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)

ANNOUNCEMENT OF RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2023

SUMMARY OF FINANCIAL FIGURES

For Q1 2023, net loss and comprehensive loss attributable to owners of the Company was approximately CAD 11.6 million compared to a gain attributable to owners of the Company of approximately CAD 56.3 million in Q1 2022.

As at March 31, 2023, December 31, 2022 and March 31, 2022, the Corporation notes the following selected financial figures.

For the three months ended March 31, (Canadian $000s)	**2023**	2022
Net profit (loss) attributable to owners of the Company	(11,573)	56,311
Average Dilbit sales (bbl/day)	1,233.8	-

(Canadian $000s)	**March 31, 2023**	December 31, 2022
Property, plant and equipment	484,935	485,222
Exploration and evaluation assets	235,537	235,044
Shareholders' equity	98,359	110,009

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

Hong Kong, May 12, 2023
Calgary, May 12, 2023

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

** For identification purposes only*

阳光油砂
SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

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

SUNSHINE OILSANDS LTD.

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

	Notes		March 31, 2023		December 31, 2022
Assets					
Current assets					
Cash and cash equivalents		$	62	$	542
Loan receivables	4		1,520		1,514
Trade and other receivables	4		8,550		8,330
			10,132		10,386
Non-current assets					
Loan receivables	4		11,391		11,347
Other receivables	4		-		-
Exploration and evaluation	5		235,537		235,044
Property, plant and equipment	6		484,935		485,222
Right-of-use assets	7		5,562		5,720
			737,425		737,333
Total assets		$	747,557	$	747,719
Liabilities and Shareholders' Equity					
Current liabilities					
Trade payables, interest payables and accrued liabilities	8	$	238,626	$	233,330
Loans from related companies	21.3		15,870		15,200
Other loans	9.1		3,991		4,008
Senior notes	9.2		268,822		269,040
Lease liabilities	7		288		391
			527,597		521,969
Non-current liabilities					
Interest payables	8		8,986		7,470
Loans from related companies	21.3		40,808		38,744
Loans from a shareholder	21.4		12,250		12,342
Other loans	9.1		12,139		12,230
Lease liabilities	7		773		811
Provisions	10		46,645		44,144
			121,601		115,741
Total liabilities			649,198		637,710
Shareholders' Equity					
Share capital	12		1,315,265		1,315,265
Reserve for share-based compensation	13.3		76,416		76,416
Capital reserve			(4,453)		(4,453)
Exchange fluctuation reserve			(1,042)		(1,042)
Accumulated deficit			(1,286,751)		(1,275,178)
Equity attributable to owners of the Company			99,435		111,008
Non-controlling interests			(1,076)		(999)
Total shareholders' equity			98,359		110,009
Total liabilities and shareholders' equity		$	747,557	$	747,719

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)

For the three months ended March 31,	Notes		2023		2022
Revenue					
Petroleum sales, net of royalties	14	$	7,179	$	-
Other income	16		325		10,190
Foreign exchange gains/(losses)	20.4		842		6,687
			8,346		16,877
Expenses					
Diluent			3,863		-
Transportation			2,521		6
Operating			4,487		3,404
Depletion and depreciation	6,7		2,051		249
General and administrative	17		4,538		3,650
Finance costs	18		2,536		11,631
Impairment (reversal) on exploration and evaluation assets and PP&E			-		(58,295)
		$	19,996	$	(39,355)
Profit (loss) before income taxes			(11,650)		56,232
Income taxes	11		-		-
Net profit (loss)			(11,650)		56,232
Net profit (loss) attributable to Non-controlling interests			(77)		(79)
Net profit (loss) and total comprehensive profit (loss) attributable to owners of the Company		$	(11,573)	$	56,311
Basic and diluted profit (loss) per share	19	$	(0.05)	$	0.23

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

SUNSHINE OILSANDS LTD.

