



阳光油砂  
SUNSHINE OILSANDS LTD.

**SUNSHINE OILSANDS LTD.**  
陽光油砂有限公司\*

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

*(HKEX: 2012)*

## **2022 INTERIM REPORT**

*\*For identification purpose only*

## SUMMARY OF FINANCIAL FIGURES

For 2Q 2022, net profit and comprehensive income attributable to equity holders of the Group increased by 303% to approximately CAD 46.2 million (equivalent to approximately HKD 281.3 million), compared to a net loss attributable to equity holders of approximately CAD 22.8 million in 2Q21.

As at June 30, 2022, December 31, 2021 and June 30, 2021, the Corporation notes the following selected financial figures.

<i>For the three months ended June 30,</i>	<b>2022</b>	2021
Net profit (loss) attributable to equity holders <i>(CAD \$000s)</i>	46,173	(22,791)
Net profit (loss) attributable to equity holders <i>(HK \$000s)</i>	281,175	(142,808)
Average Dilbit sales (bbl/day)	53.5	0
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<i>(Canadian \$000s)</i>	<b>June 30, 2022</b>	December 31, 2021
Property, plant and equipment	579,908	477,624
Exploration and evaluation assets	273,185	255,696
Shareholders' equity	278,698	176,367

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("Sunshine" or the "Company") for the three and six months ended June 30, 2022 is dated August 12, 2022, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and six months period ended June 30, 2022 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

### Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.99 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2021 was approximately 1.57 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the Western Hemisphere and the third largest oil resource in the world. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

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

As at June 30, 2022, the Company had invested approximately \$1.28 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at June 30, 2022, the Company had \$0.43 million in cash.

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

### Operational Update

#### **West Ells**

On March 1, 2017, the Company achieved a key milestone. The Project commenced commercial production. Hence, effective March 1, 2017, the Company started recording revenue, royalties, expenses and depletion of the West Ells Project. On March 31, 2020, the Board has decided to temporarily suspend production due to volatility in the international crude oil market, severe decline in crude oil prices, and having considered the fact that the Company's West Ells production equipment and road need repair, coupled with the outbreak of COVID-19 in Canada. On March 8, 2022, the Company announced that it has completed the preliminary preparatory work for resumption of production in the West Ells project. On April 11, 2022, the company has announced that its West Ells project has fully resumed operation.

For the three and six months ended June 30, 2022, the Company's average bitumen production was 0.0 bbls/day. The bitumen is blended with diluent as part of the production process to create the marketable "Dilbit" blend product. For the three and six months ended June 30, 2022, the average Dilbit sales volume from inventory was 53.5 bbls/day and 26.9 bbls/day.

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## Thickwood and Legend

The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is pending.

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

As at the date of this report, Muskwa has no production. Development of Muskwa area is expected to be reactivated in 2022/2023 under new ownership of Renergy, at no cost to Sunshine.

## Summary of Quarterly Results

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

(\$ thousands except per share & bbl/d)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Bitumen sales (bbl/d)	30	-	-	-	-	22	-	-
Petroleum sales	589	-	-	-	-	144	78	266
Royalties	20	-	-	-	1	-	-	-
Diluent	294	-	-	-	-	-	-	560
Transportation	91	6	-	2	-	43	-	151
Operating costs	5,002	3,404	2,456	1,841	1,602	1,825	1,518	1,584
Finance cost	12,166	11,631	9,392	12,300	11,712	13,422	11,304	13,998
Net loss/(profit)	(46,099)	(56,232)	707	(27,306)	22,789	2,688	(41,131)	12,083
Net loss (profit) attributable to equity holders	(46,173)	(56,311)	632	(27,514)	22,791	2,625	(41,190)	12,028
Per share-basic and diluted	(0.19)	(0.23)	0.00	(0.11)	0.12	0.02	(0.02)	0.09
Capital expenditures <sup>1</sup>	1,137	181	1,428	460	486	428	450	294
Total assets	877,108	812,323	755,724	762,847	753,425	756,209	761,660	766,750
Working capital deficiency <sup>2</sup>	57,625	100,543	93,005	97,147	535,469	513,103	509,044	538,179
Shareholders' equity	278,698	232,599	176,367	176,125	148,756	162,509	165,420	141,463

1. Includes payments for exploration and evaluation, property, plant and equipment.

2. The working capital deficiency includes the foreign exchange loss from conversion of HKD/CNY denominated loans from related companies into CAD at each period end exchange rate.

## Results of Operations

### Operating Netback

(\$ thousands, except \$/bbl)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Realized bitumen revenue	\$ 295	\$ -	\$ 295	\$ 144
Transportation	(91)	-	(97)	(43)
Royalties	(20)	(1)	(20)	(1)
Net bitumen revenues	\$ 184	\$ (1)	\$ 178	\$ 100
Operating costs	(5,002)	(1,602)	(8,406)	(3,427)
Operating cash flow <sup>1</sup>	\$ (4,818)	\$ (1,603)	\$ (8,228)	\$ (3,327)
Operating netback (\$ / bbl)	(988.85)	N/A	(1,688.72)	(1,361.29)

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

The Operating cash flow for the three and six months ended June 30, 2022 was a net loss of \$4.8 million and \$8.2 million compared to a net loss of \$1.6 million and \$3.3 million for the three and six months ended June 30, 2021, respectively. The decrease in operating cash flow was primarily due to

higher operating costs in 2022 relative to the sales volume before dilbit production resumes in the West Ells project. There was no disclosure on operating netback per barrel for 2Q21 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.

### Bitumen Production

(Barrels/day)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Bitumen production	-	-	-	-

Bitumen production at West Ells for the three and six months ended June 30, 2022 and 2021 both averaged 0 bbls/day due to temporary production suspension since March 31, 2020.

### Bitumen Sales

(Barrels/day)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Bitumen Sales	30	-	15	11

Bitumen sales at West Ells for the three and six months ended June 30, 2022 averaged 30 bbls/day and 15 bbls/day compared to 0 bbls/day and 11 bbls/day for the three and six months ended June 30, 2021, respectively. Bitumen sales increased by 30 bbls/day and 4 bbls/day for the three and six months ended June 30, 2022 compared to the same period in 2021 as a result of inventory sales at West Ells.

### Petroleum Sales, net of royalties

(\$ thousands, except \$/bbl)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Petroleum sales	\$ 589	\$ -	\$ 589	\$ 144
Royalties	(20)	(1)	(20)	(1)
Petroleum sales, net of royalties	\$ 569	\$ (1)	\$ 569	\$ 143
\$ / bbl	116.79	N/A	116.79	58.75

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended June 30, 2022 was \$0.6 million compared to \$0.0 million for the three months ended June 30, 2021. The increase of \$0.6 million sales (net of royalties) is mainly due to sales of dilbit inventory during the quarter. There was no disclosure on the petroleum sales per barrel for 2Q21 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.

