SUNSHINE OILSANDS LTD.

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

Stock code: 2012

2011 ANNUAL REPORT

Corporate Profile

Sunshine Oilsands Ltd. (the "Corporation", "Company" or "Sunshine") is headquartered in Calgary, Alberta, Canada. Sunshine's principal operations are the exploration, development and production of its diverse portfolio of oilsands leases. The Corporation's seven principal operating regions in the Athabasca area are at West Ells, Thickwood, Legend Lake, Harper, Muskwa, Goffer and Portage.

Sunshine is the largest holder of non-partnered Oil Sands Leases by area in the Athabasca oil sands region. Since its incorporation on 22 February 2007, the Corporation has secured over 1,148,785 acres of oil sands leases (equal to approximately 7% of all granted leases in this area). In addition, the Corporation has secured 7,591 acres of PNG licenses. Athabasca is the most prolific oil sands region in the Province of Alberta, Canada.

With 169 billion barrels of estimated reserves, Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere.

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Highlights

1. On 1 March 2012, Sunshine successfully completed its global initial public offering ("IPO") and listed on the Stock Exchange of Hong Kong Limited ("SEHK"). The Corporation issued 923,299,500 shares at a share price of HK$4.86 for gross IPO proceeds of HK$4,487 million (US$580 million). The Corporation's shares trade on the SEHK under the stock code "2012".
2. In January 2012, shareholders authorized the Corporation to complete up to a 25:1 share split. The Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding amounts. All share and stock option information in this Annual Report is presented on a post-split basis.
3. In January 2012, the Corporation entered into a non-binding Memorandum of Understanding ("MOU") for strategic cooperation with Sinopec International Exploration and Production Corporation ("SIPC"), a wholly owned subsidiary of Sinopec Group, under which the Corporation and SIPC will examine opportunities for joint participation in the development, exploration and production of oil sands leases as well as other mutually agreed investments and projects in Canada and globally.
4. As evaluated by GLJ Petroleum Consultants Limited ("GLJ") and De Golyer and MacNaughten Canada Limited ("D&M") the Corporation's Competent Persons ("Competent Persons"), proved plus probable ("2P") reserves and best estimate contingent resources increased in 2011 as follows:
   - 2P reserves increased to 419 million barrels of oil in 2011 compared to 54 million barrels in 2010; and
   - Best estimate contingent resources increased to 3,066 million barrels of oil in 2011 (clastics 80% and carbonates 20%), compared to 2,184 million barrels of oil in 2010.

Summary of our Asset Portfolio

Property/Asset Type	Total Petroleum-Initially-in-Place (MMbbl)[1]	Recoverable Resources (MMbbl)[2]	Recoverable Resources PV10 (C$MM)[3,4]
West Ells	1,918	903	2,218
Thickwood	1,403	489	731
Legend Lake	1,844	540	1,057
Other Clastics	10,844	932	1,147
Total Clastics	**16,009**	**2,864**	**5,153**
Harper Carbonates	10,555	393	243
Other Carbonates	18,718	223	456
Total Carbonates	**29,273**	**616**	**699**
Muskwa Conventional	**86**	**6**	**56**
Total Combined (GLJ and D&M evaluations)	**45,368**	**3,486**	**5,909**
Post-tax PV10% (GLJ 1 October 2011 pricing)			3,037

Note

1. Best Estimate of Total Petroleum-Initially-in-Place as per GLJ and D&M. Total Petroleum-Initially-in-Place is a sum of discovered and undiscovered Petroleum-Initially-in-Place components.
2. Recoverable Resources is defined as 2P Reserves + Best Estimate Contingent Resources. A significant part of the Corporation's resource base is comprised of contingent resources, which are estimated to be potentially recoverable but not currently considered to be commercially recoverable due to one or more contingencies. None of the volumes or values of our reserves and resources have been risked for chance of development. We cannot assure you that it will be commercially viable to produce any portion of the contingent resources until contingencies are eliminated through detailed designs and regulatory submissions.
3. The Pre-Tax and Post-Tax PV10% incorporate GLJ's 1 October 2011 commodity price forecasts and D&M's 30 November 2011 commodity price forecast. The Pre-Tax and Post-Tax PV10% included in the reserves and resources summary on page 177 is solely based on GLJ's 1 October 2011 commodity price forecasts.
4. PV10% is not a measure of financial or operating performance, nor is it intended to represent the current value of our reserves and resources.
5. Figures are rounded to the nearest MMbbl or C$million (where it applies).

Refer to page 177 for full definitions and resource and reserves summary.

Financial and Operations Summary

FINANCIAL

(CDN $000's except as indicated below)

	Year ended				Incorporation on 22 February 2007 to 31 December
	2011	2010	2009	2008	2007
Financial					
Cash and cash equivalents	**84,957**	41,540	576	541	27,278
Exploration and evaluation assets	**382,277**	197,836	134,623	124,475	45,414
Property and equipment	**719**	474	302	355	54
Borrowings	**—**	—	5,328	25,200	—
Shareholders' Equity	**148,586**	222,433	127,965	98,592	70,219
Net loss	**67,393**	9,857	2,848	5,446	1,586
Net loss per share ($ per basic and diluted share)	**0.05**	0.01	0.06	0.01	0.01

Please refer to our Management's Discussion and Analysis, (commencing on page 9 of this Annual Report) as well as our Audited Consolidated Financial Statements (commencing on page 98 of the Annual Report) for additional details on our financial results.

OPERATIONS

- Filed regulatory application with the Energy Resource Conservation Board ("ERCB") for 10,000 barrels ("bbls") per day commercial facility in the Thickwood project area in October
- Filed regulatory application with the ERCB for 10,000 bbls/day commercial facility in the Legend Lake project area in November
- Increased our best estimate total petroleum initially in place ("PIIP") from 38.8 billion bbls to 45.4 billion bbls
- Increased our 2P reserves (Pre-tax PV10% of $79 million) from 54.4 million bbls to 418.9 million bbls
- Increased our bbls best estimate contingent resources from 2.2 billion bbls (Pre-tax PV10% of $3.1 billion) in 2010 to 3.1 billion bbls best estimate contingent resources (Pre-tax PV10% of $5.1 billion) in 2011.
- Performed steam cycle injection operation at our Harper Pilot CSS facility which proved thermally induced oil mobility
- Drilled 86 Clastic wells, acquired 240 km of 2D seismic and 24.5 sq km of 3D seismic
- Drilled 22 Carbonate wells and acquired 530 km of 2D seismic
- Drilled, completed and put on production additional 28 cold flow oil producing wells and one water disposal well in our Muskwa area
- During the year ended 31 December 2011, the Corporation made payments for Exploration and Evaluation assets totalling approximately C$155.6 million.

Sunshine Oilsands Ltd.

Hong Kong Listing Ceremony March 1, 2012

Sunshine Stock Code: 2012

Michael J. Hibberd,
Co-Chairman

Songning Shen,
Co-Chairman

Statement from the Co-Chairmen

This past year was a very positive and transformational year for Sunshine. The year started with a number of organizational and financial challenges to address; the sort of challenges that predictably occur when substantial program initiatives need to be properly planned, funded and executed. As Co-Chairmen, we are pleased to report that those challenges were addressed in an effective manner and resulted in both an acceleration of our drilling and development programs and achievement of a strong financial positioning of our company. We are now positioned, both financially and operationally, in the strongest place in our history. We have significant active project initiatives progressing at a solid pace as well as a clean balance sheet and sufficient resources to support our currently planned initiatives.

In our efforts to raise international investor awareness of the Sunshine story and the potential of Alberta's oil sands, we found it interesting that relatively few people outside Canada actually knew about Alberta's long history of oil sands commercial production. In spite of this, we were pleased that our audience quickly grasped the potential of investing in an energy fairway located in a stable political jurisdiction and which is rapidly expanding as technology, particularly related to SAGD, has progressed to make recovery more efficient, effective and environmentally friendly. With economic and political uncertainties continuing to affect global oil markets, a reality of growing demand in the face of declining supply sets Sunshine up with an opportunity to play a serious role as a strategic long-term supplier of oil to North American and global markets. With the success of our US$580 million global initial public offering and the gaining of important long-term investors, acquiring significant equity positions in our offering, we have shown that we can secure significant support for our growth initiatives in spite of market uncertainties.

It is our pleasure to briefly summarize some observations about things that have allowed us to grow from a modest start in 2007. We believe that our biggest strength lies in our understanding of the strategic importance of lease areas we targeted for acquisition. This gave us the confidence to continue with lease acquisition activities through long periods of uncertainty. We now hold a large asset base of approximately 1.2 million acres of land with an already identified 45 billion barrels of petroleum initially in place. This massive asset base provides the opportunity to develop significant projects with long-term oil production duration. Late in 2007, we moved to commence physical activities on our leases with a focus on drilling. To date we have drilled a total of 294 delineation, development, observation and water wells. Information from our drilling programs, combined with seismic data and public source data from legacy wells, has been critical to ensuring third-party evaluators assign increasing assessments of our reserves and resource numbers, as shown in our annual reserves and resource assignments. We can assure you that our technical work continues with vigor as we seek to push to validate the increasing extent and high quality of our resource base.

A key initiative in our project planning and execution cycle focuses on making applications to regulators for permits to construct our facilities. Very rigorous processes must be addressed, both provincially in Alberta and federally, to secure approval to proceed with oil sands projects. In order to apply for a project permit, a substantial amount of technical work is required to give regulators comfort that the project can be successfully completed. We are pleased to report that our first project area, West Ells, received regulatory approval for a 10,000 barrel per day facility in January 2012, approximately 22 months after initial submission. Road access work to West Ells has now been completed, and site construction activities have commenced. First steam is targeted for Q2, 2013. In the fall of 2011, we also applied for project approvals in our next two areas, Thickwood and Legend Lake. Each of these new applications are for initial production of 10,000 barrels per day.

Statement from the Co-Chairmen

Operations:

On the operations side, we conducted the largest drilling program in our history in the winter of 2010-2011. We drilled 118 wells and found oil in all of them. This successful drilling program allowed us to increase our total best estimate contingent resource plus probable reserves to 3.5 billion barrels in 2011, an increase of over 1 billion barrels compared to 2010. Our drilling program and subsequent evaluations also confirmed a wide range of outcomes on our identified recoverable resource. The high end of the range was over 9 billion barrels, up from 3.6 billion barrels in 2010. We commenced advanced development of our first production area with the drilling of 39 production wells in our Muskwa oil sands region where the oil can be produced with no heat addition. Exit production at Muskwa was approximately 800 barrels per day at the end of 2011.

Financial:

On the financial side, we started the 2011 year with successful capital raises totalling $235 million. This capital allowed us to continue with additional delineation and development work and other critical field activities. In addition to the importance of those capital raises, we gained important alliances with valuable new shareholders in China Life, Bank of China Group and Cross-Strait Development Fund. Their support and guidance proved to be an important contributor to our preparations for our Hong Kong listing and global offering initiatives.

The 2011 capital raises proved to be an important starting point for our successful global initial public offering and listing on the Hong Kong Stock Exchange. We believe that the support of China Investment Corporation, Sinopec and EIG as cornerstone investors for our public offering created a receptive environment for our story that contributed to our success in closing an offering of approximately US$580 million in volatile market conditions. We are delighted to count China Investment Corporation, Sinopec, EIG, and other important new long term investors as Sunshine shareholders and we look forward to strengthening these new shareholder relationships in the years to come.

Board and Management:

In 2011 we materially strengthened our board with the addition of Mr. Liu, Mr. Li, Mr. Stevenson and Mr. Herdman. These directors are very well qualified to provide critical advice and direction as we move to rapidly expand our corporate growth initiatives. On the management side, we are very pleased to welcome John Zahary as President and CEO, who joined us in December 2011. Mr. Zahary's skills and experience provide a depth of knowledge that we know will complement the very strong personnel already at our company. We are confident that his presence will add depth to our corporate vision and will strengthen our ability to build an organization that can deliver on the great opportunities embedded in our asset base.

Michael J. Hibberd
Co-Chairman

Songning Shen
Co-Chairman

Statement from the President

Thank you for your interest in Sunshine Oilsands Ltd. We are at a very exciting time in the development of our company. It is not often that an opportunity with the long term investment characteristics of Sunshine is available and as employees, management and shareholders, we are enthusiastically moving the company forward as we strive to realize the great potential of opportunities that we have been given.

The Sunshine land base, and opportunities on that land base, are immense by any measure. Our reserve evaluators (competent persons) have identified over 45 billion barrels of petroleum initially in place on our 1.2 million acres of lands even though only 30% of that land base has been delineated.

Turning to our SAGD projects, I am pleased to report that we have applied for approval of three 10,000 barrel per day first phase Steam Assisted Gravity Drainage (SAGD) projects, one in each of 3 project areas: West Ells, Thickwood and Legend Lake. The production potential of these 3 project areas has been adjudicated and engineered at 200,000 barrels per day. These areas are in close proximity to each other in North Central Alberta which gives us an opportunity to develop and operate them in an efficient fashion. While growth to that level of production is impressive, it should be noted that the identified petroleum in place in these project areas is only about 10% of our total identified petroleum in place.

In January 2012, we achieved an important milestone. We received regulatory approval for development at West Ells and project construction is now underway. We expect to begin heating the reservoir by mid-2013, with first production shortly after.

In addition to our clastic assets, we have bitumen rich carbonate resource oil sands leases in the Grosmont, Nisku, Leduc and Wabamun formations that present tremendous upside for us. We intend to create long term development plans for our carbonates to realize the commercial value of these resources.

On 1 March 2012, Sunshine became a publicly-traded company on the Stock Exchange of Hong Kong Limited trading under the stock code symbol "2012". Concurrent with the global initial public offering, we raised approximately US$580 million which will allow us to proceed with development of our first projects. Through the IPO, we are pleased to welcome some impressive new shareholders, including China Investment Corporation, Sinopec and EIG Management Company. In addition to welcoming Sinopec as an investor, we are also pleased to have signed a Memorandum of Understanding to explore partnering opportunities such as a joint venture. Our new shareholders complement our strong and committed existing shareholder groups and will strengthen the company as it proceeds with its growth strategy in the years ahead.

Statement from the President

OUR ACTIVITIES

Over the next year, we expect to be busy. We are producing oil now at Muskwa which is a region that can produce without thermal stimulation. We are actively constructing and preparing for first production at West Ells. We are advancing our regulatory applications for production at Thickwood and Legend Lake. We are preparing more regulatory applications to allow us to increase production from our existing project areas and to pursue production in new project areas. We are continuing to advance technology development. We are leveraging off the success of our recent winter drilling program and are working actively to prepare a new resource and reserve report which should recognize more of the potential of our asset base. Finally, we are actively expanding our technical staff and we are continuing negotiations on our first joint venture.

It is through this effort that we can progress the development and value of our asset base.

OUR OBJECTIVE

Sunshine's objective is to be a recognized leader in business and operations activities in the oil sands sector. We consistently maintain a disciplined approach in environment, health and safety issues and remain committed to operating in a socially responsible manner. Protecting our people, our partners, our stakeholders and the environment are key elements of our business. We are active with this throughout the organization and never forget that safe and environmentally friendly business practices are critical to our social license to operate.

OUR FOCUS

Our focus is to minimize the footprint that we make with a focus on each of our land use, water use and emissions. We conduct emergency response training on a regular basis in all of our operating fields to ensure a high level of response capability when placed in challenging situations. We also perform safety and environmental audits of our operating facilities. We look to support the communities we operate in by sponsoring and donating to local initiatives. In all aspects of our business, we are committed to minimizing our environmental footprint, acting as a good and responsible corporate citizen, and conducting our affairs in an environmentally and socially responsible manner.

The success that our company has achieved has only been possible through the committed efforts of its board of directors, its officers and its strong and growing employee group. We see great potential in our asset base but recognize that we will need to continue to attract a very high quality of personnel who can process ideas, think critically and arrive at solutions that meet our company's milestones and build shareholder wealth. We think the opportunities that our company holds will serve us well as we look to expand the size and value of our organization.

John Zahary
President & CEO

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 "Corporation") for the year ended 31 December 2011 is dated 28 March 2012. Since the date of its incorporation, 22 February 2007, the Corporation has adopted International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended 31 December 2011. All amounts and tabular amounts are stated in Canadian dollars unless indicated otherwise.

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 Corporation hereby cautions investors about important factors that could cause the Corporation'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 Corporation'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 Corporation 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 certain 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 Corporation 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. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statement except as required by law.

NON-IFRS FINANCIAL MEASURES

This MD&A includes references to financial measures commonly used in the crude oil and natural gas industry, such as net bitumen revenue, operating earnings, cash flow from operations and cash operating netback. These financial measures are not defined by IFRS as issued by the International Accounting Standards Board and therefore are referred to as non-IFRS measures. The non-IFRS measures used by the Corporation may not be comparable to similar measures presented by other companies. The Corporation uses these non-IFRS measures to help evaluate its performance. Management considers net bitumen revenue, operating earnings and cash operating netback important measures as they indicate profitability relative to current commodity prices. Management uses cash flow from operations to measure the Corporation's ability to generate funds to finance capital expenditures and repay debt.

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS, as an indication of the Corporation's performance. The non-IFRS operating earnings and cash operating netback measures are reconciled to net income, while cash flow from operations is reconciled to net cash provided by operating activities, as determined in accordance with IFRS, under the heading "Non-IFRS Measurements" below.

OVERVIEW

On 1 March 2012, the Corporation became a publicly-traded company on the Stock Exchange of Hong Kong Limited ("SEHK"). Sunshine trades under the stock code symbol "2012". Concurrent with the initial public offering ("IPO" or the "Global Offering"), the Corporation issued 923,299,500 shares at HK$4.86 per share for gross IPO proceeds of HK$4,487 million. The Corporation's cornerstone investors include Premium Investment Corporation, a wholly-owned subsidiary of China Investment Corporation ("CIC"), EIG Management Company, LLC and Sinopec Century Bright Capital Investment Limited, a wholly-owned subsidiary of China Petrochemical Corporation, otherwise known as the Sinopec Group ("Sinopec").

The Corporation is headquartered in Calgary, Alberta, Canada. Sunshine's principal operations are the exploration, development and production of its diverse portfolio of oilsands leases. The Corporation's seven principal operating regions in the Athabasca area are at West Ells, Thickwood, Legend Lake, Harper, Muskwa, Goffer and Portage.

The Corporation is the largest holder of non-partnered Oil Sands Leases by area in the Athabasca oil sands region. Since its incorporation on 22 February 2007, the Corporation has secured over 467,969 hectares of oilsands leases, which includes 3,072 hectares of Petroleum and Natural Gas ("PNG") licenses, (equal to approximately 7% of all granted leases in this area). Athabasca 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 terms of oil reserves in the world, with 169 billion barrels of estimated reserves. Moreover, the Canadian oil sands provide the largest supply of oil to the United States.

As at 31 December 2011, the Corporation had invested $382.3 million in oilsands leases, drilling operations, project planning and regulatory application processing. Prior to the IPO, Sunshine completed its last significant capital raise in February 2011 where the Corporation raised gross proceeds of $225.9 million. As at 31 December 2011, the Corporation had $85.0 million in cash and cash equivalents (term deposits). The Corporation has raised approximately $1.0 billion in equity proceeds, including the proceeds from its IPO, from inception to date.

