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阳光油砂
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)*

(HKEX: 2012)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE
ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**

By Order of the Board of Sunshine Oilsands Ltd.

Kwok Ping Sun
Executive Chairman

Hong Kong, July 26, 2020
Calgary, July 26, 2020

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

**For identification purposes only*

Hong Kong (July 26, 2020) and **Calgary, Alberta** (July 26, 2020) - The Board of Directors (the "**Board**") of Sunshine Oilsands Ltd. (**HKEX: 2012**) wishes to announce the following supplemental information:-

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Sunshine Oilsands Limited (the "**Corporation**" or "**Sunshine**") dated March 30, 2020 in relation to, among other matters, the annual results of the Corporation and its subsidiaries (the "**Group**") for the year ended December 31, 2019 (the "**2019 Annual Results Announcement**") and the annual report of the Group for the year ended December 31, 2019 (the "**2019 Annual Report**"). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Annual Results Announcement and 2019 Annual Report.

Despite the disclosures that we have made in our 2019 Annual Report with respect to the management's view to the 2019 audit opinion, the Board would like to provide further information regarding the Company's recent development which is expected to be relevant in the upcoming financial year for addressing the issues mentioned in the audit opinion:

GOING CONCERN

The Corporation has undertaken a number of measures to improve its liquidity and financial position, and to remediate its net current liabilities position:

- 1) Per the Corporation's announcement dated April 24, 2020, the Corporation has signed the Forbearance Reinstatement and Amending Agreement, under which the maturity of the Senior Note was extended to August 31, 2021. With the extension of the Senior Note, a substantial portion of the liabilities became non-current (balance as at March 31, 2020: CAD281.8m) and have eased the liquidity pressure of the Corporation. Also, the interest rate for rolling over the Senior Note was set at 10% which is substantially lower than the all-in interest rate of approximately 19.8% when the Senior Note was issued. This also helped to lower the interest expense burden of the Corporation. The Corporation once again demonstrated its ability to extend its Senior Note liability with the Noteholders as it falls due.
- 2) On April 1, 2020, the Corporation also announced the issuance of a HKD72,000,000 2-year fixed rate convertible bond to a company wholly owned and controlled by the Chairman of the Board, Mr. Kwok Ping Sun.

The resolution of the convertible bond issuance was subsequently passed through in the Special General Meeting on May 25, 2020. The issuance will increase the liquidity of the Corporation especially during times of low oil price and production activity.

- 3) In addition, the Corporation has been having ongoing negotiation with various private funds and institutional investors concerning the possibilities of obtaining loan facilities and placing of bonds, equities or hybrid of both. The Corporation will consider different financing options as and when necessary for its business development.
- 4) The Corporation has also been actively in touch with the market for opportunities to sell some of its spare idle equipment or spare parts, some of which may also be usable by companies in the industrial sector other than oil exploration. The sale is expected to enhance the liquidity of the Corporation and meet operational cashflow needs.
- 5) The Corporation is also actively seeking to reduce cost of operations and minimize capital expenditures. For example, the Corporation is exploring the possibility of transporting oil product through existing pipelines of nearby projects. It is expected that if the Corporation can transport oil product by pipeline instead of by trucks, the transportation cost, which accounts for a substantial portion of the operating costs, can be significantly lowered.
- 6) The Corporation will continue to open up businesses which it expects to be more profitable. In 2019, the Corporation has announced its plan to establish multi-functional petrol stations in Hebei province, China. Since then, the Corporation has been actively engaged in planning work including procurement of necessary licenses and local government approval, survey and inspection of prospective locations, design, etc. It is expected that by end of 2020/early 2021, pilot petrol stations will be completed after which other stations can be constructed by replication of these station.– The establishment of multi-functional Petrol Stations in China is expected to substantially increase the Corporation's revenue, profit and operating cashflow. Strengthened financial position will also facilitate the Corporation in obtaining financing from banks and financial institutions.

Accordingly, the Directors consider the Group will be able to continue to operate as a going concern particularly if the Group's liquidity and financial position is improved with the above during this year.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS AND PROPERTY PLANT AND EQUIPMENT

Although the reason why the UK approach (Note 1) in carrying out the impairment assessment was a point of question when Sunshine is a Canadian company and therefore the approach adopted in the US and Canada (Note 2) should be the focus was not known, the Company noted that the difference in different countries' practices could be due to the uncertainty of the commercial viability of the contingent resources. The Corporation in fact has a clear and solid plan to demonstrate the commercial viability e.g. timeline and business plan for developing the contingent resource. Has the issue around the commercial viability of the contingent resources been raised during the 2019 audit, the Corporation could have produced such plan and the commercial viability could have been viewed as certain and concrete. The auditor would be more comfortable with having

contingent resources included in the impairment assessment and therefore there should not be any issue around this item on which an audit qualification was expressed in 2019.

Besides, the auditor was newly appointed in February 2020, they required additional time to understand historical information and business practices of the Corporation and the industry that the Corporation is engaged in, including valuation of reserves. The Corporation believes that for the year ending December 31, 2020, there should be sufficient time for auditors to carry out the audit work.

Also, with the establishment of new businesses, better cost control in existing business, and stabilization of oil prices, the Corporation's profitability shall be improved. The indicators for impairment shall be weakened, and the recoverable amount of the Corporation's exploration and evaluation assets and property, plant and equipment is also expected to be improved.

Note 1: The impairment assessment only involves the comparison of: (i) the sum of recoverable amounts of the probable reserve and possible reserve (also obtained from independent valuation report) and (ii) the sum of carrying amounts of the probable reserve and possible reserve.

Note 2: The impairment assessment involves the comparison of: (i) the recoverable amounts (obtained from independent valuation report) of the probable reserve, possible reserves and contingent resources are added together and (ii) the sum of carrying amounts of the probable reserve, possible reserves and contingent resources in the financial statements of the Corporation.

ABOUT SUNSHINE OILSANDS LTD.

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

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FORWARD LOOKING INFORMATION

This announcement contains forward-looking information relating to, among other things, the plans and expectations of the Corporation. Such forward-looking information is subject to various risks, uncertainties and other factors. All statements other than statements and information of historical fact are forward-looking statements. The use of words such as “estimate”, “forecast”, “expect”, “project”, “plan”, “target”, “vision”, “goal”, “outlook”, “may”, “will”, “should”, “believe”, “intend”, “anticipate”, “potential”, and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on the Corporation’s experience, current beliefs, assumptions, information and perception of historical trends available to the Corporation, and are subject to a variety of risks and uncertainties including, but not limited to those associated with resource definition and expected reserves and contingent and prospective resources estimates, unanticipated costs and expenses, regulatory approval, fluctuating oil and gas prices, expected future production, the ability to access sufficient capital to finance future development and credit risks, changes in Alberta’s regulatory framework, including changes to regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations and the impact thereof and the costs associated with compliance. Although the Corporation believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions and factors discussed in this announcement are not exhaustive and readers are not to place undue reliance on forward-looking statements as the Corporation’s actual results may differ materially from those expressed or implied. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise, subsequent to the date of this announcement, except as required under applicable securities legislation. The forward-looking statements speak only as of the date of this announcement and are expressly qualified by these cautionary statements. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of the Corporation’s material risk factors, see the Corporation’s annual information form for the year ended December 31, 2019 and risk factors described in other documents we file from time to time with securities regulatory authorities, all of which are available on the Hong Kong Stock Exchange at www.hkexnews.hk, on the SEDAR website at www.sedar.com or on the Corporation’s website at www.sunshineoilsands.com.