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SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

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

(HKEX: 2012)

ANNOUNCEMENT OF RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2022

SUMMARY OF FINANCIAL FIGURES

For 1Q 2022, net profit and comprehensive income attributable to equity holders of the Group is approximately CAD 56.3 million (equivalent to HKD 353 million) compared to a loss attributable to equity holders of approximately CAD 2.6 million in 1Q21, increased 2,265%.

As at March 31, 2022, December 31, 2021 and March 31, 2021, the Corporation notes the following selected financial figures.

<i>For the three months ended March 31,</i>	2022	2021
Net profit (loss) attributable to equity holders (CAD \$000s)	56,311	(2,625)
Net profit (loss) attributable to equity holders (HK \$000s)	353,047	(16,458)
Average Dilbit sales (bbl/day)	-	27

<i>(Canadian \$000s)</i>	March 31, 2022	December 31, 2021
Property, plant and equipment	526,062	477,624
Exploration and evaluation assets	263,262	255,696
Shareholders' equity	232,599	176,367

The quarterly results and the unaudited condensed consolidated financial statements have been reviewed by the Company's Audit Committee but have not been audited.

*For identification purposes only



阳光油砂
SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2022 and 2021

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



SUNSHINE OILSANDS LTD.

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

	Notes	March 31, 2022	December 31, 2021
Assets			
<i>Current assets</i>			
Cash		\$ 190	\$ 312
Other loan receivables	4	10,545	10,758
Trade and other receivables	4	3,379	2,290
		<u>14,114</u>	<u>13,360</u>
<i>Non-current assets</i>			
Other loan receivables	4	1,498	1,528
Other receivables	4	2,001	2,001
Exploration and evaluation	5	263,262	255,696
Property, plant and equipment	6	526,062	477,624
Right-of-use assets	7	5,386	5,515
		<u>798,209</u>	<u>742,364</u>
		<u>\$ 812,323</u>	<u>\$ 755,724</u>
Liabilities and Shareholders' Equity			
<i>Current liabilities</i>			
Trade and accrued liabilities	8	\$ 56,613	\$ 52,148
Other loans	9.1	12,687	11,938
Loans from related companies	21.3	44,863	41,717
Lease liabilities	7	494	562
		<u>114,657</u>	<u>106,365</u>
<i>Non-current liabilities</i>			
Interest payables	8	162,435	164,525
Other loans	9.1	1,595	1,626
Lease liabilities	7	251	233
Senior notes	9.2	248,223	251,838
Provisions	10	52,563	54,770
		<u>579,724</u>	<u>579,357</u>
Shareholders' Equity			
Share capital	12	1,315,265	1,315,265
Reserve for share-based compensation	13.3	76,416	76,416
Capital reserve		(4,453)	(4,453)
Exchange fluctuation reserve		(403)	(403)
Deficit		(1,153,464)	(1,209,775)
Equity attributable to owners of the Company		<u>233,361</u>	<u>177,050</u>
Non-controlling interests		(762)	(683)
		<u>232,599</u>	<u>176,367</u>
		<u>\$ 812,323</u>	<u>\$ 755,724</u>

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

Approved by the Board

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

"Kwok Ping Sun"
Executive Director

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

For the three months ended March 31,	Notes	2022	2021
Petroleum sales, net of royalties	14	\$ -	\$ 144
Other income	16	10,190	-
Foreign exchange gains/(losses)	20.4	6,687	14,337
		16,877	14,481
<i>Expenses</i>			
Diluent		-	-
Transportation		6	43
Operating		3,404	1,825
Depletion and depreciation	6,7	249	299
General and administrative	17	3,650	1,579
Finance costs	18	11,631	13,422
Reversal of impairment loss on exploration and evaluation assets and PP&E		(58,295)	-
Stock based compensation	13.3	-	1
		\$ (39,355)	\$ 17,169
Profit (loss) before income taxes		56,232	(2,688)
Income taxes	11	-	-
Net profit (loss)		56,232	(2,688)
Net profit (loss) attributable to Non-controlling interests		(79)	(63)
Net profit (loss) and total comprehensive profit (loss) for the year attributable to owners of the Company		\$ 56,311	\$ (2,625)
Basic and diluted profit (loss) per share	19	\$ 0.23	\$ (0.02)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