Petroleum sales, net of royalties for the six months ended June 30, 2022 increased by \$0.5 million to \$0.6 million from \$0.1 million for the six months ended June 30, 2021. For the six months ended June 30, 2022, net petroleum sales per barrel increased by \$58.04/bbl to \$116.79/bbl from \$58.75/bbl for the same period of 2021 primarily due to increase in realized bitumen price per barrel.

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 at pre-payout. For the three and six months ended June 30, 2022, royalties increased by \$0.02 million compared to the same period of 2021 due to higher bitumen sales and increased royalty rate resulting from increased oil price.

## Bitumen Realization

(\$ thousands, except \$/bbl)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Dilbit revenue	\$ 589	\$ -	\$ 589	\$ 144
Diluent blended	(294)	-	(294)	-
Realized bitumen revenue <sup>1</sup>	\$ 295	\$ -	\$ 295	\$ 144
(\$ / bbl)	60.55	N/A	60.55	58.75

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

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

For the three and six months ended June 30, 2022, the Company's realized bitumen revenue increased by \$0.3 million and \$0.2 million from \$0.0 million and \$0.1 million for the same period in 2021. The bitumen realized price per barrel increased year-on-year by \$1.80/bbl from \$58.75/bbl to \$60.55/bbl for the six months ended 30 June 2022. The increase in realized bitumen revenue was primarily due to sales of inventory during 2Q2022. No sales occurred in 2Q2021.

## Diluent Costs

(\$ thousands, except \$/bbl and blend ratio)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Diluent	\$ 294	\$ -	\$ 294	\$ -
\$/bbl	60.34	N/A	60.34	-
Blend ratio	N/A	N/A	N/A	N/A

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

Diluent costs increased by \$0.3 million for the three and six months ended June 30, 2022 respectively primarily due to blending of the bitumen inventory in preparation for sale during the quarter. Diluent costs per barrel for the six months ended June 30, 2022 was \$60.34/bbl compared to \$0/bbl for the same period last year. There is no disclosure for the diluent cost per barrel for 2Q21 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.

## Transportation

(\$ thousands, except \$/bbl)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Transportation	\$ 91	\$ -	\$ 97	\$ 43
\$/ bbl	18.68	N/A	19.91	17.56

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the three and six months ended June 30, 2022 were \$18.68/bbl and \$19.91/bbl respectively compared to \$0/bbl and \$17.56/bbl for the same period in 2021. The increase in the transportation cost per barrel was mainly due to higher bitumen sales and increased rate of trucking expenses.

## Operating Costs

(\$ thousands, except \$/bbl)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Energy operating costs	\$ 2,457	\$ 575	\$ 3,354	\$ 1,236
Non-energy operating costs	2,545	1,027	5,052	2,191
Operating costs	\$ 5,002	\$ 1,602	\$ 8,406	\$ 3,427

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

For the three and six months ended June 30, 2022, the operating costs increased by \$3.4 million and \$5.0 million to \$5.0 million and \$8.4 million from \$1.6 million and \$3.4 million for the same period in 2021. The increase in operating costs from last year was primarily due to higher fixed non-energy costs (field labor, parts and maintenance) and energy costs as a result of resumed production at West Ells. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production continues to increase at West Ells.

## General and Administrative Costs

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Salaries, consultants and benefits	\$ 1,491	\$ 816	\$ 2,732	\$ 1,783
Rent	30	53	108	107
Legal and audit	582	172	636	443
Other	393	238	2,669	525
Balance, end of period	\$ 2,496	\$ 1,279	\$ 6,145	\$ 2,858

The Company's general and administrative costs were \$2.5 million and \$6.1 million for the three and six months ended June 30, 2022 compared to \$1.3 million and \$2.9 million for the same periods in 2021. General and administrative costs increased by \$1.2 million and \$3.2 million for the three and six months ended June 30, 2022 compared to the same periods in 2021 primarily due to increased workforce in preparation of production resumption and increased municipal charges.

## Finance Costs

(\$ thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Interest expense on senior notes, including yield maintenance premium (YMP)	\$ 10,449	\$ 10,053	\$ 20,704	\$ 20,312
Interest expense on other loans	1,383	1,387	2,484	2,866
Loan from related companies	-	-	-	-
Other interest expense	26	33	26	1,515
Other interest expense-leases	15	11	34	51
Accretion	293	228	549	390
Finance costs	\$ 12,166	\$ 11,712	\$ 23,797	\$ 25,134

The Company's finance costs were \$12.2 million and \$23.8 million for the three and six months ended June 30, 2022 compared to \$11.7 million and \$25.1 million for the three and six months ended June 30, 2021. Finance costs increased by \$0.5 million for the three months ended June 30, 2022 mainly attributed to interest expense on senior notes including YMP. For the six months ended June 30, 2022, finance costs decreased by \$1.3 million primarily due to the decrease of municipal charges.

## Share-based Compensation

	Three months ended June 30, 2022			Three months ended June 30, 2021		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1

	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 2

Share-based compensation expense for the three and six months ended June 30, 2022 and 2021 were \$0 million. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

## Depletion, Depreciation and Impairment

(\$ thousands, except \$/bbl)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Depletion	\$ -	\$ -	\$ -	\$ -
Depreciation	217	281	467	580
Impairment	(68,652)	-	(126,947)	-
Depletion, depreciation and impairment	\$ (68,435)	\$ 281	\$ (126,480)	\$ 580
Depletion (\$/bbl)	N/A	N/A	N/A	N/A

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

Depletion expense was zero for the three and six months ended June 30, 2022 and 2021 as there was no production. Depreciation expense was \$0.2 million and \$0.5 million for the three and six months ended June 30, 2022 compared to \$0.3 million and \$0.6 million for the same period in 2021. Depreciation expenses decreased in 2022 primarily due to end of office lease term.

At the end of the reporting period, the Group assessed impairment for its PP&E and E&E Assets. For the purpose of impairment testing, the recoverable amount of PP&E and 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 recognized in other comprehensive income. To determine the extent of any impairment or its reversal, estimates are made regarding the future after-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 2022, the management determined that the recoverable amounts for the CGUs that were tested had significantly exceeded their carrying amounts and therefore impairment reversals were made. The impairment reversals were primarily attributable to the increase in oil prices as used in the reserve evaluation.

## Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses for the three and six months ended June 30, 2022 and 2021. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At June 30, 2022, the Company had total available tax deductions of approximately \$1.55 billion, with unrecognized tax losses that expire between 2033 and 2042.

## Liquidity and Capital Resources

	June 30, 2022		December 31, 2021	
Working capital deficiency	\$	57,625	\$	93,005
Shareholders' equity		278,698		176,367
	\$	336,323	\$	269,372

On May 12, 2022, the Company and the Forbearing Holder entered into another 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.

As of June 30, 2022, the Company had incurred unsecured Permitted Debt for a total of US\$42.6 million (CAD\$54.9 million equivalent).

The Company received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2022 municipal property taxes of CAD \$13.0 million. The Group was also charged with overdue penalties of CAD \$9.8 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 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 June 30, 2022, the Company had incurred \$0.82 million (US \$0.64 million equivalent using the period end exchange rate) in Builders' liens (not related mineral leases) against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of \$1USD = \$1.2886 CAD.

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

For the six months ended June 30, 2022, the Company reported a net gain including non-controlling interest of \$102.3 million. At June 30, 2022, the Company had a working capital deficiency of \$57.6 million.

The Company's debt-to-asset ratio, measured based on total liabilities divided by total assets was 68% as at June 30, 2022, compared to 77% as at December 31, 2021.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the six months ended June 30, 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 June 30, 2022 would have been impacted by \$Nil (2021: \$Nil) and the carrying value of the debt at June 30, 2022 would have been impacted by \$2.56 million (2021: \$2.46 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 June 30, 2022 would have been impacted by \$Nil (2021: \$Nil) and the carrying value of the debt at June 30, 2022 would have been impacted by \$0.36 million (2021: \$0.33 million).

### **Commitments and Contingencies**

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company's commitments and contingencies, please refer to the Company's Unaudited Condensed Consolidated interim Financial Statements and notes thereto for the three and six months period ended June 30, 2022 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2021.

### **Transactions with Related Parties**

For the six months ended June 30, 2022, a consulting Company, to which a director of Sunshine is related, charged the Company \$0.25 million (December 31, 2021 – \$0.5 million) for management and advisory services.

As at 30 June 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.

As at June 30, 2022, the Company had loans from related companies, which are unsecured, interest bearing at 10% per annum, and of which approximately CAD \$52,895,000 can be rollover for a period of 2 to 3 years.

### **Off-balance Sheet Arrangements**

As at June 30, 2022, the Company did not have any other off-balance sheet arrangements.

### **Changes in Accounting Policies**

Our significant accounting policies have remained unchanged since December 31, 2021. A summary of our significant accounting policies is included in our 2021 Annual Report.

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## **Critical Accounting Policies and Estimates**

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to Note 5 to the consolidated annual financial statements for the year ended December 31, 2021.

## **Risk Factors**

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2021, which is available at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021 annual report of the Company is available at the Company's website at [www.sunshineoilsands.com](http://www.sunshineoilsands.com), and the website of the SEHK, [www.hkexnews.hk](http://www.hkexnews.hk).

## **Disclosure Controls and Procedures**

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Frank Ng, who temporarily assumes direct responsibility for all CEO tasks and functions, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Group is made known to the Group's CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. As at June 30, 2022, the Chief Financial Officer and the interim Chief Executive Officer evaluated the design and operation of the Group's DC&P. Based on that evaluation, the Executive Director of the Board and the Chief Financial Officer and the interim Chief Executive Officer concluded that the Group's DC&P were effective as at June 30, 2022.

## **Internal Controls over Financial Reporting**

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Frank Ng, who temporarily assumes direct responsibility for all CEO tasks and functions, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Group's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Group used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework); they have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Group's ICFR at June 30, 2022, and concluded that the Group's ICFR are effective at June 30, 2022 for the foregoing purpose.

No material changes in the Company's ICFR were identified during the six months period ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

## **ADVISORY SECTION**

### **Non-GAAP Measures**

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

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calculated in accordance with IFRS as, given the non-standardized meanings, these measures may not be comparable to similar measures presented by other issuers.

### **Cash Flow Used in Operations**

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

(\$ thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Net cash used in operating activities	\$ (6,158)	\$ (2,171)	\$ (10,572)	\$ (4,991)
Deduct (add):				
Net change in non-cash operating working capital	620	713	3,060	1,196
Cash flow used in operations	\$ (6,778)	\$ (2,884)	\$ (13,632)	\$ (6,187)

### **Forward-Looking Information**

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

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

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

## Additional Hong Kong Stock Exchange Required Information

Additional information required by the HKEX and not shown elsewhere in this report is as follows:

### Compliance of Corporate Governance Code (the “Code”)

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

The Company confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the “Hong Kong Listing Rules”), has been complied with save that the Company is in course of identifying suitable insurers for appropriate insurance coverage for legal actions against the Company’s Directors.

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

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

### Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Group during the period ended June 30, 2022.

Name	December 31, 2021	Granted	Exercised	Forfeited	Expired	June 30, 2022
Kwok Ping Sun	6,000,000	-	-	-	-	6,000,000
Michael Hibberd	-	-	-	-	-	-
Gloria Ho	300,000	-	-	-	-	300,000
Yi He	130,000	-	-	-	(30,000)	100,000
Xijuan Jiang	-	-	-	-	-	-
Guangzhong Xing	100,000	-	-	-	-	100,000
Sub-total for Directors	6,530,000	-	-	-	(30,000)	6,500,000
Sub-total for other share option holders	50,000	-	-	-	(50,000)	-
<b>Total</b>	<b>6,580,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,000)</b>	<b>6,500,000</b>

Please refer to our consolidated financial statements included in the 2021 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2021.

### Fair Value of Share Options Granted

The weighted average fair value of the share options granted in previous years was 0.60 (2021 - \$0.012). The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the six months ended June 30, 2022 and year ended December 31, 2021.

Input Variables	Six month period ended	Year ended
	June 30, 2022	December 31, 2021
Grant date share price (\$)	0.60-2.50	0.012-0.04
Exercise Price (\$)	0.60-2.50	0.012-0.04
Expected volatility (%)	61.88-63.91	61.88-63.91
Option life (years)	2.50-2.68	2.50-2.68
Risk-free interest rate (%)	0.93-1.95	0.93-1.95
Expected forfeitures (%)	14.76-15.39	14.76-15.39

## Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

### General mandate

2022 activity

There was not any purchase, sale or redemption of Sunshine's listed securities as of June 30, 2022.

### Shares Outstanding

As at June 30, 2022, the Company had 243,478,681 Class "A" common shares issued and outstanding.

