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

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阳光油砂
SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

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

(HKEX: 2012)

Suite 1100, 700 - 6th Ave SW
Calgary, AB, T2P 0T8
Canada
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CONNECTED TRANSACTIONS

**PAYMENT OF DIRECTOR FEE IN SHARES IN LIEU OF CASH
UNDER GENERAL MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



Meeting Date: June 24, 2019 at 9:30 a.m. (Hong Kong time) /
June 23, 2019 at 7:30 p.m. (Calgary time)

June 4, 2019

**For identification purpose only*

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Sunshine Oilsands Ltd., a Company incorporated under the Business Corporations Act of the Province of Alberta, Canada with limited liability
"Connected Director(s)"	Mr. Hibberd, Mr. Luo, Ms. Jiang, Ms. Yan and Mr. He
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
"CDN\$"	Canadian dollars, the lawful currency of Canada
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
"HK"	the Hong Kong Special Administrative Region of the People’s Republic of China
"Issue Date"	May 15, 2019, being the date on which the Board approved the payment of 100% of the director fee for the period from October 1, 2017 to April 30, 2019 in Shares to the Connected Directors
“Special Board Committee”	the Special board committee comprising Mr. Raymond S. Fong, the only independent non-executive Director who is not a Connected Director, formed for the purpose of advising the Independent Shareholders in respect of the issue of Shares as payment of Director fee in lieu of cash
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a Company licensed to carry out type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser which has been appointed to advise the Special Board Committee and the Independent Shareholders in respect of the issue of Shares as payment of director fee in lieu of cash
“Independent Shareholders	all Shareholders other than the Connected Directors and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	May 20, 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained herein

DEFINITIONS

“SFO”	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 Company
“Special General Meeting” or “SGM”	the special general meeting of the Company convened and held for the purpose of considering and, if thought fit, approving the payment of director fee to Connected Directors through Shares in lieu of cash and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD

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Telephone: 1-403-984-1450
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To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

PAYMENT OF DIRECTOR FEE IN SHARES IN LIEU OF CASH
UNDER GENERAL MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

This circular and the enclosed notice of SGM should be read together with the management information circular issued by Sunshine Oilsands Ltd. to the holders of Class “A” Common Voting Shares of the Company dated May 23, 2019 (the “**AGM Circular**”), including, without limitation, the information under the heading “Proxy Information for Beneficial Shareholders” on pages 3 and 4 of the AGM Circular, and the notice (the “**2019 AGM Notice**”) convening the Special and Annual General Meeting of the Company to be held on Monday, June 24, 2019 at 9:30 a.m. (Hong Kong time) / Sunday, June 23, 2019 at 7:30 p.m. (Calgary time) at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong (the “**2019 General Meeting**”).

* For identification purposes only

LETTER FROM THE BOARD

On May 15, 2019, the Board announced that it has approved the payment of 100% of the director fee to the Connected Directors (i.e. (i) Mr. Michael J Hibberd, (ii) Mr. Hong Luo, (iii) Ms. Xijuan Jiang, (iv) Ms. Joanne Yan and (v) Mr. David Yi He) for the period from October 1, 2017 to April 30, 2019 in lieu of cash, subject to conditions and compliance with the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The purpose of this circular aims at providing you additional information in relation to the said issuance of Shares to Connected Directors in lieu of cash for director fee and to give you a notice of SGM and the second proxy form (the “**Second Proxy Form**”) for use at the SGM.

The key terms and details of the proposed issue of Shares for payment of director fee of the Connected Directors in lieu of cash (the “**Proposed Issue**”) are set out below.

I. Non-Executive Directors

Name of Directors	1. Mr. Michael J Hibberd (“Mr. Hibberd”)	2. Mr. Hong Luo ⁽³⁾ (“Mr. Luo”)	3. Ms. Xijuan Jiang (“Ms. Jiang”)
Number of new Shares to be conditionally issued: <i>(assuming no change in the total issued Shares between the Issue Date and the date of issue of all Shares)</i>	3,524,371 Shares, representing approximately 0.06% of the existing total issued Shares and 0.06% of the total issued Shares as enlarged by the proposed issue of the Shares	4,687,337 Shares, representing approximately 0.08% of the existing total issued Shares and 0.08% of the total issued Shares as enlarged by the proposed issue of the Shares	4,940,707 Shares, representing approximately 0.08% of the existing total issued Shares and 0.08% of the total issued Shares as enlarged by the proposed issue of the Shares
Value of Shares:	Approximately HK\$ 324,242.10 ⁽¹⁾ (CDN 55,640 equivalent)	Approximately HK\$ 431,235.00 ⁽¹⁾ (CDN 74,000 equivalent)	Approximately HK\$ 454,545.00 ⁽¹⁾ (CDN 78,000 equivalent)

II. Independent Non-Executive Directors

Name of Directors	4. Ms. Joanne Yan ⁽⁴⁾ (“Ms. Yan ”)	5. Mr. Yi He (“Mr. He”)
Number of new Shares to be conditionally issued: <i>(assuming no change in the total issued Shares between the Issue Date and the date of issuance of all Shares)</i>	3,243,384 Shares, representing approximately 0.05% of the existing total issued Shares and 0.05% of the total issued Shares as enlarged by the issue of the proposed issue Shares	5,384,103 Shares, representing approximately 0.09% of the existing total issued Shares and 0.09% of the total issued Shares as enlarged by the issue of proposed issue Shares
Value of Shares:	Approximately HK\$ 298,391.31 ⁽¹⁾ (CDN 51,204 equivalent)	Approximately HK\$ 495,337.50 ⁽¹⁾ (CDN 85,000 equivalent)

LETTER FROM THE BOARD

Notes:

1. *Based on the Bank of Canada's nominal noon exchange rate (as at May 14, 2019, being the day before the Issue Date) of CDN\$1.00 = HK\$5.8275.*
2. *For Mr. Hibberd and Ms. Yan, being Canadians, are subject to tax payment to The Canada Revenue Agency for director fee. The number of Shares to be issued for payment of such director fees are calculated based on the amount of the director fee for the period from October 1, 2017 to April 30, 2019, net of Canadian withholding tax. (The federal and provincial tax rate for Mr. Hibberd and Ms. Yan are 48% and 49.8% respectively.)*
3. *Mr. Hong Luo ceased to be a Director of the Company on June 3, 2019.*
4. *Ms. Joanne Yan has confirmed that she will not stand for re-election at this annual general meeting of the Company to be held on June 24, 2019.*

All Shares are to be issued at the closing price of the Issue Date of HK\$0.092 per Share, representing:

- a) a discount of approximately 2.95% as to the average closing price of HK\$0.0948 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including May 14, 2019;
- b) the closing price of HK\$0.092 per Share as quoted on the Hong Kong Stock Exchange on May 15, 2019; and
- c) a premium of approximately 2.22% to the closing price of HK\$0.09 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Up to the Latest Practicable Date, the Board has allotted and issued 156,688,452 shares under the general mandate granted by the Shareholders of the Company on June 25, 2018. There is sufficient mandate to issue these Shares to the Connected Directors.