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

	Attributable to owners of the Company							
	Share capital	Reserve for share based compensation	Capital reserve	Exchange fluctuation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance at December 31, 2022	$ 1,315,265	$ 76,416	$ (4,453)	$ (1,042)	$ (1,275,178)	$ 111,008	$ (999)	$ 110,009
Net profit (loss) and total comprehensive profit (loss) for the period	-	-	-	-	(11,573)	(11,573)	(77)	(11,650)
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)	-	-	-	-	-	-	-	-
Three Months Ended March 31, 2023	$ 1,315,265	$ 76,416	$ (4,453)	$ (1,042)	$ (1,286,751)	$ 99,435	$ (1,076)	$ 98,359

	Attributable to owners of the Company							
	Share capital	Reserve for share based compensation	Capital reserve	Exchange fluctuation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance at December 31, 2021	$ 1,315,265	$ 76,416	$ (4,453)	$ (403)	$ (1,209,775)	$ 177,050	$ (683)	$ 176,367
Net profit (loss) and total comprehensive profit (loss) for the period	-	-	-	-	56,311	56,311	(79)	56,232
Exchange fluctuation reserve	-	-	-	-	-	-	-	-
FX gain/loss	-	-	-	-	-	-	-	-
Issue of shares Director Share Arrangement	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-
Three Months Ended March 31, 2022	$ 1,315,265	$ 76,416	$ (4,453)	$ (403)	$ (1,153,464)	$ 233,361	$ (762)	$ 232,599

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

SUNSHINE OILSANDS LTD.

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

For the three months ended March 31	Notes		2023		2022
Cash flows used in operating activities					
Net profit / (loss) including non-controlling interests		$	(11,650)	$	56,232
Finance costs	18		2,536		11,631
Unrealized foreign exchange (gains)/losses	20.4		(842)		(6,687)
Other interest costs			-		-
Other income	16		(1)		(9,983)
Depletion, depreciation and impairment	6,7		2,051		(58,047)
Share-based compensation	13.3		-		-
Movement in non-cash working capital	24		4,844		2,440
Net cash (used in) operating activities			(3,062)		(4,414)
Cash flows used in investing activities					
Other income received	16		1		2
Payments for exploration and evaluation assets	5		(113)		(31)
Payments for property, plant and equipment	6		167		(149)
Movement in non-cash working capital	24		-		(112)
Net cash (used in) investing activities			55		(290)
Cash flows provided in financing activities					
Proceeds from issue of common shares					
Payments for share issue costs	12		-		-
Payment for finance and interests costs	18		(174)		(75)
Proceeds from other loan	9.1		7		998
Payment for other loan	9.1		-		-
Proceeds from related companies' loans	21.3		2,912		3,748
Repayment of related companies' loans	21.3		-		-
Addition of leased liabilities			-		144
Payment of lease liabilities			(169)		(213)
Movement in non-cash working capital	24		-		-
Net cash provided by financing activities			2,576		4,602
Net increase / (decrease) in cash			(431)		(102)
Cash, beginning of period			542		312
Effect of exchange rate changes on cash held in foreign currency	20.4		(48)		(20)
Cash, end of period		$	63	$	190

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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 net loss and comprehensive loss attributable to owners of the Company of CAD $11.6 million for the three months ended March 31, 2023. As at March 31, 2023, the Group had net current liabilities of CAD $517.5 million. The Group will need to refinance or restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. The validity of which depends upon that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing to meet its liabilities as they fall due in the foreseeable future.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at March 31, 2023, 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 2023 budget and on management's estimate of expenditures expected to be incurred beyond 2023. 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 March 31, 2023.

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, 2022.

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

The Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB").

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract
Amendments to IFRSs	Annual Improvements to IFRS 2018 - 2020 cycle

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:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]

[1] *Effective for annual periods beginning on or after January 1, 2024*
[2] *Effective for annual periods beginning on or after a date to be determined*

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

4. Trade and other receivables

		March 31, 2023		December 31, 2022
Trade receivables	$	2,612	$	1,304
Other receivables-current		7,458		8,540
Other loan receivables-non-current		11,391		11,347
	$	21,461	$	21,191

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

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

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

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

As at March 31, 2023, the directors of the Company considered the ECL on trade receivables was insignificant.

5. Exploration and evaluation

		CAD'000
Balance, December 31, 2021	$	255,696
Capital expenditures		1,053
Non-cash expenditures[1]		(2,052)
Impairment loss		(19,653)
Balance, December 31, 2022	$	235,044
Capital expenditures		113
Non-cash expenditures[1]		380
Reversal of impairment		-
Balance, March 31, 2023	$	235,537

1. Non-cash expenditures include changes in decommissioning obligations.

At the end of the reporting period, the Group assessed impairment for its E&E CGU. For the purpose of impairment (reversal) testing, recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ") and its latest oil price forecasts. The projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including management forecast of long-term commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs. Cash flow forecasts are also based on GLJ's evaluation of the Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures.