### Employees

As at June 30, 2022, the Company has 24 full-time employees. For the three and six months ended June 30, 2022, total staff costs amounted to \$1.49 million and \$2.73 million, respectively.

### Change in Directors' Information

Saved as Mr. David Yi He was appointed as an independent non-executive Director of another listed company, Future World Holdings Limited (Stock Code: 0572) on July 1, 2022, all other Directors' information remains unchanged pursuant to Rule 13.51B.

## DISCLOSURE OF INTERESTS

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

As at June 30, 2022, the interests and short positions of the Directors and chief executive of the Company 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 HKEX 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 HKEX pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Director's long position in the Company

a) Common Shares

Name	Company	Nature of Interest	Number of Common Shares held	Approximate % interest in the Common Shares
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	150,232,591	61.70%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	2,165,981	0.89%
Ms. Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	139,682	0.06%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	104,814	0.04%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Guangzhong Xing	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Alfa Li	Sunshine Oilsands Ltd.	N/A	-	-

b) Stock Options

*Directors' options*

Name of Directors	Date of grant	As at January 1, 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the Period	As at June 30, 2022	Exercise price (HKD) <sup>2</sup>	Market Closing price (HKD) <sup>2</sup>	End of Vesting period <sup>3</sup>	End of Exercise period <sup>3</sup>
Gloria Ho	7/5/2018	300,000	-	-	-	-	300,000	11.8	11.5	7/6/2020	7/4/2023
Kwok Ping Sun	7/5/2018	6,000,000	-	-	-	-	6,000,000	11.8	11.5	7/6/2020	7/5/2023
Yi He	4/3/2017	30,000	-	-	30,000	-	-	15.5	14.75	4/4/2019	4/3/2022
	9/9/2019	100,000	-	-	-	-	100,000	3.65	3.6	9/9/2021	9/9/2024
Guangzhong Xing	9/9/2019	100,000	-	-	-	-	100,000	3.65	3.6	9/9/2021	9/9/2024
	<b>Subtotal</b>	<b>6,530,000</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>6,500,000</b>				

*Employees' options*

Date of grant	As at January 1, 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at June 30, 2022	Exercise price (HKD) <sup>2</sup>	Market Closing price (HKD) <sup>2</sup>	End of Vesting period <sup>3</sup>	End of Exercise period <sup>3</sup>
4/3/2017	50,000	-	-	50,000	-	-	15.5	14.75	4/4/2019	4/3/2022
<b>Subtotal</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>				

Notes:

1. The Company conducted a share consolidation on the basis that every fifty (50) the then shares be consolidated into one (1) consolidated share on February 26, 2020. All numbers of share options above are adjusted on a post share consolidation basis.
2. The exercise prices and the market closing price immediately before the date of grant of options are adjusted on a post share-consolidation basis.
3. Under the Post-IPO share option scheme, the first 1/3 of the options granted are vested and exercisable on the date of grant, and each remaining 1/3 of the total options will become vested and exercisable in each subsequent two years immediately after the date of grant. And the options will expire in five years from the date of grant.

Save as disclosed above, as at June 30, 2022, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures 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 HKEX 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 HKEX pursuant to the Model Code.

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

As at June 30, 2022, 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, the following person(s) (other than the Directors or Chief Executive(s) 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 the Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:-

Name	Nature of Interest	Common Shares Held	Approximately % in the Common Shares
Zhang Jun	Direct/Indirect	19,868,989	8.16%

Save as disclosed above, as at June 30, 2021, 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(s) of the Company, none of the substantial shareholder(s) 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 nominal value of any (a) Director's Share Options class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

### Dividends

The Company has not declared or paid any dividends in respect of the six months period ended June 30, 2022 (six months period ended June 30, 2021 - \$Nil).

### Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three and six months ended June 30, 2022, were reviewed by the Audit Committee of the Company and approved by the Board.

### Publication of Information

This quarterly results report is published on the websites of SEDAR ([www.sedar.com](http://www.sedar.com)), the HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website at [www.sunshineoilsands.com](http://www.sunshineoilsands.com).

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

### 2022 Outlook

Sunshine will continue to focus on cost controls and carefully monitor developments in crude oil markets as well as the development of COVID-19 pandemic in North America. As at the date hereof, the Company's West Ells project has fully resumed production. The Company will continue to work with its joint venture partner for re-activation of the Muskwa and Godin Area activities.

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

	Notes	June 30, 2022	December 31, 2021
<b>Assets</b>			
<i>Current assets</i>			
Cash		\$ 429	\$ 312
Other loan receivables	4	953	10,758
Trade and other receivables	4	4,044	2,290
		<u>5,426</u>	<u>13,360</u>
<i>Non-current assets</i>			
Other loan receivables	4	11,465	1,528
Other receivables	4	2,001	2,001
Exploration and evaluation	5	273,185	255,696
Property, plant and equipment	6	579,908	477,624
Right-of-use assets	7	5,123	5,515
		<u>871,682</u>	<u>742,364</u>
		<u>\$ 877,108</u>	<u>\$ 755,724</u>
<b>Liabilities and Shareholders' Equity</b>			
<i>Current liabilities</i>			
Trade and accrued liabilities	8	\$ 58,983	\$ 52,148
Other loans	9.1	3,592	11,938
Loans from related companies	21.3	-	41,717
Lease liabilities	7	476	562
		<u>63,051</u>	<u>106,365</u>
<i>Non-current liabilities</i>			
Interest payables	8	167,895	164,525
Other loans	9.1	11,563	1,626
Loans from related companies		52,895	-
Lease liabilities	7	140	233
Senior notes	9.2	255,968	251,838
Provisions	10	46,898	54,770
		<u>598,410</u>	<u>579,357</u>
<b>Shareholders' Equity</b>			
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		(1,107,291)	(1,209,775)
Equity attributable to owners of the Company		<u>279,534</u>	<u>177,050</u>
Non-controlling interests		<u>(836)</u>	<u>(683)</u>
		<u>278,698</u>	<u>176,367</u>
		<u>\$ 877,108</u>	<u>\$ 755,724</u>

Going concern (Note 2)  
Commitments and contingencies (Note 22)

