil)	(260)	-	-	(260)	-	(260)
Balance at December 31, 2018	\$ 1,293,379	\$ 74,531	\$(1,115,957)	\$ 251,953	-	\$ 251,953
Balance at January 1, 2017	\$ 1,247,302	\$ 67,262	\$(707,109)	607,455	\$ -	-
Net loss and total comprehensive loss for the year	-	-	(281,852)	(281,852)	-	-
Issue of common shares	28,311	-	-	28,311	-	-
Recognition of share-based payments	-	3,260	-	3,260	-	-
Share issue costs, net of deferred tax (\$Nil)	(605)	-	-	(605)	-	-
Balance at December 31, 2017	\$ 1,275,008	\$ 70,522	\$(988,961)	\$ 356,569	-	-

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of Canadian dollars)

	For the year ended December 31,		
	2019	2018	2017
<i>Cash flows used in operating activities</i>			
Net loss including non-controlling interests	(80,715)	(126,996)	(281,852)
Finance costs	66,905	55,349	61,223
Unrealized foreign exchange (gains)/losses	(13,952)	31,110	(17,154)
Interest income	(8)	(8)	(10)
Depletion, depreciation and impairment	15,707	13,656	209,736
Share-based compensation	1,373	4,009	3,244
Movement in working capital	(7,660)	946	2,184
Net cash used in operating activities	(18,350)	(21,934)	(22,629)
<i>Cash flows used in investing activities</i>			
Interest received	8	8	10
Payments for exploration and evaluation assets	(979)	(1,511)	(1,562)
Payments for property, plant and equipment	(1,661)	(1,389)	(7,654)
Movement in working capital	(907)	(282)	(4,823)
Net cash used in investing activities	(3,539)	(3,174)	(14,029)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares	-	9,907	28,311
Payments for share issue costs	(12)	(260)	(605)
Payment for finance costs	(1,266)	(1,439)	(7,710)
Payment for the note principal	-	-	(1,857)
Proceeds from bonds and other loans	21,296	21,301	3,601
Payment for bonds and other loans	(16,933)	(10,857)	-
Proceeds from shareholders' loans	18,509	3,843	5,399
Repayment of shareholders' loans	(1,243)	(9,182)	-
Repayment of lease liabilities	(1,225)	-	-
Movement in working capital	3,144	8,724	-
Net cash provided by financing activities	22,270	22,037	27,139
Effect of exchange rate changes on cash held in foreign currencies	290	(17)	(445)
Net increase/(decrease) in cash and cash equivalents	671	(3,088)	(9,964)
Cash and cash equivalents, beginning of year	583	3,671	13,635
Cash and cash equivalents, end of year, represented by bank and cash balances	1,254	583	3,671

Details of emphasis of matter or material uncertainty related to going concern and disclaimer of opinion contained in the auditor's report

For the year ended December 31, 2019

The auditor of the Corporation for the year ended December 31, 2019 was ZHONGHUI ANDA CPA Limited. It expressed a disclaimer of opinion on the consolidated financial statements of the Group which is extracted below.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sunshine Oilsands Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 76, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Exploration and evaluation assets and property, plant and equipment We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the impairment assessment of the Group's exploration and evaluation assets of approximately CAD \$270,014,000 and CAD \$269,218,000 as at December 31, 2019 and 2018, respectively; as well as property, plant and equipment of CAD \$479,055,000 and CAD \$492,815,000 as at December 31, 2019 and 2018, respectively. There are no satisfactory audit procedures that we could adopt to determine whether any impairment provision should be made in the consolidated financial statements. Any adjustments to the figures as described above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended December 31, 2019 and 2018 and the financial positions of the Group as at December 31, 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.
2. Material uncertainty related to going concern We draw attention to note 2.1 to the consolidated financial statements which mentions that the Group incurred a loss including non-controlling interests of approximately CAD \$80,715,000 for the year ended December 31, 2019, and as at December 31, 2019, the Group had net current liabilities of approximately CAD \$506,310,000. 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. Furthermore, the business of the evaluation and development of oil properties for future production involves a high degree of risk and there can be no assurance that current operations or exploration programs will result in profitable operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, 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. The consolidated

financial statements do not include any adjustments that would result from the failure to meet in full its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing, we disclaim our opinion in respect of the material uncertainty related to the going concern basis.

For the year ended December 31, 2018

The auditor of the Company for the years ended December 31, 2018 and 2017 were PricewaterhouseCoopers LLP (“PwC”). The audit opinions of PwC in respect of the year ended December 31, 2018 was not qualified nor modified, although an emphasis of matter or material uncertainty related to going concern was contained in the auditor’s report of PwC for the year ended December 31, 2018 which is extracted below.

Material uncertainty related to going concern

We draw attention to Note 2¹ in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

For the year ended December 31, 2017

The audit opinions of PwC in respect of the year ended December 31, 2017 was not qualified nor modified, although an emphasis of matter or material uncertainty related to going concern was contained in the auditor’s report of PwC for the year ended December 31, 2017 which is extracted below.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sunshine Oilsands Ltd. and its subsidiaries as at December 31, 2017 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2¹ in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Sunshine Oilsands Ltd.'s ability to continue as a going concern.