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.

A reversal of an impairment loss shall be recognized immediately in profit or loss. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset shall not be increased above the lower of:
(a) its recoverable amount; and
(b) the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods.

For the three months ended March 31, 2023, the Group did not recognize an impairment loss (reversal) of E&E CGU.

6. Property, plant and equipment

	Crude oil assets (CAD'000)	Corporate assets (CAD'000)	Total (CAD'000)
Cost			
Balance, December 31, 2021	$ 895,484	$ 5,775	$ 901,259
Disposal of Asset	-	-	-
Capital expenditures	513	30	543
Non-cash expenditures[1]	(9,812)	-	(9,812)
Exchange alignment	-	45	45
Balance, December 31, 2022	$ 886,185	$ 5,850	$ 892,035
Capital expenditures	(173)	6	(167)
Non-cash expenditures[1]	1,765	-	1,765
Exchange alignment	-	-	-
Balance, March 31, 2023	$ 887,777	$ 5,856	$ 893,633

1. Non-cash expenditures include changes in decommissioning obligations.

	Crude oil assets	Corporate assets	Total
Accumulated depletion, depreciation and impairment			
Balance, December 31, 2021	$ 418,578	$ 5,057	$ 423,635
Depletion and depreciation expense	3,104	60	3,164
Reversal of Impairment loss	(20,028)	-	(20,028)
Exchange alignment	-	42	42
Balance, December 31, 2022	$ 401,654	$ 5,159	$ 406,813
Depletion and depreciation expense	1,840	45	1,885
Reversal of impairment	-	-	-
Exchange alignment	-	-	-
Balance, March 31, 2023	$ 403,494	$ 5,204	$ 408,698
Carrying values			
Carrying value, December 31, 2022	$ 484,531	$ 691	$ 485,222
Carrying value, March 31, 2023	**$** 484,283	**$** 652	**$** 484,935

At the end of the reporting period, the Group assessed impairment for its West Ells CGU. For the purpose of impairment (reversal) testing, recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ") and its latest oil price forecasts. The projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including management forecast of long-term commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on GLJ's evaluation of the Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures.

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.

A reversal of an impairment loss shall be recognized immediately in profit or loss. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset shall not be increased above the lower of:
(a) its recoverable amount; and
(b) the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods.

Future depletion expenses are adjusted to allocate the CGU's revised carrying amount over its remaining useful life.

For the three months ended March 31, 2023, the Group did not recognize an impairment loss (reversal) of West Ells CGU.

7. Right-of-use Assets and Leases Liabilities

(a) Right-of-use Assets

	Leasehold land (CAD'000)	**Offices** (CAD'000)	**Truck** (CAD'000)	**Equipment** (CAD'000)	**Total** (CAD'000)
Balance, January 1, 2022	**4,744**	**771**	**-**	**-**	**5,515**
Lease terminated	-	-	-	-	-
Additions	-	556	287	147	990
Depreciation	(118)	(549)	(5)	(34)	(706)
Exchange alignment	(78)	(1)	-	-	(79)
December 31, 2022	**4,548**	**777**	**282**	**113**	**5,720**
Additions	-	-		-	-
Depreciation	(30)	(120)	(14)	(9)	(173)
Exchange alignment	15	-		-	15
March 31, 2023	**4,533**	**657**	**268**	**104**	**5,562**

(b) Leases Liabilities

	March 31, 2023
Lease liabilities	$ 1,061

(c) Cash Flow Summary

	Three Months Ended March 31, 2023
Total cash flow used for leases	$ 169

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

8. Trade and accrued liabilities

		March 31, 2023		**December 31, 2022**
Trade payables	$	18,011	$	16,433
Interest payables		189,233		187,400
Other payables		20,551		20,472
Accrued liabilities		19,817		16,495
	$	247,612	$	240,800

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

		March 31, 2023		**December 31, 2022**
Trade				
0 - 30 days	$	715	$	377
31 - 60 days		1,061		6
61 - 90 days		380		37
> 90 days		15,854		16,013
		18,011		16,433

9. Debt

9.1 Other loans

		March 31, 2023		December 31, 2022
Current	$	3,991	$	4,008
Non-current		12,139		12,230
	$	16,130	$	16,238

As at March 31, 2023, the balances are unsecured interest bearing of 0%-36% (December 31, 2022: 0 - 36%) per annum, and of which approximately CAD $3,991,000 (December 31, 2022: CAD $4,008,000) have a maturity date within one year.