Approved by the Board

"David Yi He"  
Independent Non-Executive Director

"Kwok Ping Sun"  
Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>Revenues and Other Income</b>					
Petroleum sales, net of royalties	14	\$ 569	\$ (1)	\$ 569	\$ 143
Other income	16	10,452	-	20,642	-
Foreign exchange gains/(losses)	20.4	(13,308)	(7,913)	(6,621)	6,424
		(2,287)	(7,914)	14,590	6,567
<b>Expenses</b>					
Diluent		294	-	294	-
Transportation		91	-	97	43
Operating		5,002	1,602	8,406	3,427
Depletion and depreciation	6,7	217	281	467	580
General and administrative	17	2,496	1,279	6,145	2,858
Finance costs	18	12,166	11,712	23,797	25,134
Reversal of impairment loss on exploration and evaluation assets and PP&E		(68,652)	-	(126,947)	-
Stock based compensation	13.3	-	1	-	2
		\$ (48,386)	\$ 14,875	\$ (87,741)	\$ 32,044
Profit/(Loss) before income taxes		46,099	(22,789)	102,331	(25,477)
Income taxes	11	-	-	-	-
Net profit/(loss)		46,099	(22,789)	102,331	(25,477)
Net profit/(Loss) attributable to Non-controlling interests		(74)	2	(153)	(61)
Net profit/(loss) and comprehensive profit/(loss) for the year attributable to owners of the Company		46,173	(22,791)	102,484	(25,416)
Basic and diluted profit/(loss) per share	19	\$ 0.19	\$ (0.12)	\$ 0.42	\$ (0.14)

See accompanying notes to the Condensed Consolidated Interim Financial Statements

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

	Attributable to Equity Holders						Total	Non-controlling interests	Total Equity
	Share capital	Reserve for share based compensation	Convertible Bond	Capital Reserve	Exchange fluctuation reserve	Deficit			
<b>Balance at December 31, 2021</b>	\$1,315,265	\$76,416	\$-	\$(4,453)	\$(403)	\$(1,209,775)	\$177,050	\$(683)	\$176,367
Net loss and comprehensive loss for the period	-	-	-	-	-	102,484	102,484	(153)	102,331
Exchange fluctuation reserve	-	-	-	-	-	-	-	-	-
FX Gain/loss	-	-	-	-	-	-	-	-	-
Issue of common shares (note 12)	-	-	-	-	-	-	-	-	-
Issue of shares under employee share savings plan	-	-	-	-	-	-	-	-	-
Issue of shares Director Share Arrangement (note 12)	-	-	-	-	-	-	-	-	-
Issue of shares upon exercise of share options	-	-	-	-	-	-	-	-	-
Share option reserve transferred on exercise of stock options	-	-	-	-	-	-	-	-	-
Recognition of share-based payments (note 13.3)	-	-	-	-	-	-	-	-	-
Share issue costs, net of deferred tax (\$Nil)	-	-	-	-	-	-	-	-	-
<b>Six Months Ended June 30, 2022</b>	<b>\$1,315,265</b>	<b>\$76,416</b>	<b>\$-</b>	<b>\$(4,453)</b>	<b>\$(403)</b>	<b>\$(1,107,291)</b>	<b>\$279,534</b>	<b>\$(836)</b>	<b>\$278,698</b>
<b>Balance at December 31, 2020</b>	\$1,296,814	\$76,411	\$4,170	-	\$(412)	\$(1,211,241)	\$165,742	\$(322)	\$165,420
Net loss and comprehensive loss for the period	-	-	-	-	-	(25,477)	(25,477)	(61)	(25,538)
Exchange fluctuation reserve	-	-	-	-	(82)	-	(82)	-	(82)
FX Gain/loss	-	-	-	-	-	-	-	-	-
Convertible bond-conversion option	18,467	-	(4,170)	-	-	(5,327)	8,970	-	8,970
Issue of common shares (note 12)	-	-	-	-	-	-	-	-	-
Issue of shares under employee share savings plan	-	-	-	-	-	-	-	-	-
Issue of shares Director Share Arrangement (note 12)	-	-	-	-	-	-	-	-	-
Issue of shares upon exercise of share options	-	-	-	-	-	-	-	-	-
Share option reserve transferred on exercise of stock options	-	-	-	-	-	-	-	-	-
Recognition of share-based payments (note 13.3)	-	2	-	-	-	-	2	-	2
Share issue costs, net of deferred tax (\$Nil)	(16)	-	-	-	-	-	(16)	-	(16)
<b>Six Months Ended June 30, 2021</b>	<b>\$1,315,265</b>	<b>\$76,413</b>	<b>-</b>	<b>-</b>	<b>\$(494)</b>	<b>\$(1,242,045)</b>	<b>\$149,139</b>	<b>\$(383)</b>	<b>\$148,756</b>

See accompanying notes to the Condensed Consolidated Interim Financial Statements

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<i>Cash flows from operating activities</i>					
Net profit/(loss)		\$ 46,099	\$ (22,789)	\$ 102,331	\$ (25,477)
Finance costs		12,166	11,712	23,797	25,134
Unrealized foreign exchange (gains)/losses	20.4	13,308	7,911	6,621	(6,426)
Other income		(10,062)	-	(20,045)	-
Depletion, depreciation and impairment	6.7	(68,289)	281	(126,336)	580
Share-based compensation	13.3	-	1	-	2
Movement in non-cash working capital	24	620	713	3,060	1,196
<b>Net cash (used in) operating activities</b>		<b>(6,158)</b>	<b>(2,171)</b>	<b>(10,572)</b>	<b>(4,991)</b>
<i>Cash flows from investing activities</i>					
Other income received		1	-	3	-
Payments for exploration and evaluation asset	5	(360)	(463)	(391)	(690)
Payments for property, plant and equipment	6	(778)	(23)	(927)	(224)
Movement in non-cash working capital	24	109	119	(3)	238
<b>Net cash (used in) investing activities</b>		<b>(1,028)</b>	<b>(367)</b>	<b>(1,318)</b>	<b>(676)</b>
<i>Cash flows from financing activities</i>					
Proceeds from issue of common shares	12	-	-	-	-
Payment for share issue costs	12	-	-	-	(16)
Payment for finance costs	18	(139)	(430)	(214)	(492)
Payments for the notes principal		-	-	-	-
Proceeds from other loan	9.1	442	(1)	1,440	630
Payments for other loan	9.1	-	-	-	(546)
Proceeds from related companies' loans	21.3	7,411	3,897	11,159	10,269
Repayment of related companies' loans	21.3	-	(864)	-	(4,294)
Payment of lease liabilities		(141)	(263)	(354)	(529)
Movement in non-cash working capital	24	(144)	-	-	(78)
<b>Net cash provided by financing activities</b>		<b>7,429</b>	<b>2,339</b>	<b>12,301</b>	<b>4,944</b>
Net increase / (decrease) in cash		243	(199)	141	(723)
Cash, beginning of period		190	469	312	838
Effect of exchange rate changes on cash held in foreign currency	20.4	(4)	(8)	(24)	147
<b>Cash, end of period</b>		<b>\$ 429</b>	<b>\$ 262</b>	<b>\$ 429</b>	<b>\$ 262</b>