Notes:

1. The Corporation wishes to supplement that Note 2 in the financial statements for FY2018 and FY2017 discussed that the Corporation'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. These uncertainties may cast significant doubt about the Group's ability to continue as a going concern.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and the net proceeds from the Subscription, the working capital available to the Group is sufficient for the Group's requirements for at least 6 months from the date of publication of this Circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on October 31, 2020, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had the following indebtedness:

- 1) Shareholders' Loan of CDN\$14.6 million.
- 2) Senior Note of CDN\$265.0 million,
- 3) CB outstanding balance of CDN\$18.8 million, of which non-current outstanding balance is CDN\$8.0 million and current outstanding balance is CDN\$10.8 million
- 4) Other short-term loan of CDN\$9.7 million which are bonds issued to independent third parties.
- 5) Long-term debt of CDN\$10.2 million, of which CDN\$4.8 million are shareholder loans and the remaining are bond issued to independent third parties.

Other than the above, the Group had no bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Save as and except for below, there was no material change in the financial or trading position or outlook of the Group subsequent to December 31, 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

- 1) The Group recorded substantial decrease in revenue for 10M2020 as compared to 10M2019 mainly due to suspension in production since 31 March 2020.
- 2) The Group recorded substantial decrease in diluent expense, transportation and operating expense as compared to 10M2019 due to suspension in production since 31 March 2020.
- 3) The Group recorded substantial decrease in finance cost for 10M2020 as compared to 10M2019 as reduction of Senior Note interest expense and the yield maintenance premium and forbearance fee have been removed.

- 4) The Group recorded substantial decrease in net loss as compared to 10M2019 mainly due to reduction of operating loss and finance cost as a result of the production suspension.
- 5) The Group recorded substantial decrease in cash or cash equivalent as at October 31, 2020 versus 31 December 2019 due to net cash outflow on operations and repayment of principal and interests of 2019 CB (issued in June 2019) and other loans.
- 6) The Group recorded foreign exchange loss for 10M2020 vs a foreign exchange gain in 10M2019 mainly due to weak CAD/USD in the first quarter of 2020.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the development of its significant holdings of oil sands leases in the Athabasca oil sands region.

As disclosed in the annual report of the Corporation for the year ended December 31, 2019 and quarterly reports in 2020, the Directors will continue to improve its financial structure and thus lower financial costs, look for possible opportunities for fundraising and sale of idle equipment, open up businesses that it expects to be profitable and reduce cost of operations.

6. 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)	June 30, 2020		December 31, 2019 (restated)	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	128,111,630	1,296,523	122,716,932	1,293,379
Private placements – general mandate	1,443,000	324	4,959,100	2,812
Director Share Arrangement	-	-	435,598	344
Share issue costs, net of deferred tax (\$Nil)	-	(33)	-	(12)
Balance, end of period	129,554,630	1,296,814	128,111,630	1,296,523

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.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

This Circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

The information in relation to the Subscriber and the parties acting in concert with it contained in this Circular has been supplied by the sole director of the Subscriber, Mr. Kwok Ping Sun. The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than that relating to the Corporation) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this Circular misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares as quoted by the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last day on which trading took place in each of the calendar months during the Relevant Period:

Date	Closing price per Share
	<i>(HK\$)</i>
2019	
October 31	3.05
November 29	2.9
December 31	2.65
2020	
January 31	2
February 28	1.25
March 31	0.55
April 29	2.03
May 29	3.05
June 30	1.9
July 31	2.03
August 28	1.53
September 30 [being the Last Trading Date]	1.56

October 5 [being the last Business Day immediately preceding the date of the Announcement]	Trading suspended
October 16 [being the date of the Announcement]	1.69
October 30	1.50
November 30	1.70
December 31	1.49
2021	
January 29 [being the Latest Practicable Date]	1.35

The highest and lowest closing market prices of the Share recorded on the Stock Exchange during the Relevant Period were HK\$3.45 on May 7, 2020 and HK\$1.41 on April 21, 2020, respectively.

3. NUMBER OF SHARES IN ISSUE

The Corporation has no authorized share capital and its Shares have no par value. The issued number of Shares as at the Latest Practicable Date, immediately issuance of Shares upon conversion of the 2019 CB, and immediately upon issuance of Shares upon full conversion of the 2019 CB and the CB are as follows:

Issued Number of Shares as at the Latest Practicable Date

129,554,630	Shares
-------------	--------

Immediately upon full Conversion of CB *(for illustrative purposes only)*

129,554,630	Shares in issue as at the Latest Practicable Date
113,924,051	Shares to be issued upon full conversion of CB
243,478,681	Shares in issue immediately after full conversion of CB

Immediately upon full Conversion of 2019 CB *(for illustrative purposes only)*

129,554,630	Shares in issue as at the Latest Practicable Date
19,979,685	Shares to be issued upon full conversion of 2019 CB
149,534,315	Shares in issue immediately upon full conversion of 2019 CB

Immediately upon full Conversion of 2019 CB and full Conversion of all CB *(for illustrative purposes only)*

129,554,630	Shares in issue as at the Latest Practicable Date
19,979,685	Shares to be issued upon full conversion of 2019 CB
113,924,051	Shares to be issued upon full Conversion of CB
263,458,366	Shares in issue immediately upon full conversion of 2019 CB and CB

All the issued Shares rank *pari passu* in all respects with each other, including, as to dividends, voting rights and return of capital. No part of the equity or debt securities of the Corporation is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Corporation being, or proposed to be, sought on any other stock exchange.

