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阳光油砂
SUNSHINE OILSANDS LTD.

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陽光油砂有限公司*

*(a corporation incorporated under the Business Corporations Act of the Province of Alberta,
Canada with limited liability)*
(HKEX: 2012)

CONTINUING CONNECTED TRANSACTIONS

**PROPOSED AMENDMENTS TO
THE JOINT OPERATING AGREEMENT AND OTHER SUPPORTING AGREEMENTS
GOVERNING THE MUSKWA AND GODIN AREAS**

By Order of the Board of Sunshine Oilsands Ltd.
Kwok PingSun
Executive Chairman

Hong Kong, July 27, 2018
Calgary, July 27, 2018

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, Mr. Hong Luo, Ms. Linna Liu and Ms. Xijuan Jiang as non-executive directors; and Mr. Raymond Shengti Fong, Mr. Jeff Jingfeng Liu, Ms. Joanne Yan and Mr. Yi He as independent non-executive directors.

**For identification purposes only*

Hong Kong (July 27, 2018) and **Calgary, Alberta** (July 27, 2018) - The Board of Directors (the “**Board**”) of Sunshine Oilsands Ltd. (the “**Corporation**” or “**Sunshine**”) (**HKEX: 2012**) wishes to announce the following:-

Background

References were made to the announcements dated August 19, 2013, September 26, 2013, September 27, 2013 and October 21, 2013 (collectively, the “**Announcements**”) in relation to, among others, the joint operating agreement and other supporting agreements (collectively, the “**Agreements**”) entered into between the Corporation and Renergy Petroleum (Canada) Co., Ltd., (“**Renergy**”), an affiliate of Changjiang Investment Group Co., Ltd. (“**Changjiang**”), with respect to the Corporation’s Muskwa and Godin area oil sands leases (“**Leases**”). Unless defined otherwise, terms used herein shall have the same meanings as those defined in the Announcements.

Application regarding the construction and operation of a single well thermal pilot project at the Muskwa area was submitted in July 2014 and approved on January 26, 2015. As at the date of this announcement, there is no production from Muskwa wells and there are no active planning or development activities occurring.

A company affiliated (the “**Affiliate**”) with Kwok Ping Sun (“**Mr. Sun**”), the Executive Chairman and a Substantial Shareholder (as defined under the Listing Rules) of the Corporation and Nobao Energy Holding (China) Company Limited (“**Nobao**”) (a company under the control of Mr. Sun) has conditionally acquired Changjiang’s interest in Renergy. The Affiliate has received the Board’s conditional approval (with Mr. Sun and Ms. Xijuan Jiang, the Corporation’s non-executive Director, abstaining from voting) for this acquisition and has requested amendments to certain terms in the Agreements with an aim to simplify the working relationship between contracting parties in the Agreements and to incentivize Renergy as operator to spend significant capital to proceed with an enhanced oilsands recovery scheme in the Muskwa and Godin areas.

Proposed amendment terms to the Agreements

The proposed amendment interms of the Agreements, conditional on receipt of all required stakeholder approvals and on the execution of legally binding agreements, are as follows:-

- (1) Any outstanding amounts payable from Renergy to Sunshine will be made from Renergy’s future production entitlements revenues.
- (2) The Outside Date of the Agreements is to be extended from October 20, 2019 to October 20, 2023. Renergy will be responsible for all the expenditures in the Muskwa and Godin areas until October 20, 2023. There will be no capital expenditures targets or Commitment Caps specified in the Agreements.
- (3) Working Interests to be 60% Renergy and 40% Sunshine in all oilsands formations in the oilsands leases and in all conventional gas lease in the Muskwa and Godin areas. Based on the current terms in the Agreement, Renergy and Sunshine each have 50% Working Interests initially and Renergy’s Working Interest, limited to clastics portions of the oilsands leases, is subject to the Working Interest clawback conditions.