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

## **Notes to Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 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 1910, 715-5th Avenue S.W., Calgary, Alberta, Canada T2P 2X6. 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 including non-controlling interests of CAD \$102.3 million for the six months ended June 30, 2022, and as at June 30, 2022, the Group had net current liabilities of CAD \$57.6 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 June 30, 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 9.2). 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 June 30, 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 Amendment to IFRS 16	Interest Rate Benchmark Reform - Phase 2 Covid-19 - Related Rent Concessions
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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 <sup>3</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture <sup>4</sup>
Amendments to IAS 1	Classification of liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract <sup>2</sup>
Amendments to IFRS 16	COVID-19 - Related Rent Concessions beyond June 30 2021 <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS 2018 - 2020 cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after April 1, 2021

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>4</sup> 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

	June 30, 2022		December 31, 2021	
Trade receivables	\$	235	\$	-
Other receivables – current		4,762		13,048
Other loan receivables-non-current		11,465		1,528
Other receivables – non current		2,001		2,001
	\$	18,463	\$	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 that are not individually significant.

As at June 30, 2022, the directors of the Company considered the ECL on trade receivables was insignificant.

#### 5. Exploration and evaluation

<b>Balance, December 31, 2020</b>	\$	256,195
Capital expenditures		1,276
Non-cash expenditures <sup>1</sup>		(1,775)
Impairment loss		-
<b>Balance, December 31, 2021</b>	\$	<u>255,696</u>
Capital expenditures		391
Non-cash expenditures <sup>1</sup>		(1,452)
Reversal of impairment		18,550
<b>Balance, June 30, 2022</b>	\$	<u>273,185</u>

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

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

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 recognized in other comprehensive income. To determine the extent of any impairment or its reversal, estimates are made regarding the future after-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 six months ended June 30, 2022, the Group recognized a reversal of impairment loss recorded in previous years of the E&E Assets (CAD \$18.6 million) based on its assessment that the estimated recovery amount exceeded the carrying value. The reversals were primarily attributable to the increase in the independent reserve engineer's oil prices forecast as used in the reserve evaluation.

## 6. Property, plant and equipment

	Crude oil assets		Corporate assets		Total
<b>Cost</b>					
<b>Balance, December 31, 2020</b>	\$	899,427	\$	5,882	\$ 905,309
Disposal of Asset		-		(100)	(100)
Capital expenditures		1,536		-	1,536
Non-cash expenditures <sup>1</sup>		(5,479)		-	(5,479)
Exchange alignment		-		(7)	(7)
<b>Balance, December 31, 2021</b>	\$	895,484	\$	5,775	\$ 901,259
Capital expenditures		920		7	927
Non-cash expenditures <sup>1</sup>		(6,969)		-	(6,969)
<b>Balance, June 30, 2022</b>	\$	889,435	\$	5,782	\$ 895,217

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

	Crude oil assets		Corporate assets		Total
<b>Accumulated depletion, depreciation and impairment</b>					
<b>Balance, December 31, 2020</b>	\$	418,578	\$	4,906	\$ 423,484
Depletion and depreciation expense		-		151	151
Impairment loss		-		-	-
<b>Balance, December 31, 2021</b>	\$	418,578	\$	5,057	\$ 423,635
Depletion and depreciation expense		-		71	71
Reversal of impairment		(108,397)		-	(108,397)
<b>Balance, June 30, 2022</b>	\$	310,181	\$	5,128	\$ 315,309
Carrying value, December 31, 2021	\$	476,906	\$	718	\$ 477,624
<b>Carrying value, June 30, 2022</b>	\$	579,254	\$	654	\$ 579,908

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 recognized 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 after-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 June 30, 2022, the Group recognized a reversal of impairment loss recorded in previous years of the West Ells Cash Generating Unit (CGU) (CAD \$108.4 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
<b>Balance, January 1, 2021</b>	\$ -	\$ 1,722	\$ -	\$ 1,722
Lease terminated	-	-	-	-
Additions	4,866	-	-	4,866
Depreciation	(118)	(937)	-	(1,055)
Exchange alignment	(4)	(14)	-	(18)
<b>December 31, 2021</b>	<b>\$ 4,744</b>	<b>\$ 771</b>	<b>\$ -</b>	<b>\$ 5,515</b>
Additions	-	-	147	147
Depreciation	(228)	(296)	(15)	(539)
<b>June 30, 2022</b>	<b>\$ 4,516</b>	<b>\$ 475</b>	<b>\$ 132</b>	<b>\$ 5,123</b>

### Leases Liabilities

	June 30, 2022
Lease liabilities	\$ 616

### Cash Flow Summary

	Six Months Ended June 30, 2022
Total cash flow used for leases	\$ 354

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 group's incremental borrowing rate, which is 10% for the offices and equipment.

## 8. Trade and accrued liabilities

	June 30, 2022	December 31, 2021
Trade payables	\$ 16,576	\$ 16,130
Interest payables	175,555	169,886
Other payables	21,408	19,863
Accrued liabilities	13,339	10,794
	<b>\$ 226,878</b>	<b>\$ 216,673</b>

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

	June 30, 2022	December 31, 2021
Trade		
0 - 30 days	\$ 548	\$ -
31 - 60 days	134	-
61 - 90 days	198	709
> 90 days	15,696	15,421
	<b>\$ 16,576</b>	<b>\$ 16,130</b>

## 9. Debt

### 9.1 Other loans

	June 30, 2022	December 31, 2021
Current	\$ 3,592	\$ 11,938
Non-current	11,563	1,626
	<b>\$ 15,155</b>	<b>\$ 13,564</b>

As at June 30, 2022, the balances are unsecured interest bearing of 0%-20% (2021: 0-20%) per annum, and of which approximately CAD \$3,592,000 (December 31, 2021: \$11,938,000) have a maturity date within one year.