The proposed issue Shares have no nominal value and, if and when issued and fully paid, will be free and clear of all liens, encumbrances, equities or other third parties rights and will rank *pari passu* in all respects among themselves and with all other Class "A" Common Voting Shares in issue at the time, with the right to receive all dividends and other distributions on the Shares declared, made or paid on or after the date of allotment, and the Shares to be issued are not subject to any vesting condition. The Connected Directors will have the right to dispose these Shares and/or exercise the rights underlying thereof in accordance with their own wishes once these Shares are issued and allotted to them.

The Company has never proposed the director fees to be settled partly in cash and partly in Shares. The proposal for "Payment of director fees through issuance Shares in lieu of cash for the period from 1 October 2017 to 30 April 2019" are on an "opt-in" or "opt-out" basis for the whole amount calculated. Either the Directors choose to have 100% of their director fees paid in Shares, or their fees will remain outstanding. There will be no partial payment of the director fees in cash or in Shares to any of the Directors. The proposal has no criteria on selecting Directors concerned but is subject to the Directors' own will and consent.

LETTER FROM THE BOARD

The new Shares to be issued and allotted to the Connected Directors with details as follows:-

Name of Connected Directors	Number of Shares to be issued	Approximate market value of the Shares to be issued as at the Issue Date HK\$	Approximate percentage of total number of Shares in issue as at the Issue Date %
	<i>(Note 1)</i>		<i>(Note 2)</i>
Mr. Hibberd	3,524,371	324,242.1	0.06
Mr. Luo	4,687,337	431,235.0	0.08
Ms. Jiang	4,940,707	454,545.0	0.08
Ms. Yan	3,243,384	298,391.3	0.05
Mr. He	5,384,103	495,337.5	0.09
	21,779,902	2,003,751.0	0.35

Notes

- 1) The number of the Shares to be issued to Connected Directors is calculated based on the closing market price of HK\$0.092 per Share as at the Issue Date and the director fee of the Connected Director for the period from October 1, 2017 to April 30, 2019.
- 2) The issued share capital of the Company as at the Latest Practicable Date is 6,135,846,624.

An aggregate of 21,779,902 Shares are proposed to be issued to the Connected Directors. The new Shares to be issued and allotted by the Company pursuant to the aforesaid payment represent approximately 0.35% of the Company's issued share capital as at the Issue Date and approximately 0.35% of the Company's enlarged issued share capital after the said payment issuance and allotment.

As at the Latest Practicable Date, the Company had 6,135,846,624 Shares in issue. The shareholding effect of the issuance and allotment as at the Latest Practicable Date and immediately after the issue, allotment and full vesting of the Shares (assuming no other change in the issued share capital of the Company other than the issue, allotment and full vesting of the issuance of Shares to the Connected Directors) is as follows:-

	As at the Latest Practicable Date		Shares to be issued for payment of director fee		After completion of the Proposed Issue	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Michael J Hibberd ⁽¹⁾	104,774,685	1.71%	3,524,371	0.06%	108,299,056	1.76%
Mr. Hong Luo ⁽⁴⁾	-	-	4,687,337	0.08%	4,687,337	0.08%
Ms. Xijuan Jiang ⁽⁵⁾	300,000	0.00%	4,940,707	0.08%	5,240,707	0.09%
Ms. Joanne Yan	-	-	3,243,384	0.05%	3,243,384	0.05%
Mr. Yi He	1,600,000	0.03%	5,384,103	0.09%	6,984,103	0.11%
Sub-total for connected directors	106,674,685	1.74%	21,779,902	0.35%	128,454,587	2.09%
Mr. Kwok Ping Sun ⁽²⁾	1,687,577,000	27.50%	-	-	1,687,577,000	27.41%
Mr. Raymond Fong	9,250,621	0.15%	-	-	9,250,621	0.15%
Sub-total for all directors	1,803,502,306	29.39%			1,825,282,208	29.65%
Other shareholders	4,332,344,318	70.61%			4,332,344,318	70.35%
Total	6,135,846,624	100.00%			6,157,626,526	100.00%

LETTER FROM THE BOARD

Notes

1. Mr. Michael J Hibberd, directly or indirectly was deemed to be interested in 104,774,685 Shares and 46,679,000 share options of the Company as at the Latest Practicable Date.
2. Mr. Kwok Ping Sun, being the Executive Chairman and Substantial Shareholder (as defined under the Listing Rules) of the Company, directly or indirectly, owned 1,687,577,000 Shares as at the Latest Practicable Date.
3. As at the Latest Practicable Date, Ms. Gloria Ho and Ms. Linna Liu do not hold any shares in the Company.
4. Mr. Hong Luo ceased to be a Director on June 3, 2019.
5. Ms. Joanne Yan has confirmed that she will not stand for re-election at this annual general meeting of the Company to be held on June 24, 2019.

INFORMATION ABOUT THE GROUP

The Company is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada.

As at the date of this circular, the Board comprises eight Directors, of which three are non-executive Directors and three are independent non-executive Directors.

Details of the professional expertise, experience, business network and contributions to the Group of each of (i) Mr. Hibberd, (ii) Mr. Luo, (iii) Ms. Jiang, (iv) Ms. Yan and (v) Mr. Yi He has been set out in the AGM Circular.

REASONS FOR THE ISSUE OF SHARES FOR PAYMENT OF DIRECTOR FEE IN LIEU OF CASH

In general, the Company follows these principals when calculating the director fees:

- (i) The Company pays its directors CDN \$40,000 per year as general retainer.
- (ii) An additional CDN \$20,000 retainer is payable to the Chairman and the Vice-Chairman (Mr. Hibberd, one of the Connected Directors) of the Board.
- (iii) Generally, CDN \$10,000 is paid to the chair of the Audit Committee (Ms. Yan, one of the Connected Directors) and CDN \$5,000 is paid to the chair of all other committees of the Board on general basis.
- (iv) All Directors will receive fee CDN \$1,000 for each Directors' meeting for their participation.
- (v) All Directors are reimbursed for reasonable expenses incurred by them in their capacity as directors, including travel and other out of pocket expenses incurred in connection with meetings of the Board or its committees.