	Share capital	Reserve for share based compensation	Convertible Bond	Capital Reserve	Exchange fluctuation reserve	Deficit	Total	Non-controlling interests	Total Equity
Share option reserve transferred on exercise of stock options	-	-	-	-	-	-	-	-	-
Recognition of share-based payments (note 13.3)	-	1	-	-	-	-	1	-	1
Share issue costs, net of deferred tax (\$Nil)	(16)	-	-	-	-	-	(16)	-	(16)
Three Months Ended March 31, 2021	\$ 1,296,798	\$ 76,412	\$ 4,108	-	\$ (495)	\$ (1,213,929)	\$ 162,894	\$ (385)	\$ 162,509

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

**SUNSHINE OILSANDS LTD.****Condensed Consolidated Interim Statements of Cash Flows**
(Expressed in thousands of Canadian dollars)

For the three months ended March 31	Notes	2022	2021
<i>Cash flows used in operating activities</i>			
Net profit / (loss) including non-controlling interests		\$ 56,232	\$ (2,688)
Finance costs	18	11,631	13,422
Unrealized foreign exchange (gains)/losses	20.4	(6,687)	(14,337)
Other interest costs		-	-
Other income	16	(9,983)	-
Depletion, depreciation and impairment	6,7	(58,047)	299
Share-based compensation	13.3	-	1
Movement in non-cash working capital	24	2,440	483
Net cash (used in) operating activities		(4,414)	(2,820)
<i>Cash flows used in investing activities</i>			
Other income received	16	2	-
Payments for exploration and evaluation assets	5	(31)	(227)
Payments for property, plant and equipment	6	(149)	(201)
Movement in non-cash working capital	24	(112)	119
Net cash (used in) investing activities		(290)	(309)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares		-	-
Payments for share issue costs	12	-	(16)
Payment for finance and interests costs	18	(75)	(62)
Proceeds from other loan	9.1	998	631
Payment for other loan	9.1	-	(546)
Proceeds from related companies' loans	21.3	3,748	6,372
Repayment of related companies' loans	21.3	-	(3,430)
Addition of leased liabilities		144	-
Payment of lease liabilities		(213)	(266)
Movement in non-cash working capital	24	-	(78)
Net cash provided by financing activities		4,602	2,605
Effect of exchange rate changes on cash held in foreign currency	20.4	(20)	155
Net increase / (decrease) in cash		(122)	(369)
Cash, beginning of period		312	838
Cash, end of period		\$ 190	\$ 469

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

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

1. General information

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

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

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

2. Basis of preparation

Going Concern

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

The Group incurred a gain attributable to equity holders of CAD \$56.3 million for the three months ended March 31, 2022. As at March 31, 2022, the Group had net current liabilities of CAD \$100.5 million. The Group will need to refinance or restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. The validity of which depends upon that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing to meet its liabilities as they fall due in the foreseeable future.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at March 31, 2022, the availability of additional financing, and the timing and extent of capital and operating expenditures.

The Company’s ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. The timing and extent of forecast capital and operating expenditures is based on the Company’s 2022 budget and on management’s estimate of expenditures expected to be incurred beyond 2022. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program. There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 9.3). Management continually monitors the Company’s financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following March 31, 2022.

2.1 Statement of compliance

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

The Condensed Consolidated Interim Financial Statements reflect management’s best estimates after giving consideration to likely outcomes. The Group has consistently applied the accounting policies to all periods presented in these financial statements. Certain information and disclosures normally included in the audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”), have been condensed or omitted, except for the adoption of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited annual Consolidated Financial Statements for the year ended December 31, 2021.

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendment to IFRS 16	Covid-19 - Related Rent Concessions

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts ³
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract ²
Amendments to IFRS 16	COVID-19 - Related Rent Concessions beyond June 30 2021 ¹
Amendments to IFRSs	Annual Improvements to IFRS 2018 - 2020 cycle ²

¹ Effective for annual periods beginning on or after April 1, 2021

² Effective for annual periods beginning on or after January 1, 2022

³ Effective for annual periods beginning on or after January 1, 2023

⁴ Effective date not yet been determined

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

4. Trade and other receivables

		March 31, 2022		December 31, 2021
Trade receivables	\$	-	\$	-
Other receivables – current		13,924		13,048
Other loan receivables-non-current		1,498		1,528
Other receivables – non current		2,001		2,001
	\$	17,423	\$	16,577

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

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

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

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively.