Included in the above balance is approximately CAD \$13,205,000 (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

<b>Decommissioning obligations, non-current</b>	<b>June 30, 2022</b>		<b>December 31, 2021</b>	
Balance, beginning of year	\$	54,770	\$	61,148
Effect of changes in estimates		(8,421)		(7,254)
Unwinding of discount rate		549		876
Balance, end of year	\$	46,898	\$	54,770

As at June 30, 2022, the Group’s share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was \$73.0 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 2.69% to 2.95% 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:

	June 30, 2022		December 31, 2021	
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	\$	(89,658)	\$	(92,923)
Decommissioning liabilities		9,185		13,806
Share issue costs		57		62
Non-capital losses		275,314		334,917
Total Debt		-		-
Deferred tax benefits not recognized		(194,898)		(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)	June 30, 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 no purchase, sale or redemption of Sunshine's listed securities as of Jun 30, 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:

	June 30, 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	1.96	9,056,001	2.70
Granted			-	-
Forfeited				
Expired	(80,000)	2.50	(2,476,001)	4.87
Balance, end of period	6,500,000	1.96	6,580,000	1.96
Exercisable, end of period	6,500,000	1.96	6,580,000	1.96

As at June 30, 2022, stock options outstanding have a weighted average remaining contractual life of 1.05 years (December 31, 2021 – 1.53 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:

	Three months ended June 30, 2022			Three months ended June 30, 2021		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1

  

	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 2

## 14. Revenue

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Petroleum sales	\$ 589	\$ -	\$ 589	\$ 144
Royalties	(20)	(1)	(20)	(1)
Revenue from contracts with customers	\$ 569	\$ (1)	\$ 569	\$ 143

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:

	June 30, 2022		June 30, 2021	
Customer A	\$	569	\$	143

## 16. Other income

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest income	\$	1	\$	3
Other income		10,451		20,639
Balance, end of period	\$	10,452	\$	20,642

## 17. General and administrative costs

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Salaries, consultants and benefits	\$	1,491	\$	816
Rent		30		53
Legal and audit		582		172
Other		393		238
Balance, end of period	\$	2,496	\$	1,279

## 18. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest expense on senior notes, including yield maintenance premium	\$	10,449	\$	10,053
Interest expense on other loans		1,383		1,387
Financing related costs		-		-
Other interest expense		26		33
Other interest expenses-leases		15		11
Unwinding of discounts on provisions		293		228
Balance, end of period	\$	12,166	\$	11,712

## 19. Profit (Loss) per share

The calculation of basic profit (loss) per share attributable to owners of the Company is based on the profit (loss) for the year attributable to owners of the Company of approximately CAD \$102,484,000 (2021: CAD \$25,416,000 loss) and the weighted average number of Class "A" common shares in issue during the years as presented in the following table.

	Six months ended June 30,	
	2022	2021
Basic and diluted – Class "A" common shares	243,478,681	183,054,875
Profit (loss) per share	\$ 0.42	\$ (0.14)

## 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:

	June 30, 2022		December 31, 2021	
Working capital deficiency	\$	57,625	\$	93,005
Shareholders' equity		278,698		176,367
	\$	336,323	\$	269,372

There is no change in the Group's objectives and strategies of capital management for the six months ended June 30, 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:

	June 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets at amortised cost	\$ 18,377	\$ 18,377	\$ 16,377	\$ 16,377
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	\$ 551,512	\$ 551,512	\$ 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 six months ended June 30, 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 June 30, 2022 would have been impacted by \$Nil (2021: \$Nil) and the carrying value of the debt at June 30, 2022 would have been impacted by \$2.56 million (2021: \$2.46 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 June 30, 2022 would have been impacted by Nil (2021: \$Nil) and the carrying value of the debt at June 30, 2022 would have been impacted by \$0.36 million (2021: \$0.33 million).

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Unrealized foreign exchange loss/(gain) on translation of:				
U.S. denominated senior secured notes	\$ 12,819	\$ 8,309	\$ 6,840	\$ (6,498)
H.K. denominated loan	655	(770)	35	(748)
Foreign currency denominated cash balances	5	8	24	(147)
Foreign currency denominated accounts payable balances	(172)	364	(279)	967
	13,307	7,911	6,620	(6,426)
Realized foreign exchange loss/(gain)	1	2	1	2
<b>Total foreign exchange loss/(gain)</b>	<b>\$ 13,308</b>	<b>\$ 7,913</b>	<b>\$ 6,621</b>	<b>\$ (6,424)</b>

## 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 June 30, 2022, are as follows:

	Total	Less than 1 year	1-2 years
Trade and accrued liabilities	\$ 226,878	\$ 58,983	\$ 167,895
Debt <sup>1</sup>	324,634	4,068	320,566
	\$ 551,512	\$ 63,051	\$ 488,461

1. Principal amount of Notes and loans based on the month end exchange rate of \$1 US = 1.2886 CAD and \$1HKD = \$0.1642 CAD.

## 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 six months ended June 30, 2022, a consulting Group, to which a director of Sunshine is related, charged the Group \$0.25 million (December 31, 2021 – \$0.5 million) for management and advisory services.

As at June 30, 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:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Directors' fees	\$ 88	\$ 94	\$ 179	\$ 197
Salaries and allowances	567	492	1,133	983
Share-based compensation	-	1	-	2
	<u>\$ 655</u>	<u>\$ 587</u>	<u>\$ 1,312</u>	<u>\$ 1,182</u>

## 21.3 Related companies' loans

	June 30, 2022	December 31, 2021
Current	\$ -	41,717
Non-current	52,895	-
	<u>\$ 52,895</u>	<u>\$ 41,717</u>

As at June 30, 2022, the Group had loans from related companies which are unsecured, interest bearing at 10% per annum, and of which approximately CAD \$52,895,000 can be rollover for a period of 2 to 3 years.

## 22. Commitments and contingencies

### 22.1 Commitments

As at June 30, 2022, the Group's commitments are as follows:

At June 30, 2022	Total	2022	2023	2024	2025	Thereafter
Drilling, other equipment and contracts	182	47	45	45	45	-
Lease rentals (Note)	24,308	751	2,375	2,358	2,578	16,246
Office leases	794	232	306	39	50	167
	<u>\$ 25,284</u>	<u>1,030</u>	<u>2,726</u>	<u>2,442</u>	<u>2,673</u>	<u>16,413</u>

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 June 30, 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 June 30, 2022 which amounted to a total of CAD \$13.0 million. The Group was also charged with overdue penalties of \$9.8 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many

uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Group's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At June 30, 2022, the Group had incurred \$0.82 million (US \$0.64 million equivalent using the period end exchange rate) in Builders' liens (not related to mineral leases) 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2022, the subsidiary had no business activity.