Below is a list of roles of Connected Directors in the Company:

Name of Connected Directors	Audit Committee	Compensation Committee	Corporate Governance Committee	Reserves Committee	The Board
Michael Hibberd			M		Vice Chairman
Hong Luo					
Xijuan Jiang		M			
Joanne Yan	C	M	M		
Yi He	M		M	M	

Notes: C = Chairman of the relevant Board committees
M = Member of the relevant Board committees

LETTER FROM THE BOARD

Breakdown details of the director fees of Connected Directors for the period covered October 1, 2017 to April 30, 2019 are set out in the table below.

Name of Connected Directors	Base Retainer fees			Additional Retainer fees ⁽ⁱⁱ⁾			Attendance fees ⁽ⁱⁱⁱ⁾	Total Fees before Withholding tax (applicable only to Canadian Directors) ^(iv)	Total Fees after Withholding tax (applicable only to Canadian Directors) ^(iv)
	2017 Q4 ⁽ⁱ⁾	FY 2018	2019 Q1 ⁽ⁱ⁾	2017 Q4 ⁽ⁱⁱ⁾	FY 2018	2019 Q1 ⁽ⁱⁱ⁾			
Michael Hibberd ^(v)	10,000	40,000	10,000	5,000	20,000	5,000	17,000	107,000 ^(v)	55,640 ^(v)
Hong Luo	10,000	40,000	10,000	-	-	-	14,000	74,000	74,000
Xijuan Jiang	10,000	40,000	10,000	-	-	-	18,000	78,000	78,000
Joanne Yan ^(vi)	10,000	40,000	10,000	2,500	10,000	2,500	27,000	102,000 ^(vi)	51,204 ^(vi)
Yi He	10,000	40,000	10,000				25,000	85,000	85,000

Notes:

(i) The Company pays all its Directors CDN \$40,000 per year as base retainer fees. Retainer Fees are pro-rated by quarter and paid at the end of each quarter (i.e. March, June, September and December). No further pro-rata on days will be calculated if the period concerned does not cover for a quarter (i.e. 3 months).

(ii) An additional retainer fee of CDN \$20,000 per year is payable to Mr. Hibberd, Non-executive Vice Chairman of the Board. Besides, an additional retainer fee of CDN \$10,000 is payable to the chair of the Audit Committee, Ms. Yan.

Retainer Fees are pro-rated by quarter and paid at the end of each quarter (i.e. March, June, September and December). No further pro-rata on days will be calculated if the period concerned does not cover for a quarter (i.e. 3 months).

(iii) Please refer to table on p.9 which shows the attendance for all Board meeting and committee meetings of each Connected Director.

(iv) When calculating the proposed Shares issuance for director fee to Connected Directors, no reimbursement was included.

(v) In Canada, payment of director fees is taxable and the employer is required to withhold taxes from the payment and remit the withholding directly to The Canada Revenue Agency. This applies regardless of whether shares or cash are paid out.

For our Canadian Directors (i.e. Mr. Hibberd and Ms. Yan), they have discussed, agreed and confirmed with the Company that the Company would withhold the applicable tax amount (federal and provincial tax rate: 48% and 49.8% for Mr. Hibberd and Ms. Yan respectively) and therefore the number of Shares to be issued for payment of such director fees are calculated net of Canadian withholding tax.

Mr. Hibberd is subject to the federal and provincial tax rate of Alberta which is 48% in total.

For Mr. Hibberd, the net amount is $CDN107,000 \times (1 - \text{tax rate } 48\%) = CDN 55,640$

(vi) Ms. Yan is subject to the Federal and provincial tax rate of British Columbia which is 49.8% in total. Before Withholding tax, Joanne Yan's director fees is higher than Mr. He's fees. But after withholding tax, her fees is lower than Mr. He's.

For Ms. Yan, the net amount is $CDN102,000 \times (1 - \text{tax rate } 49.8\%) = CDN 51,204$

LETTER FROM THE BOARD

Attendance of Connected Directors for Board Meetings or Board Committee Meetings held during the period from October 1, 2017 to April 30, 2019:-

Name of Connected Directors	Board of Directors			Audit Committee			Compensation Committee			Corporate Governance Committee			Reserves Committee		
	2017 Q4	FY 2018	2019 (Jan-Apr)	2017 Q4	FY 2018	2019 (Jan-Apr)	2017 Q4	FY 2018	2019 (Jan-Apr)	2017 Q4	FY 2018	2019 (Jan-Apr)	2017 Q4	FY 2018	2019 (Jan-Apr)
	<i>Attendance of Connected Directors for Board Meetings or Board Committees Meetings held during the period :-</i>														
Michael Hibberd	2	10	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A	N/A	N/A	N/A
Hong Luo	1	9	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Xijuan Jiang	2	10	4	N/A	N/A	N/A	N/A	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Joanne Yan	2	10	4	2	4	1	N/A	2	1	N/A	1	N/A	N/A	N/A	N/A
Yi He	2	10	4	2	4	1	N/A	N/A	N/A	N/A	1	N/A	N/A	N/A	1

Subtotal of the number of meetings attended by Connected directors and their Attendance fees for each period:

Name of Connected Directors	Number of Meetings attended				Attendance fee			
	2017 Q4	FY 2018	2019 (Jan-Apr)	Total	2017 Q4	FY 2018	2019 (Jan-Apr)	Total
Michael Hibberd	2	11	4	17	2000	11000	4000	17000
Hong Luo	1	9	4	14	1000	9000	4000	14000
Xijuan Jiang	2	11	5	18	2000	11000	5000	18000
Joanne Yan	4	17	6	27	4000	17000	6000	27000
Yi He	4	15	6	25	4000	15000	6000	25000

Note:

The Directors will receive a fee of CDN \$1,000 for their participation in each Board Meeting and board committee meetings.

The Base Retainer Fees together with the fee for directors' participation in the Board meeting were approved by the Board in 2011 which believes that the quantum was fair and reasonable in light of industry standards and were in normal market terms which commensurate with the remuneration packages of directors of other comparable companies.