As at March 31, 2022, the directors of the Company considered the ECL on trade receivables was insignificant.

5. Exploration and evaluation

Balance, December 31, 2020	\$	256,195
Capital expenditures		1,276
Non-cash expenditures ¹		(1,775)
Impairment loss		-
Balance, December 31, 2021	\$	255,696
Capital expenditures		31
Non-cash expenditures ¹		(370)
Reversal of impairment		7,905
Balance, March 31, 2022	\$	263,262

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

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

The reversal is recognized in profit or loss only to the extent that it reverses an impairment loss that was previously recognized in profit or loss. Any additional increase is accounted for as a revaluation and is recognised in other comprehensive income. To determine the extent of any impairment or its reversal, estimates are made regarding the future before-tax cash flows generated from each CGU based on Sunshine's Year End reserve report as prepared by a third party – independent reserve engineer.

For the three months ended March 31, 2022, the Group recognized a reversal of impairments loss recorded in previous years of the E&E Assets (CAD \$7.9 million) based on its assessment the estimated recovery amount exceeded the carrying value. The reversal was primarily attributable to the increase in the independent reserve engineer's oil prices forecast

6. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2020	\$	899,427	\$	5,882	\$	905,309
Disposal of Asset		-		(100)		(100)
Capital expenditures		1,536		-		1,536

Non-cash expenditures ¹	(5,479)	-	(5,479)
Exchange alignment	-	(7)	(7)
Balance, December 31, 2021	\$ 895,484	\$ 5,775	\$ 901,259
Capital expenditures	164	(14)	150
Non-cash expenditures ¹	(2,094)	-	(2,094)
Balance, March 31, 2022	\$ 893,554	\$ 5,761	\$ 899,315

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

	Crude oil assets	Corporate assets	Total
Accumulated depletion, depreciation and impairment			
Balance, December 31, 2020	\$ 418,578	\$ 4,906	\$ 423,484
Depletion and depreciation expense	-	151	151
Impairment loss	-	-	-
Balance, December 31, 2021	\$ 418,578	\$ 5,057	\$ 423,635
Depletion and depreciation expense	-	8	8
Reversal of impairment	(50,390)	-	(50,390)
Balance, March 31, 2022	\$ 368,188	\$ 5,065	\$ 373,253
Carrying value, December 31, 2021	\$ 476,906	\$ 718	\$ 477,624
Carrying value, March 31, 2022	\$ 525,366	\$ 696	\$ 526,062

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

The reversal is recognized in profit or loss only to the extent that it reverses an impairment loss that was previously recognized in profit or loss. Any additional increase is accounted for as a revaluation and is recognised in other comprehensive income. Future depletion expenses are adjusted to allocate the CGU's revised carrying amount over its remaining useful life. To determine the extent of any impairment or its reversal, estimates are made regarding the future before-tax cash flows generated from each CGU based on Sunshine's Year End reserve report as prepared by a third party – independent reserve engineer.

As at March 31, 2022, the Group recognized a reversal of impairments loss recorded in previous years of the West Ells Cash Generating Unit (CGU) (CAD \$50.4 million). The reversal was primarily attributable to the increase in the independent reserve engineer's oil prices forecast as used in the reserve evaluation.

7. Right-of-use Assets and Leases Liabilities

Right-of-use Assets

	Leasehold land	Offices	Equipment	Total
Balance, January 1, 2021	-	1,722	-	1,722
Lease terminated	-	-	-	-
Additions	4,866	-	-	4,866
Depreciation	(118)	(937)	-	(1,055)
Exchange alignment	(4)	(14)	-	(18)
December 31, 2021	4,744	771	-	5,515
Additions	-	-	147	147
Depreciation	(87)	(183)	(6)	(276)
March 31, 2022	4,657	588	141	5,386

Leases Liabilities

Balance Sheets

	March 31, 2022
Lease liabilities	\$ 745

Cash Flow Summary

	Three Months Ended March 31, 2022
Total cash flow used for leases	\$ 213

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

8. Trade and accrued liabilities

	March 31, 2022	December 31, 2021
Trade payables	\$ 16,286	\$ 16,130
Interest payables	169,088	169,886
Other payables	19,962	19,863
Accrued liabilities	13,712	10,794
	\$ 219,048	\$ 216,673