Included in the above balance is approximately CAD $13,863,000 (December 31, 2022: $13,966,000) 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.

On February 16, 2023, the Group and the Forbearing Holder entered into an interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holder agreed to unconditionally and irrevocably waive the interest accrued between January 1, 2023 and December 31, 2023 (the "Waiver of Interest"). Based on the Forbearance Reinstatement and Amending Agreement ("FRAA") dated August 8, 2021, the waived interest calculated at 10.0% per annum on the outstanding amounts (principal and interests) amounted to approximately US$31,500,000. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

10. Provisions

Decommissioning obligations, non-current		March 31, 2023		December 31, 2022
Balance, beginning of year	$	44,143	$	54,770
Effect of changes in estimates		2,145		(11,864)
Unwinding of discount rate and effect		358		1,238
Balance, end of period	$	46,646	$	44,144

As at March 31, 2023, the Group's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $71.6 million (December 31, 2022 - $73.0 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 3.02% to 3.93% per annum and inflated using an inflation rate of 2.0% per annum.

11. Income taxes

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

		March 31, 2023		December 31, 2022
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(76,393)	$	(71,242)
Decommissioning liabilities		10,729		10,153
Share issue costs		125		27
Tax losses		278,421		246,680
Total Debt		-		-
Deferred tax benefits not recognized		(212,882)		(185,618)
	$	-	$	-

12. Share capital

The Group's authorized share capital is as follows:

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

Issued and fully paid (after share consolidation)	March 31, 2023		December 31, 2022	
	Number of shares	$	Number of shares	$
Balance, beginning of year	243,478,681	1,315,265	243,478,681	1,315,265
Issue of Shares – general mandate			-	-
Director Share Arrangement	-	-	-	-
Share issue costs, net of deferred tax ($Nil)	-	-	-	-
Balance, end of period	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

2023 activity

There was not any purchase, sale or redemption of Sunshine's listed securities in Q1 2023.

13. Share-based compensation

13.1 Employee stock option plan

Post-IPO Stock Option Plan

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

13.2 Movements in stock options

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

	March 31, 2023		**December 31, 2022**	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	6,500,000	1.96	6,580,000	1.96
Granted	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	(80,000)	2.50
Balance, end of period	6,500,000	1.96	6,500,000	1.96
Exercisable, end of period	6,500,000	1.96	6,500,000	1.96

As at March 31, 2023, stock options outstanding had a weighted average remaining contractual life of 0.30 years (December 31, 2022: 0.55 years).

13.3 Share-based compensation

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

	March 31, 2023	**March 31, 2022**
Stock options	$ -	$ -
	$ -	$ -

14. Revenue

	March 31, 2023	**March 31, 2022**
Petroleum sales	$ 7,192	$ -
Royalties	(13)	-
Revenue from contracts with customers	$ 7,179	$ -

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

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

The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently in pre-payout.

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

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

15. Segment information

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

Information about geographical area

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

Information about major customers

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

		March 31, 2023		March 31, 2022
Customer A	$	6,694	$	-

Customer A contributed 88.6% of the group's revenue (March 31 2022: no revenue)

16. Other income

		March 31, 2023		March 31, 2022
Interest income	$	1	$	2
Other Income		324		10,188
Balance, end of period	$	325	$	10,190

17. General and administrative costs

		March 31, 2023		March 31, 2022
Salaries, consultants and benefits	$	1,768	$	1,239
Rent		11		78
Legal and audit		194		54
Other		2,565		2,279
Balance, end of period	$	4,538	$	3,650

18. Finance costs

		March 31, 2023		March 31, 2022
Interest expense on senior notes, including yield maintenance premium	$	294	$	10,256
Interest expense on other loans		127		69
Interest expense on loan from related companies and a shareholder		1,696		1,031
Other interest expense – leases and others		61		19
Unwinding of discounts on provisions		358		256
Balance, end of period	$	2,536	$	11,631

19. Profit (loss) per share

The calculation of basic profit (loss) per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately CAD $11,573,000 (2022: CAD $56,311,000 profit) and the weighted average number of Class "A" common shares in issue during the years as presented in the following table.