The Board is of the view that the proposed issue of Shares as payment of director fee in lieu of cash provides an alternative form of remunerating the Directors for their service rendered to the Company while without reducing actual cash outflow by the Company. It also helps to align the interests of the Connected Directors to the Shareholders through ownership of Shares.

The Board (excluding the respective Connected Directors) is of the view that the terms of issue of Shares for payment of director fee in lieu of cash to the respective Connected Director is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Mr. Hibberd, Mr. Luo, Ms. Jiang, Ms. Yan and Mr. He, being Directors, are connected persons of the Company. Accordingly, the proposed issue of Shares for payment of Director Fee to them in lieu of cash constitute connected transactions for the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Special Board Committee which comprise of Mr. Raymond S. Fong, the only independent non-executive Director who is not a Connected Director, has been formed to advise the Independent Shareholders on the issue of Shares as payment of director fee in lieu of cash.

Each of Mr. Hibberd, Mr. Luo, Ms. Jiang, Ms. Yan and Mr. He has abstained from approving the relevant board resolution on the issuance and allotment of Shares to the Connected Directors. Save as disclosed above, none of the other Directors had any interests in the said issuance and allotment and therefore no other Directors abstained from voting on the relevant resolutions of the Board in respect of the said issuance and allotment of Shares to the Connected Directors as payment of director fee in lieu of cash.

To the best of the knowledge, information and belief of the Directors, save for the Connected Directors and their respective associates, no other Shareholders is required to abstain from voting on the resolution(s) approving, among other matters, the issuance and allotment of Shares to Connected Directors as payment for director fee in lieu of cash. Each of Mr. Hibberd, Mr. Luo, Ms. Jiang, Ms. Yan and Mr. He and their respective associates, are required to abstain from voting on the relevant resolution in respect of the proposed issue of Shares for payment of director fee in lieu of cash.

DIRECTORS

As at the date of this circular, 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. Raymond Shengti Fong, Ms. Joanne Yan and Mr. Yi He as independent non-executive Directors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in the AGM Circular and this circular, to best of the knowledge of the Company's management, none of the Company's Directors or executive officers, nor any person who beneficially owns directly or indirectly or exercises control or direction over securities carrying more than 10% of the voting rights attaching to the Shares in the capital of the Company, nor any known associate or affiliate of these persons had any material interest, direct or indirect in any transaction since the commencement of the Company's most recently completed financial year which has materially affected the Company, or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Additional financial information is provided for in our financial statements and management's discussion and analysis for the year ended December 31, 2018. Copies of these documents as well as additional information relating to the Company contained in document filed by the Company with the Canadian securities regulatory authorities may also be accessed through the SEDAR website at www.sedar.com.

Documents affecting the rights of security holders, along with other information relating to the Company, may be found on the Company's website at www.sunshineoilsands.com.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 Company. 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 the dispatch of this circular have been approved by the Board.

(signed) "Kwok Ping Sun"
Kwok Ping Sun
Executive Chairman

Calgary, Alberta, June 4, 2019
Hong Kong, June 4, 2019

LETTER FROM SPECIAL BOARD COMMITTEE

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阳光油砂
SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

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

(HKEX: 2012)

June 4, 2019

To the Independent Shareholders

Dear Sir / Madam,

CONNECTED TRANSACTIONS

PAYMENT OF DIRECTOR FEE IN SHARES IN LIEU OF CASH UNDER GENERAL MANDATE

I refer to the circular dated June 4, 2019 issued by the Company to its Shareholders (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.

I, being independent non-executive Director, has been appointed as member of the Special Board Committee to advise the Independent Shareholders (Shareholders except Mr. Hibberd, Mr. Luo, Ms. Jiang, Ms. Yan and Mr. He and their associates) as to whether, in my opinion, the payment of director fee in Shares in lieu of cash and the transactions contemplated thereunder (the “**Proposed Issuance**”) are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Details of the payment of director fee in Shares in lieu of cash are set out in the “Letter from the Board” contained in this circular. I, being a member and the only member of the Special Board Committee, has any direct or indirect interest in the payment of director fee in Shares in lieu of cash.

Donvex Capital has been appointed to advise the Special Board Committee and the Independent Shareholders in relation to the Proposed Issuance. We wish to draw your attention to the letter from Donvex Capital to the Special Board Committee and the Independent Shareholders which contains its advice in respect of the Proposed Issuance and as set out in this circular. Your attention is also drawn to the general information set out in this circular.

** For identification purposes only*

LETTER FROM SPECIAL BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by Donvex Capital, its conclusion and advice, I am of the opinion that the Proposed Issuance and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and its Shareholders as a whole. Accordingly, I recommend the Independent Shareholders to vote in favor of the ordinary resolutions thereunder to be proposed in the Special Meeting approving the Proposed Issuance and the transactions contemplated.

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

Raymond Shengti Fong
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 Special Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

June 4, 2019

*The Special Board Committee and the Independent Shareholders of
Sunshine Oilsands Ltd.*

Dear Sirs/Madam,

**CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED ISSUE OF NEW SHARES
TO CONNECTED PERSONS UNDER GENERAL MANDATE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Special Board Committee and the Independent Shareholders in relation to the proposed issue of new Shares as the payment of directors' fee in lieu of cash ("**Proposed Issue of New Shares**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated June 4, 2019 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 15 May, 2019 (the "**Issue Date**"), the Company has approved to issue and allot an aggregate of 21,779,902 new Shares (the "**New Shares**") to the five Connected Directors as the payment of their directors' fee for the period from October 1, 2017 to April 30, 2019 (the "**Period**") in lieu of cash.

As the Connected Directors are the connected persons of the Company, the issue and allotment of the New Shares to those Connected Directors constitute connected transactions of the Company and shall be subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the Connected Directors and his/her respective associates are required to abstain from voting on the relevant resolution in respect of the Proposed Issue of New Shares at the SGM.

The Special Board Committee, merely comprising Mr. Raymond Shengti Fong, the independent non-executive Directors who is not included in the Connected Directors, has been established to advise the Independent Shareholders on (i) whether the Proposed Issue of New Shares is fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Proposed Issue of New Shares is in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent

LETTER FROM DONVEX CAPITAL

Shareholders should vote in respect of the resolution(s) to approve the Proposed Issue of New Shares at the SGM. We, Donvex Capital Limited, have been appointed as the Independent Financial Adviser to advise the Special Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company 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 board committee and independent shareholders of the Company in relation to the subscription of the Shares by the connected subscriber (details of which were set out in the circular of the Company dated July 7, 2017) in the last two years. The foresaid transaction has been terminated and is not related to the Proposed Issue of New Shares.