Management's Discussion and Analysis

SUNSHINE STRATEGIES

Management believes that the Corporation can maintain its competitiveness and growth by implementing the following strategies:

- Continuing to execute a well defined and staged development of the Corporation's clastics resources
- Applying current and future technologies for the development of the Corporation's carbonate resources
- Further expanding Sunshine's conventional heavy oil production capacity
- Continuing to identify additional projects from the Corporation's existing oilsands leases to expand its resources base
- Pursuing potential strategic alliances, partnerships and joint venture arrangements to maximise shareholders' returns
- Continuing to focus on best business practices in operational excellence, environmentally superior technologies and social responsibility
- Implementing a human resources strategy that fosters progressive thinking and safe working practices
- Developing industry standard materials management processes

SUNSHINE STRENGTHS

Management believes that the following strengths contribute to Sunshine's growth and differentiates the Corporation from its competitors:

- Full control over a large, high quality and distinct oil resource base
- Resource scarcity in remaining unleased land availability
- Full control over a diverse portfolio of assets with defined production growth plans and considerable scope to identify additional projects on the Corporation's lease holdings
- Attractive SAGD project economics
- Financial strength and flexibility
- Experienced management and technical team with strong industry track record
- Use of environmentally superior oilsands extraction technology

BUSINESS OUTLOOK

2011/2012 Winter Drilling Program

As at the date of this MD&A, the Corporation is in the process of concluding its 2011/2012 winter drilling program, which includes exploration, delineation drilling and seismic activity. Sunshine conducted an extensive survey program during the summer of 2011, where over 215 potential exploration and delineation well locations were confirmed. These locations were identified to advance the recognition of new reserves, new contingent resources additions and the conversion of Petroleum Initially In Place ("PIIP") and high estimate contingent resources to best estimate contingent resources.

The Corporation is presently undertaking exploration drilling, coring operations, production testing and progression of the West Ells project, including observation and SAGD well drilling. Further operations at Harper have been approved and initial remote access work and well workover operations have been initiated on the existing Harper Pilot well in preparation for the next Cyclic Steam Stimulation ("CSS") steam cycle.

West Ells Development

Sunshine received regulatory approval from the ERCB for the Corporation's first 10,000 barrels per day ("bbl/d") clastic Steam Assisted Gravity Drainage ("SAGD") project at the Corporation's West Ells property on 26 January 2012. GLJ Petroleum Consultants ("GLJ") has completed a preliminary assessment of the impact of the regulatory approval on the reserves and resources attributable to West Ells. Following regulatory approval, the Corporation's external reservoir engineering firm, GLJ ("Competent Person") considers the project to have a high certainty of implementation and that development will proceed. Proved reserves require a minimum evaluation well density of 160 acres with representative core data and 3D seismic, first capital expenditures within three years and high quality cost estimates such that project economics are ensured. In GLJ's opinion, proved reserves can be assessed at West Ells within the application project area for four sections of land.

Muskwa

The Corporation began producing conventional heavy oil at its Muskwa property in September 2010. As at 31 December 2011, the Corporation has not recognised any revenue from this property. Once the Muskwa property has been determined to meet appropriate criteria for technical feasibility and commercial viability, revenues from production and sales of crude oil will be recognised.

Current forecasted development at Muskwa includes adding two multi-well production pads to the site, with up to nine wells per pad, which is anticipated by management to achieve a stabilized production rate ranging between 1,600-1,800 barrels per day by the end of 2012. Capital expenditures at Muskwa are anticipated to be $17.1 million in 2012. In conjunction with this activity, the Corporation intends to undertake further confirmation of oil mobility by extending the reservoir through selective production testing. This low cost verification process will provide low risk development fairways.

NON-IFRS MEASUREMENTS

The following table reconciles the Non-IFRS measurements "Net loss for the period" to "Net loss excluding specific items" the nearest IFRS measures. Net loss excluding specific items is defined as net loss as reported, excluding the allocation of IPO costs, finance costs on share repurchase obligation and fair value adjustment on warrants included within finance costs.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

The following table summarizes selected operational and financial information of the Corporation for the periods presented:

	As at 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Financial Highlights					
Interest and other income	**1,624,507**	264,669	6,895	295,382	91,174
Finance costs and allocation of IPO costs	**25,469,650**	93,030	140,745	83,057	—
Net loss	**67,392,540**	9,856,941	2,848,017	5,445,663	1,585,667
Basic and diluted loss per share	**0.05**	0.01	0.00	0.01	0.01
Cash and cash equivalents	**84,957,414**	41,540,387	575,769	541,012	27,278,361
Expenditures on exploration and evaluation	**155,560,859**	43,163,744	7,100,490	76,497,708	39,623,081
Total assets	**475,713,755**	243,034,828	135,815,158	127,514,357	73,296,943
Total liabilities	**327,128,105**	20,602,038	7,850,440	28,922,382	3,077,843

	For the year ended 31 December				For the period since inception to 31 December
	2011	**2010**	**2009**	**2008**	**2007**
Net loss	**67,392,540**	9,856,941	2,848,017	5,445,663	1,585,667
Specific items					
Finance costs :					
Allocation of IPO costs	**3,547,085**	—	—	—	—
Finance costs on share repurchase obligation	**25,341,087**	—	—	—	—
Fair value loss on warrants	**20,297,567**	—	—	—	—
Net loss excluding specific items	**18,206,801**	9,856,941	2,848,017	5,445,663	1,585,667

The Corporation uses these Non-IFRS measurements for its own performance measures and to provide its shareholders and investors with a measurement of the Corporation's ability to internally fund future growth expenditures. These "Non-IFRS Measurements" are reconciled to net income and net cash provided by operating activities in accordance with IFRS under the heading "Non-IFRS Measurements".

The Corporation recognized a net loss for the year ended 31 December 2011 of $67.4 million compared to net loss of $9.9 million for the year ended 31 December 2010. The net loss in the year ended 31 December 2011 was primarily attributable to finance costs of $49.3 million compared to $0.1 million in the prior year. For the year ended 31 December 2011, finance costs included $32.1 million related to share repurchase obligation, of which $6.8 million was capitalized to qualifying assets and $0.1 million related to accretion on decommissioning obligation. In 2010, $70,721 related to interest expense on bank loan, of which $46,038 was capitalized to qualifying assets, and $68,347 was attributable to accretion on decommissioning obligation. The 2011 loss on mark to market adjustment on warrants for $20.3 million resulted from the Corporation's 6,235,995 purchase warrants and 1,709,707 fee warrants, which were accounted for using the liability method due to a cash-settlement option. $3.5 million related to allocation of other assets is for amortization of capitalized deferred IPO costs.

Excluding the effect of these finance costs, allocation of other assets and fair value adjustment on warrants, changes in net loss between 2010 and 2011 are as follows:

- Interest income increased by $1.3 million from $0.3 million in 2010 to $1.6 million in 2011 as a result of a larger average cash and cash equivalents balance in 2011 as compared to 2010;
- Stock-based compensation expense increased from $3.9 million in 2010 to $8.1 million in 2011 primarily as a result of higher staffing levels and an increase in the Corporation's share price used at the time of stock-based compensation grants.
- Salaries, consulting and benefits increased from $3.0 million in 2010 to $7.3 million in 2011 as a result of higher staffing levels as the Corporation prepares for development at West Ells, Thickwood and Legend Lake SAGD projects and the continued development of its Muskwa project.
- Other general administrative costs and rent increased from $1.6 million and $0.2 million, respectively, in 2010 to $3.6 million and $0.6 million in 2011 as a result of reserve report costs related to the IPO process, higher office costs as a result of increased staffing levels and additional leased office space.
- Legal and audit costs increased to $1.3 million in 2011 from $1.0 million in 2010 as a result of one-time costs associated with non-audit related services such as review and assessment of the Corporation's processes and legal fees related to Lower Athabasca Regional Plan ("LARP").
- Depreciation expense on computer equipment increased from $111,551 in 2010 to $185,729 in 2011.
- Deferred income taxes increased from a $0.2 million expense in 2010 to a recovery of $1.4 million in 2011.

The Corporation had a combined cash and short-term investment balance of $85.0 million as at 31 December 2011 compared to a combined cash and short-term investment balance of $41.5 million as at 31 December 2010. The increase in these balances is due primarily to the Corporation's issuance of $225 million in common shares during the first quarter of 2011 partially offset by capital investments during the past year.

	For the year ended 31 December				For the period since inception to 31 December
	2011	**2010**	**2009**	**2008**	**2007**
Loss before income taxes	**(68,760,393)**	(9,675,626)	(3,625,026)	(4,634,190)	(1,507,004)
Addback/Deduction	**3,547,085**	—	—	—	—
Finance costs	**20,297,567**	—	—	—	—
Interest income	**25,469,650**	93,030	140,745	83,057	—
Depreciation	**(1,624,507)**	(257,067)	(3,060)	(295,382)	(91,174)
Share-based payment expense	**8,075,446**	3,946,638	555,871	2,154,261	1,489,661
Cash flow used in operations	**(12,809,423)**	(5,781,474)	(2,825,881)	(2,611,861)	(103,133)

Cash flow used in operations for the year ended 31 December 2011 totaled $12.8 million compared to $5.8 million for the same period in 2010. The increase was from higher general administrative costs in 2011 compared to 2010 due to IPO related expenditures as well as costs attributable to higher staffing levels as the Corporation continues to accelerate its growth activities.

Capital investment increased to $154.4 million during the year ended 31 December 2011, from $43.5 million during the same period of 2010. The increase is due to increased investment for resource delineation, ongoing development at Muskwa and West Ells development.

SUMMARY OF ANNUAL RESULTS

The following table summarizes selected financial information for the Corporation for the five preceding annual periods ended 31 December:

	As at 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Non-current assets					
Exploration and evaluation	382,277,258	197,836,345	134,622,825	124,475,391	45,413,642
Property and equipment	718,785	474,051	301,847	354,586	53,567
Other assets	3,379,627	—	—	—	—
	386,375,670	198,310,396	134,924,672	124,829,977	45,467,209
Current assets					
Cash and cash equivalents	84,957,414	41,540,387	575,769	541,012	27,278,361
Trade and other receivables	3,582,953	1,273,558	80,565	1,767,161	274,437
Prepaid expenses and deposits	797,718	1,910,487	234,152	376,207	276,936
	89,338,085	44,724,432	890,486	2,684,380	27,829,734
Current liabilities					
Trade and other payables	33,365,438	17,521,798	1,292,426	1,925,449	2,160,013
Provisions for decomissioning obligation	68,365	116,734	—	—	—
Fair value of warrants	63,000,304	—	—	—	—
Provision for flow-through shares	—	19,914	250,075	147,000	917,830
Borrowings	—	—	5,328,200	25,200,000	—
	96,434,107	17,658,446	6,870,701	27,272,449	3,077,843
Net current assets (liabilities)	(7,096,022)	27,065,986	(5,980,215)	(24,588,069)	24,751,891
Total assets less current liabilities	379,279,648	225,376,382	128,944,457	100,241,908	70,219,100
Non-current liabilities					
Share repurchase obligation	224,362,115	—	—	—	—
Provisions for decomissioning obligation	6,331,883	2,052,330	354,833	373,872	—
Deferred income tax liabilities	—	891,262	624,906	1,276,061	—
	230,693,998	2,943,592	979,739	1,649,933	—
Net assets	148,585,650	222,432,790	127,964,718	98,591,975	70,219,100

	As at 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Capital and reserves					
Share capital	219,173,885	224,526,472	130,745,650	100,019,452	66,088,354
Reserve for share based compensation	30,074,070	17,642,606	7,098,415	5,603,853	5,716,413
Deficit	(100,662,305)	(19,736,288)	(9,879,347)	(7,031,330)	(1,585,667)
	148,585,650	222,432,790	127,964,718	98,591,975	70,219,100

RESULTS OF OPERATIONS

Finance Expense

	Year ended 31 December	
	2011	2010
Interest expense on bank loan	**$ —**	$ 70,721
Finance cost on share repurchase obligation	**32,131,962**	—
Unwinding of discounts on provisions	**128,563**	68,347
Less: Amounts capitalized in exploration and evaluation assets	**(6,790,875)**	(46,038)
	$ 25,469,650	$ 93,030

Total finance expense for the year ended 31 December 2011 increased compared to the same period in 2010 primarily due to non-cash finance costs attributable to the share repurchase obligation and the mark to market loss on warrants, which are accounted for using the liability method. The Corporation recognized finance costs of $32.1 million in total on the share repurchase obligation. Of this amount, $6.8 million has been capitalized in exploration and evaluation assets and the remaining amount of $25.3 million has been expensed in the year ended 31 December 2011 compared to $Nil for the same period in 2010. The finance cost associated with the redeemable shares is a result of the accounting treatment of these shares. In conjunction with an equity financing completed in February 2011, common shares were issued to subscribers whereby a 15% put right ("Share Redemption Rights") was agreed to pursuant to the terms and conditions of the subscription agreements ("Subscription Agreements"). According to the Share Redemption Rights, the subscribers may, in specific circumstances and at the option of the subscribers, require the Corporation to repurchase, for cancellation, all common shares issued under the Subscription Agreements at a redemption price equivalent to the subscription price plus a 15% annual rate of return, compounded annually, if the Corporation does not complete an IPO either (a) on or before 31 December 2012; or (b) in any event, by 31 December 2013. As a consequence, the put right resulted in these shares being presented as financial liabilities in the Corporation's statement of financial position. The redeemable shares were accounted for using amortized cost and the effective interest on the redeemable shares for the period is included in finance expense.

Subsequent to year end, the Corporation successfully closed a Qualifying IPO and listed on the SEHK. Pursuant to this event, the balance of the share repurchase obligation, including 433,884,300 common shares comprising of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares, has been reclassified as the terms of the Subscription Agreements were acknowledged to have been met with the subscription holders and the share repurchase obligation has been extinguished. The Class "B" common shares were exchanged for common shares and cancelled.

Accretion for the unwinding of decommissioning obligation was $0.1 million for the year 2011 compared to $68,347 for the same period 2010. There was no interest expense on bank loans recorded for the year ended 31 December 2011 compared to $70,721 as a result of repayment on all bank borrowings in 2010.

FAIR VALUE ADJUSTMENT ON WARRANTS

A loss on warrants of $20.3 million for the year ended 31 December 2011 was recorded compared to $Nil for the year ended 31 December 2010. The loss for the year 2011 related to the change in fair value of the warrants in which the assumptions used in the Black Scholes fair value model, for purposes of determining the fair value of the warrants, were determined by the Corporation's independent directors.

ALLOCATION OF OTHER ASSETS

Allocation of other assets relates to amortization of IPO costs, which qualified for capitalization as deferred costs. $3.5 million was expensed during the year ended 31 December 2011 compared to $Nil for the year ended 31 December 2010.

Share-based Compensation

	For the year ended 31 December					
	2011			2010		
	General and Administrative Costs	Capitalized portion	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Share-based payment expense	$ 15,230,124	$ 7,154,678	$ 8,075,446	$ 8,558,203	$ 4,611,565	$ 3,946,638

The fair value of share-based compensation associated with the granting of stock options and preferred shares is recognized by the Corporation in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model. Share-based compensation expense for the year ended 31 December 2011 was $8.1 million compared to $3.9 million for the year ended 31 December 2010. The increase in share-based compensation expense is primarily the result of the additional expense related to preferred shares which the Corporation began granting in September 2010, higher Black-Scholes valuations for the Corporation's stock options based on the increase in the Corporation's share price, the underlying volatility within the share price and the increase in the number of employees. The Corporation capitalizes a portion of the share-based compensation expense associated with capitalized salaries and benefits. For the year ended 31 December 2011, the Corporation capitalized $7.2 million (year ended 31 December 2010 - $4.6 million) of share-based compensation to exploration and evaluation assets.

General and Administrative Costs

	Year ended 31 December					
	2011			2010		
	General and Administrative Costs	Capitalized portion	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Salaries, consulting and benefits	$ 13,631,212	$ 6,299,855	$ 7,331,357	$ 6,249,622	$ 3,247,535	$ 3,002,087
Rent	1,287,922	676,759	611,163	634,614	420,871	213,743
Other	4,472,926	858,139	3,614,787	2,657,057	1,036,564	1,620,493
	$ 19,392,060	$ 7,834,753	$ 11,557,307	$ 9,541,293	$ 4,704,970	$ 4,836,323

General and administrative expense, which includes salaries, consulting and benefits, rent, and other general administrative costs, for the year ended 31 December 2011 was $12.8 million, compared with $5.8 million for the year ended 31 December 2010. The increase in expense is primarily the result of the planned growth in the Corporation's professional staff and office costs to support the operation and development of its oil sands assets. The head office employee headcount grew from 39 as of 31 December 2010 to 65 as at 31 December 2011. During the year ended 31 December 2011, the Corporation capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of $7.8 million (year ended 31 December 2010 – $4.7 million).

DEPRECIATION

Depreciation expense totaled $185,729 for the year ended 31 December 2011. This compared to depreciation expense of $111,551 for the year ended 31 December 2010. The increase was primarily due to increased computer equipment purchases in respect of new and larger office space.

INTEREST AND OTHER INCOME

Interest and other income for the year ended 31 December 2011 was $1.6 million compared to $0.3 million for the same period in 2010. The increase was due to higher average investment balances and higher interest rates earned during 2011.

INCOME TAXES

The Corporation recognized a deferred income tax recovery for the year ended 31 December 2011 of $1.4 million compared to a deferred income tax expense of $0.2 million for the year ended 31 December 2010. The increase in deferred income tax recovery in 2011 compared to 2010 relates to recognition of tax losses which are expected to reverse the deferred income tax liability. This recognition of tax losses is based on the Corporation's consideration of its internal development plan for its asset base and the assumption that these tax losses will be utilized before their expiry dates.

The Corporation's effective income tax rate is primarily impacted by permanent differences and variances in valuation reserves. The significant permanent differences are:

- Non-taxable share-based compensation for the year ended 31 December 2011 was $2.1 million compared to $1.1 million for the same period in 2010.
- Non-taxable deductions for flow-through shares of $1.6 million for the year end 31 December 2010 decreased to $1.3 million for the year ended 31 December 2011.
- Non-taxable deductions for the loss on warrants of $5.4 million for the year end 31 December 2011 compared to $Nil for the year end 31 December 2010.
- Non-deductible interest of $6.7 million for the year end 31 December 2011 compared to $Nil for the same period in 2010.
- Effect of deferred tax balances due to changes in income tax rates and other differences increased from $0.2 million for the year end 31 December 2010 to $1.4 million for the year end 31 December 2011.

The Corporation is not currently taxable. As of 31 December 2011, the Corporation had approximately $364.0 million of available tax pools and had recognized a sufficient amount of its available tax losses to offset a deferred income tax liability.

CAPITAL INVESTING

The following table summarizes the capital investments for the years presented:

	As at 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Expenditures on exploration and evaluation	155,560,859	43,163,744	7,100,490	76,497,708	39,623,081

The Corporation invested a total of $155.6 million during its 2011 fiscal year compared with $43.2 million during the same period in 2010. Capital investment in 2011 has focused on resource delineation and further development at Muskwa and other resource properties as well as the commencement of construction of the West Ells access road.

EXPLORATION AND EVALUATION

Muskwa Activities

For the year ended 31 December 2011, Sunshine has drilled, completed and equipped 29 producing wells and one water disposal well, for expenditures of approximately $31.9 million. In the first quarter of 2012, the Corporation finished equipping all the drilled wells and completed the water disposal well. The horizontal drilling program for Muskwa was initiated in the fourth quarter of 2010 and to date, a total of 39 of the 57 planned horizontal wells have been drilled.

Since the fourth quarter of 2010, the Corporation has capitalized its blended revenues, royalties, operating costs and interest costs for development of its Muskwa project. Exit rate for 2010 production was 185 bbl/d and increased to 805 bbl/d by the end of 2011. Capitalization of the pre-commercial net operating profit or loss is expected to continue in 2012 until such time that management has assessed and determined technical feasibility and commercial viability of its Muskwa project.

The next phase of development in Muskwa is to expand production and demonstrate commerciality by conducting several stimulations on existing wellbores and through the drilling of additional wells in order to meet the Corporation's expected 2012 exit rate of approximately 1,600 to 1,800 bbl/d.