The Conversion Shares, either from 2019 CB or CB, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue, including as to voting rights, return on capital and the rights to any dividends or distributions made or declared on or after the date of allotment of such Shares.

Since December 31, 2019 (the date to which the latest published audited financial statements of the Corporation were made up), and up to the Latest Practicable Date, save the issuance of 1,443,000 Shares on March 5, 2020, no new Shares had been issued by the Corporation and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares.

Save as the disclosed above, there has been no alteration in the issued capital of the Corporation or proposed to be issued since December 31, 2019 (the date to which the latest published audited financial statements of the Corporation were made up).

4. SECURITIES OF THE CORPORATION

As at the Latest Practicable Date, details of all classes of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Corporation are as follows:

- (i) The Corporation has 129,554,630 Class “A” Common Voting Shares in issue;
- (ii) The Corporation has 9,056,001 share options (the “**Share Options**”) under the Post-IPO Share Option Scheme outstanding;
- (iii) The Corporation issued convertible bonds (the “**2019 CB**”) in an aggregate principal amount of USD\$10,450,000 on June 17, 2019. The 2019 CB bears an interest rate of 10% per annum. The holders of the 2019 CB have the rights to convert the 2019 CB into Shares at the conversion price of HK\$4.09 per Share (adjusted on a post share-consolidation basis) at any time up to 2 years from the issue date; and
- (iv) The Corporation issued CB in an aggregate principal amount of HK\$72,000,000 to the Subscriber on April 1, 2020. The CB bears an interest rate of 8% per annum. Subject to the terms of the Subscription Agreement, the Subscriber has the rights to convert the CB in whole or in part into Shares at an initial conversion price of HK\$0.632 per Share (subject to adjustment) at any time up to March 31, 2022; and

Save as disclosed above, as at the Latest Practicable Date, the Corporation has no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible into or giving rights to subscribe for, convert or exchange into any existing Shares, as the case may be.

5. DISCLOSURE OF INTERESTS

a) Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the Shares of the Corporation or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Corporation and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required

to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules; or (d) required to be disclosed in accordance with the Takeovers Code were as follows:

(i) Director's long position in the Corporation

Common Shares

Name	Corporation	Nature of Interest	Number of Shares Held	Approximate % interest in the Shares
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	36,308,540	28.03
Michael Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	2,165,981	1.67
Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	-
Yi He	Sunshine Oilsands Ltd.	Direct	139,682	0.11
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct/Indirect	104,814	0.08
Linna Liu	Sunshine Oilsands Ltd.	N/A	-	-
Guangzhong Xing ⁽¹⁾	Sunshine Oilsands Ltd.	N/A	-	-
Alfa Li ⁽²⁾	Sunshine Oilsands Ltd.	N/A	-	-

(ii) Director's Share Options

Stock Options

Name	Corporation	Nature of Interest	Number of Stock Options held	Approximate % interest in the options
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct	6,933,580	75.93%
Michael Hibberd	Sunshine Oilsands Ltd.	Direct	933,580	10.22%
Gloria Ho	Sunshine Oilsands Ltd.	Direct	400,000	4.38%
Yi He	Sunshine Oilsands Ltd.	Direct	150,000	1.64%
Linna Liu	Sunshine Oilsands Ltd.	Direct	-	-
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	20,000	0.22%
Guangzhong Xing ⁽¹⁾	Sunshine Oilsands Ltd.	Direct	100,000	1.10%
Alfa Li ⁽²⁾	Sunshine Oilsands Ltd.	Direct	-	-

1 Mr. Guangzhong Xing was appointed as independent non-executive Director of the Corporation on June 25, 2019.

2 Mr. Alfa Li was appointed as independent non-executive Director of the Corporation on July 29, 2019.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Corporation had interests or short positions in the Shares, underlying shares of the Corporation and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Corporation and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Stock Exchange pursuant to the Model Code; or (d) required to be disclosed in accordance with the Takeovers Code.

b) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, according to the register of interests kept by the Corporation under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Corporation, the following persons (other than the Directors or chief executive of the Corporation) had an interest or short position in the Shares which would require to be disclosed by the Corporation under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Corporation:-

Name	Nature of Interest	Common Shares Held ⁽¹⁾	Approximately % in the Common Shares ⁽¹⁾
Zhang Jun	Direct/Indirect	20,131,519	15.53

Note : (1) The position is long position.

Save as disclosed above, none of the substantial shareholders of the Corporation had an interest or short position in the Shares which would require to be disclosed by the Corporation under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the Shares.

As at the Latest Practicable Date, save as disclosed in this Circular, none of the Directors or chief executives of the Corporation had any interest, direct or indirect, in any asset which have been since December 31, 2019, being the date to which the latest published audited financial statements of the Corporation were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save as disclosed in this Circular, none of the Directors or chief executives of the Corporation was materially interested in any contract or arrangement entered into by any member of the Group since December 31, 2019, being the date to which the latest audited financial statements of the Corporation were made up, and which was significant in relation to the business of the Group.

6. INTERESTS OF THE DIRECTORS

Interests in Contract or Arrangement

As at the Latest Practicable Date, except for the Subscription Agreement, none of the Directors were materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.