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

	March 31, 2022	December 31, 2021
Trade		
0 - 30 days	\$ 337	\$ -
31 - 60 days	142	-
61 - 90 days	272	709
> 90 days	15,535	15,421
	16,286	16,130

9. Debt

9.1 Other loans

	March 31, 2022		December 31, 2021	
Current	\$	12,687	\$	11,938
Non-current		1,595		1,626
	\$	14,282	\$	13,564

As at March 31, 2022, the balances are unsecured interest bearing of 0%-20% (2021: 0-20%) per annum, and of which approximately CAD \$12,687,000 (December 31, 2021: \$11,938, 000) have a maturity date by December 31, 2022.

Included in the above balance is approximately CAD \$12,829,000 (December 31, 2021: \$13,073,000) for which the Group and an independent Hong Kong-based investment holding company entered into loan agreements and under which the Group provided Renminbi ("CNY") loan and received Hong Kong dollar ("HKD") loan from the investment holding company. The Group has to repay HKD to receive CNY from the investment holding company.

9.2 Senior notes

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

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

During the year ended December 31, 2021, the independent note holders ("Transferee Holders") entered into note assignment and transfer agreements with the ultimate controlling party, Mr. Sun (the "Note transferee"), and agreed to assign the initial nominal principal amount of notes from the transferee Holders of approximately USD \$188,658,000 (equivalent to approximately CAD \$240,200,000) to the Note transferee.

On August 8, 2021, the Company and the Forbearing Holder confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The FRAA covers the period from September 1, 2021 to August 31, 2023 ("Period of Forbearance");
- Same as the Forbearance Reinstatement and Amending Agreement executed on April 24, 2020, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2023, and during the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial Forbearance Agreement executed on September 12, 2016.

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

On September 28, 2021 (Calgary time), the Company and the Forbearing Holder entered into the interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holder agree to unconditionally and irrevocably waive the interest accrued between January 1, 2021 to December 31, 2021 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated April 24, 2020 (the "Waiver of Interest") which amounted to USD \$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

On May 12, 2022, the Company and the Forbearing Holder entered into the interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holder agree to unconditionally and irrevocably waive the interest accrued between January 1, 2022 to December 31, 2022 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated August 8, 2021 (the "Waiver of Interest") which amounted to US\$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

10. Provisions

Decommissioning obligations, non-current	March 31, 2022		December 31, 2021	
Balance, beginning of year	\$	54,770	\$	61,148
Effect of changes in estimates		(2,463)		(7,254)
Unwinding of discount rate and effect		256		876
Balance, end of year	\$	52,563	\$	54,770

As at March 31, 2022, the Group's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was \$73.2 million (December 31, 2021 - \$74.8 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2040. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 1.64% to 2.25% per annum and inflated using an inflation rate of 2.0% per annum

11. Income taxes

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

	March 31, 2022		December 31, 2021	
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	\$	(99,955)	\$	(92,923)
Decommissioning liabilities		10,488		13,806
Share issue costs		57		62
Non-capital losses		297,885		334,917
Total Debt		-		-
Deferred tax benefits not recognized		(208,475)		(255,862)
	\$	-	\$	-

12. Share capital

The Group's authorized share capital is as follows:

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

Issued and fully paid (after share consolidation)	March 31, 2022		December 31, 2021	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	243,478,681	1,315,265	129,554,630	1,296,814
Issue of Shares – general mandate			113,924,051	18,467
Director Share Arrangement	-	-	-	-
Share issue costs, net of deferred tax (\$Nil)	-	-	-	(16)
Balance, end of year	243,478,681	1,315,265	243,478,681	1,315,265

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

General mandate

2022 activity

There was not any purchase, sale or redemption of Sunshine's listed securities in Q1 2022.