Exploration Activities

During the year ended 31 December 2011, the Corporation drilled 107 core holes, 1 observation wells and one water source well. These core holes were drilled predominately to support horizontal well placement and to further delineate its resource base.

As at the date of this MD&A, for its 2011/2012 winter drilling program, the Corporation has drilled 67 wells, including 47 clastic wells, two carbonate/saline water wells, 10 clastic observation wells, and eight water wells.

West Ells Activities

With respect of the West Ells project, facilities, procurement and construction investment during 2011 has been directed towards detailed engineering and the purchase of major equipment and materials. As at 31 December 2011, the detailed engineering of the initial phase was approximately 20% complete and capital commitments for major equipment and materials were approximately 25% complete. At 31 December 2011, construction included the ongoing road construction which was approximately 10% complete. Also at 31 December 2011, the Corporation had incurred $24.7 million of the total $479.8 million estimated cost of the initial phase of development at West Ells.

Capitalization

The Corporation capitalizes interest expense and amortization of related finance charges for its exploration and evaluation assets which includes undeveloped property acquisitions and major development projects. During the year ended 31 December 2011, the Corporation capitalized $6.8 million of interest and finance charges compared to $46,038 during the same period in 2010.

Other capital investments are comprised of capitalized salaries and benefits and rent and other general administrative costs directly associated with the qualifying assets classified under exploration and evaluation. Non-cash capital investment is comprised of capitalized share-based compensation and pre-production operating profit or loss. During the year ended 31 December 2011, the Corporation capitalized $7.8 million of general and administrative costs compared to $4.7 million during the same period in 2010.

PROPERTY AND EQUIPMENT

The Corporation spent a total of $0.4 million during the year ended 31 December 2011 (year ended 31 December 2010 - $0.3 million) for investments in tangible assets for the Corporation's offices and related computer equipment.

NON-IFRS MEASUREMENTS

The following table reconciles the Non-IFRS measurements "Cash used in operations" to "Net cash provided by operating activities". Cash flow from operations excludes non-cash finance costs and allocation of IPO costs, interest income, depreciation, share-based payment expense and the net change in non-cash operating working capital, while the IFRS measurement "Net cash provided by operating activities" includes these items.

Liquidity and Capital Resources

	For the year ended 31 December				For the period since inception to 31 December
	2011	**2010**	**2009**	**2008**	**2007**
Cash used in operating activities	**13,779,243**	5,961,534	2,598,410	2,636,317	124,049
Cash used in investing activities	**154,366,815**	43,493,460	8,361,315	73,261,743	39,590,858
Cash generated by financing activities	**211,563,085**	90,419,612	10,994,482	49,160,711	66,993,268
Increase/(decrease) in cash and cash equivalents	**43,417,027**	40,964,618	34,757	(26,737,349)	27,278,361
Cash and cash equivalents, beginning of year	**41,540,387**	575,769	541,012	27,278,361	—
Cash and cash equivalents, end of year	**84,957,414**	41,540,387	575,769	541,012	27,278,361

With the close of its IPO, the Corporation has sufficient capital to go beyond its current obligations and does not anticipate raising new equity capital in the near future. Management believes its current capital resources and its ability to manage cash flow and working capital levels will allow the Corporation to meet its current and future obligations and to fund the development of its 2011/2012 capital program and the other needs of the business for at least the next 12 months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary. As of 31 December 2011, the Corporation's capital resources included $7.1 million of working capital deficiency and an available $100 million credit facility, of which $Nil had been drawn at 31 December 2011. Working capital deficiency of $7.1 million comprised $85.0 million of cash and cash equivalents, offset by a non-cash working capital deficiency of $92.1 million.

Subsequent to year end, the Corporation closed its IPO and listed on the SEHK where the Corporation issued 923,299,500 at HK$4.86 per share raising gross proceeds of HK$4,487 million. Immediately prior to the IPO closing, the redeemable Class "B" shares converted to common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO.

The Corporation intends to use the net proceeds for the following purposes:

- approximately 93% of the net proceeds are expected to be used for funding the development of oil sands and heavy/light oil projects, out of which the Corporation intends to allocate as follows:

West Ells	64%
Delineation Drilling	12%
Muskwa	5%
Thickwood	3%
Other Projects	9%
Total	93%

- approximately 7% of the net proceeds are expected to be used as general working capital for corporate and other purposes.

The Corporation's $85.0 million in cash and cash equivalents as at 31 December 2011, are held in accounts with a diversified group of highly rated third party financial institutions and consist of invested cash and cash in the Corporation's operating accounts. The cash is invested in high grade liquid term deposits. To date, the Corporation has experienced no loss or lack of access to its cash in operating accounts, invested cash or cash equivalents. However, the Corporation can provide no assurance that access to its invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets. While the Corporation monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets.

The fair value of cash, term deposits, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term maturity. The carrying amounts of other liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values. The Corporation classified its warrants, which are accounted for using the liability method, as fair value through profit or loss and measured the fair value under a Level 3 group of the fair value hierarchy. The Corporation's financial instruments have been assessed on their fair value hierarchy described below.

	2011	2010
Financial assets		
Loans and receivables		
Cash and cash equivalents	**$ 84,957,414**	$ 41,540,387
Loans and receivables	**3,582,953**	1,273,558
Deposits	**452,806**	1,086,597
Financial liabilities		
Fair value through profit or loss (FVTPL)	**63,000,304**	—
Other liabilities	**$ 257,727,553**	$ 17,521,798

CASH FLOWS SUMMARY

Operating Activities

Net cash used in operating activities totaled $13.8 million for the year ended 31 December 2011 compared to $6.0 million for the year ended 31 December 2010. The decrease in cash flows provided from operating activities was due mainly to the decrease in cash flow from operations for the year ended 31 December 2011 of $12.8 million compared to $5.8 million for the same period in 2010. Cash flow from operating activities was also impacted by the net change in non-cash working capital. During the year ended 31 December 2011, the net change in Non-cash working capital items resulted in a decrease in cash from operating activities of $1.0 million compared to a decrease of $0.2 million for the year ended 31 December 2010.

Investing Activities

Net cash used for investing activities for the year ended 31 December 2011 totaled $154.4 million compared to $43.5 million for the year ended 31 December 2010. The increase is due to increased investment for resource delineation and continued development at Muskwa and the commencement of construction for the West Ells access road.

Financing Activities

Financing activities for the year ended 31 December 2011, consisted of proceeds received from the share repurchase obligation of $198.6 million, net of transaction costs of $11.4 million, and $15.1 million, net of share issue costs of $0.7 million, for the issue of common shares, including $1.3 million from the exercise of stock options. Net cash provided by financing activities for the year ended 31 December 2011, also included $2.2 million during the year ended 31 December 2011, for payment of deferred IPO costs, presented as other assets in the statement of financial position. The deferred IPO costs include issuance costs related to the IPO.

On 18 October 2011, the Corporation negotiated and signed an agreement with a non-arm's length lender in which a credit facility for general working capital purposes will be made available of up to a maximum of $100 million. The credit facility is interest free until 31 May 2012, after which, interest of 5% is due on a semi-annual basis. The loan is unsecured and subordinated and can be repaid at anytime without penalty. The effective date of the agreement is 31 October 2011, and has a term of 2 years from the date of initial drawdown. Amounts drawn on the loan will be accounted for as a related party transaction as the lending company is significantly owned by a director of the Corporation. As at 31 December 2011, and as at the date of this MD&A, $Nil is outstanding on this credit facility.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The information presented in the table below reflects management's estimate of the contractual maturities of the Corporation's obligations. These maturities may differ significantly from the actual maturities of these obligations.

For the year ended 31 December 2011, the Corporation's commitments are as follows:

	Due within the next 12 months	**Due in the next 2 to 5 years**	**Over 5 years**
Drilling and other equipment and contracts	$ 73,785,000	$ -	$ -
Lease rentals	1,625,910	6,482,136	10,063,500
Office leases[1]	1,612,342	8,155,266	4,043,950
	$ 77,023,252	$ 14,637,402	$ 14,107,450

[1] Office leases only include minimum lease commitments for the first 38 months up to 31 October 2014 for the Hong Kong office lease.

SHARES OUTSTANDING

As at 28 March 2012, the Corporation had the following share capital instruments outstanding[1]:

Common shares	**2,840,921,435**
Preferred G shares	**63,310,000**
Preferred H shares	**22,200,000**
Stock Options	**202,958,540**

[1] The 20:1 share split is reflected in the above per share numbers.

TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiary, who are related parties, have been eliminated on consolidation. The Corporation had related party transactions with the following companies related by way of directors or shareholders in common:

- Orient International Resources Group Limited ("Orient") is a private company owned by a Mr. Hok Ming Tseung, a significant shareholder and director of the Corporation. At 31 December 2011, Orient owned approximately 14.01% of the outstanding shares of the Corporation. Orient has provided a credit facility to the Corporation and provides advisory services with respect to various IPO related matters and other strategic topics.

- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors and an Executive Director. MJH Services provides overall operational services to the Corporation.

- 1226591 Alberta Inc. ("1226591 AB Co.") is private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors and an Executive Director. 1226591 AB Co. provides overall operational services to the Corporation.

- McCarthy Tetrault LLP ("McCarthy's) is a law firm in which a director of the Corporation is a partner. McCarthy's provides legal counsel to the Corporation.

Details of transactions between the Corporation and its related parties are disclosed below.

During the year ended 31 December 2011, the Corporation issued 550,000 Class "H" preferred shares at $0.01 per share to Mr. Hok Ming Tseung (2010 – Nil) as a director of the Corporation.

During 2010, the Corporation entered into an advisory fee agreement (the "Agreement") with Orient in which the Corporation agreed to pay fees for services to be rendered in connection with an initial filing of an IPO prospectus and listing. The fee is equal to 0.75% of the number of common shares issued and outstanding at the time of the initial filing of an IPO and may be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the Agreement expires 20 January 2013. At 31 December 2011, the Corporation determined that the fair value of the obligation was $Nil until such time that the conditions of the agreement and services have been satisfied.

Subsequent to year end, the Corporation successfully closed its IPO and listed on the SEHK. Pursuant to this event, the obligation owing for the advisory fee was recognized and 13,566,395 common shares were issued and a cash fee of $440,933 was paid.

On 18 October 2011, the Corporation negotiated and signed an agreement with Orient in which a credit facility for general working capital purposes was made available of up to a maximum of $100 million (the "Credit Facility Agreement"). The credit facility is interest free until 31 May 2012 after which, interest of 5% is due on a semi-annual basis. The loan is unsecured and subordinated and can be repaid at anytime without penalty. The effective date of the Credit Facility Agreement is 31 October 2011, and has a term of 2 years from the date of initial drawdown. As at 31 December 2011, and as at the date of this MD&A, $Nil was outstanding on this credit facility.

The Corporation incurred consulting fees, share-based compensation and performance related incentive payments to MJH Services and 1226591 AB Co. of $2.0 million each, respectively, for the year ended 31 December 2011 (year ended 31 December 2010 - $1.1 million each, respectively).

During the period, the Corporation entered into the following trading transactions with McCarthy Tetrault LLP:

	Year ended 31 December			
	2011		2010	
	Sales of goods and services	**Purchases of goods and services**	Sales of goods and services	Purchases of goods and services
Other assets[1]	**$ —**	**$ 867,297**	$ —	$ —
Share issue costs	**—**	**115,520**	—	—
	$ —	**$ 982,817**	$ —	$ —
Legal expense	**$ —**	**$ 291,410**	$ —	$ 225,243

1 Other assets comprises of IPO financing costs before allocation expense.

The following balances were outstanding and included in trade and other payables at the end of the reporting period:

	As at 31 December	
	2011	2010
Legal	**$ 362,903**	$ 29,619

All related party transactions are in the normal course of operations and have been measured at the agreed exchange amounts, which is the amount of consideration established and agreed to by the related parties. The amounts outstanding are unsecured and will be settled in cash or common shares. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

EMOLUMENT POLICY

The emolument policy of the executives of the Corporation is set up by the Compensation Committee on the basis of merit, qualifications and competence and recommendations from the Co-Chairmen. Subject to changes directed by the Co-Chairmen, the emolument policy for the rest of the employees is determined on a department by department basis with the executive in charge of each department determining the emoluments for senior employees and managers in the department and the emoluments for non-senior employees being determined by an appropriately designated manager. The emolument policy for non-executives is administered in conjunction with the human resources department and is done on the basis of merit, qualifications and competence.

The emolument policy for the directors of the Corporation is decided by the Compensation Committee and approved by the Board, having regard to comparable market statistics.

Since the Corporation became a publicly listed company and subsequent to the reporting period, Sunshine confirms that the principles of the above will be applied prospectively with effect from with its public listing.

The Corporation also has a stock option plan for directors, officers, employees, consultants and advisors (the "Stock Option Plan"). The options vest over a period ranging up to three years from the date of grant. Options granted under the Stock Option Plan will have an exercise price that is not less than the price of the most recent private placement, or, if the common shares are listed on a stock exchange, the price which is, from time to time, permitted under the rules of any stock exchange or exchanges on which the common shares are then listed.

On 9 September 2010, the 2009 Stock Option Plan dated 7 May 2009, was amended, approved, ratified and adopted by shareholders at the Corporation's annual general meeting. The amendment increased the maximum number of common shares that may be reserved for issuance pursuant to the 2009 Stock Option Plan from 169,289,160 to the greater of 210,000,000 or 10% of the total number of issued and outstanding shares.

As at 31 December 2011, the Corporation employed 65 employees.

Off-Balance Sheet Arrangements

At 31 December 2011 and 2010, the Corporation did not have any off-balance sheet arrangements.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on 1 January 2012. For the purpose of preparing and presenting the consolidated financial information of the relevant periods, the Corporation has consistently adopted all these new IFRSs for the relevant periods.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective during the relevant periods.

IFRS 7 (Amendments)	Financial instruments: Disclosures[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Disclosures – Presentation of other comprehensive income
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Amendments)	Disclosure and Measurement – Post-Employment Benefits and Termination Benefits projects
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Financial instruments – puttable instruments
IFRIC 20	Stripping Cost in the Production Phase of a Surface Mine

1 Effective retrospectively for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 January 2015

3 Effective for annual periods beginning on or after 1 January 2012

Management anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Corporation.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Oil and gas reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on, among other things, current production forecasts, prices, cost estimations and economic conditions.

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production forecasts, prices and other economic conditions;

- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and

- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Corporation's development and production assets are determined using proved and probable reserves.

Independent qualified reserves evaluators prepare reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by the Corporation's engineers and operational management familiar with the property.

Bitumen Reserves

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that over time its reserves estimates will be revised either upward or downward based on updated information such as the results of future drilling, testing and production. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion and depreciation and for determining potential asset impairment. For example, a revision to the proved reserves estimates would result in a higher or lower depletion and depreciation charge to net earnings. Downward revisions to reserve estimates may also result in an impairment of oil sands property, plant and equipment carrying amounts.

Recoverability of exploration and evaluation costs

Exploration and Evaluation costs ("E&E") are capitalized as exploration and evaluation assets by cash generating unit ("CGU") and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues based on forecasted oil and gas prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value, and (v) potential value to future E&E activities of any geological and geographical data acquired.

Decommissioning costs

A provision is required to be recognised for the future retirement obligations associated with the Corporation's exploration and valuation assets. The decommissioning provision is based on estimated costs, taking into account the anticipated method and extent of restoration consistent with legal, regulatory and constructive requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

Share repurchase obligation

The Corporation has a share repurchase obligation pursuant to the accounting treatment required under IAS 32. In order to calculate a value for the share repurchase obligation, the effective interest method has been applied which is based on estimates and assumptions to determine the effective interest rate. The effects of a change in these estimates or assumptions could result in a materially different amount.

Share-based payments

The Corporation recognises compensation expense on options, preferred shares and stock appreciation rights ("SARs") granted. Compensation expense is based on the estimated fair value of each option, preferred share and stock appreciation rights at its grant date, the estimation of which requires management to make assumptions about future volatility of the Corporation's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value.

Risk Factors

RISKS RELATING TO THE CORPORATION'S BUSINESS

Projects are currently in the early stages of development and may not be completed within expected time frames, within budget, or at all.

The Corporation's projects are currently in early development stages. The completion of the Corporation's projects or the commencement of production and commercial sales of oil and bitumen from the Corporation's projects could be delayed or experience interruptions or increased costs or may not be completed at all due to a number of factors, including:

- delays in obtaining or an inability to obtain, or conditions imposed by, regulatory approvals;
- disruption in the supply of energy and diluent;
- non-performance by third party contractors;
- inability to attract sufficient numbers of qualified workers;
- labour disputes or disruptions or declines in labour productivity;
- unfavourable weather conditions;
- contractor or operator errors;
- design errors;
- availability of infrastructure, pipeline and refining capacity;
- increases in materials or labour costs;
- catastrophic events such as fires, storms or explosions;
- the breakdown or failure of equipment or processes;
- construction, procurement and/or performance falling below expected levels of output or efficiency;
- changes in project scope;
- violation of permit requirements; and
- the pace of progress with respect to extraction technologies.

Given the stage of development of the Corporation, various changes to the applicable designs and concepts may be made prior to their completion, which could increase costs or delay project completion. We intend to grow the Corporation's business in stages, and the potential production targets for the Corporation's clastics and conventional heavy oil are approximately 1,600-1,800 bbl/d by the end of 2012 and 200,000 bbl/d by 2024. We plan to recover the Corporation's clastics and conventional heavy oil, and eventually, as the recovery technologies continue to evolve, the Corporation's carbonate assets. However, we cannot assure you that the Corporation's growth will proceed in the stages we expect due to the factors mentioned above or others that we may not be able to foresee.

Historically, some oil sands projects have experienced capital cost increases and overruns due to a variety of factors. While we have a schedule for developing the Corporation's projects, including obtaining regulatory approvals and commencing and completing the construction of the Corporation's projects, we cannot assure you that the Corporation's expected timetables will be met without delays, or at all, which could have potentially adverse effects upon these projects' budgets. Any delays may increase the costs of the Corporation's projects, requiring additional capital, and we cannot assure you that such capital will be available in a timely and cost-effective fashion.

The level of profitability expected may not be achieved.

The potential profitability of oil sands operations is dependent upon many factors beyond the Corporation's control. As with any oil sands projects, we cannot assure you that bitumen will be produced pursuant to the Corporation's Oil Sands Leases. In addition, the marketability of the bitumen produced from the Corporation's projects will be affected by numerous factors beyond the Corporation's control. These factors include fluctuations in market prices, the proximity and capacity of pipelines and upgrading and processing facilities, the development and condition of infrastructure necessary to carry out the Corporation's operations, equipment availability and government regulations (including regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas and environmental protection). These factors could materially affect the Corporation's financial performance and result in the Corporation's not receiving an adequate return on invested capital.

In the event that the Corporation's projects are developed and become operational, we cannot assure you that these projects will produce or transport bitumen or bitumen blends in quantities or at the costs anticipated, or that they will not cease production entirely in certain circumstances. Reservoir quality or equipment failures and design flaws could increase the costs of extracting bitumen at the Corporation's projects. The costs of producing and transporting bitumen blends from oil sands may increase so as to render recovery of bitumen resources from the Corporation's projects uneconomical. We cannot assure you that an adequate supply of natural gas and electricity will be available as fuel sources to support production operations at prices which would make the Corporation's projects economically feasible.

The Corporation's estimates of operating costs have been based on current estimations for the Corporation's projects. Actual operating costs may differ materially from such current estimates. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws and regulations and enforcement policies could result in substantial costs and liabilities, delays or an inability to complete the Corporation's projects or the abandonment of the Corporation's projects.

The development of projects requires significant and continuous capital investment that may be difficult to raise or may be raised under unfavourable terms.