Interest in Assets

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since December 31, 2019, being the date to which the latest published audited financial statements of the Corporation were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Service Contracts

As at the Latest Practicable Date, none of the Directors had any service contracts with the Group or any of its subsidiaries or associated companies in force:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the offer period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

Interests in Competing Interests

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business (as would be required to be disclosed under rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Corporation).

7. DISCLOSURES REQUIRED UNDER THE TAKEOVERS CODE

- (a) Other than entering into the Subscription Agreement, neither the Subscriber nor any member of the Concert Group had acquired or disposed or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Corporation.
- (b) Neither the Subscriber nor any member of the Concert Group will make any acquisitions or disposals of voting rights in the Corporation in the period between the Latest Practicable Date and the completion of the Conversion and/or Whitewash Waiver.
- (c) As at the Latest Practicable Date, save as disclosed in the section headed "**CHANGE IN THE SHAREHOLDING STRUCTURE OF THE CORPORATION**" of this Circular, neither the Subscriber nor its Concert Group, nor the director of the Subscriber owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Corporation.
- (d) During the Relevant Period, there was no dealings in securities of the Corporation by the Subscriber or any member of the Concert Group, the directors and substantial shareholders of the Subscriber and the Corporation.
- (e) As at the Latest Practicable Date, there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) between the Subscriber or any member of the Concert Group with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation and of the Subscriber.
- (f) As at the Latest Practicable Date, neither the Subscriber nor its Concert Group had received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the Proposed Conversion and/or the Whitewash Waiver at the SGM.
- (g) As at the Latest Practicable Date, there was no agreements or arrangements to which the Subscriber and/or its ultimate beneficial owner is a party which relate to the circumstances in which they may or may not invoke or seek to invoke a precondition or a condition to the Proposed Conversion and/or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable).

- (h) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation had been borrowed or lent by the Subscriber or any member of the Concert Group.
- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any member of the Concert Group with any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Proposed Conversion and/or the Whitewash Waiver.
- (j) As at the Latest Practicable Date, there were no benefits given or to be given to any Directors as compensation for loss of office or otherwise in connection with the Proposed Conversion and/or the Whitewash Waiver.
- (k) Save for the Subscription Agreement, there was no material contract had been entered into by the Subscriber and or any member of the Concert Group in which any Director has a material personal interest as at the Latest Practicable Date.
- (l) As at the Latest Practicable Date, there was no agreement, arrangement or understanding for the Shares to be issued upon Conversion of the CB to be transferred, charged or pledged to any other persons.
- (m) Save as set out in the section headed “**CHANGE IN SHAREHOLDING STRUCTURE OF THE CORPORATION**” in the “**Letter from the Board**” in this Circular and the section headed “**Disclosure of Interests**” in this Appendix II, the Subscriber and members of the Concert Group do not own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation during the Relevant Period.
- (n) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Proposed Conversion and/or the Whitewash Waiver or otherwise connected with the Proposed Conversion and/or the Whitewash Waiver.
- (o) As at the Latest Practicable Date, the Corporation did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber, and it had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Subscriber during the Relevant Period.
- (p) During the Relevant Period, save as 100% ownership of the Subscriber held by Mr. Sun, no Director of the Corporation held/ dealt in securities of the Subscriber.
- (q) During the Relevant Period, other than the share options under the Post-IPO Share Option Scheme, the Directors do not hold any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation, nor do the Directors deal in any securities of the Corporation.
- (r) During the Relevant Period, no (i) subsidiary of the Corporation, (ii) pension fund of the Corporation or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with the Corporation by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Corporation by virtue of class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Corporation, and none of

them had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Corporation.

- (s) During the Relevant Period, there is no dealings in interests in securities of the Corporation (including exercise/ dealing in options) by the Directors. The Director's interests in securities of the Corporation are disclosed in the section headed "**CHANGE IN SHAREHOLDING STRUCTURE OF THE CORPORATION**" in the "**Letter from the Board**" of this Circular.
- (t) Save for the Subscription Agreement, as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Corporation or with any person presumed to be acting in concert with the Corporation by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Corporation by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code and no such persons had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation during the Relevant Period.
- (u) No fund which was managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Corporation had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation and no such persons had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation during the Relevant Period.
- (v) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Corporation had been borrowed or lent by the Corporation nor the Directors.
- (w) As at the Latest Practicable Date, other than the consideration paid for the issuance of the Conversion Shares, there was no other consideration, compensations or benefits in whatever form paid or to be paid by the Subscriber or its Concert Group to the Corporation or any Shareholder or any member of the Concert Group.
- (x) As at the Latest Practicable Date, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber and/or any member of the Concert Group on one hand and (i) the Corporation and any party acting in concert with it; and/or (ii) any Shareholder, on the other hand.
- (y) As at the Latest Practicable Date, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Corporation, its subsidiaries or associated companies on one hand and any Shareholders on the other hand.
- (z) The Director of the Corporation who is not required to abstain from voting and holds Shares in the Corporation, being Mr. Yi He, intends to vote in favor of the Conversion and the Whitewash Waiver.