- (4) Both the Corporation and Renergy shall each pay annual oilsands and conventional lease amounts in proportion to their respective working interests.
- (5) If Renergy fails to achieve a production level of 500 bbls/d for any consecutive 20-day period on or prior to October 20, 2023, Renergy's 60% Working Interest will be forfeited on October 20, 2023.
- (6) Nobao will bring in technologies and Nobao's technologies may be used throughout the Muskwa and Godin areas without compensation to Nobao but the technology ownership rights remain with Nobao.
- (7) Sunshine's management is to ensure an orderly transition with the new owners of Renergy, however, if long term roles are being filled by Sunshine personnel, services contracts shall be negotiated.

Listing Rules Implications

The Affiliate and Nobao are owned and controlled by Mr. Kwok Ping Sun, being the Executive Chairman and a Substantial Shareholder of the Corporation, and are therefore the associates of Mr. Sun. Hence, the proposed amendment terms to the Agreement, the new ongoing joint venture arrangement and the transactions contemplated thereunder constitute continuing connected transactions for the Corporation under Chapter 14A of the Listing Rules.

It is anticipated that since the highest applicable percentage ratio for the joint venture under the Listing Rules exceeds 5%, the proposed amendment terms to the Agreement, the new ongoing joint venture arrangement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

The Corporation will convene a special meeting to seek approval from independent shareholders (shareholders other than Mr. Sun, his associates and other interested parties) (the "**Independent Shareholders**") of the proposed amendment terms, the new ongoing joint venture and the transactions contemplated thereunder.

A Special Board Committee comprising all independent non-executive Directors of Sunshine is being established to advise the Independent Shareholders in respect of the proposed amendment terms to the Agreements, the new ongoing joint venture arrangement and the transactions contemplated thereunder. The Corporation will appoint an independent financial advisor to advise the Special Board Committee and the Independent Shareholders in this regard.

A circular, containing amongst other things, (a) details of the proposed amendment terms to the Agreements and the ongoing new joint venture agreement; (b) a letter from the independent financial advisor containing its advice to the Special Board Committee and the Independent Shareholders in respect thereof; (c) a letter from the Special Board Committee containing its recommendation in respect thereof and (d) a notice of the Special Meeting is expected to be dispatched to the shareholders of the Corporation on or before August 17, 2018 in accordance with the Listing Rules.

The Board wishes to emphasize that the aforesaid proposed amendments terms may or may not proceed. In the event that any formal agreements are entered into and the new ongoing joint venture arrangement may constitute a notifiable transaction under the Listing Rules, the Corporation will make further announcement(s) as and when appropriate.

Shareholders and potential investors are required to exercise caution when dealing in the shares of the Corporation.

ABOUT SUNSHINE OILSANDS LTD.

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

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FORWARD LOOKING INFORMATION

This announcement contains forward-looking information relating to, among other things, the plans and expectations of the Corporation. Such forward-looking information is subject to various risks, uncertainties and other factors. All statements other than statements and information of historical fact are forward-looking statements. The use of words such as “estimate”, “forecast”, “expect”, “project”, “plan”, “target”, “vision”, “goal”, “outlook”, “may”, “will”, “should”, “believe”, “intend”, “anticipate”, “potential”, and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on the Corporation’s experience, current beliefs, assumptions, information and perception of historical trends available to the Corporation, and are subject to a variety of risks and uncertainties including, but not limited to those associated with resource definition and expected reserves and contingent and prospective resources estimates, unanticipated costs and expenses, regulatory approval, fluctuating oil and gas prices, expected future production, the ability to access sufficient capital to finance future development and credit risks, changes in Alberta’s regulatory framework, including changes to regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations and the impact thereof and the costs associated with compliance. Although the Corporation believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Readers are cautioned that the assumptions and factors discussed in this announcement are not exhaustive and readers are not to place undue reliance on forward-looking statements as the Corporation's actual results may differ materially from those expressed or implied. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise, subsequent to the date of this announcement, except as required under applicable securities legislation. The forward-looking statements speak only as of the date of this announcement and are expressly qualified by these cautionary statements. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of the Corporation's material risk factors, see the Corporation's annual information form for the year ended December 31, 2017 and risk factors described in other documents we file from time to time with securities regulatory authorities, all of which are available on the Hong Kong Stock Exchange at www.hkexnews.hk, on the SEDAR website at www.sedar.com or on the Corporation's website at www.sunshineoilsands.com.