We are independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give an independent advice in respect of the Proposed Issue of New Shares. 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 Company.

BASIS OF OUR OPINION

In formulating our opinion to the Special 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 Company. 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 of the Company 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 Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Proposed Issue of New Shares, and to justify reliance on the accuracy of the information contained in the Proposed Issue of New Shares 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 carried out any in-depth research 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.

LETTER FROM DONVEX CAPITAL

This letter is issued for the information for the Special Board Committee and the Independent Shareholders solely in connection with their consideration of the Proposed Issue of New Shares, 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 purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Issue of New Shares, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

Principal business and information on the Group

The Company 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 Company owns interests in approximately one million acres of oil sands and petroleum and natural gas leases in the Athabasca region and currently focuses on executing milestone undertakings in the West Ells project area. The West Ells Phase 1 is operational and has an initial production target of 5,000 barrels per day.

Historical financial information of the Group

Set forth below is a summary of the consolidated financial information of the Company for the three months ended March 31, 2019 and the two years ended December 31, 2018 and 2017 as extracted from the Company's quarterly results announcement for the three months ended March 31, 2019 ("**Q1 Quarterly Announcement**") and the annual report for the year ended December 31, 2018 ("**2018 Annual Report**"), respectively:

	For the three months ended March 31, 2019	For the year ended December 31, 2018	2017
	<i>CDN\$'000</i>	<i>CDN\$'000</i>	<i>CDN\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue and Other Income			
- Petroleum sales, net of royalties	5,949	37,007	33,634
- Other income	1	8	10
	<hr/> 5,950	<hr/> 37,015	<hr/> 33,644
Expenses	(31,066)	(164,011)	(315,496)
Loss before income taxes	(25,116)	(126,996)	(281,852)
Net loss and comprehensive loss for the period/year attributable to the Shareholders	<hr/> (25,116)	<hr/> (126,996)	<hr/> (281,852)

LETTER FROM DONVEX CAPITAL

	As at March 31, 2019	As at December 31,	
		2018	2017
	<i>CDN\$ '000</i> <i>(unaudited)</i>	<i>CDN\$ '000</i> <i>(audited)</i>	<i>CDN\$ '000</i> <i>(audited)</i>
Cash	249	583	3,671
Total assets	781,366	779,281	785,356
Total liabilities	554,195	527,328	428,787

According to the 2018 Annual Report, the Company had a net loss of approximately CDN\$127.0 million for the year ended December 31, 2018 compared to approximately CDN\$281.9 million in 2017. Such improvement in net loss was mainly due to the reason that no impairment loss was recognised for the year ended December 31, 2018 compared to CDN\$195 million for the previous year. Regarding the financial position of the Group, we note that as at December 31, 2016, the Group's cash level was decreased by approximately CDN\$3.1 million from approximately CDN\$3.7 million as at December 31, 2017 to approximately CDN\$583,000 as at December 31, 2018 as a result of a continuous loss-making performance of the Group.

With reference to the Q1 Quarterly Announcement, the Group reported a net loss of approximately CDN\$25.1 million for the three months ended March 31, 2019, which was mainly attributable to the significant downward pressure on the heavy oil price in Canada while the Group's cash position further decreased to approximately CDN\$249,000 as at March 31, 2019.

2. Background of Proposed Issue of Shares

The Company has approved to issue and allot an aggregate of 21,779,902 the New Shares as the payment of the directors' fee for the Period to the five Connected Directors in lieu of cash. Details of the Proposed Issue of New Shares are set out in the following table:

Name of Connected Directors	Role in the Group	Number of New Shares to be issued	Market value of the New Shares in HK\$	Market value of the New Shares in CDN\$
				<i>(Note)</i>
Mr. Michael J Hibberd ("Mr. Hibberd")	Non-executive Director and Non-executive vice-chairman of the Board	3,524,371	HK\$324,242.1	CDN\$55,640
Mr. Hong Luo ("Mr. Luo")	Non-executive Director	4,687,337	HK\$431,235.0	CDN\$74,000
Ms. Xijuan Jiang ("Ms. Jiang")	Non-executive Director	4,940,707	HK\$454,545.0	CDN\$78,000

LETTER FROM DONVEX CAPITAL

Ms. Joanne Yan ("Ms. Yan")	Independent non-executive Director and Chairperson of the audit committee	3,243,384	HK\$298,391.3	CDN\$51,204
Mr. Yi He ("Mr. He")	Independent non-executive Director	5,384,103	HK\$495,337.5	CDN\$85,000
Subtotal		21,779,902	HK\$2,003,751.0	CDN\$343,844

Note: Based on the exchange rate of the Bank of Canada as at May 15, 2019 of CDN\$1.00 = HK\$5.8275

The 21,779,902 New Shares to be issued represent approximately 0.35% of the total number of Shares in issue of the Company as at the Latest Practicable Date and approximately 0.35% of the total number of Shares in issue of the Corporate as enlarged by the Proposed Issue of New Shares.

3. Assessment of the New Shares

Directors' fee of the Connected Directors

The New Shares will be issued to the Connected Directors as the payment of directors' fee for the Period in lieu of cash. In order to assess the amount of directors' fee of the Connected Directors for the Period, we have enquired and discussed with the management of the Company and understand that the Directors' fee has been decided by the compensation committee of the Company and approved by the Board in 2011, based on the following:

- (i) a basic annual retainer fee of CDN\$40,000 for each Director;
- (ii) an additional annual retainer fee of CDN\$20,000 for the chairman and vice-chairman of the Board;
- (iii) an additional annual retainer fee of CDN\$10,000 for the chairperson of the audit committee and CDN\$5,000 for the chairperson of all other committees of the Company; and
- (iv) an additional fee of CDN\$1,000 for attendance of each meeting by the Directors; and
- (v) any reimbursement of the Directors for reasonable expenses incurred in respect of meeting of the Board and its committee.