8. MATERIAL LITIGATION

The Corporation has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Corporation (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 Corporation to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Corporation's IPO) of the Corporation 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

Corporation'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 June 30, 2020, no amounts have been accrued in the Consolidated Financial Statements as the ultimate resolution is undeterminable at this time. The Corporation will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Corporation received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2020 municipal property taxes of \$10.96 million. The Corporation was also charged with overdue penalties of \$4.93 million. Since then the Corporation was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the latest practicable date, 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 Corporation 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 was to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Corporation'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 Corporation determines that the loss is probable and the amount can be reasonably estimated. The Corporation believes it has made adequate provision for such claims. While fully supportable in the Corporation's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Corporation receives liens or claims on accounts payable balances, and the Corporation continues to work toward resolution of any liens or claims, as noted in note 8. At June 30, 2020, the Company had incurred CDN \$1.70 million (US \$1.25 million equivalent using the period end exchange rate) in Builders' liens (not related mineral leases) against them during the ordinary course of business.

9. EXPERTS AND CONSENTS

- (a) The following are the qualifications of the experts and whose names are published in the Circular that the Corporation has engaged to provide advice in relation to the Whitewash Waiver application being included in this Circular:

Name	Qualifications
Donvex Capital Limited	a Company licensed and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Prism CPA Limited	Certified Public Accountants

- (b) As at the Latest Practicable Date, each of the above experts had given and have not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

(c) As at the Latest Practicable Date, each of the above experts does not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(d) As at the Latest Practicable Date, each of the above experts has no interest, directly or indirectly, in any assets which had been or proposed to be, since December 31, 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group.

(e) The letter and recommendation given by each of the above experts is given as of the date of this Circular for incorporation herein.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date of this Circular and are or may be material:

- i. the forbearance reinstatement and amending agreement confirmed on April 24, 2020 (Calgary time) pursuant to which, among other matters, the Corporation and forbearing holders (being 96% of the noteholders of the senior secured notes in principal amount of US\$200 million issued by the Corporation in 2014) (“Forbearing Holders”) agreed the extension of the forbearance to August 31, 2021 (New York time);
- ii. the Subscription Agreement dated April 1, 2020 (Hong Kong time) entered into between the Corporation and the Subscriber (i.e. Prime Union Enterprises Limited, being a company wholly owned and controlled by Mr. Sun, the Executive Chairman and a substantial shareholder of the Corporation) in respect of the Subscription of 2-year fixed rate convertible bonds in principal amount of HK\$72,000,000 subject to the terms and conditions stipulated therein;
- iii. a subscription agreement dated June 16, 2019 (Hong Kong time) entered into between the Corporation (as issuer) and LionRock Soleil L.P. (as subscriber) pursuant to which, on terms and conditions stipulated therein, the Corporation agreed to issue and the Subscriber agreed to subscribe for the fixed rate convertible bonds in principal amount of USD 9,868,398.69;
- iv. The revised subscription agreement dated June 17, 2019 (Hong Kong time) amending the terms and conditions of the Subscription Agreement dated June 16, 2019 to (a) the principal amount of the fixed rate Convertible Bonds to be issued by the Corporation be increased from USD 9,868,398.69 to USD 10,450,000 (equivalent to approximately HK\$ 81,406,545 based on the exchange rate quoted by The Hong Kong and Shanghai Banking Cooperation Limited on June 16, 2019) ; (b) the interest rate will be revised from 8% per annum to 10% per annum; (c) the initial Conversion Price for the CB be adjusted from HK\$ 0.07398 to HK\$ 0.0822 per Share; and (d) Conversion shares be changed from a maximum of 1,039,143,182 new Shares to 990,347,263 new shares accordingly. Saved as the above revisions, all other terms and conditions of the subscription agreement remains unchanged;
- v. the forbearance reinstatement and amending agreement (the “FRAA”) confirmed on October 31, 2018 (Calgary time) pursuant to which, among other matters, the Corporation and forbearing holders (being 96% of the noteholders of the senior secured notes in principal amount of US\$200 million issued by the Corporation in 2014) agreed the extension of the forbearance period to August 1, 2019 (New York time).

11. MAJOR CUSTOMERS AND SUPPLIERS

Customers

The West Ells has a nameplate production capacity of 5,000 bbl/day. The project has been in temporary suspension since March 31, 2020 due to volatility in the international oil market, severe drop in oil prices, COVID-19 and the need for repair of the Corporation's equipment and road. Prior to that with the startup of operations and production of West Ells Project, the Corporation will continuously look to expand its base of customers to obtain the best possible price for its product.

Suppliers

The largest supplier accounted for 24% of the Corporation's purchases. The five largest suppliers accounted for 51% of the Corporation's purchases for the year ended December 31, 2019.

To the knowledge of the Directors, none of the Directors, their close associates, or any shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Corporation) has a beneficial interest in the Corporation's five largest suppliers.