2021 activity

As at October 1, 2020, the Company has received notice of conversion from Prime Union Enterprises Limited of the HK\$72,000,000 CB as per the Subscription agreement dated 1 April 2020. Prime Union Enterprises Limited, as intended to convert the CB in whole, has made application to the Securities & Futures Commission of Hong Kong ("HKSF") for a Whitewash Waiver. The Whitewash Waiver was conditionally granted by HKSF on March 4, 2021. The Conversion

and the Whitewash Waiver has been approved by the independent shareholders at the Special General Meeting on March 5, 2021. On April 7, 2021, the Conversion was completed and 113,924,051 new shares were duly allotted and issued to Prime Union Enterprises Limited.

13. Share-based compensation

13.1 Employee stock option plan

Post-IPO Stock Option Plan

The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. Options granted under the Post-IPO Stock Option Plan have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the Stock Exchange of Hong Kong on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on the Stock Exchange of Hong Kong for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the Stock Exchange of Hong Kong for the five trading days immediately preceding the option offer date.

13.2 Movements in stock options

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

	March 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	6,580,000	1.85	9,056,001	2.70
Granted	-	-	-	-
Forfeited	-	-	(2,476,001)	4.87
Expired	-	-	-	-
Balance, end of period	6,580,000	1.85	6,580,000	1.85
Exercisable, end of period	6,580,000	1.85	6,580,000	1.85

As at March 31, 2022, stock options outstanding had a weighted average remaining contractual life of 1.85 years (December 31, 2021 – 1.85 years).

13.3 Share-based compensation

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

	March 31, 2022		March 31, 2021	
Stock options	\$	-	\$	1
	\$	-	\$	1

14. Revenue

	March 31, 2022		March 31, 2021	
Petroleum sales	\$	-	\$	144
Royalties		-		-
Revenue from contracts with customers	\$	-	\$	144

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

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

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

crude oil price in Canadian dollars is priced above \$55 per barrel, to a maximum of 9% when the WTI crude oil price is \$120 per barrel or higher. The West Ells project is currently in pre-payout.

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

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

15. Segment information

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

Information about geographical area

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

Information about major customers

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

	March 31, 2022	March 31, 2021
Customer A	\$ -	\$ 144

16. Other income

	March 31, 2022	March 31, 2021
Interest income	\$ 2	\$ -
Other Income	10,188	-
Balance, end of period	\$ 10,190	\$ -

17. General and administrative costs

	March 31, 2022	March 31, 2021
Salaries, consultants and benefits	\$ 1,239	\$ 967
Rent	78	54
Legal and audit	54	271
Other	2,279	287
Balance, end of year	\$ 3,650	\$ 1,579

18. Finance costs

	March 31, 2022	March 31, 2021
Interest expense on senior notes, including yield maintenance premium	\$ 10,256	\$ 10,259
Interest expense on other loans	1,100	1,479
Financing related costs	-	-
Other interest expense	-	1,482
Other interest expense - leases	19	40
Unwinding of discounts on provisions	256	162
	\$ 11,631	\$ 13,422

19. Profit (loss) per share

The calculation of basic profit (loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately CAD \$56,311,000 (2021: CAD \$2,625,000 loss) and the weighted average number of Class "A" common shares in issue during the years as presented in the following table.

	March 31, 2022	March 31, 2021
Basic and diluted – Class "A" common shares	234,478,681	130,592,577
Profit (loss) per share	\$ 0.23	\$ (0.02)

20. Capital and financial risks management

20.1 Capital risk management

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

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

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

	March 31, 2022	December 31, 2021
Working capital deficiency	\$ 100,543	\$ 93,005
Shareholders' equity	232,599	176,367
	\$ 333,142	\$ 269,372

There is no change in the Group's objectives and strategies of capital management for the three months ended March 31, 2022.

20.2 Categories of financial instruments

The Group's financial assets and liabilities include other receivables, loan receivables, cash and cash equivalents, trade payables and accrued liabilities, lease liabilities, loans from related companies, other loans, senior notes, interest payables and convertible bonds. The carrying value or fair value of the Group's financial instruments carried on Condensed Consolidated Interim Statements of Financial Position are classified in the following categories:

	March 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost	\$ 17,106	\$ 17,106	\$ 16,377	\$ 16,377
Financial liabilities				
Financial liabilities at amortised cost	\$ 527,161	\$ 527,161	\$ 524,587	\$ 524,587

20.3 Fair value of financial instruments

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

20.4 Currency risk

The Group is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group manages this risk by monitoring foreign exchange rates and evaluating their

effects on using Canadian or U.S. vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the three months ended March 31, 2022.