### 24. Supplemental cash flow disclosures

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Cash provided by (used in):</b>				
Trade and other receivables	\$ (333)	\$ 615	\$ (1,010)	\$ 579
Prepaid expenses and deposits	(333)	130	(745)	(298)
Trade and other payables	1,680	451	5,091	2120
Foreign Exchange changes	(285)	(364)	(279)	(1,045)
	<u>\$ 729</u>	<u>\$ 832</u>	<u>\$ 3,057</u>	<u>\$ 1,356</u>
<b>Changes in non-cash working capital relating to:</b>				
<i>Operating activities</i>				
Trade and other receivables	\$ (333)	\$ 615	\$ (1,010)	\$ 579
Prepaid expenses and deposits	(333)	130	(745)	(298)
Trade and other payables	1,286	(32)	4,815	915
	<u>\$ 620</u>	<u>\$ 713</u>	<u>\$ 3,060</u>	<u>\$ 1,196</u>
<i>Investing activities</i>				
Property, plant and equipment	\$ 109	\$ 119	\$ (3)	\$ 238
<i>Financing activities</i>				
Foreign Exchange Changes-Loans	\$ -	\$ -	\$ -	\$ (78)
Debt settlement				(78)
	<u>\$ 729</u>	<u>\$ 832</u>	<u>\$ 3,057</u>	<u>\$ 1,356</u>

## **25. 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 August 11, 2022 (Calgary Time) /August 12, 2022 (Hong Kong Time).

## Appendix to the consolidated financial statements (Unaudited)

### Additional Hong Kong Stock Exchange Required Information

Additional information required by the HKEX 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	<u>2022</u>	<u>2021</u>
		<i>CAD'000</i>	<i>CAD'000</i>
<b>Asset</b>			
<i>Current assets</i>			
Trade and other receivables		1,287	277
Prepaid expenses and deposits		2,517	1,772
Loan receivables		953	10,758
Cash and cash equivalents		413	295
		<u>5,170</u>	<u>13,102</u>
<i>Non-current assets</i>			
Exploration and evaluation assets		273,185	255,696
Property, plant and equipment		579,816	477,542
Right-of-use assets		606	740
Other receivables		2,001	2,001
Loan receivables		11,465	1,528
Amounts due from subsidiaries		13,124	12,116
		<u>880,197</u>	<u>749,623</u>
<b>Total Asset</b>		<u><u>885,367</u></u>	<u><u>762,725</u></u>
<b>Liabilities and Shareholders' Equity</b>			
<i>Current liabilities</i>			
Trade and accrued liabilities		56,920	50,354
Lease liabilities		476	526
Loans from related companies		-	32,458
Other loans		3,592	11,938
Senior notes		-	-
Amount due to subsidiaries		2,603	2,577
		<u>63,591</u>	<u>97,853</u>
<i>Non-current liabilities</i>			
Interest payables		167,895	164,525
Lease liabilities		140	233
Other loans		11,563	1,626
Loans from related companies		43,806	-
Senior notes		255,968	251,838
Provisions		46,898	54,770
		<u>526,270</u>	<u>472,992</u>
<b>Total liabilities</b>		<u>589,861</u>	<u>570,845</u>
<b>Shareholders' Equity</b>			
Share capital		1,315,265	1,315,265
Reserve for share-based compensation		76,416	76,416
exchange fluctuation reserve		(403)	-
Capital reserve		(4,453)	(4,453)
Accumulated Deficit		(1,091,319)	(1,195,348)
		<u>295,506</u>	<u>191,880</u>
<b>Total shareholders' equity</b>		<u>295,506</u>	<u>191,880</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u><u>885,367</u></u>	<u><u>762,725</u></u>

## Appendix to the Condensed Consolidated Interim Financial Statements *(Unaudited)*

### A2. Directors' emoluments and other staff costs

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<i>Directors' emoluments</i>				
Directors' fees	\$ 88	\$ 94	\$ 179	\$ 197
Salaries and allowances	567	492	1,133	983
Share-based compensation	-	1	-	2
	<u>655</u>	<u>587</u>	<u>1,312</u>	<u>1,182</u>
<i>Other staff costs</i>				
Salaries and other benefits	836	486	1,420	932
Share-based compensation	-	-	-	-
	<u>836</u>	<u>486</u>	<u>1,420</u>	<u>932</u>
Total staff costs, including directors' emoluments	<u>1,491</u>	<u>1,073</u>	<u>2,732</u>	<u>2,114</u>
Less: staff costs capitalized to qualifying assets				
	<u>\$ 1,491</u>	<u>\$ 1,073</u>	<u>\$ 2,732</u>	<u>\$ 2,114</u>

## CORPORATE INFORMATION

### BOARD OF DIRECTORS:

#### **Executive Directors:**

Mr. Kwok Ping Sun (*Chairman*)  
Ms. Gloria Pui Yun Ho

#### **Non-Executive Directors:**

Mr. Michael John Hibberd (*Vice-Chairman*)  
Ms. Linna Liu  
Ms. Xijuan Jiang

#### **Independent Non-Executive Directors:**

Mr. Yi He  
Mr. Guangzhong Xing  
Mr. Alfa Li

### AUTHORIZED REPRESENTATIVES:

Mr. Kwok Ping Sun  
Ms. Man Ngan Chow

### AUDITORS:

UniTax Prism (HK) CPA Limited

### LEGAL ADVISERS:

Robertson Solicitors

### COMPETENT PERSONS:

GLJ Ltd  
Boury Global Energy Consultants Ltd.

### PRINCIPAL BANKERS:

Bank of China (Hong Kong) Limited  
Bank of China (Canada)

### PLACE OF SHARE LISTING AND STOCK CODE:

The Stock Exchange of Hong Kong Limited: 2012

### WEBSITE:

[www.sunshineoilsands.com](http://www.sunshineoilsands.com)

### AUDIT COMMITTEE:

Mr. Yi He (*Chairman*)  
Mr. Guangzhong Xing  
Mr. Alfa Li

### COMPENSATION COMMITTEE:

Mr. Kwok Ping Sun (*Chairman*)  
Mr. Guangzhong Xing  
Mr. Alfa Li  
Ms. Xijuan Jiang

### RESERVES COMMITTEE:

Mr. Yi He (*Chairman*)  
Mr. Guangzhong Xing  
Mr. Kwok Ping Sun

### CORPORATE GOVERNANCE COMMITTEE:

Mr. Kwok Ping Sun (*Chairman*)  
Mr. Michael John Hibberd  
Mr. Yi He  
Mr. Guangzhong Xing  
Mr. Alfa Li

### CORPORATE HEADQUARTERS:

Suite 1910, 715-5th Ave SW,  
Calgary AB, T2P 2X6

### REGISTERED OFFICE IN ALBERTA:

Suite 4000, 421 Seventh Avenue  
SW Calgary, Alberta  
T2P 4K9 Canada

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

### SHARE REGISTRAR IN ALBERTA:

Alliance Trust Company

### SHARE REGISTRAR IN HONG KONG:

Computershare Hong Kong Investor Services Limited