The development of oil sands projects requires a significant amount of capital investment that occurs over a number of years and prior to the commencement of commercial operations at the relevant project. As a result, the Corporation's projected capital expenditures required to develop commercial operations at the Corporation's projects are expected to be significantly greater than currently available working capital. We currently do not have the capital or committed financing necessary to complete all of the Corporation's planned future development phases and therefore will need to rely on additional equity or debt financing to obtain the funds necessary to complete the Corporation's future development activities. Inflation risks subject us to potential erosion of future product netbacks. For example, domestic prices for construction equipment and services and oil production equipment and services can inflate the costs of project development and increase future operating costs. In addition, any construction or development delays at the projects could increase the capital expenditure required to develop the projects. If we face difficulty in raising sufficient capital or raise capital under unfavorable terms in order to meet the Corporation's working capital requirements, the Corporation's business, results of operations, financial position and growth prospects could be materially and adversely affected.

The attraction, retention and training of key and other personnel is required to meet business and operational needs.

We rely on certain key members of the Corporation's senior management team and employees who have experience in the oil sands industry to manage the Corporation's business and growth. The unexpected loss or departure of any of the Corporation's key officers, employees or consultants could negatively impact the Corporation's business, results of operations, financial position and growth prospects.

The Corporation's projects will require experienced employees with particular areas of expertise. The number of persons skilled in the exploration and development of oil sands projects may be limited. We cannot assure you that all of the required employees with the necessary expertise will be available. There are other oil sands projects in Alberta that are planned for completion on timetables similar to those of the Corporation's projects. Should those other projects or expansions proceed in the same timeframe as the Corporation's projects, we may compete with the Corporation's competitors for experienced employees and such competition may result in retention of an insufficient number of skilled employees and increases to compensation paid to such employees.

In addition, the Corporation's ability to recruit and train operating and maintenance personnel is a key factor for the success of the Corporation's business activities. Actual staffing needs may exceed the Corporation's current projections. If we are not successful in recruiting, training and retaining the personnel we require in sufficient numbers, the Corporation's business, results of operations, financial position and growth prospects could be materially and adversely affected.

The Corporation's operations and assets could be adversely affected by the LARP.

The Corporation's operations in the Lower Athabasca region could be adversely affected by the LARP which was released in April 2011 and updated in August 2011 by the Government of Alberta. The LARP contains draft management frameworks not yet approved as provincial law for air emissions, surface water quality and ground water quality that are intended to assist in the monitoring and management of long-term cumulative changes to the Lower Athabasca region. If finalised, and if the production of hydrocarbons under provincial law are subject to change as a result of the LARP draft management framework, then all oil sands companies operating within the Lower Athabasca region will be required to comply with both the terms of their specific approvals as well as the provisions of the LARP, including its land use management frameworks. The LARP also contains future planning to increase provincial conservation areas from 6% to 22% of the region's land base. Conservation areas will be managed to minimise and prevent land disturbance including the possibility of a prohibition on oil sands development. In April 2011, the Sustainable Resource Development of the Government of Alberta ("SRD") placed a protective notation ("PNT") on all surface access associated with the LARP. The PNT acts as a land identifier to the Government of Alberta and industry to identify lands that may be managed to achieve particular land use or conservation objectives, and can place a surface restriction which requires Oil Sands Lease holders to apply for access to proposed conservation areas for new surface and exploration activities. In particular, the PNT requires that lands are held "as is" pending the outcome of the LARP draft planning and, in some cases, can prohibit any activities relating to oil sands sub-surface tenure.

The Competent Persons have independently assessed the potential impact of the LARP on all of the Corporation's properties in September 2011 as set out in the table below.

	Best Estimate			
		Total PIIP	Remaining	
Property	**Total PIIP**	**LARP impact**	**Total PIIP**	**Total PIIP Loss**
	MMbbl	MMbbl	MMbbl	%
Crow Lake	332	81	251	-24
East Long Lake	162	—	162	—
Harper (carbonates)	10,555	2,828	7,727	-27
Harper (clastics)	5,581	199	5,382	-4
Total	16,630	3,108	13,522	-19

The Competent Persons have indicated that based on the current LARP only the Corporation's Crow Lake, East Long Lake and Harper properties may be impacted by the proposed conservation areas. The best estimate total PIIP at the Corporation's Crow Lake and Harper properties that may be impacted by the LARP accounts for approximately 6.9% of the Corporation's total best estimate PIIP of 45,368 MMbbl as at 30 November 2011 as assessed by the Competent Persons. The LARP has no impact on the Corporation's reserves and best estimate contingent resources.

The PNT was amended in August 2011 which allowed oil sands sub-surface tenure applications to be accepted and assessed by the SRD on a case by case basis within the Harper area. We have submitted and received a PNT restriction variance from the SRD which deemed the surface and exploration activities for the Corporation's proposed 2011/2012 winter drilling programmes in the Harper area to be within the PNT boundaries. However, given the PNT restriction variance applied only to the Harper area, the Corporation's access to, and exploration activities with respect to other properties continue to be subject to LARP and are substantially restricted. Until the LARP is finalised, and approved as provincial law we are unable to make any definitive assessment of the impact of the LARP on the Corporation's Oil Sands Leases. However, as the impacted areas contain high estimate contingent resources, prospective resources and PIIP, the execution of the Corporation's business strategies and expansion plans may be negatively affected by restrictions imposed under the LARP, which could in turn affect the Corporation's business, results of operations, financial position and growth prospects. In addition, the LARP affects only the Lower Athabasca region, which is one of seven regions of Alberta. We cannot assure you that the Government of Alberta will not impose policies or plans similar to the LARP to regulate environmental protection and preservation in respect of other regions in the Province of Alberta.

The Corporation's operations depend on infrastructure owned and operated by third parties and on services provided by third parties.

We depend on certain infrastructure owned and operated or to be constructed by others and on services provided by third parties, including, without limitation, processing facilities, pipelines or rail lines for the transportation of products to the market, natural gas, diluent, disposal pipelines, electrical grid transmission lines for the provision and/or sale of electricity to us, engineering, equipment procurement and construction contracts, maintenance contracts for key equipment, and contracts for services of a constant or recurring nature. The failure of any or all of these third parties to supply utilities, services, or, in connection with the Corporation's SAGD projects, to construct necessary infrastructure on a timely basis and on acceptable commercial terms will negatively impact the Corporation's operations and financial results.

We initially plan on trucking diluent to, and dilbit from, the Corporation's SAGD projects to markets in the short term and are also investigating rail and pipeline alternatives. The ability to deliver diluent to the Corporation's SAGD projects and ship dilbit to markets is dependent on, among other things, access to trucks and drivers, absence of unforeseen obstacles and accidents, weather and general road conditions. Delays or the inability to deliver diluent to the Corporation's SAGD projects or ship dilbit to market could have a negative impact on the Corporation's business, results of operations, financial position, growth prospects and cash flow.

Any pursued strategic alliances, partnerships and joint venture arrangements could present unforeseen integration obstacles or costs and may not enhance the business.

We may pursue potential strategic alliances and partnerships in the areas of infrastructure development for the Corporation's clastic assets, as well as the development and application of new technologies to the Corporation's carbonate resources and pursue joint venture arrangements with other oil and gas companies to develop the Corporation's core areas. These arrangements involve a number of risks and present financial, managerial and operational challenges. We may not be able to realise any anticipated benefits or achieve the synergies we expect from these arrangements and we may be exposed to additional liabilities of any acquired business or joint venture. Any of these could materially and adversely affect the Corporation's revenue and results of operations. In addition, future acquisitions or joint ventures may involve the issuance of additional Shares of the Corporation, which may dilute Shareholders' interests.

Carbonate resources may not be successfully developed.

We intend to apply current and future technologies for development of the Corporation's carbonate resources, predominantly at the Corporation's Harper, Muskwa and Portage project areas. The successful development of the Corporation's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channeling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes; and (ii) potential mechanical operating problems due to production of fine sedimentary particles which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations.

Development of carbonate reservoirs will involve significant financial and time investment and project payout is not assured. The Corporation's ability to develop the Corporation's bitumen resources that are located in carbonate reservoirs on a commercially viable scale is contingent upon one or more of the following events occurring:

- using existing SAGD or CSS technology to successfully exploit carbonate reservoirs;
- adapting existing SAGD or CSS technology such that it can be successfully used to exploit carbonate reservoirs; or
- developing or acquiring new technology that can be used to successfully exploit carbonate reservoirs.

We cannot assure you that any of these events will occur. The development of such recovery processes will involve significant capital expenditures and a significant lag time between capital expenditures and the commencement of commercial sales. If a pilot project and/or the technology under development does not demonstrate potential commerciality in carbonate reservoirs then the Corporation's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred.

There is a greater degree of risk associated with developing the carbonates in view of the distinction that established recovery technologies are methods proven successful in commercial applications, whilst technology under development is technology developed and verified by testing as feasible for future commercial application to the subject reservoir.

There could be claims related to infringement of oil and gas development rights and litigation in the ordinary course of business.

We are subject to the risk that a third party could claim that we have infringed such third party's oil and gas development rights. In addition, we could be involved in litigation in the ordinary course of business. Any claim, whether with or without merit, could be time-consuming to evaluate, result in costly litigation and cause delays in the Corporation's operations, which could divert management's attention and financial resources from the Corporation's normal operations.

It is possible for the Crown to grant different mineral rights over a given parcel of land in separate geological horizons. It is not uncommon for different parties to have different rights to specific geological horizons granted on different dates. As a result, different rights of different parties on the same parcel of land can result in conflicts due to their competing interests. Where this occurs, the parties may work together to negotiate a compromise that maximises recovery for all parties involved. Where such a compromise is unattainable, the authority of one of a number of administrative bodies, such as the ERCB or the Surface Rights Board, will be determinative while the ultimate result will be affected by the nature and particular characteristics of the conflict. The ultimate result of such conflicts cannot therefore be predicted accurately in advance and could include the temporary suspension of the Corporation's ability to explore, develop and exploit the Corporation's mineral rights.

Hedging arrangements are subject to risks.

The nature of the Corporation's operations will result in exposure to fluctuations in currency and commodity prices. We may use financial instruments and physical delivery contracts to hedge the Corporation's exposure to these risks. To the extent that we engage in hedging activities, we will be exposed to credit related losses in the event of non-performance by counterparties to the physical or financial instruments. Additionally, if product prices increase above those levels specified in any future commodity hedging agreements we enter into, we would lose the full benefit of commodity price increases. If we enter into hedging arrangements, we may suffer financial losses if we are unable to commence operations on schedule or are unable to produce sufficient quantities of oil to fulfill the Corporation's obligations. We may also hedge the Corporation's exposure to the costs of inputs to the Corporation's projects such as natural gas. If the prices of these inputs fall below the levels specified in any future hedging agreements, we would lose the full benefit of commodity price decreases.

Our results are affected by the exchange rate between the Canadian and US dollar. The majority of our expenditures and other expenses are in Canadian dollars, and our reporting currency is the Canadian dollar. The majority of our revenues will be received in US dollars or from the sale of oil commodities that reflect prices determined by reference to US benchmark prices. An increase in the value of the Canadian dollar relative to the US dollar will decrease the revenues received and recorded in our consolidated financial statements from the sale of our products.

RISKS RELATING TO THE ALBERTA OIL SANDS INDUSTRY

Revenue and results of operations are sensitive to changes in oil prices and general economic conditions.

The Corporation's revenue and results of operations are sensitive to movements in the market prices for crude oil and general economic conditions. The prices that we receive for the Corporation's conventional heavy oil bitumen and bitumen blend will depend on crude oil prices. Crude oil prices have historically been subject to large fluctuations due to changes in the supply of, and demand for, oil (and the market perception thereof), which in turn are affected by factors beyond the Corporation's control. These factors include, among other things, the condition of the Canadian, United States and global economies, actions taken by the Organisation of Petroleum Exporting Countries, governmental regulation, political stability in oil producing nations and elsewhere and war or the threat of war in oil producing regions. Adverse changes in general economic and market conditions could also negatively impact demand for crude oil, bitumen and bitumen blend, revenue, operating costs, results of financing efforts, fluctuations in interest rates, market competition, labor market supplies, timing and extent of capital expenditures or credit risk and counterparty risk.

Any significant reduction in oil prices would lower the Corporation's selling prices, which could have a material and adverse effect on the Corporation's revenue and profitability. In addition, a significant reduction in oil prices could render uneconomic the recovery, blending and transportation of the Corporation's bitumen resources. For example, the global financial crisis that started in 2008 led to a significant drop in oil prices. As a result, a number of oil sands projects were withdrawn or postponed since oil prices at the time were not at a level which made oil sands projects economically feasible. We cannot assure you that oil prices will remain at commercially acceptable levels for oil sands developers in the future.

In addition, the market prices for conventional heavy oil and bitumen blends are lower than the established market indices for light and medium grades of oil, due principally to diluent prices and the higher transportation and refining costs associated with conventional heavy oil and bitumen blends. Future price differentials between heavier and lighter grades of crude oil are subject to uncertainty and any increase in the price differentials could have an adverse effect on the Corporation's business, results of operations, financial position and growth prospects.

We conduct an assessment of the carrying value of the Corporation's assets to the extent required by IFRS. If crude oil prices decline, the carrying value of the Corporation's assets could be subject to downward revision, and the Corporation's earnings could be adversely affected.

In the future, we may enter into hedging arrangements in order to reduce the impact of crude oil price or currency fluctuations. For a discussion of the risks associated with those arrangements please refer to the section entitled "— Risks Relating to The Corporation's Business — Hedging Arrangements Are Subject to Risks" above.

The Canadian oil sands industry could experience disruptions due to unfavourable or seasonal weather conditions.

The level of activity in the Canadian oil sands industry is influenced by seasonal weather patterns and could be affected by unfavorable weather conditions. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil producing and exploration areas (including many of the areas in which we operate) are located in regions that are inaccessible other than during the winter months because the ground surrounding the sites consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in development and production activities.

Bitumen in situ recovery processes are subject to uncertainties.

The recovery of bitumen using in situ processes such as SAGD or CSS is subject to uncertainty. Although several companies have utilized these processes to recover bitumen, we cannot assure you that the Corporation's projects will achieve the same or similar results, or that any of the Corporation's projects will produce bitumen at expected levels, on schedule or at all.

The quality and performance of the reservoir can also impact the timing, cost and levels of production using this technology. In situ exploration and production operations are also subject to risks such as encountering unexpected formations or pressures and invasion of water into producing formations. With additional data and knowledge of a reservoir, we may realise that the reservoir does not show the same level of porosity and permeability as shown from the previous data set. Moreover, the actual production performance, including recovery rate and Steam to Oil Ratio ("SOR"), may not meet what has been predicted. In that case, the production plan may be changed or adjusted significantly.

The performance of SAGD or CSS facilities may differ from the Corporation's expectations. The variances from expectations may include, without limitation:

- the ability to operate at the expected level of production;
- the reliability or availability of the SAGD and CSS facilities; and
- The amount of steam required to reduce the viscosity of bitumen resources.

If the SAGD or CSS facilities do not perform to the Corporation's expectations or as required by regulatory approvals, we may be required to invest additional capital to correct deficiencies or we may not be able to meet the Corporation's expected level of production. If these expectations are not met, the Corporation's revenue, cash flow and relationships with customers could be materially and adversely affected.

The Corporation's profitability could be materially and adversely affected by fluctuations in natural gas prices.

The Corporation's profitability could be materially and adversely affected by fluctuations in natural gas prices. We utilise natural gas to produce steam and natural gas condensate as a diluent to reduce the viscosity of the Corporation's bitumen resources. Natural gas prices have been subject to significant fluctuations due to changes in supply and demand. Factors which affect natural gas prices include, among other things, weather conditions in the United States and Canada, pipeline capacity and oil prices. We currently do not plan to enter into long term contracts for the purchase of natural gas or hedging arrangements related to movements in natural gas prices. If natural gas prices increase, the Corporation's costs could increase and the Corporation's profitability could be materially and adversely affected.

Drilling and other equipment for exploration and development activities may not be available when needed.

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the areas where such activities will be conducted. If the demand for this equipment exceeds the supply at any given time, or if the equipment is subject to access restrictions, the Corporation's exploration and development activities could be delayed. We cannot assure you that sufficient drilling and other necessary equipment will be available as needed by us. Shortages could delay the Corporation's proposed exploration, development and sales activities, and could have a material adverse effect on the business, results of the Corporation's operations, financial position and growth prospects.

Access to diluent supplies at favourable prices may be limited.

Bitumen is characterised by low API gravity or weight and high viscosity or resistance to flow. We plan on using condensate as a diluent. Diluent is required to facilitate the processing and transportation of bitumen. A shortfall in the supply of diluent may cause its cost to increase or require alternative diluent supplies to be purchased, thereby increasing the cost to transport bitumen to market and correspondingly increasing the Corporation's operating cost and adversely impacting the Corporation's overall profitability.

A lack of, or impediment to constructing sufficient pipeline, shipping or refining capacity could adversely affect the Corporation's business, results of operations, financial position and growth prospects.

The primary market for Canadian-sourced oil has traditionally been the United States. Through proposed pipelines and shipping terminals, Canadian-sourced oil from Alberta could be transported to Asian markets when destination terminals are constructed along the west coast of Canada and when transportation proposals connecting the Athabasca region to west coast terminals are implemented. Currently there are a number of planned projects which could potentially increase the pipeline, rail line, shipping and refining capacity for bitumen and conventional heavy oil sourced from Alberta. However, we cannot assure you that these projects will increase pipeline, rail line, shipping or refining capacity at a rate which would be sufficient to match the demand for such capacity. If there is a shortage of pipeline, rail line, shipping and refining capacity for heavy conventional oil and bitumen, the Corporation's business, results of operations, financial position and growth prospects could be materially and adversely affected.

Major infrastructure projects such as trans-continental pipelines to transport oil from Alberta to the United States require regulatory and government approvals from both the Canadian and US governments. If proposed pipeline construction projects are rejected by either government or if there are other technical or regulatory obstacles associated with the construction of the pipelines, new pipelines may not be constructed and the Corporation's ability to transport oil using such pipelines would be negatively impacted. Similarly, any rejection by governments or regulatory bodies of proposals to build new shipping and refining capacity for heavy conventional oil and bitumen may also materially and adversely affect the Corporation's business, results of operations, financial position and growth prospects.

Oil sands exploration and development is subject to operational risks and hazards.

The operation of the Corporation's projects is subject to risks and hazards relating to recovering, transporting and processing hydrocarbons, such as fires, explosions, and gas leaks, migration of harmful substances, blowouts and spills. The occurrence of any of these incidents might result in the loss of equipment or life, as well as injury or property damage. The Corporation's projects could be interrupted by natural disasters or other events beyond the Corporation's control. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on the Corporation's projects and on the Corporation's business, results of operations, financial position and growth prospects.

The Corporation's projects are expected to process large volumes of hydrocarbons at high pressure and at high temperatures in equipment with defined tolerances which will handle large volumes of high pressure steam. Equipment failures could result in damage to the Corporation's facilities and liability to third parties against which we may not be able to fully insure or may elect not to insure due to high premium costs or for other reasons.

We expect that we will initially use trucks to bring the Corporation's bitumen to the market. Normal hazards associated with trucking include collisions between vehicles and wildlife. We may also use rail or pipelines to transport dilbit to the market and diluent to the Corporation's projects. Normal hazards associated with transportation by rail include collisions with vehicles and wildlife and rail line breaks. Normal hazards associated with transportation by pipeline include leakage and other potential environmental issues. These hazards could potentially disrupt the transportation of the Corporation's products and materials and could materially and adversely affect the Corporation's business, results of operations, financial position and growth prospects.

The Corporation's plans and assumptions for the development of Base Case Clastic Assets differ in some important respects from the plans and assumptions relied on by GLJ.