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2022 would have been impacted by \$Nil (2021: \$Nil) and the carrying value of the debt at March 31, 2022 would have been impacted by \$2.5 million (2021: \$2.5 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2022 would have been impacted by \$Nil (2021: \$Nil) and the carrying value of the debt at March 31, 2022 would have been impacted by \$0.32 million (2021: \$0.34 million).

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

	March 31, 2022		March 31, 2021	
Unrealized foreign exchange loss /(gain) on translation of:				
U.S. denominated senior secured notes	\$	(5,980)	\$	(14,807)
H.K. denominated loan		(602)		219
Accrued Interest Payable				
Operating Loan		(18)		(197)
Foreign currency denominated cash balances		20		(155)
Foreign currency denominated accounts payable balances		(107)		603
		(6,687)		(14,337)
Realized foreign exchange loss/(gain)		-		-
Total foreign exchange loss/(gain)	\$	(6,687)	\$	(14,337)

20.5 Liquidity risk

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

The timing of cash outflows relating to financial liabilities as at March 31, 2022, are as follows:

	Total		Less than 1 year		1-2 years	
Trade and accrued liabilities	\$	219,048	\$	56,613	\$	162,435
Debt ¹		308,113		58,044		250,069
	\$	527,161	\$	114,657	\$	412,504

1. Principal amount of Notes and loans based on the month end exchange rate of \$1 US = 1.2496 CAD and \$1HKD = \$0.1595 CAD. Debt is due on demand.

21. Related party transactions

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

21.1 Trading transactions

For the three months ended March 31, 2022, a consulting Group, to which a director of Sunshine is related, charged the Group \$0.13 million (December 31, 2021 – \$0.5 million) for management and advisory services.

As at 31 March 2022, Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 150,232,591 common shares of the Company, which represents approximately 61.70% of the Company's outstanding common shares.

21.2 Compensation of key management personnel and directors

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

	March 31, 2022		March 31, 2021	
Directors' fees	\$	91	\$	103
Salaries and allowances		565		492
Share-based compensation		1		1
	\$	657	\$	596

21.3 Related companies' loans

	March 31, 2022		December 31, 2021	
Current	\$	44,863	\$	41,717
Non-current		-		-
	\$	44,863	\$	41,717

As at March 31, 2022, the Group had loans from related companies which are unsecured, interest bearing at 10% per annum, and of which approximately CAD \$44,863,000 can be rollover for a period of 2 to 3 years.

22. Commitments and contingencies

22.1 Commitments

As at March 31, 2022, the Group's commitments are as follows:

At March 31, 2022	Total	2022	2023	2024	2025	Thereafter
Drilling, other equipment and contracts	\$ 355	71	82	82	82	38
Lease rentals (Note)	1,824	997	316	315	196	-
Office leases	665	398	267	-	-	-
	\$ 2,844	1,466	665	397	278	38

Note:

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

22.2 Litigation

The Group has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Group (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Group to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Group's IPO) of the Group that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for \$40 million plus interest at 15% per annum since the date of the share subscription agreement. The Group's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As at March 31, 2022, no amounts have been accrued in the Condensed Consolidated Interim Financial Statements as the ultimate resolution is undeterminable at this time. The Group will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2022 municipal property taxes and have accrued up to 31 March 2022 which amounted to a total of CAD12.72 million. The Group was also accrued overdue penalties of CAD9.82 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

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

claims or pending claims, there exists the possibility of a material adverse impact on the Group's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At March 31, 2022, the Group had incurred \$0.82 million (USD \$1.03 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

23. Subsidiaries

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of its principal place of business is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong. As of March 31, 2022, the subsidiary had no business activity.

On July 14, 2015, Boxian Investments Limited was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of its principal place of business is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. The purpose of the subsidiary is to pursue new investment opportunities. As of March 31, 2022, the subsidiary had no business activity.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited was incorporated in China and is a wholly-owned subsidiary of the Company. The address of its principal place of business is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. As of March 31, 2022, the subsidiary had no business activity. On April 15, 2019, Sang Xiang Petroleum & Chemical (Hebei) Limited was incorporated in China and is a subsidiary in which the Company owns 51% interests. The address of its principal place of business is Techno Building, Level 4, Room 0430, Chengde Hi-Tech Industry Development Zone, Hebei Province. As of March 31, 2022, the subsidiary had no business activity.