12. DIRECTORS OF THE CORPORATION

Set out below are the particulars and profile of the existing Directors of the Corporation:

(a) Particulars of the Directors of the Corporation

Name	Address
Executive Directors	
Mr. Kwok Ping Sun	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong
Ms. Gloria Pui Yun Ho	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong
Non-Executive Directors	
Mr. Michael J Hibberd	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong
Ms. Linna Liu	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong
Ms. Xijuan Jiang	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong

Independent Non-Executive Directors

Mr. Yi He	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong
Mr. Guangzhong Xing	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong
Mr. Alfa Li	20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong

(b) Directors' Profile

Executive Chairman and Executive Director

Mr. Kwok Ping Sun (“Mr. Sun”), aged 55, is an Executive Chairman and Executive Director appointed by the Board on June 28, 2015. He was appointed as a Non-Executive Director by the Board on May 27, 2015. Mr. Sun is the founder of Nobao Renewable Energy Holdings Limited (“Nobao”) and has served as the Chairman of the Board, Director and Chief Executive Officer of Nobao since its inception in 2007. Prior to founding Nobao, Mr. Sun was the General Manager of Shanghai Nobao Electric Appliance Co., Ltd from 2005 to 2007. In 2003, Mr. Sun started his own research and development with respect to ground source heat pump (GSHP) systems and gained over 10 years of experience in this area. From 1999 to 2002, Mr. Sun served as the General Manager of Dynamic Co., Ltd of Denmark and was responsible for developing wind power projects in China in cooperation with Chinese local companies. From 1994 to 1998, Mr. Sun was the Chief Executive Officer of Wu Fong Investment Co., Ltd of Denmark. Between 1983 and 1990, Mr. Sun worked as an Official of the customs department, the publicity department and the foreign trade bureau of the City Government of Zhangjiagang, Jiangsu Province, People’s Republic of China. Mr. Sun has over 20 years of experience in automated control systems through his experiences described above as well as his experience as the General Manager of Jiangsu Zhongwang Electronics Co., Ltd. between 1990 and 1993 and as an Engineer of Zhangjiagang Radio Factory between 1979 and 1982. Mr. Sun graduated from Suzhou Transportation Vocational College in 1985 and received an EMBA degree from Tsinghua University in 2006.

Non-Executive Vice Chairman and Non-Executive Director

Mr. Michael J. Hibberd (“Mr. Hibberd”), aged 64, has been a Non-Executive Vice-Chairman and a Non-Executive Director since June 28, 2015. He was Executive Vice-Chairman of the Corporation from November 28, 2014 to June 28, 2015. He was Executive Chairman from June 25, 2014 to November 28, 2014 and was Executive Co-Chairman of the Corporation from October 6, 2008 to June 25, 2014. Mr. Hibberd was a founder of the Corporation and held the title of Chairman and Co-CEO from May, 2007 to October 6, 2008. Mr. Hibberd is President and CEO of MJH Services Inc., a corporate finance advisory company established in January 1995. Mr. Hibberd has extensive international energy project planning and capital markets experience. Prior to January 1995, Mr. Hibberd spent 12 years with ScotiaMcLeod. Mr. Hibberd worked in corporate finance in Toronto and Calgary and held the position of Director and Senior Vice-President, Corporate Finance. Mr. Hibberd is currently Chairman of Canacol Energy Ltd. (TSX and Bolsa de Valores de Colombia) and Greenfields Petroleum Corporation (TSX Venture Exchange). He is a director of PanOrient Energy and PetroFrontier Corp., the shares of which are listed on the TSX Venture Exchange. Mr. Hibberd was previously Chairman of Heritage Oil Plc and Heritage Oil Corporation. He was also director of Challenger Energy Corp., Deer Creek Energy Limited, Iteration Energy Ltd., Zapata Energy Corporation, Sagres Energy Inc., Rally Energy Corp and

Montana Exploration Corp. Mr. Hibberd obtained his BA in 1976 and his MBA in 1978 from the University of Toronto. He obtained his LLB from University of Western Ontario in 1981, was called to the bar in 1983 and is a member of The Law Society of Upper Canada.

Executive Director and Chief Financial Officer

Ms. Gloria Pui Yun Ho (“Ms. Ho”), aged 39, became an Executive Director on June 27, 2017. She was appointed as Chief Financial Officer of the Corporation from November 2016. Ms. Ho has extensive experience in investment, risk management, corporate banking and finance. Prior to joining the Corporation, she worked in equity research, credit analysis, capital strategy, funds management and auditing in several international institutions and most recently as the Chief Executive of a reputable Chinese-based asset management firm.

Ms. Ho is a Chartered Accountant, Certified Public Accountant, Chartered Financial Analyst and Chartered Alternative Investment Analyst. Ms. Ho holds a postgraduate certificate in Financial Engineering at Stanford University and a M.Sc. in Finance at the University of Illinois at Urbana-Champaign.

Non-Executive Director

Ms. Linna Liu (“Ms. Liu”), aged 42, is a Non-Executive Director appointed by the Board on April 6, 2017. Ms. Liu is currently Head of Special Situation Investment Division of Bank of China Group Investment Limited (“BOCGI”). Prior to joining BOCGI, from 2000 to 2015, Ms. Liu held a number of positions in Bank of China Headquarters and in its New York Branch. Ms. Liu has over 18 years of experience in Banking and Financing. Ms. Liu graduated from Peking University and Columbia University and holds Bachelors and Master degrees.

Non-Executive Director

Ms. Xijuan Jiang (“Ms. Jiang”) aged 54, became a Non-Executive Director on June 30, 2016. She was a senior engineer with 26 years of experience in industrial applications. Ms. Jiang is the recipient of numerous design awards, primarily in respect of heating and ventilation systems. Ms. Jiang has been the Vice President and Chief Engineer of Nuoxin Energy Technology (Shanghai) Co. Ltd. since November 2012. Prior thereto, she was the Chief Engineer (Water and Sewer) at the Architecture Branch of Shougang Design Institute. Ms. Jiang obtained a Bachelor degree from the Xi’an University of Architecture and Technology in 1988.