GLJ, one of the Competent Persons, has provided a third party view of a development plan for the Corporation's Base Case Clastic Assets. However, we intend to pursue the Corporation's own development plans based upon the Corporation's own assumptions for Base Case Clastic Assets. Certain of these plans and assumptions, including the development schedule, expected capital expenditures, operating cost, and production levels and other performance indicators differ from those employed by GLJ. In particular, the Corporation's management assumptions and GLJ assumptions differ in the following principal respects:

- The Corporation has assumed a more conservative development schedule compared to the schedule assumed by GLJ, because we have taken into account additional possible constraints such as access to cost efficient capital.
- The Corporation has derived the Corporation's production estimate from type curves created from a numerical reservoir simulator, which it believes incorporates more detailed reservoir and fluid characterisation than is inherently possible using the analytical model employed by GLJ. As a result, it allows us to conduct more rigorous sensitivity analysis to determine the impact of changes in parameters, resulting in a higher, project-specific production estimate than that of GLJ.
- The Corporation and GLJ have both assumed the use of infill wells to increase bitumen recovery. However, we have assumed that infill wells will begin production within two and half years after first steam as compared to four years based on the assumption of GLJ. In addition, the Corporation has assumed a smaller volume of steam is required to produce a barrel of bitumen than that assumed by GLJ, leading to an estimate of reduced fuel operating cost per barrel compared to GLJ's estimate.
- The Corporation has assumed noncondensible gas ("NCG") co-injection earlier in a well's productive life in order to achieve a reduction in overall steam requirements by one-third after one year of production. GLJ assumed NCG co-injection near the end of a well's productive life which will only lead to a steam reduction of 10%.
- The Corporation expects to have lower SOR requirements and a smaller central processing facility as a result of the different assumptions the Corporation adopted regarding infill wells and NCG coinjection, allowing it to estimate lower capital and operating costs per barrel of bitumen compared to GLJ's estimate.

While a number of the Corporation's key assumptions may be more or less favourable than those adopted by GLJ, they do not affect the reserves and resources, as stated by GLJ. The Corporation cannot assure you that it will be able to achieve the Corporation's planned production targets with the level of capital and operating expenditure which it currently anticipates. For example, if the Corporation's actual SOR is higher than it anticipated, the Corporation will likely experience lower production levels or need to incur more capital and operating expenses in order to achieve the Corporation's target production. Many of the assumptions made by the Corporation are subject to change and may, over time, deviate from actual events. If the Corporation's management assumptions prove to be inaccurate, the Corporation's actual results of operations may diverge from the Corporation's estimates, and such divergence may be significant and adverse.

There are risks associated with reserves and resources definitions.

The Corporation has disclosed estimated volumes of the Corporation's contingent resources, prospective resources and PIIP, in addition to estimates of values of contingent resources, in the Prospectus, dated 20 February 2012. None of the volumes or values of the Corporation's reserves or resources have been risked for chance of development or, in the case of prospective resources, chance of discovery. Contingent resources, prospective resources and PIIP are not estimates of the volumes of petroleum that may be recovered. Actual recovery may be substantially less. The Corporation is currently attributed with 419 million barrels of 2P reserves and 3.1 billion barrels of best estimate contingent resources.

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, established recovery technology or technology under development, corporate commitment, and/or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status. The development of the Corporation's clastic assets is based on established recovery technology, whilst the development of the carbonate assets is based on technology under development. There is a greater degree of risk associated with developing the carbonates in view of the distinction that established recovery technologies are methods proven to be successful in commercial applications, whilst technology under development is technology developed and verified by testing as feasible for future commercial application to the subject reservoir.

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further sub-divided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity.

Total PIIP is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered. It is a measure derived from an aggregation of the total reserves, contingent resources and prospective resources held by a person, whether they are recoverable or unrecoverable.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as low, best, and high estimates as follows:

- Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

- Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

- High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

This approach to describe uncertainty may be applied to reserves, contingent resources, prospective resources and PIIP. There may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production. The Corporation cannot assure you that it will be commercially viable to produce any portion of the contingent or prospective resources.

The reserves and resources data and present value calculations presented in the Prospectus, dated 20 February 2012, are estimates based on a number of assumptions which may deviate from the actual figures over time.

There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, quantities of contingent resources and future net revenues to be derived therefrom, including many factors beyond the Corporation's control. The reserves, contingent resources and estimated financial information with respect to certain of the Corporation's Oil Sands Leases have been independently evaluated by the Competent Persons. These evaluations include a number of factors and assumptions made as of the date on which the evaluation is made such as geological and engineering estimates which have inherent uncertainties, the effects of regulation by governmental agencies such as initial production rates, production decline rates, ultimate recovery of reserves and contingent resources, timing and amount of capital expenditures, marketability of production, current and estimate prices of blended bitumen, crude oil and natural gas, the Corporation's ability to transport the Corporation's product to various markets, operating costs, abandonment and salvage values and royalties and other government levies that may be imposed over the productive life of the reserves and contingent resources. Reserves and contingent resources estimates may require revision based on actual production experience. Actual production and cash flow derived from the Corporation's Oil Sands Leases may vary from the Competent Persons' estimates on both, and such variations may be material and adverse.

The Corporation uses PV10% to estimate the present value of future net revenues from the Corporation's operations. Pretax PV10% is the estimated present value of the Corporation's future net revenues generated from the Corporation's proved reserves and contingent resources before taxes, discounted using an annual discount rate of 10%. Post-tax PV10% is the same calculation on an after tax basis. PV10% is not a measure of financial or operating performance, nor is it intended to represent the current market value of the Corporation's estimated oil sands reserves and resources. Estimates with respect to reserves and contingent resources that may be developed and produced in the future are often based on volumetric calculations, probabilistic methods and analogy to similar types of reserves and resources, rather than upon actual production history, and are therefore generally less reliable. Subsequent evaluations of the same reserves or resources based on production history may result in material variations from current estimated reserves and contingent resources. Furthermore, estimates with respect to future revenue to be derived from proved reserves and contingent resources are inherently uncertain as they are often determined based on assumed oil prices and the Corporation's operating costs and may be further impacted by assumptions the Corporation makes in respect of a number of factors, such as market demand for oil, interest rate and inflation rate, all of which are not within the Corporation's control. While the Corporation believes that the presentation of PV10% estimates provides useful information to investors in evaluating and comparing the relative size and value of the Corporation's reserves and contingent resources, calculations of the Corporation's future net revenues using PV10% are inherently uncertain as a result of the reasons outlined above and therefore should not be unduly relied on. Furthermore, the Competent Persons, in the Competent Persons' Reports, have used a range of other discount rates to calculate present value of future net revenues which would produce different results from the use of PV10%.

Future delineation programmes may not be successful in adding to reserves and resources.

As part of the Corporation's growth strategy, it intends to further delineate reserves and resources on the Corporation's existing Oil Sands Leases land base. The Corporation cannot assure you that the Corporation's delineation programmes will be successful in adding to the Corporation's reserves and resources. If these programmes are not successful, the Corporation's growth prospects could be materially and adversely affected.

The oil sands and oil industry in general are highly competitive.

The Canadian oil sands industry and international oil industry are highly competitive. Oil producers compete with each other in a number of areas, including in attracting and retaining experienced and skilled management personnel and oil and gas professionals, the procurement of equipment for the extraction of bitumen, access to capital markets, the exploration for, and the development of, new sources of supply, the acquisition of oil interests, the distribution and marketing of petroleum products, and the obtainability of sufficient pipeline and other means of transportation. The Corporation's business will compete with producers of bitumen, bitumen blends, synthetic crude oil and conventional crude oil. Some of these competitors may have lower costs and greater financial and other resources than us. A number of these competitors have significantly longer operating histories and have more widely recognised brand names, which could give such competitors advantages in attracting customers and employees. The expansion of existing operations and development of new projects by other companies could materially increase the supply of competing crude oil products in the marketplace. Depending on the levels of future demand, increased supplies could have a negative impact on prices for bitumen blend, which in turn could negatively affect the Corporation's selling prices.

Ownership of Oil Sands Leases and PNG Licences are subject to federal, provincial and local laws and regulations and Oil Sands Leases may be unable to be renewed.

The Mines and Minerals Act regulates those natural persons and corporate entities eligible to own Oil Sands Leases or PNG Licences and limits ownership to a number of different types of locally registered corporate entities, including corporations registered under the Companies Act or corporations registered, incorporated or continued under the ABCA. Accordingly, overseas companies or entities may not directly own Oil Sands Leases or PNG Licences in Alberta. They may only do so indirectly through whole or part ownership of a Canadian registered or incorporated company.

The Investment Canada Act ("ICA") also generally prohibits a reviewable investment to be made by an entity that is a "non-Canadian", unless after review, the minister responsible for the ICA is satisfied that the investment is likely to be of net benefit to Canada.

An investment in the Shares by a non-Canadian who is not a "WTO investor" (which includes governments of, or individuals who are nationals of, member states of the World Trade Organisation (including Canada) and corporations and other entities which are controlled by them), at a time when the Corporation was not already controlled by a WTO investor, would be subject to a net benefit review under the ICA in two circumstances. First, if it was an investment to acquire control (within the meaning of the ICA, and as described below) and the value of the Corporation's assets, as determined under ICA regulations, was $5 million or more. Second, the investment would also be reviewable if an order for review was made by the federal cabinet of the Canadian government on the grounds that the investment related to Canada's cultural heritage or national identity (as prescribed under the ICA), regardless of asset value.

An investment in the Corporation's Shares by a WTO investor (or by a non-Canadian who is not a WTO investor at a time when the Corporation was already controlled by a WTO investor) would only be reviewable under the ICA if it was an investment to acquire control and the value of the Corporation's assets, as determined under ICA regulations, was not less than a specified amount, which for 2012 is $330 million.

In addition to the foregoing circumstances, an investment would also be reviewable if an order for review is made by the federal cabinet of the Canadian government on the grounds that an investment by a non-Canadian could be injurious to national security.

As a result of legislative amendments not yet in force, the usual thresholds for review for direct acquisitions of Canadian businesses (other than acquisitions of cultural businesses) by foreign investors may change as of a date to be determined by the federal cabinet of the Canadian Government. At that time transactions will be reviewable only if the "enterprise value" of the assets of the Canadian business is equal to or greater than $600 million, in the case of investments made during the first two years after the amendments come into force, which threshold would increase in accordance with the regulations.

The ICA provides detailed rules to determine if there has been an acquisition of control. For example, a non-Canadian would acquire control of the Corporation for the purposes of the ICA if the non-Canadian acquired a majority of the Shares. The acquisition of less than a majority, but one-third or more, of the Shares would be presumed to be an acquisition of control of the Corporation unless it could be established that, upon such acquisition, the Corporation would not in fact be controlled by the acquirer. An acquisition of control for the purposes of the ICA could also occur as a result of the acquisition by a non-Canadian of all or substantially all of the Corporation's assets.

Further, the Competition Act provides that certain substantial transactions among significant parties may not be consummated unless a pre-merger notification thereof is made to the Commissioner and a stipulated waiting period expires. Where the Commissioner believes that a proposed transaction does not give rise to competition concerns, he may issue an advance ruling certificate (an "ARC") that exempts the parties from the notification requirement and precludes the Commissioner from challenging the transaction in the future.

There are two thresholds that must be met in order for a transaction to be notifiable. The first threshold is the current $77 million "size of transaction" threshold. This threshold is set annually by the Canadian government and the 2012 threshold was recently published as $77 million. If the book value of the assets in Canada of the Corporation, or the revenues generated from sales in or from Canada by the Corporation and our affiliates exceed $77 million, the second $400 million "size of the parties" threshold must also be considered. Assuming the first threshold is exceeded, if the book value of the assets in Canada or the revenues generated in, from and into Canada of the purchaser and its affiliates and the Corporation and its affiliates exceeds $400 million, notification is required.

If a transaction is subject to notification, the parties thereto are required to file prescribed information in respect of themselves, their affiliates and the proposed transaction and pay a prescribed filing fee. The parties may also apply for an ARC or a "no action letter" which may be issued by the Commissioner in respect of a proposed transaction if she is satisfied that there are not sufficient grounds on which to apply to the Competition Tribunal for an order challenging the transaction at that time. As the Commissioner retains the right to challenge a transaction for up to three years after closing, the parties usually agree not to close until the Commissioner has completed her review and has issued either a no-action letter or an ARC. The Commissioner would likely only challenge a proposed transaction if the transaction prevents or lessens, or is likely to prevent or lessen, competition substantially in the market affected.

Oil produced from Oil Sands Leases in Alberta is produced pursuant to two types of oil sands agreements issued under the Oil Sands Tenure Regulation made under the Mines and Minerals Act. These are (i) permits, issued for a five-year term, which can be converted into leases; and (ii) leases, issued for an initial 15-year term, which can be continued as to all or any portion which the Minister of Energy may determine. The Mines and Minerals Act requires that exploration or development activities be undertaken according to prescribed levels of evaluation or production. Permits may generally be converted into leases provided certain minimum levels of exploration have been achieved and all lease rentals have been timely paid. Although an Oil Sands Lease may generally be continued after the initial term as to all or any portion which the Minister of Energy may determine, if the minimum levels of exploration or production have not been achieved and all lease rentals have been timely paid, the Corporation cannot assure you that the Corporation will be able to renew all of its Oil Sands Leases as they expire.

Operations are subject to significant government regulation.

The Corporation's business is subject to substantial regulation under provincial and federal laws relating to the exploration for, and the development, processing, marketing, pricing, taxation, and transportation of oil sands bitumen, its related products and other matters. Changes to current laws and regulations governing operations and activities of oil sands operations could have a material adverse impact on our business. The Corporation cannot assure you that laws, regulations and government programmes related to our projects and the oil sands industry will generally not be changed in a manner which may adversely affect our projects, cause delays or inability to complete our projects or adversely affect our profitability.

The permits, leases, licences and approvals which are necessary to conduct our operations may not be obtained or renewed or may be cancelled.

Permits, leases, licences, and approvals are required from a variety of regulatory authorities at various stages of our projects. The Corporation cannot assure you that the various government permits, leases, licences and approvals sought will be granted in respect of our projects or, if granted, will not be cancelled or will be renewed upon expiry. The Corporation cannot assure you that such permits, leases, licences, and approvals will not contain terms and provisions which may adversely affect the final design and/or economics of our projects. In addition, the Corporation cannot assure you that third parties will not object to the development of our projects during the regulatory process.

When resources and reserves have been extracted from projects, abandonment and reclamation costs will be incurred.

The Corporation will be responsible for compliance with the terms and conditions of environmental and regulatory approvals the Corporation receives and all the laws and regulations regarding the abandonment of our exploration and delineation wells, our projects and the reclamation of our lands at the end of their economic lives. These abandonment and reclamation costs may be substantial.

A breach of such approvals, laws or regulations may result in the issuance of remedial orders, the suspension of approvals, or the imposition of fines and penalties. It is not presently possible to estimate the abandonment and reclamation costs with certainty since they will be a function of regulatory requirements in the future. The value of salvageable equipment may not fully cover these abandonment and reclamation costs.

In addition, in the future the Corporation may be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs, which could divert cash resources away from capital expenditure and working capital needs.

The Corporation's operations are subject to environmental regulation.

The Corporation's operations are, and will continue to be, affected in varying degrees by federal, provincial and local laws and regulations regarding the protection of the environment. Should there be changes to existing laws and regulations, our competitive position within the oil sands industry may be adversely affected, and other industry players may have greater resources than the Corporation have to adapt to legislative changes.

The Corporation cannot assure you that future environmental approvals, laws or regulations will not adversely impact our ability to develop and operate our oil sands projects or increase or maintain production of bitumen or control of our costs of production. Equipment which can meet future environmental standards may not be available on economically viable terms or on a timely basis and instituting measures to ensure environmental compliance in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation that would tax air emissions or require, directly or indirectly, reductions in air emissions produced by energy industry participants, which the Corporation may be unable to mitigate.

All phases of the oil sands business present environmental risks and hazards and are subject to environmental legislation and regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases and emissions of various substances produced in connection with oil sands operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures, and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Unlawful discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. The Corporation cannot assure you that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise may have a material adverse effect on our business, results of operations, financial position and growth prospects.

Oil sands leases are subject to provincial stewardship and conservation guidelines, and as such, there is a risk that surface and subsurface access and activities could be altered to conserve and protect the diversity of ecological regions, migratory species and support the efficient use of lands. The Alberta Land Surveyors' Association ("ALSA") defines regional outcomes (economic, environmental and social) and includes a broad plan for land and natural resource use for public and private lands.

Additionally, although the Corporation is currently not a party to any material environmental litigation, the Corporation cannot assure you that the Corporation will not become subject to such legal proceedings in the future, which may have a material adverse effect on our business, results of operations, financial position, growth prospects and reputation.

Operations could be adversely affected by climate change legislation.

As is the case for all producers, our exploration activities and production facilities emit Greenhouse Gas Emissions ("GHG") which directly subjects us to statutory regulation.

On 1 July 2007, Specified Gas Emitters Regulation ("SGER") came into force under the Climate Change and Emissions Management Act requiring Alberta facilities which emit or have emitted more than 100,000 tonnes of GHGs in 2003 or any subsequent year to reduce their GHG emissions intensity by 12% (from emission baseline levels). If a facility is not able to abate GHG emissions sufficiently to meet the reduction target, it may utilise the following compliance mechanisms: (i) emissions performance credits obtained from other regulated facilities; (ii) emissions offsets obtained from non-regulated facilities or projects which reduce or remove GHG emissions; or (iii) credits for contributions to the Climate Change and Emissions Management Fund. Regulated facilities may choose any combination of these compliance mechanisms to comply with their target. At present, the Corporation does not operate any facilities regulated by SGER. However, the Corporation cannot assure you that the Corporation will not incur material costs in the future if the relevant provisions contained in SGER are amended. The Government of Alberta also published a new climate change action plan in January 2008 wherein it set an objective to deliver a 50% reduction in GHG emissions by 2050 compared to business as usual, by employing: (i) mandatory carbon capture and storage ("CCS") for certain facilities and development across all industrial sectors; (ii) energy efficiency and conservation; and (iii) research and investment in clean energy technologies, including carbon separation technologies to assist CCS.

Changes in the regulatory environment such as increasingly strict carbon dioxide emission laws could result in significant cost increases. In 2008, the Government of Canada provided details of its environmental regulatory framework, originally announced on 26 April 2007. All industrial sectors in Canada were required to reduce their emissions intensity from 2006 levels by 18% by 2010, with 2% continuous improvement every year after that. Oil sands facilities that commence production after 2012 were to meet a stricter set of requirements that are based on CCS for in situ and upgrading, which were to be effective in 2018. Draft regulations to implement the framework were originally scheduled to be made available for public comment in the fall of 2008 and introduced by January 2010, but have not yet been released. It is unknown when the regulations will be released or implemented.

Canada is a signatory to the UN Framework Convention on climate change and the Kyoto Protocol established thereunder pursuant to which it was required to reduce its GHG emissions by 6% below 1990 levels by the 2008-2012 timeframe. Subsequent to ratifying the Kyoto Protocol, the Government of Canada announced that it would be unable to meet its Kyoto commitments. In December 2009 representatives from approximately 170 countries met at Copenhagen, Denmark, to negotiate a successor to the Kyoto Protocol. That meeting resulted in the non-binding Copenhagen Accord which represents a broad political consensus rather than a binding international obligation. On 30 January 2010, the Government of Canada committed to a non-binding GHG emissions target of 17% below 2005 levels by 2020 pursuant to the Copenhagen Accord. On 12 December 2011, the Government of Canada announced that it would not agree to a second Kyoto compliance period following the expiration of the first period in 2012.