24. Supplemental cash flow disclosures

	March 31, 2022		March 31, 2021	
Cash provided by (used in):				
Trade and other receivables	\$	(677)	\$	(36)
Prepaid expenses and deposits		(412)		(428)
Trade and other payables		3,411		1,669
Debt settlement		-		-
Foreign Exchange changes		6		(681)
	\$	2,328	\$	524
Changes in non-cash working capital relating to:				
<i>Operating activities</i>				
Trade and other receivables	\$	(677)	\$	(36)
Prepaid expenses and deposits		(412)		(428)
Trade and other payables		3,529		947
	\$	2,440	\$	483
<i>Investing activities</i>				
Property, plant and equipment		(112)		119
<i>Financing activities</i>				
Foreign Exchange Changes-Other loans		-		(78)
Debt settlement		-		-
		-		(78)
	\$	2,328	\$	524

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

25. Subsequent Events

On April 11, 2022, the company has announced that its West Eils project has fully resumed production.

On May 12, 2022, the Company and the Forbearing Holder entered into the interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holder agrees to unconditionally and irrevocably waive the interest accrued between January 1, 2022 to December 31, 2022 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated August 8, 2021 (the "Waiver of Interest") which amounted to US\$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

26. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on May 12, 2022(Calgary Time) /May 13, 2022 (Hong Kong Time).

Appendix to the consolidated financial statements (Unaudited)

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

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

	Notes	2022	2021
		CAD'000	CAD'000
Assets			
<i>Current assets</i>			
Other receivables		954	277
Prepaid expenses and deposits		2,190	1,772
Loan receivables		10,545	10,758
Cash and cash equivalents		118	295
		<u>13,807</u>	<u>13,102</u>
<i>Non-current assets</i>			
Exploration and evaluation assets		263,262	255,696
Property, plant and equipment		525,965	477,542
Right-of-use assets		729	740
Other receivables		2,001	2,001
Loan receivables		1,498	1,528
Amounts due from subsidiaries		12,317	12,116
		<u>805,772</u>	<u>749,623</u>
Total assets		<u><u>819,579</u></u>	<u><u>762,725</u></u>
Liabilities and shareholders' equity			
<i>Current liabilities</i>			
Trade payables and accrued liabilities		54,565	50,354
Lease liabilities		494	526
Loans from related companies		35,565	32,458
Other loans		12,687	11,938
Senior notes		-	-
Amount due to subsidiaries		2,529	2,577
		<u>105,840</u>	<u>97,853</u>
<i>Non-current liabilities</i>			
Interest payables		162,435	164,525
Convertible bonds		-	-
Lease liabilities		251	233
Other loans		1,595	1,626
Senior notes		248,223	251,838
Provisions		52,563	54,770
		<u>465,067</u>	<u>472,992</u>
Total liabilities		<u><u>570,907</u></u>	<u><u>570,845</u></u>

Notes	<u>2022</u>	<u>2021</u>
	CAD'000	CAD'000
Shareholders' equity		
Share capital	1,315,265	1,315,265
Reserve for share-based compensation	76,416	76,416
Convertible bonds equity reserve	-	-
Capital reserve	(4,453)	(4,453)
Accumulated deficit	<u>(1,138,556)</u>	<u>(1,195,348)</u>
Total shareholders' equity	<u>248,672</u>	<u>191,880</u>
Total liabilities and shareholders' equity	<u>819,579</u>	<u>762,725</u>

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	March 31, 2022	March 31, 2021
<i>Directors' emoluments</i>		
Directors' fees	\$ 91	\$ 103
Salaries and allowances	565	415
Contribution to retirement benefit scheme	1	2
Share-based compensation	-	1
	<u>657</u>	<u>521</u>
<i>Other staff costs</i>		
Salaries and other benefits	509	440
Contribution to retirement benefit scheme	73	6
Share-based compensation	-	-
	<u>582</u>	<u>446</u>
Total staff costs, including directors' emoluments	<u>1,239</u>	<u>967</u>
Less: staff costs capitalized to qualifying assets	<u>\$ 1,239</u>	<u>\$ 967</u>