	March 31, 2023	March 31, 2022
Basic and diluted – Class "A" common shares	234,478,681	234,478,681
Profit (loss) per share	$ (0.05)	$ 0.23

20. Capital and financial risks management

20.1 Capital risk management

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

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

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

	March 31, 2023	December 31, 2022
Working capital deficiency	$ 517,464	$ 511,583
Shareholders' equity	98,359	110,009
	$ 615,823	$ 621,592

There is no change in the Group's objectives and strategies of capital management for the three months ended March 31, 2023.

20.2 Categories of financial instruments

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

	March 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost (including cash and cash equivalent)	$ 19,517	$ 19,517	$ 18,426	$ 18,426
Financial liabilities				
Financial liabilities at amortised cost	$ 601,491	$ 601,491	$ 592,364	$ 592,364

20.3 Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values.

20.4 Currency risk

The Group is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the three months ended March 31, 2023.

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2023 would have been impacted by $Nil (2022: $Nil) and the carrying value of the debt at March 31, 2023 would have been impacted by $2.7 million (2022: $2.5 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2023 would have been impacted by $Nil (2022: $Nil) and the carrying value of the debt at March 31, 2023 would have been impacted by $0.5 million (2022: $0.3 million).

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

		March 31, 2023		**March 31, 2022**
Unrealized foreign exchange loss /(gain) on translation of:				
U.S. denominated senior secured notes	$	(362)	$	(5,980)
H.K. denominated loan		(304)		(602)
Operating Loan		(13)		(18)
Foreign currency denominated cash balances		48		20
Foreign currency denominated accounts payable balances		(212)		(107)
		(843)		(6,687)
Realized foreign exchange loss/(gain)		1		-
Total foreign exchange loss/(gain)	$	(842)	$	(6,687)

20.5 Liquidity risk

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

The timing of cash outflows relating to financial liabilities as at March 31, 2023, are as follows:

		Total		**Less than 1 year**		**1-3 years**
Trade and accrued liabilities	$	247,612	$	238,626	$	8,986
Debt[1]		354,941		288,971		65,970
	$	602,553	$	527,597	$	74,956

1. Principal amount of Notes and loans based on the month end exchange rate of $1 US = 1.3533 CAD and $1HKD = $0.1724 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 three months ended March 31, 2023, a consulting Group, to which a director of Sunshine is related, charged the Group $0.13 million (December 31, 2022 – $0.5 million) for management and advisory services.

As at 31 March 2023, Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 150,232,591 common shares of the Company, which represents approximately 61.70% of the Company's outstanding common shares.

21.2 Compensation of key management personnel and directors

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

		March 31, 2023		March 31, 2022
Directors' fees	$	107	$	91
Salaries and allowances		490		565
Contribution to retirement benefit scheme		1		1
	$	598	$	657

21.3 Related companies' loans

		March 31, 2023		December 31, 2022
Current	$	15,870	$	15,200
Non-current		40,808		38,744
	$	56,678	$	53,944

As at March 31, 2023, the Group had loans from related companies which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $56,678,000 can be rollover for a period of 2 to 3 years (December 31, 2022: CAD53,944,000).

21.4 Loan from a shareholder

As at March 31, 2023, the Group had loans from a shareholder which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $12,250,000 expected to be settled in 2025 (December 31, 2022: CAD12,342,000).

22. Commitments and contingencies

22.1 Commitments

As at March 31, 2023, the Group's commitments are as follows:

At March 31, 2023		Total	2023	2024
Drilling, other equipment and contracts not provided in the consolidated financial statements	$	85	36	49
	$	85	36	49

Note: The Group has an annual obligation for oil sands mineral lease rentals and surface lease rentals. Annual payment is approximately CAD 1,500,000.

22.2 Litigation

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2023 municipal property taxes and have accrued up to 31 March 2023 which amounted to a total of CAD14.06 million. The Group was also accrued overdue penalties of CAD13.61 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. If unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Group's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At March 31, 2023, the Group had incurred $0.82 million (USD $0.61 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

The group received a judgment from the Court of the State of New York, New York County (the "Judgment") that the Company shall pay the Non-forbearing holder all the amounts due and owing on the Senior Notes issued under the notes indenture dated 8 August 2014 (including principal and interests) in an aggregate amount of approximately US$15,481,000 (equivalent to approximately CAD 20,950,000). As at the date of this report, the Company has filed a motion to vacate the default judgment.