The Canadian government has stated on several occasions that it would like to align its GHG emissions regime with that of the US. It is currently unclear when such legislation will be enacted in the US or what it will entail. It is therefore unclear whether or when the Canadian federal government will implement a GHG emissions regime or what obligations might be imposed thereunder. Any Canadian federal legislation, once enacted, could have a material effect on our operations.

Future federal industrial air pollutant and GHG emission reduction targets, together with provincial emission reduction requirements contemplated in the Climate Change and Emissions Management Act, or emission reduction requirements in future regulatory approvals, may require the reduction of emissions or emissions intensity from our operations and facilities, payments to a technology fund or purchase of emission performance or off-set credits. The required emission reductions may not be technically or economically feasible for our projects and the failure to meet such emission reduction requirements or other compliance mechanisms may materially adversely affect our business and result in fines, penalties and the suspension of operations. In addition, equipment from suppliers which can meet future emission standards may not be available on an economic basis and other compliance methods of reducing emissions or emission intensity to required levels in the future may significantly increase our operating costs or reduce the output of our projects. Emission performance or off-set credits may not be available for acquisition by us, or may not be available on an economically feasible basis. There is also the risk that the provincial government could impose additional emission or emission-intensity reduction requirements, or that the federal and/or provincial governments could pass legislation which would tax such emissions.

Changes in foreign exchange rates could adversely affect our business, results of operations and financial position.

Our results are affected by the exchange rate between the Canadian and US dollar. The majority of our expenditures and other expenses are in Canadian dollars, and our reporting currency is the Canadian dollar. The majority of our revenues will be received in US dollars or from the sale of oil commodities that reflect prices determined by reference to US benchmark prices. An increase in the value of the Canadian dollar relative to the US dollar will decrease the revenues received and recorded in our consolidated financial statements from the sale of our products.

Shortages in electricity and natural gas, or increases in electricity and natural gas prices may adversely affect our business, results of operations and financial position.

The Corporation expects to consume substantial amounts of electricity and natural gas in connection with our bitumen recovery techniques, and our demand will increase as our production capabilities increase and our projects are developed. Any shortages or disruptions in our electricity or natural gas could lead to increased costs. Although the Corporation plans to generate electricity for our projects through the use of our cogeneration plant rather than through purchasing power from the local grid, the Corporation cannot assure you that this plant will sufficiently supply power to our projects. If the Corporation purchases electricity from the local grids, the electricity prices could be higher than the electricity sourced from our cogeneration plant, and our operating expenses could increase.

Shortages in water supply may adversely affect our business, results of operations and financial position.

In SAGD operations, water is used to create steam and it is also used to separate bitumen from sand. In order to use or divert fresh water, the Corporation must first obtain a water licence. Any shortages in our water supply could lead to increased costs, and any delays or difficulties in obtaining or maintaining a water licence could adversely affect our operations.

Our Competent Persons have not undertaken site inspections of our Properties or independently verified the data provided to them by our Corporation

Our Competent Persons rely on, amongst other things, the data provided to them by us in their evaluation of our reserves and resources. Our Competent Persons have not undertaken site inspections of our Properties. Further, data provided to our Competent Persons by us is considered by our Competent Persons, but is only independently verified through public data, analogous developments and/or interpreted by utilising the Competent Persons' experience and industry knowledge. The Competent Persons provide independent evaluation of our resources based on all available data. The Corporation cannot be certain that the Competent Persons would not have evaluated our reserves and resources differently, if they had conducted a site visit or relied only on public data sources not including the information directly provided by our Corporation.

RISKS RELATING TO ALBERTA AND CANADA

Cash flow and profitability could be affected by changes in Alberta's royalty regime and by increased taxes.

The development of our resource assets will be directly affected by the applicable fiscal regime. The economic benefit of future capital expenditures for our projects is, in many cases, dependent on the fiscal regime. The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. On 25 October 2007, the Government of Alberta unveiled a new royalty regime. The new regime introduced new royalties for conventional oil, natural gas and crude bitumen and became effective on 1 January 2009. These royalties are linked to commodity prices and production levels and will apply to both new and existing oil sands projects and conventional oil and gas activities.

Under this regime, the Government of Alberta increased its royalty share from oil sands production by introducing price-sensitive formulas which will be applied both before and after specified allowed costs have been recovered. These changes to Alberta's oil sands royalty regime required changes to existing legislation, including the Mines and Minerals Act, and the implementation of certain new legislation, namely the Oil Sands Royalty Regulation, the Oil Sands Allowed Cost (Ministerial) Regulation, and the Bitumen Valuation Methodology (Ministerial) Regulation. While the intent of such revised and newly implemented legislation is to provide a fair, predictable and transparent royalty regime, each of the abovementioned statutes have been partially amended since 2009, and in some cases specifically remain open to changing circumstances and new categories of costs, and as such remain subject to further future modification, whether as a result of industry developments, renewed public and/or industry consultation or otherwise.

The Corporation cannot assure you that the Government of Alberta or the Government of Canada will not adopt a new fiscal regime or otherwise modify the existing fiscal regime governing oil sands producers in a manner that could materially affect the financial prospects and results of operations of oil sands developers and producers in Alberta, including us.

As the Corporation is incorporated in Alberta, Canada and are principally governed by Canadian laws and regulations, you may not have the benefit of certain Hong Kong laws, rules and regulations such as those relating to shareholder protection which, although broadly commensurate with those protections afforded to shareholders of Canadian listed companies, are not identical.

The Corporation is governed by the Alberta Business Corporations Act ("ABCA")and is principally subject to Canadian laws, regulations and accounting standards. As highlighted in the section entitled "Summary of the Articles and By-Laws of Our Corporation, Certain Alberta Laws and Canadian Federal Laws and Shareholder Protection Matters" in Appendix V to the Prospectus, dated 20 February 2012, Canadian laws and regulations may differ in some respects from comparable laws and regulations of Hong Kong or other jurisdictions. Accordingly, shareholders may not have the benefit of certain Hong Kong laws and regulations.

Dividends payable to foreign investors and gains on the sale of Shares may become subject to withholding taxes under Canadian tax laws.

Dividends paid or credited or deemed to be paid or credited on our Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%, subject to reduction under the provisions of any applicable income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is resident.

A Non-Resident Shareholder may also be subject to tax in respect of any capital gain realised by such Shareholder on a disposition of Shares if the Shares constitute "taxable Canadian property" (as defined in the ITA) of the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention. The Shares will generally not constitute taxable Canadian property to a Non-Resident Shareholder unless certain ownership thresholds and asset value tests have been satisfied.

Shareholders and potential investors should consult an independent tax adviser if they have any doubt about the application of Canadian federal income tax rules to their particular circumstances and the consequences to them of the purchase, ownership and disposition of our Shares.

Claims may be made by aboriginal peoples.

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada based on historic use and occupation of lands, historic customs and treaties with governments. Such rights may include rights to access the surface of the lands, as well as hunting, harvesting and fishing rights. The Corporation is not aware that any claims have been made in respect of our specific properties or assets. However, if a claim arose and was successful such claim could, among other things, delay or prevent the exploration or development at our projects, which in turn could have a material adverse effect on our business, results of operations, financial position and growth prospects.

Prior to making decisions that may adversely affect existing or claimed aboriginal rights and interests, the government has a duty to consult with potentially affected aboriginal peoples. The time required for the completion of aboriginal consultations may affect the timing of regulatory authorisations. Furthermore, any agreements or arrangements reached pursuant to such consultation may materially affect our business, results of operations, financial position and growth prospects.

As a Canadian company, it could be difficult for investors to effect service of process on and recover against us or our Directors and officers. Shareholders may face difficulties in protecting their interest.

The Corporation is a Canadian company and most of our officers and Directors are residents of various jurisdictions outside Hong Kong. A substantial portion of our assets and the assets of our officers and Directors, at any one time, are and may be located in jurisdictions outside Hong Kong. It could be difficult for investors to effect service of process within Hong Kong on our Directors and officers who reside outside Hong Kong or to recover against us or our Directors and officers on judgments of Hong Kong courts predicated upon the laws of Hong Kong.

Our corporate affairs are governed by our charter documents, consisting of our Articles, and by the ABCA. The rights of our Shareholders and the fiduciary responsibilities of our Directors are governed by the laws of Alberta and Canada. The laws of Alberta and Canada relating to the protection of the interests of minority Shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. You should be mindful about such differences.

CODE OF CORPORATE GOVERNANCE PRACTICE (THE "CODE")

The Corporation is committed to maintaining high standards of corporate governance. The Corporation 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.

Since the Corporation became a publicly listed company subsequent to the reporting period, it was not obliged to comply with the Code in the year ended 31 December 2011. The Corporation confirms that the Code will be complied with following its public listing, save that the Corporation has not entered into formal letter of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Corporation will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis at each annual general meeting, which is consistent with market practice in Canada.

AUDIT COMMITTEE

The Corporation has established an audit committee which is responsible for ensuring the existence of an effective internal control framework within the Group. The audit committee currently consists of four independent non-executive directors. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2011.

DISCLOSURE CONTROLS AND PROCEDURES

There has been no change in the Corporation's internal controls over financial reporting that occurred during the year ended 31 December 2011 that has materially affected or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Since the Corporation became publicly listed, the Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the Corporation's CEO and CFO by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Corporation 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.

The Corporation's internal controls over financial reporting include policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RECENT DEVELOPMENTS

Subsequent to the year ended 31 December 2011, the Corporation entered into a non-binding Memorandum of Understanding ("MOU") for strategic cooperation with Sinopec International Exploration and Production Corporation ("SIPC"), a wholly owned subsidiary of Sinopec Group, under which the Corporation will examine opportunities for joint participation in the development, exploration and production of oilsands leases as well as other mutually agreed investments and projects in Canada and globally.

Directors and Senior Management

GENERAL

The Board of Directors (the "Board") currently consists of ten Directors, comprising two Executive Directors, eight Non-Executive Directors, including four Independent Non-Executive Directors. Each Director was elected by ordinary resolution of the shareholders of the Corporation.

Nominees for Director are elected to hold office until the next annual meeting of the shareholders of the Corporation or until his successor is duly elected or appointed, unless his office is vacated earlier, then in accordance with the articles of incorporation and by-laws of the Corporation.

DIRECTORS

The Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information concerning our directors:

Name	Age	Position	Date of Appointment	Principal Responsibilities
Mr. Michael John Hibberd	56	Co-Chairman	6 October 2008	Overall operations of our Company
		Executive Director	9 May 2007	
Mr. Songning Shen	46	Co-Chairman	6 October 2008	Overall operations of our Company
		Executive Director	22 February 2007	
Mr. Hok Ming Tseung	50	Non-Executive Director	2 March 2010	Non-Executive Director
Mr. Tingan Liu	50	Non-Executive Director	1 February 2011	Non-Executive Director
Mr. Haotian Li	40	Non-Executive Director	14 February 2011	Non-Executive Director
Mr. Gregory George Turnbull	57	Non-Executive Director	24 August 2007	Non-Executive Director
Mr. Raymond Shengti Fong	65	Independent Non-Executive Director	9 May 2007	Independent Non-Executive Director
Mr. Robert John Herdman	60	Independent Non-Executive Director	18 July 2011	Independent Non-Executive Director
Mr. Wazir Chand Seth	71	Independent Non-Executive Director	1 September 2008	Independent Non-Executive Director
Mr. Gerald Franklin Stevenson	68	Independent Non-Executive Director	15 July 2011	Independent Non-Executive Director

Mr. Michael John Hibberd, aged 56, is our Co-Chairman and an Executive Director. Mr. Hibberd is a founder of our Company and held the title of Chairman and Co-Chief Executive Officer from 7 August 2007 to 6 October 2008. Since 9 May 2007, he has been an Executive Director and since 6 October 2008 he has been Co-Chairman of our Company, a title which he shares with Mr. Songning Shen. Mr. Hibberd has more than 23 years of experience in the oil and gas industry and has extensive international energy project planning and capital markets experience. He is currently president and chief executive officer of MJH Services Inc., a company founded in 1995. Since February 1995, Mr. Hibberd, through MJH Services Inc., has focused on providing advice to Calgary-based companies with North American and international operations. He has been actively involved in various projects in North America, South America, the Middle East and Asia. In addition to advising on western Canadian and offshore projects that involved significant financing, Mr. Hibberd has been directly involved in project financings and advisory work throughout North America and internationally.

From 1983 to 1995, Mr. Hibberd was with ScotiaMcLeod Inc., working in corporate finance in Toronto and Calgary and held the position of director and senior vice-president. Mr. Hibberd is currently chairman of Heritage Oil Plc (London Stock Exchange), Heritage Oil Corporation (Toronto Stock Exchange and London Stock Exchange), Canacol Energy Ltd. (Toronto Stock Exchange and Bolsa de Valores de Colombia) and Greenfields Petroleum Corporation (TSX Venture Exchange). Mr. Hibberd is also currently a director of Montana Exploration Corp. and PanOrient Energy Corp., both of which are listed on the TSX Venture Exchange. Mr. Hibberd is also a director of Skope Energy Inc., a company listed on the Toronto Stock Exchange. Mr. Hibberd was previously a director of Challenger Energy Corp. from December 2005 to September 2009.

Additionally, Mr. Hibberd was a director of Deer Creek Energy from October to December 2005, was a director of Zapata Energy Corporation from November 2007 to April 2010, and was also a director of Iteration Energy Ltd. from July 2005 to June 2010, Avalite Inc. from October 2005 to June 2010, Sagres Energy Inc. from April 2010 to March 2011, and Rally Energy Corp. from June 2003 to September 2007. Mr. Hibberd obtained his bachelor of arts degree in 1976 and his master of business administration degree in 1978 from the University of Toronto. He obtained his bachelor of laws degree from University of Western Ontario in 1981, was called to the bar in 1983 and is a member of The Law Society of Upper Canada.

None of Heritage Oil Plc, Heritage Oil Corporation, Canacol Energy Ltd., Greenfields Petroleum Corporation, Skope Energy Inc. and Montana Exploration Corp. directly compete with Sunshine as their business focus areas are in different geographical regions and they do not operate in the oil sands industry. PanOrient Energy Corp.'s primary operations operate in geographically different areas and not in the oil sands industry, however, it does hold interests in oil sand leases in the Peace River oil sands area in Alberta.

Mr. Hibberd is principally based in Sunshine's offices and spends at least one-half of the Business Days in each month on matters related to our Company, with the balance spent on each of his remaining directorships and other business interests. Each of Heritage Oil Plc, Heritage Oil Corporation, Canacol Energy Ltd., Greenfields Petroleum Corporation, Montana Exploration Corp., Skope Energy Inc. and PanOrient Energy Corp. indirectly compete with Sunshine in the international oil industry, but operate in different markets, target different customers, are at different stages of maturity as businesses and are ultimately part of the larger energy market in which global businesses compete. These businesses do not have a material impact on Sunshine's growth prospects or business strategies.

The following table sets out the details of each of the above mentioned public companies.

Company	Primary business	Role in company	Types of products	How products are sold in general	Demand and supply for the products	Customers
Heritage Oil Plc and Heritage Oil Corporation (a subsidiary of Heritage Oil Plc)	Oil and gas exploration and production with exploration assets in Kurdistan region of Iraq, Malta, Tanzania, and Mali and oil production in Russia	Non-executive Chairman and does not participate in the daily operations	Crude oil production. Crude oil and natural gas production potential	Sales are made through private arrangements to clients in local and international markets	Sales are in the Russian market only	No overlap with Sunshine Oilsands Ltd.
Canacol Energy Ltd.	Oil production and exploration with oil operations in Colombia and exploration assets onshore in Colombia, Guyana and Brazil	Non-executive Chairman and does not participate in the daily operations	Crude oil and natural gas	Sales are made to clients in local and international markets	Sales are primarily in the Latin America region and from international firms	No overlap with Sunshine Oilsands Ltd.
Greenfields Petroleum Corporation	Oil production and exploration company with operations in Azerbaijan	Non-executive Chairman and does not participate in the daily operations	Crude oil and natural gas	Sales are made to clients in local and international markets	Sales are in only Azerbaijan	No overlap with Sunshine Oilsands Ltd.
Skope Energy Inc.	Junior oil and gas exploration, development and production company in Western Canada focused on shallow natural gas	Non-executive director and does not participate in daily operations	Natural gas	Local markets	Alberta, Saskatchewan	No overlap with Sunshine since focus is on natural gas

Company	Primary business	Role in company	Types of products	How products are sold in general	Demand and supply for the products	Customers
Montana Exploration Corp	Junior oil and gas exploration and production company with natural gas production and an exploration focus on oil formations in Montana USA. Also holds minor conventional oil and gas assets in Alberta.	Non-executive director and does not participate in the daily operations	Natural gas. Future oil production potential.	Sales are made through private arrangements to clients in local markets	In excess of 90% of sales are of natural gas	No overlap with Sunshine Oilsands Ltd.
PanOrient Energy Corp.	Junior oil and natural gas company with oil production onshore Thailand, interests in onshore Indonesia and a 53.3% interest in a private company which holds working interests in 85.5 sections of Oil Sands Leases in the Peace River oil sands area in Alberta	Non-executive director and does not participate in the daily operations	Oil production	Sales are made through private arrangements to clients in local and international markets	Sales are in the Thailand market only	No overlap with Sunshine Oilsands Ltd. Oil sands holdings are all in the Peace River oil sands area while Sunshine Oilsands Ltd.'s oil sands assets are all held in the Athabasca oil sands region; revenues are currently from sales to the Thai National Oil Company

Mr. Songning Shen, aged 46, is our Co-Chairman and an Executive Director. Mr. Shen is a founder of our Company and held the title of President from 22 February 2007 to 6 October 2008 and Co-Chief Executive Officer from 7 August 2007 to 6 October 2008. Since 22 February 2007 he has been an Executive Director and since 6 October 2008 he has been Co-Chairman of our Company, a title which he shares with Mr. Hibberd. Mr. Shen is president and chief executive officer of 1226591 Alberta Inc, a company established in 2006. Mr. Shen has over 21 years of experience in oil and gas industry. From 2006 to 2007, Mr. Shen worked at Koch Exploration Canada LP as a senior geology consultant. He contributed to Koch's oil sands evaluation and selling package. He also worked on their Brazil project. From 2003 to 2005 Mr. Shen was the exploration manager of Connacher Oil and Gas Ltd. He founded the geology & geophysics team at Connacher and started Connacher's oil sands programme. From 2000 to early 2003, Mr. Shen worked at Petro-Canada as a geologist. He worked in both the oil sands team and the foothills gas exploration team. From 1986 to 1996 Mr. Shen worked at Bohai Company, a subsidiary of China National Offshore Oil Corporation, where he was a team leader. He worked in a team that discovered and appraised the giant oil field in offshore China, Suizong 36-1, and received a government award for his contributions. Mr. Shen obtained his bachelor of science degree from Tongji University in 1986 and his master of science degree from Norwegian University of Science and Technology in 1998. Mr. Shen is a professional geologist registered in Alberta, Canada.

Non-Executive Directors

Mr. Hok Ming Tseung, aged 50, is a non-executive Director appointed by the Board on 2 March 2010 as a nominee selected by Orient International Petroleum & Chemical Limited and Orient International Resources Group Limited, each of which he is a director. Mr. Tseung directly and indirectly holds 82% of Orient, our largest Shareholder. The Board resolved to approve the appointment of a nominee by Orient International Petroleum & Chemical Limited on 13 August 2009. Mr. Tseung is also vice chairman of the Hong Kong Financial Service Institute and the Hong Kong China Education Fund. Mr. Tseung began his career in 1986 as a director of a textile factory in Suzhou Province. From July 1996 to April 2005, Mr. Tseung was the director of Orient International Group (HK) Limited, a textile trading business. In 1997, Mr. Tseung acted as the Vice Chairman of Wujiang Yuan Tong Highway Construction and Development Limited which is principally engaged in the business of construction and management of highways and management in relation to facilities ancillary to highways. Since July 2002, he has acted as a director of Orient Financial Holdings Limited. In 2003, Mr. Tseung acted as the Legal Representative of Anhui Hefei-Caohu-Wuhu Highway Limited, a company principally engaged, amongst other things, in the business of project construction and financing, highway construction and management, estate development and highway advertising. In 2003, Mr. Tseung invested in Suzhou Dongwu Cement Limited, a business principally engaged in the manufacturing and sale of cement and related products, through Far East International Investment Company Limited, a company 70% owned by Mr. Tseung. Mr. Tseung obtained a postgraduate degree in International Economics from the Chinese Academy of Social Sciences in 1998. Mr. Tseung was appointed as a director of the second board of directors of the China Foreign Affairs University on 11 March 2005.