Based on the review above and with reference to the meeting attendance of the Connected Directors during the Period provided by the Company, we note that the directors' fee payable to Mr. Hibberd, Mr. Luo, Ms. Jiang, Ms. Yan and Mr. He for the Period is CDN\$55,640, CDN\$74,000, CDN\$78,000, CDN\$51,204 and CDN\$85,000, respectively, with an aggregate amount of CDN\$343,844 (equivalent to approximately HK\$2.0 million) which is in line with the aggregate market value of the New Shares to be issued to the Connected Directors as stated above. Set forth below is a table demonstrating our assessment of the directors' fee for the Period:

LETTER FROM DONVEX CAPITAL

in CDN\$

Name of Connected Directors	4th Quarter (Oct – Dec) 2017			(Jan – Dec) 2018			1st Quarter (Jan – Mar) 2019			Apr 2019	Total Directors' Fee for the Period (Note 3)	Withholding Tax for Canadian Directors (Note 4)	Directors' fee payable to Connected Directors
	Retainer Fee (Note 1)	Attendance Fee (Note 2)	Subtotal	Retainer Fee (Note 2)	Attendance Fee (Note 2)	Subtotal	Retainer Fee (Note 1)	Attendance Fee (Note 2)	Subtotal	Attendance Fee (Note 2)			
Mr. Hibberd	15,000	2,000	17,000	60,000	11,000	71,000	15,000	3,000	18,000	1,000	107,000	51,360	55,640
Mr. Luo	10,000	1,000	11,000	40,000	9,000	49,000	10,000	3,000	13,000	1,000	74,000		74,000
Ms. Jiang	10,000	2,000	12,000	40,000	11,000	51,000	10,000	4,000	14,000	1,000	78,000		78,000
Ms. Yan	12,500	4,000	16,500	50,000	17,000	67,000	12,500	5,000	17,500	1,000	102,000	50,796	51,204
Mr. He	10,000	4,000	14,000	40,000	15,000	55,000	10,000	5,000	15,000	1,000	85,000		85,000
												Total	343,844

Notes:

1. The retainer fees (including basic retainer fee and additional retainer fee for the chairman and vice-chairman of the Board and chairpersons of all committees of the Board) are merely payable to the Directors on a quarterly basis at the end of each quarter.
2. Based on our review of the meeting attendance of the Connected Directors, we note that the attendance fee for each of the Connected Directors during the Period is calculated in line with their meeting attendance.
3. Based on our review, we understand that no reimbursement was claimed by the Connected Directors during the Period.
4. Mr. Hibberd and Ms. Yan, the Canadian citizens, are subject to tax payment imposed by The Canada Agency for their directors' fee. Based on the Company's agreement with Mr. Hibberd and Ms. Yan, the Company is required to withhold the applicable tax payment of the directors' fee for Mr. Hibberd and Ms. Yan. We have reviewed the tax rate for 2019 published on the website of Canada government and noted that the applicable tax rate (including the federal and provincial tax rates) for Mr. Hibberd and Ms. Yan is 48% and 49.8% respectively, which is consistent with the calculation of the directors' fee conducted by the Company.

LETTER FROM DONVEX CAPITAL LIMITED

In order to examine the accuracy of the directors' fee of the Connected Directors as stated in the above table, we have further reviewed the emoluments of the Directors as stated in the Company's 2018 Annual Report. Based on the review and comparison, we note that the directors' fee of the Connected Directors for the year ended December 31, 2018 is consistent with the disclosures in the 2018 Annual Report.

Issue price of the New Shares

The New Shares are to be issued and allotted at the issue price of HK\$0.092 per New Share which represents:

- (i) the closing price per Share as quoted on the Stock Exchange on the Issue Date;
- (ii) a discount of approximately 2.95% to the average closing price of HK\$0.0948 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Issue Date; and
- (iii) a premium of approximately 2.22% over the closing price of HK\$0.09 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

As the issue price of HK\$0.092 per New Share represents the closing price per Share trading on the Stock Exchange as quoted on the Issue Date, we are of the view that the issue price for the New Shares reflects the accurate market value of Shares on the Stock Exchange and is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

4. Reasons for and benefits of the Proposed Issue of New Shares

The Proposed Issue of New Shares is mainly due to the following reasons:

- (i) Cash position of the Group

As stated in the above section headed "Historical financial information of the Group" in this Circular, the cash position of the Group has remained at a low level mainly due to the net loss recorded by the Group for the consecutive years. The Group had cash of approximately CDN\$249,000 (equivalent to approximately HK\$1.5 million) and CDN\$583,000 (equivalent to approximately HK\$3.4 million) as at March 31, 2019 and December 31, 2018, respectively. In addition, after the discussion with the management, we note that the Group's existing cash is principally reserved for the operation of the West Ells project.

In view of the aggregate amount of the directors' fee payable to the Connected Directors during the Period is CDN\$343,844 (equivalent to approximately HK\$2.0 million), we concur with the Board that cash payment of the directors' fee for the Connected Directors would require cash outflows which may further deteriorate the cash position of the Group and, as a result, impose negative impact on the daily operation of the Group.

As such, the issue of the New Shares provides the Group with an alternative method to remunerate the Connected Directors for their services to the Company without the additional burden on the Group's cash flow given that such directors' fee of the Connected Directors has been long outstanding for about 2 years.

LETTER FROM DONVEX CAPITAL LIMITED

(ii) Motivation and retention to the Connected Directors

Given the extensive experience and knowledge of the Connected Directors, the Connected Directors are essential for the development of the Group.

We have further reviewed the background of the Connected Directors, including the main responsibilities, length of service and contributions in the Group's operations.

Name of Connected Directors	Role in the Group	Main Responsibility	Length of Service
Mr. Hibberd	Non-executive Director and non-executive vice-chairman of the Board	Overall corporate strategic planning, business development and major decision-making for the Group	12 years
Mr. Luo	Non-executive Director	Monitoring the technology applied in the operation of the Group	5 years
Ms. Jiang	Non-executive Director	Monitoring the engineering in the operation of the Group	3 years
Ms. Yan	Independent non-executive Director and Chairperson of the audit committee	Monitoring of the Board and management of the Company	3 years
Mr. He	Independent non-executive Director	Monitoring of the Board and management of the Company	3 years

Main contribution from the Connected Directors

After discussions and enquiries with the management, we understand that the Connected Directors have made significant contribution in the recent development in the Group's business as follows:

– *Contribution from non-executive Directors*

Mr. Hibberd, a founder of the Company, has accumulated extensive experience and expertise in international energy project planning and capital market due to his considerable length of working experience in the energy industry. Mr. Hibberd has been involved in strategic planning for various operations of the Group, i.e. West Ells, Thickwood and Legend, and Muskwa and Godin Clastics Operations.