Independent Non-Executive Director

Mr. Yi He (“Mr. He”), aged 47, is an Independent Non-Executive Director appointed on June 30, 2016. He has worked in the financial industry for more than 23 years and held various senior management roles in several global banks in China. In 2012, Mr. He was appointed as Chief Executive Officer of Nomura China Bank and led all China related banking businesses. From 2008 to 2012, he was in charge of China related banking business for Barclays Bank as the General Manager of the Shanghai Branch. Prior thereto, Mr. He led the global markets business for Australia and New Zealand Banking Corporations Limited and was the Deputy General Manager of ANZ China. Mr. He began his career with Credit Agricole China in 1994 and joined First Sino Bank as the Head of Treasury in 1997.

Mr. He has been an independent non-executive director of Kai Yuan Holdings Limited (SEHK code: 01215) since 2011 and is member of the audit committee, the remuneration committee, and the nomination committee of Kai Yuan Holding Limited Company.

Mr. He founded Yaoxin Asset Management Company in early 2015, which mainly focuses on financial related consulting. In addition, Mr. He holds a Master Degree in Economics from Fudan University of China and also is a Certified Professional Accountant in China.

Independent Non-Executive Director

Mr. Guangzhong Xing (“Mr. Xing”), aged 63, is an Independent Non-Executive Director appointed on June 25, 2019. He obtained his Doctor Degree from the University of Hull with Debeers Scholarship in July 1995. He further obtained postdoctoral from the same university in June 1996. Mr. Xing holds a master degree and a bachelor degree of Metallography from the Northeast Heavy Machinery Institute (renamed as Yanshan University in 1997) (“Yanshan University”) in August 1981 and August 1978 respectively. He started his career as university tutor in the Northeast Heavy Machinery Institute Metallography in September 1978 until August 1979 and during the period from September 1981 to September 1989. He was then acted for the position as dean for the school of materials science of Yanshan University during the period from August 1996 to October 1997. Thereafter, for the period from November 1997 to December 1999, he acted as a director of academic affairs of Yanshan University. During the period from January 2001 to October 2016, he was the vice principal of Yanshan University. He also had been the President of 燕山大學產業集團 (Yanda Industry Group Co., Ltd. *) and 燕山大學房地產公司 (Yanda Real Estate Company *) during the period from October 2004 to October 2009; and established 燕山大學國家大學科技園 National science area of Yanshan University.

Independent Non-Executive Director

Mr. Alfa Li, aged 47, is an Independent Non-Executive Director appointed on July 29, 2019. He obtained the EMBA master degree from the Peking University and graduated from British Columbia Institute of Technology in the 90s. Mr. Li has over 16 years of experience in the financial services and investment banking industry, with extensive knowledge and experience in asset management, corporate finance and public company corporate governance. Mr. Li is currently the director and partner of Sow Capital and is in charge of SOW’s North American investment / projects. Prior to joining the SOW Fund, Mr. Li served as the managing director at the Sinopolaris Fund, and was the Chief Representative of Carret China opportunity fund, and the deputy general manager of Investment Division of CITIC International Assets Management Limited. He also has been the director of the ING Bank and the investment manager of Standard Bank. Mr. Li has been actively involved and engaged in many securities and corporate finance transactions, as well as being responsible for successfully setting up and running several international private equity funds.

13. MISCELLANEOUS

- (a) The Board secretary of the Corporation is Ms. Man Ngan Chow, an associate member of The Hong Kong Institute of Chartered Secretaries;
- (b) The Corporation’s principal share registrar in Canada is Alliance Trust Company, located at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3. The Corporation’s branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;

- (c) The registered office of the Corporation is at Suite 1100, 700 - 6th Ave SW, Calgary, AB, T2P 0T8, Canada;
- (d) The place of business in Hong Kong is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong; and
- (e) The English text of this Circular and the accompanying form of proxy shall prevail over the Chinese text.

14. INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability on August 31, 2012 whose issued shares are entirely beneficially owned by Mr. Sun, the Executive Chairman and a Substantial Shareholder of the Corporation. The Subscriber is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Sun is the sole director of the Subscriber. The address of the Subscriber and principal members of the Concert Group are listed below.

Prime Union Enterprises Limited	Director: Sun Kwok Ping, 22 th Floor, Two Chinachem Central, No. 26 Des Voeux Road, Central, Hong Kong
Kwok Ping Sun	20 th Floor, Two Chinachem Central, No. 26 Des Voeux Road, Central, Hong Kong
Michael J Hibberd	20 th Floor, Two Chinachem Central, No. 26 Des Voeux Road, Central, Hong Kong
Xijuan Jiang	20 th Floor, Two Chinachem Central, No. 26 Des Voeux Road, Central, Hong Kong
Gloria Ho	20 th Floor, Two Chinachem Central, No. 26 Des Voeux Road, Central, Hong Kong

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal place of business in Hong Kong of the Corporation at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong during normal business hours; (ii) on the website of the Corporation (<http://sunshineoilsands.com>); and (iii) on the website of the SFC (<http://www.sfc.hk>) from the date of this Circular up to and including the date of the SGM:

- (a) the Articles of Incorporation and By-Laws of the Corporation;
- (b) the annual reports of the Corporation for each of the three years ended December 31, 2017, 2018 and 2019;
- (c) the letter from the Board, the text of which is set out on pages 11 to 28 of this Circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 29 to 31 of this Circular;

- (e) the letter from the Donvex Capital, the text of which is set out on pages 32 to 46 of this Circular;
- (f) the material contracts referred to in the section headed “**Material Contracts**” in this appendix;
- (g) the written consents referred to in the section headed “**Experts and consents**” in this appendix;
- (h) the letter from the reporting accountants on profit estimates, the text of which is set out on pages 72 to 74 of this Circular;
- (i) the report from Donvex Capital on profit estimates, the text of which is set out on pages 75 to 76 of this Circular; and
- (j) this Circular.

The above documents will be uploaded to the website of the SFC at <http://www.sfc.hk> and the Corporation’s website at <http://www.sunshineoilsands.com> from the date of this Circular up to and including the date of the SGM in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code.



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3 February 2021

The Board of Directors
Sunshine Oilsands Limited
20/F, Two Chinachem Central,
No.26 Des Voeux Road Central
Central,
Hong Kong

Dear Sirs,

Sunshine Oilsands Limited (the “Company”) and its subsidiaries (the “Group”)

Profit estimates for ten months ended 31 October 2020 (“10M2020”)

We refer to the following statements (the “Profit Estimates”) as set out on pages 54 to 55 of the circular issued by the Company dated 3 February 2021 in relation to the proposed conversion of convertible bonds by connected person under specific mandate:

- (i) The Group recorded substantial decrease in revenue for 10M2020 as compared to for the ten months ended 31 October 2019 (“10M2019”) due to suspension in production since 31 March 2020.
- (ii) The Group recorded substantial decrease in diluent expense, transportation and operating expense as compared to 10M2019 due to suspension in production since 31 March 2020.
- (iii) The Group recorded substantial decrease in finance cost for 10M2020 as compared to 10M2019 as reduction of Senior Note interest expense and the yield maintenance premium and forbearance fee have been removed.
- (iv) The Group recorded substantial decrease in net loss for 10M2020 as compared to 10M2019 mainly due to reduction of operating loss and finance cost as a result of the production suspension.
- (v) The Group recorded foreign exchange loss for 10M2020 vs a foreign exchange gain in 10M2019 mainly due to weak CAD/USD in the first quarter of 2020.

The Profit Estimates constitute profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors' Responsibilities

The Profit Estimates has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the nine months ended 31 October 2020, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2019, except for the adoption of new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) which are applicable for the Group’s annual periods beginning on or after 1 January 2020 (the “Bases”).

The directors of the Company are solely responsible for the Profit Estimates.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 (Clarified) “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimates based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimates in accordance with the bases adopted by the directors of the Company and as to whether the Profit Estimates is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimates has been properly compiled in accordance with the Bases.

Yours faithfully,

Prism CPA Limited

Certified Public Accountants

Hong Kong



Unit 2501-2502, 25th Floor
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

3 February 2021

The Board of Directors

Sunshine Oilsands Limited
20/F, Two Chinachem Central
No.26 Des Voeux Road Central
Central, Hong Kong

Dear Sirs,

We refer to the Company's circular dated 3 February 2021 in respect of the connected transaction in relation to (i) the proposed of conversion of convertible bonds by connected person; and (ii) the application for whitewash waiver (the "**Circular**"). Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise required.

With reference to the below statements set out under the section headed "Material Change" in Appendix I to the Circular (the "**Profit Estimates**"):

- i. The Group recorded substantial decrease in revenue for 10M2020 as compared to 10M2019 mainly due to suspension in production since 31 March 2020.
- ii. The Group recorded substantial decrease in diluent expense, transportation and operating expense as compared to 10M2019 due to suspension in production since 31 March 2020.
- iii. The Group recorded substantial decrease in finance cost for 10M2020 as compared to 10M2019 as reduction of Senior Note interest expense and the yield maintenance premium and forbearance fee have been removed.
- iv. The Group recorded substantial decrease in net loss as compared to 10M2019 mainly due to reduction of operating loss and finance cost as a result of the production suspension.
- v. The Group recorded foreign Exchange loss for 10M2020 vs a foreign exchange gain in 10M2019 mainly due to weak CAD/USD in the first quarter of 2020.

The Profit Estimates constitute profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

The Directors prepared the Profit Estimates based on the unaudited consolidated management accounts of the Group for 10M2020 (the “**Management Accounts**”). The Management Accounts had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2019, except for the adoption of new and amendments to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants which are applicable for the Group’s annual periods beginning on or after 1 January 2020 (the “**Bases**”). No assumption was involved in the making of the Profit Estimates as the Profit Estimates relate to a period already ended.

We have reviewed the Profit Estimates, the Management Accounts and the Bases which were provided by you and you as the Directors are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimates have been made, we have considered the report as contained in Appendix IV to the Circular addressed to the Board from Prism CPA Limited, being the auditor of the Company. Prism Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled in accordance with the Bases.

Having considered the above, we are of the opinion that the Profit Estimates (including the Bases) have been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Circular with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director