Mr. Tingan Liu, aged 50, is a non-executive Director and Hong Kong Company Secretary. He was appointed by the Board as a Director on 1 February 2011 as a nominee selected by China Life pursuant to the terms of the subscription agreement for the Class B Shares, the contractual right of which is not effective following the Listing. Mr. Liu has been appointed as our authorised representative pursuant to Rules 2.11 and 3.05 of the Listing Rules. Mr. Liu is the deputy chairman and president of China Life Insurance (Overseas) Company Limited. Mr. Liu also holds a number of positions of responsibility in various professional and industry bodies, including serving as a member of the Listing Committee of the Stock Exchange of Hong Kong Limited, as a member of the Insurance Advisory Committee of the Government of Hong Kong S.A.R., as a councilor of the Life Insurance Council of the Hong Kong Federation of Insurers, as an executive director of the Hong Kong Chinese Enterprises Association and as a council member and fellow of the Hong Kong Institute of Directors. Mr. Liu received the Director of the Year Award, organised by The Hong Kong Institute of Directors, in 2009 in the category of "Private Company Executive Directors" and he was also a winner of China's "Top 10 Economic Talents Special Award 2009". Mr. Liu obtained a masters degree in Economics from Renmin University of China in 1988 and completed a training programme at the University of Oxford in 1991. He is a senior economist and a member of the Hong Kong Institute of Chartered Secretaries.

Mr. Haotian Li, aged 40, is a non-executive Director appointed by the Board on 14 February 2011 as nominee selected by BOCGI pursuant to the terms of the subscription agreement for the investment by Charter Globe Limited, the contractual right of which is not effective following the Listing. Mr. Li has been appointed as our authorised representative pursuant to Rules 2.11 and 3.05 of the Listing Rules. Mr. Li is currently the deputy chief executive officer of BOCGI and chairman of BOCGI's investment committee. He is also responsible for the strategic investment department, the non-performing asset investments department and the funds investment management department, with the total investments under management of these divisions in excess of HK$30 billion. Since June 2010, Mr. Li has also been a director of Bank of China Investment Limited and a director of BOCGI Zheshang Investment Fund Management (Zhe Jiang) Co., Ltd. the fund management company of ZheShang PE Fund since 2009, a RMB5 billion fund that he was instrumental in establishing and successfully launching. Prior to joining BOCGI, Mr. Li was with the corporate banking department at the Bank of China headquarters (oil and gas sector coverage) from 1999 to 2008 and was actively involved in a significant number of large investments and financings. Mr. Li obtained a masters of business administration degree from the University of Denver in 1998 and a bachelor of engineering degree from Tsinghua University in 1995.

Mr. Gregory George Turnbull, aged 57, is a non-executive Director and was Chairman of the Compensation Committee and the Corporate Governance Committee until 1 April 2012. He was appointed as a Director on 24 August 2007. Mr. Turnbull is the regional managing partner of the Calgary office of McCarthy Tétrault LLP, which he joined in July 2002 following his previous position as partner of Donahue Ernst and Young LLP, which he joined in 2001. Mr. Turnbull has approximately 14 years of experience in oil and gas industry. Mr. Turnbull is currently a director of Crescent Point Energy Corp., Storm Resources Ltd., Heritage Oil Plc, Heritage Oil Corporation, Hawk Exploration Ltd., Sonde Resources Corp., Online Energy Inc., Porto Energy Corp. and Hyperion Exploration Corp., all publicly traded entities listed on the London Stock Exchange, the TSX or the TSX Venture Exchange. Mr. Turnbull is also currently a director of a number of private companies. Mr. Turnbull obtained a bachelor of arts from Queen's University in 1976 and a bachelor of laws from the University of Toronto in 1979, and was appointed as a Queen's Counsel in 2009.

Independent Non-Executive Directors

Mr. Raymond Shengti Fong, aged 65, is an independent non-executive Director appointed on 9 May 2007. Mr. Fong has over 21 years of experience in the oil and gas industry. Mr. Fong is currently the chief executive officer of China Coal Corporation of Calgary. He was a director of Abenteuer Resources Ltd. from November 2000 to August 2008, a director of Stealth Ventures Ltd. from November 1999 to November 2007, a director of Zapata Capital Inc. from January 1998 to May 1999, a director and president of Ultra Capital Inc. from November 1996 to May 1998 and a director of United Rayore Gas Ltd. from 1989 to 1997. Mr. Fong obtained a bachelor of science degree from the Taiwan Cheng Kung University in 1970, and a master of science degree from the Tennessee Technological University in 1971. Mr. Fong is a registered professional engineer in Ontario and Alberta, Canada.

Mr. Robert John Herdman, aged 60, is an independent non-executive Director appointed on 18 July 2011. Mr. Herdman has over 35 years of experience in the oil and gas industry. Mr. Herdman is a fellow chartered accountant qualified in Alberta, Canada. He joined PricewaterhouseCoopers LLP. in 1976 and worked as a partner from 1989 to 2010 in the Calgary office, serving the firm's Calgary based public clients including service to companies operating in both the mining and thermal recovery of oil sands. Following a 34 year career with PriceWaterhouseCoopers, Mr. Herdman retired from practice in 2010. He currently serves on the boards of directors of SemBioSys Genetics Inc., Blackline GPS Corp., Western Financial Group Inc. and Chinook Energy Inc., all public companies listed on the TSX or the TSX Venture Exchange. He is also a member of the governors of the Glenbow Museum. He recently completed a six year term on the board of governors of the Chartered Accountants Education Foundation and has served on a number of other committees overseeing the practice of accounting in Alberta and as a director for a number of non-profit making organisations. Mr. Herdman graduated with a bachelor of education degree from the University of Calgary in 1974.

Mr. Wazir Chand Seth, aged 71, is an independent non-executive Director and Chairman of the Reserves Committee. He was appointed as a director on 1 September 2008. Mr. Seth has over 40 years of experience in the oil and natural gas industry. He is president of Seth Consultants Ltd. From January 1968 to June 2006, he served as chairman, president and managing director of McDaniel & Associates Consultants Ltd., one of the pre-eminent oil and gas engineering evaluators in Canada and internationally. Mr. Seth is currently on the board of directors of Enerplus Corporation, Connacher, Open Range Energy Corp., Corridor Resources Inc., Reliable Energy Ltd. and Torquay Oil Corp., all public companies listed on the TSX or the TSX Venture Exchange. He is also the founder and director of Energy Navigator Inc., a private software development firm servicing the petroleum industry. Mr. Seth has previously served as a director of Redcliffe Exploration Inc. and Triton Energy Corp. Mr. Seth graduated from the University of British Columbia in 1966 with a bachelor of applied science degree in mechanical engineering and is a registered professional engineer in the province of Alberta.

Mr. Gerald Franklin Stevenson, aged 68, is an independent non-executive Director appointed on 15 July 2011. Mr. Stevenson has over 33 years of experience in the oil and gas industry. Mr. Stevenson was head of oil and gas acquisitions and divestitures for CIBC World Markets Inc. in Calgary, Alberta from January 2006 to April 2011 where he was responsible for selling oil and gas companies or individual oil and gas properties, and was involved in M&A and financing activities. Mr. Stevenson also has extensive experience in oil and gas operations, including senior management positions at Suncor Energy from July 1985 to June 1991, North Canadian Oils Limited from July 1991 to June 1993, Waterous & Co from July 1993 to August 1997, February 2000 to October 2001 and March 2003 to July 2005, Enerplus Resources Fund from October 2001 to March 2003 and Hurricane Hydrocarbons Ltd. from April 1998 to October 1998 as Vice President, Production, from October 1998 to April 1999 as Interim President and from April 1999 to December 1999 as an adviser, which was incorporated in Alberta on 5 September 1986 (later re-named PetroKazakhstan Inc.) and was an international energy corporation engaged in the exploration, development, production, acquisition, refining and marketing of oil and refined products, in the Republic of Kazakhstan. Hurricane Hydrocarbons obtained a creditor protection order, under the Companies' Creditors Arrangement Act (Canada) from the Court of Queen's Bench of Alberta granted on 14 May 1999 and emerged from the Companies' Creditors Arrangement Act protection on 31 March 2000 following the implementation of a plan of compromise and arrangement. In addition, Mr. Stevenson has international experience, including two years in Jakarta, Indonesia during his employment with Hudson's Bay Oil and Gas Company Limited from 1974 to 1984 and acting as interim chief executive officer of Hurricane Hydrocarbons which had operations in Kazakhstan. Mr. Stevenson also has heavy oil experience, including representing Hudson's Bay Oil and Gas Company Limited in the Shell operated Alsands mining project, on the Syncrude Participant's Review Group and in AOSTRA's heavy oil upgrading study. While at CIBC World Markets Inc., Mr. Stevenson was involved in selling two heavy oil companies and one heavy oil sands asset. Mr. Stevenson also served as the production manager and project manager in a wide range of business development and division engineering projects. Mr. Stevenson obtained a bachelor of engineering degree in mechanical engineering in 1965 and a master of science degree in mechanical engineering in 1967 from the University of Saskatchewan. Mr. Stevenson is a professional engineer registered in province of Alberta.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information concerning our senior management:

Name	Age	Position
Mr. John Empey Zahary	50	President and Chief Executive Officer
Mr. Thomas Kenneth Rouse	55	Chief Financial Officer and Vice President, Finance
Mr. David Owen Sealock	52	Executive Vice President, Corporate Operations
Mr. Douglas Stewart Brown	54	Chief Operating Officer
Mr. Tonino Sabelli	56	Senior Vice President, Operations
Dr. Songbo Cong	49	Vice President, Facilities Engineering
Mr. Daniel Joseph Dugas	53	Vice President, Field Operations
Mr. Jason James Hancheruk	38	Vice President, Land Regulatory Affairs
Mr. Albert Norman Stark	46	Treasurer
Ms. Christine Marie Profili	37	Controller
Mr. John Stanley Kowal	49	Strategic Advisor

Mr. John Empey Zahary, aged 50, was appointed as the President and Chief Executive Officer of the Company on 20 December 2011. Mr. Zahary has more than 25 years of experience in several large integrated and upstream companies in the oil and gas industry. He has significant experience with heavy oil, oil sands, light oil, natural gas and refining and marketing operations. Most recently, Mr. Zahary served as president and chief executive officer of Harvest Operations Corp. ("Harvest") and a predecessor company from April 2004 to 21 January 2012. He was also an executive director of Harvest until 21 January 2012, at which time he became a non-executive director of Harvest. Harvest is an integrated oil and gas company with approximately 60,000 barrels of oil equivalent daily production, a 115,000 barrel per day refining and marketing operation and an active 100% owned Athabasca Region oil sands operation under construction called the BlackGold Oilsands Project. Mr. Zahary served as president and chief executive officer of Viking Energy Trust from April 2004 to February 2006 prior to its acquisition by Harvest under a corporate plan of arrangement. Prior thereto, Mr. Zahary served as president of Petrovera and as vice president, primary and business affairs, Van Horne Business Unit and other positions at PanCanadian Petroleum Limited from 1993 to 1998. He has also served as Director, Investor Relations of Canadian Oil Sands Trust. Additionally, Mr. Zahary's experience includes positions at Gulf Canada Resources Ltd. from March 1992 to February 1993, Imperial Oil Limited from 1989 to 1992 and Texaco Canada Resources from 1983 to 1989. Mr. Zahary has been a director of Osum Oil Sands Corp. since 2007 and is currently chairman. Mr Zahary is also a director of TimberRock Energy Corp., Frog Lake Energy Resources Corp., Wavefront Technology Solutions Inc. and Waldron Energy Corporation. Previously Mr Zahary was a director of Canext Energy Ltd. Mr. Zahary obtained a Bachelor of Science Degree in Mechanical Engineering in 1983 from the University of Calgary. He also obtained a Masters of Philosophy Degree in Management Studies in 1989 from the University of Oxford.

Mr. Thomas Kenneth Rouse, aged 55, has been our Vice President, Finance and Chief Financial Officer since 22 August 2008. Previously, Mr. Rouse was our Controller from 1 February 2008 to August 2008. Mr. Rouse has approximately 20 years of financial and accounting experience. He was previously chief financial officer of Patch International Inc., an oil and exploration company, from April 2007 to December 2007, vice president, finance and chief financial officer of Great Plains Exploration Inc., an oil and gas company, from May 2004 to February 2007 and vice president, finance and chief financial officer of Rider Resources Inc. from November 1996 to February 2003. He was also previously a financial accounting supervisor in Petrorep Resources Ltd. He was the tax manager of Greyhound Lines from 1990 to 1993. He worked at Coseka Resources Limited from 1983 to 1990. Mr. Rouse obtained a bachelor's degree in commerce from the University of Saskatchewan in 1983 and is a Certified Management Accountant in Canada.

Mr. David Owen Sealock, aged 52, has been our Executive Vice President, Corporate Operations since 14 June 2010. Previously, Mr. Sealock was our Vice President, Corporate Operations from June 2008 to June 2010. Mr. Sealock has approximately 24 years of experience in the oil and gas industry. He was previously the vice president, corporate services, investor relations and corporate secretary at MegaWest Energy Corp., an oil and gas company, from January 2007 to June 2008, where he was responsible for the development and implementation of corporate support services for the organisation, including IT/IS, procurement and logistics and SOX compliance. He was IT/IS manager of Total E&P Canada Ltd. from January 2006 to January 2007 and IT/IS manager and project cost controller at Deer Creek Energy Limited from July 2004 to December 2005. Additionally, Mr. Sealock served as the Manager (Conventional Applications) of Petrovera Resources Limited from May 2000 to March 2004, where his primary responsibilities were assessing and implementing software to replace the facilities being accessed at PanCanadian Resources Limited at that time, including incident reporting system, drilling information management system, facility drawing management system, maintenance scheduling and work order processing system, etc. Mr. Sealock served as a consultant for PanCanadian Resources

Limited from February 1998 to December 1998, where he was responsible for various tasks relating to network access to TRACCESS and conversion from FDC to field view and wide area network expansion. Mr. Sealock also served as a consultant of PanCanadian Petroleum Limited, a crude petroleum and natural gas company, from March 1997 to January 1998, where he was responsible for, among other things, providing IT support and technical project reports for business and IS teams. From January 1992 to December 1996, Mr. Sealock worked as a system analyst and a systems integration and corporate project consultant at Crowntek Business Centres and GE Capital Technology Solutions. He also has other diversified experience at Canadian Natural Resources Limited, a crude oil and natural gas producer, from January 2004 to June 2004, Qatargas, a liquified natural gas company, from January 1999 to December 1999, and worked on field geophysical operations at Chevron Canada from January 1978 to April 1983. Mr. Sealock is an independent non-executive director of Solaris Synthetic Petroleum Ltd., a private company with interests in natural gas resources in western Canada. Mr. Sealock has been an independent non-executive director of Infinity Power Inc., a private company with interests in renewable energy and a focus on concentrated solar power and an independent non-executive director of the Airdrie Progressive Conservative Constituency Association since November 2011. Mr. Sealock obtained a bachelor's degree in business management from the University of Phoenix in 2008, an information technology management certificate from the University of Calgary in 2002 and a diploma of electronics engineering technology from DeVry Institute of Technology in 1991 and is a registered engineering technologist.

Mr. Douglas Stewart Brown, aged 54, has been our Chief Operating Officer since 6 October 2008. Previously, Mr. Brown was also our Co-Chief Executive Officer from 6 October 2008 to 20 December 2011. Mr. Brown will remain in his role as Chief Operating Officer until 30 June 2012, which period of time may be extended by mutual agreement. Thereafter, Mr. Brown, at his sole option and upon the execution of a written consulting agreement, may elect to become a consultant to our Company. Mr. Brown has advised our Company of his desire to become a consultant to our Company after this initial transition period. If he so elects, Mr. Brown would remain a consultant until the earlier of 31 December 2013 or twenty-one (21) months after we have listed on the Stock Exchange, unless extended or terminated earlier in accordance with the terms of the post transition period agreement. Mr. Brown has approximately 26 years of experience in oil and gas industry. He has obtained experience in capital and operating management positions, supervising technical and operating staff and delivering on conventional and unconventional portfolios. Prior to joining us, Mr. Brown, through JBD Services Ltd., commenced providing professional engineering services to us in October 2007 to October 2008. Mr. Brown served as the vice president of engineering and production at Rally Energy Corp. from September 2005, to June 2007, where he was responsible for operations, production, reservoir engineering, thermal engineering, facilities engineering and exploitation engineering. Mr. Brown provided engineering and technical services to the oil and gas industry from September 2003 to September 2005 and from July to October 2007. Mr. Brown was the vice president, corporate development of Flint Energy Services Ltd., a company providing products and services for the energy industry, from May 2002 to September 2003. From October 1985 to the first quarter of 2002. Mr. Brown worked as an employee and manager for Amoco Canada Petroleum Company Ltd. and its successor BPAmoco and BP Canada, serving in a variety of management and operational roles. Mr. Brown is a non-executive director of Drakkar Energy Ltd, a private oil sands company with interests in the Peace River oil sands region of Alberta, and the sole director and President of JBD Services Ltd. Mr. Brown is a registered professional engineer in Alberta, Canada.

Mr. Tonino Sabelli, aged 56, is our Senior Vice President, Operations since 15 December 2011. Mr. Sabelli was previously our Vice President, Drilling, Completions and Construction from 16 August 2010 to 15 December 2011. Mr. Sabelli has over 34 years of oil and gas drilling and production experience in Alberta, Mr. Sabelli worked at Union Oil Company of Canada from July 1977 to January 1980. From February 1980 to October 1981, he worked at Canadian Reserve Oil & Gas Ltd. Mr. Sabelli worked at Sceptre Resources Limited from October 1981 to February 1985. Mr. Sabelli was production superintendent at Canada Northwest Energy Ltd. from March 1985 to July 1990. He worked as drilling and completions superintendent at Altex Resources Ltd. from October 1990 to December 1992. He worked with Canadian Natural Resources Limited from January 1993 to March 2005 where he was general manager of drilling and completions for domestic and international operations with capital budgets approaching C$1 billion. Mr. Sabelli was a founder and an officer of Rising Sky Energy Ltd. from September 2006 to May 2008, a private junior oil and gas exploration and production company, and was previously a board member from 18 May 2007 to 18 May 2010 and executive president from October 2009 to August 2010 with Terra Energy Corp., a natural gas and oil exploration and production company, and executive vice president with Iteration Energy Ltd., a petroleum and natural gas company, from June 2008 to September 2009 and Red Sky Energy Ltd. from March 2005 to March 2006. He obtained a Petroleum Engineering diploma from the Southern Alberta Institute of Technology in June 1977.