Mr. Luo has 34 years of experience in the oil and gas industry. Mr. Luo contributes his expertise in technology for energy projects in order to ensure the operation of West Ells project of the Group.

LETTER FROM DONVEX CAPITAL LIMITED

Ms. Jiang was a senior engineer with 26 years of experience in industrial applications. Her extensive experience in the engineering and technology is essential for the Group's Muskwa and Godin Clastics Operations which is expected to be commenced in 2019.

– *Contribution from independent non-executive Directors*

Based on the discussion with the management, we consider that, the independent non-executive Directors have been actively providing constructive advices for the Company from the perspective of the corporate governance, e.g. finance, internal control, remuneration policy etc., and the compliance of the Listing Rules by leveraging on their expertise.

Based on the above, having considered that (i) the Connected Directors have made significant contribution of their expertise to the Group's operations, in particular, the ongoing West Ells project, and (ii) the directors' fee of the Connected Directors has been outstanding since October 2017, we are of the opinion that the Proposed Issue of New Shares will align the interests of the Connected Directors with the Company together with other Shareholders, which would encourage and retain them as key persons to make contribution to the long-term growth and development of the Group in the future.

In view of the aforementioned reasons for and benefits of the Proposed Issue of New Shares, we are of the view that the issue of the New Shares to the Connected Directors as payment of directors' fee in lieu of cash is justifiable and in the interests of the Company and the Shareholders as a whole.

5. Potential dilution effect on the shareholding interests of the existing public Shareholders

As depicted by the table under the section headed "Shareholding Structure" of the Letter from the Board, upon completion of the Proposed Issue of New Shares, the shareholding interests of the existing public Shareholders would be diluted by approximately 0.26%. Nonetheless, in view of (i) the reasons for and benefits of the Proposed Issue of New Shares in lieu of cash payment of the directors' fee, details of which are set out under the section under "Reasons for and benefits of the Proposed Issue of New Shares" of this letter; and (ii) the Proposed Issue of New Shares being fair and reasonable, we consider that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

RECOMMENDATION

Having taken into account all factors and reasons as stated above, we are of the view that (i) the Proposed Issue of New Shares is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Issue of New Shares is conducted in the ordinary and usual course of the business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Special Board Committee and the Independent Shareholders to vote in favour of the resolutions(s) to be proposed at the SGM to approve the Proposed Issue of New Shares and the transactions contemplated thereunder.

LETTER FROM DONVEX CAPITAL LIMITED

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. 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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date:

Issued and fully paid Shares:	CDN\$
6,135,846,624 Shares	\$94,745,851.62 ⁽¹⁾

Note: (1) Based on the Bank of Canada's nominal noon exchange rate as at May 17, 2019, being the last bank working day up to the Latest Practicable Date of CDN\$ 1.00 = HK\$5.8285.

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Shares to be issued upon exercise of options shall rank *pari passu* in all respects with the Shares then in issue.

Each Share carries the right to one vote at any meeting of the Shareholders. As at the Latest Practicable Date, there are no classes of shares of the Company, other than the Shares, entitled to vote at the SGM.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed in this circular and apart from the options granted and to be granted under the Company's Share Option Scheme, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. 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 executive in the Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company 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 Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

(i) **Director's long position in the Company***Common Shares*

Name	Company	Nature of Interest	Number of Common Shares Held	Approximate % interest in the Shares
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	1,687,577,000	27.50%
Michael J Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	104,774,685	1.71%
Gloria Ho	Sunshine Oilsands Ltd.	N/A	—	—
Hong Luo ⁽¹⁾	Sunshine Oilsands Ltd.	N/A	—	—
Linna Liu	Sunshine Oilsands Ltd.	N/A	—	—
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct/Indirect	300,000	0.00%
Raymond Fong	Sunshine Oilsands Ltd.	Direct/Indirect	9,250,621	0.15%
Yi He	Sunshine Oilsands Ltd.	Direct	1,600,000	0.03%
Joanne Yan ⁽²⁾	Sunshine Oilsands Ltd.	N/A	—	—

(ii) **Director's Share Options***Stock Options*

Name	Company	Nature of Interest	Number of Stock Options held	Approximate % interest in the options
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct	346,679,000	74.17%
Michael Hibberd	Sunshine Oilsands Ltd.	Direct	46,679,000	9.99%
Gloria Ho	Sunshine Oilsands Ltd.	Direct	20,000,000	4.28%
Hong Luo ⁽¹⁾	Sunshine Oilsands Ltd.	Direct	23,000,000	4.92%
Raymond Fong	Sunshine Oilsands Ltd.	Direct	2,500,000	0.53%
Yi He	Sunshine Oilsands Ltd.	Direct	2,500,000	0.53%
Joanne Yan ⁽²⁾	Sunshine Oilsands Ltd.	Direct	2,500,000	0.53%
Linna Liu	Sunshine Oilsands Ltd.	Direct	--	--
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	1,000,000	0.21%

Notes :

(1) Mr. Hong Luo resigned as Director of the Company on June 3, 2019.

(2) Ms. Joanne Yan has confirmed that she will not stand for re-election at this annual general meeting of the Company to be held on June 24, 2019.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company 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 Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model 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 Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, save as disclosed above, none of the substantial shareholders of the Company had an interest or short position in the Shares which would require to be disclosed by the Company 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 Company had any interest, direct or indirect, in any asset which have been since December 31, 2018, being the date to which the latest published audited financial statements of the Company 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 Company was materially interested in any contract or arrangement entered into by any member of the Group since December 31, 2018, being the date to which the latest audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. MATERIALS CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2018, being the date to which the latest published audited financial statements of the Group have been made up.

6. COMPETING INTEREST

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 Company).

7. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigations or claims and no litigations or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

On June 19, 2018, the Company received a notice from the Alberta Court of Queen's Bench. As a result of such notice, CDN\$2.1 million of cash was put aside for creditor repayment. The notice was lifted in September 2018. As at year ended December 31, 2018, there was nil balance in relation to such Court Notice. On February 27, 2019 the Company received another notice from the 2018 Court of Queen's Bench. As a result, CDN\$0.7 million of cash was to be put aside for creditor repayment subsequent to the year end. The Company is planning to file an appeal against such notice and will be contesting this notice in Court.