23. Subsidiaries

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of its principal place of business is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong. As of March 31, 2023, the subsidiary had no business activity.

On July 14, 2015, Boxian Investments Limited was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of its principal place of business is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. The purpose of the subsidiary is to pursue new investment opportunities. As of March 31, 2023, the subsidiary had no business activity.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited was incorporated in China and is a wholly-owned subsidiary of the Company. The address of its principal place of business is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. As of March 31, 2023, the subsidiary had no business activity.

On April 15, 2019, Sang Xiang Petroleum & Chemical (Hebei) Limited was incorporated in China and is a subsidiary in which the Company owns 51% interests. The address of its principal place of business is Techno Building, Level 4, Room 0430, Chengde Hi-Tech Industry Development Zone, Hebei Province. As of March 31, 2023, the subsidiary had no business activity.

24. Supplemental cash flow disclosures

		March 31, 2023		March 31, 2022
Cash provided by (used in):				
Trade and other receivables	$	(1,516)	$	(677)
Prepaid expenses and deposits		1,295		(412)
Trade and other payables		4,979		3,411
Debt settlement		-		-
Foreign Exchange changes		86		6
	$	4,844	$	2,328
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$	(1,516)	$	(677)
Prepaid expenses and deposits		1,295		(412)
Trade and other payables		5,065		3,529
	$	4,844	$	2,440
Investing activities				
Property, plant and equipment		-		(112)
Financing activities				
Foreign Exchange Changes-Other loans		-		-
Debt settlement		-		-
		-		-
	$	4,844	$	2,328

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 May 11, 2023 (Calgary Time) /May 12, 2023 (Hong Kong Time).

Appendix to the consolidated financial statements (Unaudited)

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

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

	Notes	**2023**	**2022**
		CAD'000	CAD'000
Assets			
Current assets			
Trade and other receivables		8,297	8,074
Loan receivables		1,520	1,514
Cash and cash equivalents		17	322
		9,834	9,910
Non-current assets			
Exploration and evaluation assets		235,537	235,044
Property, plant and equipment		484,777	485,053
Right-of-use assets		1,028	1,172
Other receivables		-	-
Loan receivables		11,391	11,347
Amounts due from subsidiaries		15,066	14,871
		747,799	747,487
Total assets		757,633	757,397
Liabilities and shareholders' equity			
Current liabilities			
Trade payables, interest payable and accrued liabilities		235,851	233,024
Lease liabilities		288	391
Loans from related companies		15,870	14,246
Other loans		3,991	4,008
Senior notes		268,822	269,040
Amount due to subsidiaries		2,732	2,756
		527,554	523,465
Non-current liabilities			
Interest payables		8,986	5,241
Lease liabilities		773	811
Loan from related companies		31,313	30,260
Loan from a shareholder		12,250	12,342
Other loans		12,139	12,230
Senior notes		-	-
Provisions		46,646	44,144
		112,107	105,028
Total liabilities		639,661	628,493

	Notes	2023	2022
		CAD'000	CAD'000
Shareholders' equity			
Share capital		1,315,265	1,315,265
Reserve for share-based compensation		76,416	76,416
Convertible bonds equity reserve		-	-
Capital reserve		(4,453)	(4,453)
Exchange fluctuation reserve		(1,042)	(1,042)
Accumulated deficit		(1,268,214)	(1,257,282)
Total shareholders' equity		117,972	128,904
Total liabilities and shareholders' equity		757,633	757,397

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	March 31, 2023	March 31, 2022
Directors' emoluments		
Directors' fees	$ 107	$ 91
Salaries and allowances	490	565
Contribution to retirement benefit scheme	1	1
Share-based compensation	-	-
	598	657
Other staff costs		
Salaries and other benefits	1,070	509
Contribution to retirement benefit scheme	100	73
Share-based compensation	-	-
	1,170	582
Total staff costs, including directors' emoluments	1,768	1,239
Less: staff costs capitalized to qualifying assets	-	-
	$ 1,768	$ 1,239