The Company received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016 and 2017 municipal property taxes of CDN\$6.1 million. The Company was also charged with overdue penalties of CDN\$1.3 million. Since then the Company was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, negotiations are still ongoing and the Company remains positive in the discussion with RMWB. The Company believes that it has made adequate provision in the financial statements against this demand notice including the outstanding balance for 2018.

The Company is involved in various claims, including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At March 31, 2019, the Company had incurred \$14.7 million (US \$10.8 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

8. EXPERT

(a) The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualifications
Donvex Capital Limited	a Company licensed and permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO

(b) Donvex Capital has given and has 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, Donvex Capital 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, Donvex Capital has no interest, directly or indirectly, in any assets which had been or proposed to be, since December 31, 2018, 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 Donvex Capital is given as of the date of this circular for incorporation herein.

9. MISCELLANEOUS

(a) The HK company secretary of the Company is Ms. Man Ngan Chow, an associate of the Hong Kong Institute of Chartered Secretaries;

(b) The registered office of the Company is at Suite 1100, 700 - 6th Ave SW, Calgary, AB, T2P 0T8, Canada;

(c) The place of business in Hong Kong is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong; and

(d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong during normal business hours from the date of this circular up to June 24, 2018 (Hong Kong time) (including the date):

- (a) the written consent letter from Donvex Capital consenting the issue of this circular, with the inclusion of its letter and the references to its name in the form and context in which they respectively appear;
- (b) the letter of recommendation from Special Board Committee;
- (c) the letter of advice from Donvex Capital; and
- (d) this circular.

NOTICE OF SPECIAL GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



阳光油砂

SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

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

(HKEX: 2012)

NOTICE OF SPECIAL GENERAL MEETING

TO BE HELD AT 9: 30 A.M. ON JUNE 24, 2019 (HONG KONG TIME)
AND 7: 30 P.M. ON JUNE 23, 2019 (CALGARY TIME)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Special Meeting**” or “**SGM**”) of the holders (the “**Shareholders**”) of Class “A” Common Voting Shares (the “**Shares**”) of Sunshine Oilsands Ltd. (“**Sunshine**” or the “**Company**”) will be held at the 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong on June 24, 2019 at 9: 30 a.m. (Hong Kong time) / June 23, 2019 at 7:30 p.m. (Calgary time), for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the allotment and issue of an aggregate of 3,524,371 Shares of the Company (“**3,524,371 Shares**”) to Mr. Michael J Hibberd, the non-executive Vice-Chairman of the Company, subject to obtaining approval for the listing of and permission to deal in such 3,524,371 Shares, be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issuance of the said 3,524,371 Shares to Mr. Michael J Hibberd.”
2. “**THAT** the allotment and issue of an aggregate of 4,687,337 Shares of the Company (“**4,687,337 Shares**”) to Mr. Hong Luo, a non-executive director of the Company, subject to obtaining approval for the listing of and permission to deal in such 4,687,337 Shares, be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issuance of the said 4,687,337 Shares to Mr. Hong Luo.”

**For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING

3. **“THAT** the allotment and issue of an aggregate of 4,940,707 Shares of the Company (**“4,940,707 Shares”**) to Ms. Xijuan Jiang, a non-executive director of the Company, subject to obtaining approval for the listing of and permission to deal in such 4,940,707 Shares, be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issuance of the said 4,940,707 Shares to Ms. Xijuan Jiang.”
4. **“THAT** the allotment and issue of an aggregate of 3,243,384 Shares of the Company (**“3,243,384 Shares”**) to Ms. Joanne Yan, an independent non-executive director of the Company, subject to obtaining approval for the listing of and permission to deal in such 3,243,384 Shares, be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issuance of the said 3,243,384 Shares to Ms. Joanne Yan.”
5. **“THAT** the allotment and issue of an aggregate of 5,384,103 Shares of the Company (**“5,384,103 Shares”**) to Mr. Yi He, an independent non-executive director of the Company, subject to obtaining approval for the listing of and permission to deal in such 5,384,103 Shares, be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issuance of the said 5,384,103 Shares to Mr. Yi He .”

Time and venue of the SGM

The Special Meeting will be held at 9:30 a.m. on June 24, 2019 (Hong Kong time) / June 23, 2019 at 7:30 p.m. (Calgary time), at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong.

Registered Shareholders

If you hold Shares in your own name, you are a registered shareholder of the Company (**“Registered Shareholder”**). As a Registered Shareholder, if you are unable to attend the SGM 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 Company 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 Company (**“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 you’re Shares will be voted at the SGM.

NOTICE OF SPECIAL GENERAL MEETING

Record Date

All Registered Shareholders as at 4: 30 p.m. on May 14, 2019 (Hong Kong Time) and 4: 30 p.m. on May 13, 2019 (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.

Delivery of Proxy

Shareholders who receive this Circular and other accompanying meeting materials **from the Company’s branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited**, and who are unable to be present at the SGM are requested **to date and sign the enclosed form of proxy and return it to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong**, in the enclosed envelope provided for that purpose.

Shareholders who receive this Circular and other accompanying meeting materials **from the Company’s principal share registrar in Canada, being Alliance Trust Company**, and who are unable to be present at the General Meeting are requested **to date and sign the enclosed form of proxy and return it to Alliance Trust Company at Suite 1010, 407 – 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3**, in the enclosed envelope provided for that purpose.

In order to be valid, all proxies must be received during regular business hours by Computershare Hong Kong Investor Services Limited or Alliance Trust Company as applicable, by at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary and Hong Kong, before the SGM (i.e. 9: 30 a.m. on June 20, 2019 (Hong Kong time) and 7:30 p.m. on June 20, 2019 (Calgary time), as the case may be), or any adjournment thereof, or deposited with the Chairman of the SGM on the day of the meeting prior to the commencement of the meeting.

Results of the SGM

The votes to be taken at the SGM will be taken by poll, the result of which will be published on the websites of the Company and the Stock Exchange after the SGM.

**BY ORDER OF THE BOARD OF DIRECTORS
SUNSHINE OILSANDS LTD.**

(signed) “Kwok Ping Sun”

Kwok Ping Sun
Executive Chairman

Calgary, Alberta, June 4, 2019
Hong Kong, June 4, 2019

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 Ms. Joanne Yan, Mr. Raymond Shengti Fong and Mr. Yi He as independent non-executive directors.