Dr. Songbo Cong, aged 49, has been our Vice President, Facilities Engineering since 9 January 2008, and was a director of our Company from May 2007 to January 2008. Dr. Cong has more than 20 years experience in petro-chemical process engineering, instrumentation and control, modelling, simulation and project management for the oil and gas industry and refineries. From January 2005 to December 2007, Dr. Cong served as a principal application engineer at Honeywell Process Solutions focusing on SAGD and refinery process engineering design, modelling, control and operation optimisations. From June 2000 to January 2005, he served as a research & development engineer, adviser and was promoted to a group manager for HYSYS Dynamics Group at Aspen Technology Inc; working on refinery and oil and gas process modelling, control and operation optimisation engineering supports. From January 1999 to May 2000, Dr. Cong worked as an application engineer at Matrikon Consulting Inc., responsible for engineering consulting for oil and gas projects, such as oil sands extraction units for Suncor Energy Inc., and oil field production optimisation for ABB LTD. Previously from 1988 to 1993 and from 1996 to 1998, he also worked as a research engineer at Sinopec Corp., a petroleum and petrochemical company, where he has done extensive designs and application researches in the area of petrochemical process, control, simulation and optimisation. Dr. Cong obtained a bachelor's degree in engineering from Huadong Petroleum Institute in 1983, a master degree in engineering in 1988 and a doctor degree in engineering in 1996 from China University of Petroleum (formerly known as the University of Petroleum). Dr. Cong is a registered professional engineer in Alberta, Canada.

Mr. Daniel Joseph Dugas, aged 53, has been our Vice President, Field Operations since 1 March 2008, and has more than 28 years experience in oil and gas operations. From May 2001 to June 2008, he led operations teams onsite at Encana Oil & Gas Partnership's Foster Creek SAGD facility. Mr. Dugas worked with the Bonnyville JR. A Pontiacs from December 1999 to March 2000. Previously, Mr. Dugas was with Amoco Canada Petroleum Co. Ltd. from November 1981 to November 1999 as a senior operator and team leader, providing operations guidance and intervention at sites across Amoco Canada Petroleum Co. Ltd.'s broad product types and geographic locations, including the East Crossfield plant and field facilities, Chinchaga plant and field facilities and Amoco Canada Wolf Lake/Primrose plant and field facilities.

Directors and Senior Management

Mr. Jason James Hancheruk, aged 38, has been our Vice President, Land & Regulatory Affairs since 27 May 2011. Previously, Mr. Hancheruk was our Vice President, Regulatory, Environment and Stakeholder Affairs from February 2008 to May 2011. Mr. Hancheruk has more than nine years experience in the oil and gas/land use industry and has been directly involved in oil sands exploration and permanent disposition regulatory approvals for the past seven years. From 2007 to 2008, Mr. Hancheruk worked as project coordinator and crown surface land use agent at Integrity Land Inc., responsible for project management of oil sands, regulatory and surface rights acquisitions. From 2004 to 2007, Mr. Hancheruk worked as the Land Management Specialist at Boreal Land Services, responsible for surface land regulatory application processes. At Boreal Land Services, he was involved in the surface land regulatory application processes associated with the oil sands projects with Chevron Canada, Value Creation Inc., E-T Energy Ltd., Nexen Inc., ConocoPhillips Canada Resources Corp. and Syncrude Canada Limited. From 2001 to 2003, Mr. Hancheruk served as the field forester at Altus Geomatics, where he worked on land use oil field inspections, cutblock boundary layout, permanent sample plot establishment and forest operational planning. Mr. Hancheruk has a background in forest operations and planning and brings a great deal of experience including oil sands exploration, caribou protection planning and environmental field reporting. Mr. Hancheruk completed a program of studies in forest technology at the Northern Alberta Institute of Technology in 1997. Mr. Hancheruk possesses a wide network of regulatory, First Nations and trapper contacts throughout North Eastern Alberta and is a registered professional forest technologist.

Mr. Albert Norman Stark, aged 46, has been Treasurer since 1 April 2012, was previously Controller since 1 February 2009 and has 20 years of financial and accounting experience. He was previously Controller and Finance Director of Rally Energy Corp. from May 2006 to January 2009. Mr. Stark worked at Ziff Energy Group, a consulting company providing services to the energy industry, from March 1993 to June 1997 and from November 1998 to May 2006. Mr. Stark held various roles at Ziff Energy Group from Accountant in 1993, Controller in 2001, Controller and Manager, Corporate Services in 2004, Vice President Finance in 2005 to Chief Financial Officer in 2006. Mr. Stark was the Operations Accountant at Renata Resources Inc. from June 1997 to September 1998. Mr. Stark was a staff accountant in KPMG Management Services LP from May 1990 to April 1992. He obtained a Bachelor of Commerce degree from the University of Saskatchewan in 1990 and Certified General Accountant designation in 2000.

Ms. Christine Marie Profili, aged 37, has been Controller since 1 April 2012 and was previously manager of financial reporting of the Corporation since 15 August 2011. She has 12 years of financial, accounting and audit experience. Ms. Profili was a senior accountant at KERN Partners Ltd. from October 2010 to August 2011 and prior to this, since October 2000, Ms. Profili worked in the public assurance industry. Ms. Profili was employed with Deloitte & Touche LLP from January 2006 to October 2010 as a senior manager in the audit and assurance practice providing audit and advisory services to oil and gas clients, including public and private companies. Ms. Profili was on staff at BDO Dunwoody LLP commencing in October 2000 providing services to various clients, with a primary focus in the energy industry. She resigned from BDO Dunwoody LLP at the senior manager level, in January 2006. Ms. Profili graduated from Simon Fraser University in December 1997 with a Bachelor of Arts degree and obtained her Chartered Accountant designation in June 2002.

Mr. John Stanley Kowal, aged 49, has been our Strategic Advisor since 20 December 2011. Previously, Mr. Kowal was our Co-Chief Executive Officer from 6 October 2008 to 20 December 2011 and our Senior Vice President, Capital Markets from 2 June 2008 to 5 October 2008. Mr. Kowal will remain in his role as Strategic Adviser until 30 June 2012. Thereafter, Mr. Kowal will become a consultant to our Company until 31 December 2013, unless extended or terminated earlier in accordance with the terms of the post transition period agreement. Mr. Kowal has more than 24 years of experience in a variety of senior financial and treasury positions in several multi-national companies, out of which he spent approximately 14 years in oil and gas industry. He served as Vice President, Finance and Chief Financial Officer of Total E&P Canada Ltd. from January 2006 to January 2008. Mr. Kowal also served as Vice President, Finance and Chief Financial Officer of Deer Creek Energy Limited from April 2003 to December 2005 and as Treasurer of Canadian Hunter Exploration Ltd. from November 1998 to February 2002. Additionally, Mr. Kowal's diverse experience includes positions at Noranda Inc., a mining and metallurgy company from April 1996 to October 1998, John Labatt Limited from March 1995 to March 1996, Celestica Inc. from January 1994 to February 1995 and IBM Canada Limited from May 1985 to December 1993. Mr. Kowal is an independent non-executive director of Canadian North Sea Energy Ltd, a private oil company focused on the North Sea. Mr. Kowal obtained a Bachelor of Commerce Degree in 1985 and a Master of Business Administration in 1990 from McMaster University.

JOINT COMPANY SECRETARIES

Mr. Tingan Liu and **Mr. Richard Walter Pawluk** are our joint company secretaries for Hong Kong and Canada respectively. They provide their services to our Company as external service providers. They have full access to the Board and will report to and have contact with Mr. Michael John Hibberd in the first instance.

Mr. Tingan Liu, aged 50, is a non-executive Director and the Hong Kong Company Secretary and was appointed as Hong Kong Company Secretary on 26 August 2011. Please refer to the section above entitled "Directors" for details of his biography.

Mr. Richard Walter Pawluk, aged 42, is the Canadian Company Secretary and was our Company's sole company secretary from 9 May 2007 to 26 August 2011. Mr. Pawluk has been a partner of the law firm of McCarthy Tétrault LLP since 2003. From August 1999 to June 2002, Mr. Pawluk was an associate and senior manager with the law firm of Donahue LLP. Prior to that, he was an associate with the law firm of Code Hunter LLP. Throughout his career Mr. Pawluk has acted for a number of private and publicly traded oil and gas exploration and production companies with assets in Canada, the United States of America, Egypt, Pakistan, Albania, Portugal, Colombia and Turkey, advising on all types of domestic and international financing, acquisition and divestiture transactions. In the past, Mr. Pawluk has acted as the corporate secretary of Rally Energy Corp. from June 2003 to September 2007, Castle Rock Petroleum Ltd. from September 2005 and BNK Petroleum Inc. from May 2008 to August 2008, all of which are publicly traded companies. He is currently the company secretary of Porto Energy Corp., Anatolia Energy Corp., Drakkar Energy Ltd., Bashaw Oil Corp. and Bankers Petroleum Ltd. Mr. Pawluk has also served as a director of Rally Energy Corp. from June 2002 to June 2003, Catapult Financial Management Inc. (the general partner of Catapult Energy Limited Partnership) and ShoreLine Energy Partner Corp. from February 2009 to July 2011, and has been a director of Drakkar Energy Ltd. since March 2007, and BioAlberta since February 2009. Mr. Pawluk has acted as legal counsel to our Company since shortly after its incorporation. He obtained a Bachelor of Laws degree in June 1994 from the University of Manitoba and is a member of the Law Society of Alberta and the Canadian Bar Association.

None of the Directors or any member of Senior Management is related to any other Director or any member of Senior Management.

Corporate Governance Report

The Board of Directors ("the Board") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2011. The Company was not listed as at or before 31 December 2011 and did not have any Corporate Governance compliance obligations under Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") until 1 March 2012 (the "Listing Date").

The Company confirms that it will comply with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules following the Listing Date, save that the Company has not yet entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be elected on an annual basis at each annual general meeting, which is consistent with market practice in Canada.

CORPORATE GOVERNANCE PRACTICES

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 has, throughout the year ended 31 December 2011, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards. The Company's current practices are reviewed and updated regularly to ensure that the latest developments in corporate governance are followed and observed.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own policy (the "Corporate Disclosure and Trading Policy") for securities transactions by directors and employees who are likely to be in possession of unpublished price-sensitive information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code").

Directors' and Chief Executive Officer ("CEO")'s interests in the Company's shares as at 31 December 2011 are set out at pages 87 to 88 of this Annual Report.

Having made specific inquiries of all Directors of the Company, the Company has received confirmations from all Directors that they have complied with the required standard set out in the Corporate Disclosure and Trading Policy during the accounting period covered by this Annual Report. Since the Company was listed subsequent to the reporting period, it was not obliged to comply with the Model Code.

The Board of Directors and Senior Management

The Board is responsible for leadership of the Company, and for promoting the success of the Company by directing and supervising the Company's affairs. In addition, the Board is responsible for overseeing the corporate governance and financial reporting of the Company and for reviewing the effectiveness of the Company's system of internal control. To assist it in fulfilling its duties, the Board has established four board committees: the audit committee, the compensation committee, the corporate governance committee and the reserves committee (for details of which see pages 72 to 75 of this Annual Report).

The Co-Chairmen are responsible for overall operations and for leading the Board of Directors. The day-to-day business activities of the Company are managed by the CEO and his management team.

The Board has established clear guidelines with respect to matters that must be approved or recommended by the Board, including, without limitation, approval and adoption of the Company's annual operating budget and capital expenditure budget; the hiring or dismissal of the CEO, Chief Financial Officer, Joint Company Secretary or certain other members of the Company's senior management team; and approving and recommending significant transactions. The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its directors and senior management.

Composition of the Board, Number of Board Meetings and Directors' Attendance

The Board consists of ten directors, comprising two Executive Directors ("ED"), four Non-Executive Directors ("NED"), and four Independent Non-Executive Directors ("INED"). The biographical details of each director and their respective responsibilities and dates of appointment are included in the "Directors and Senior Management" section on pages 57 to 69 of this Annual Report.

There were 19 meetings of the Board held during the year ended 31 December 2011. The following is the attendance record of the Board and committee meetings held during the year:

	Category	Board of Directors	Audit Committee	Corp Gov Committee	Compensation Committee	Reserves Committee
Mr. Michael John Hibberd (i)	ED	19 of 19	3 of 3	2 of 2	—	—
Mr. Songning Shen	ED	19 of 19	—	—	2 of 3	4 of 5
Mr. Hok Ming Tseung	NED	19 of 19	—	2 of 2	3 of 3	—
Mr. Tingan Liu (ii)	NED	17 of 17	5 of 5	—	—	—
Mr. Haotian Li (ii)	NED	17 of 17	—	2 of 2	—	—
Mr. Gregory George Turnbull	NED	19 of 19	—	2 of 2	3 of 3	—
Mr. Raymond Shengti Fong	INED	18 of 19	4 of 5	—	1 of 3	5 of 5
Mr. Robert John Herdman (ii)	INED	11 of 11	2 of 2	—	—	—
Mr. Wazir Chand Seth	INED	19 of 19	5 of 5	—	—	5 of 5
Mr. Gerald Franklin Stevenson (ii)	INED	11 of 11	2 of 2	—	—	2 of 2
Mr. Justin Qin (iii)	INED	7 of 7	—	—	—	—
Mr. Kevin Flaherty (iv)	INED	2 of 2	—	—	—	—

(i) Mr. Hibberd left the audit committee after the appointment of Mr. Stevenson and Mr. Herdman to that committee.

(ii) Mr. Liu became a director on 1 February 2011; Mr. Li became a director on 14 February 2011; Mr. Stevenson became a director on 15 July 2011; Mr. Herdman became a director on 18 July 2011.

New Directors attended all board and committee meetings in 2011 after being appointed to the board.

(iii) Mr. Qin resigned as a director on 15 July 2011

(iv) Mr. Flaherty resigned as a director on 1 February 2011

Each INED has provided the Company with an annual confirmation of his or her independence, and the Company considers each of the INEDs to be independent under rule 3.13 of the Listing Rules.

Practices and Conduct of Meetings

Notice of regular Board meetings is given to all directors at least two days in advance, and reasonable notice is generally given for other Board meetings. Annual meeting schedules and the draft agenda of each meeting are normally made available to directors in advance. Arrangements are in place to allow directors to include items in the agenda, and final agendas together with Board papers are sent to directors at least two days before each Board meeting so that the Board can make informed decisions on matters placed before it. Each director also has separate and independent access to the senior management where necessary.

Minutes of the Board meetings are kept by the Joint Company Secretaries. Draft minutes are circulated to directors for comment within a reasonable time after each meeting.

If a director or any of his or her associates has a material interest in a transaction, that director is required to disclose his interest and to abstain from voting and not to be counted in the quorum at the meeting for approving the transaction.

APPOINTMENT AND ELECTION OF DIRECTORS

The Company uses a formal and transparent procedure for the appointment, the identification of nominees for director, which is led by the corporate governance committee, that makes recommendations on new director nominees to the Board for approval.

Nominees for Director are elected to hold office until the next annual meeting of the shareholders of the Corporation or until his successor is duly elected or appointed, unless his office is vacated earlier, then in accordance with the articles of incorporation and by-laws of the Corporation.

Each of the NEDs and INEDs was elected on 26 Jan 2012, subject to re-election. Details of the appointment and election of directors are set out in the "Directors and Senior Management" section on page 57 of this Annual Report.

Induction and Ongoing Development

Each newly appointed director receives a formal, comprehensive and tailored induction to ensure his or her understanding of the business and operations of the Company and awareness of a director's responsibilities and obligations, and directors are continually updated on developments and participate in continuous professional development in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities and to develop and refresh their knowledge and skills.

CO-CHAIRMEN AND THE CHIEF EXECUTIVE OFFICER

The Co-Chairmen, Mr. Michael John Hibberd and Mr. Songning Shen take the lead of the Board and manage overall operations of the Company. The role of the Chief Executive Officer is held separately by Mr. John Zahary. The Co-Chairmen oversee the Board's overall direction and functions. The Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the business of the Company.

COMMITTEES

The Board has established an audit committee, a corporate governance committee, a compensation committee and a reserves committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request. Meetings of the Board committees generally follow the same procedures as for meetings of the Board.

Audit Committee

The Board established an audit committee on 9 January 2008 and adopted written terms of reference that set forth the authority and duties of the committee. The audit committee currently consists of four members, namely Mr. Robert John Herdman (Chairman of the audit committee) (INED), Mr. Gerald Franklin Stevenson (INED), Mr. Wazir Chand Seth (INED) and Mr. Tingan Liu (NED).

In compliance with rule 3.21 of the Listing Rules, at least one member of the audit committee possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibilities of the audit committee.

All members have sufficient experience in reviewing audited financial statements as aided by the independent external auditors of the Company whenever required.

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal controls, to monitor the integrity of the Company's financial statements and financial reporting, and to oversee the audit process.

There were five meetings of the audit committee held during the year ended 31 December 2011. The following is a summary of the work performed by the audit committee during 2011:

- Reviewed the scope of the audit of the consolidated financial statements of the Company for the year ended 31 December 2011 and the interim periods ended 30 June 2011 and 30 September 2011, respectively, as well as the fee proposal for such audits;
- Reviewed the status and plans for the Company's internal control function; and
- Planned for the review of the Company's internal control system to be performed in connection with the annual report for the year ended 31 December 2011.

Since the Company was only listed on 1 March 2012, it was not required for the audit committee to perform certain of its duties, including in relation to the appointment or re-appointment of independent external auditors, the review of the Company's relationship with its independent external auditors, and the review of its systems for financial reporting, internal controls and risk management, during 2011. However, these duties were discharged by the audit committee.

Corporate Governance Committee

The Board established a corporate governance committee on 9 January 2008 and adopted written terms of reference that set forth the authority and duties of the committee. Since 1 April 2012, the Corporate Governance Committee have consisted of seven members namely Mr. Gerald Franklin Stevenson (Chairman), Mr. Michael John Hibberd, Mr. Robert John Herdman, Mr. Gregory George Turnbull, Mr. Haotian Li, Mr. Raymond Shengti Fong and Mr. Wazir Chand Seth. The Corporate Governance Committee consists of a majority of independent non-executive Directors and is chaired by an independent non-executive Director.

The primary duties of the corporate governance committee in respect of nominations include, but are not limited to making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and senior officers, succession planning for directors, in particular the Co-Chairman and the chief executive officer and assessing the independence of independent non-executive directors. Further, the corporate governance committee has certain duties in respect of other corporate governance matters, including, to consider and review the Company's corporate governance principles, practices and processes and to make recommendations to the Board, to review and monitor the training and continuous professional development of Directors and senior management and to review the Company's compliance with the Code on Corporate Governance. Going forward, the corporate governance committee will meet at least once a year to discharge its responsibilities.

In compliance with Code Provisions A.5.1 and D.3.2 of the Code, on 1 April 2012:

- Mr. Gregory George Turnbull stepped down as chairman of the Corporate Governance Committee, and was replaced by Mr. Gerald Franklin Stevenson, an independent non-executive Director of our Corporation. Mr. Gregory George Turnbull, a non-executive Director, remains a member of the Compensation Committee.
- Mr. Hok Ming Tseung, non-executive Director, ceased to be a member of the Corporate Governance Committee.
- Mr. Raymond Shengti Fong and Mr. Wazir Chand Seth, independent non-executive Directors, became members of the Corporate Governance Committee.

Compensation Committee

The Company established a compensation committee on 9 January 2008 and adopted written terms of reference that set forth the authority and duties of the committee. Since 1 April 2012, the Compensation Committee has consisted of five members namely Mr. Robert John Herdman (Chairman), Mr. Gregory George Turnbull, Mr. Hok Ming Tseung, Mr. Raymond Shengti Fong and Mr. Gerald Franklin Stevenson. The Compensation Committee consists of a majority of independent non-executive Directors and is chaired by an independent non-executive Director.

The primary duties of the compensation committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, as well as to determine the specific remuneration packages of all Executive Directors and certain members of Senior Management.

There were three meeting of the compensation committee held during the year ended 31 December 2011. The following is a summary of the work performed by the compensation committee during 2011:

- Reviewed compensation arrangements of Executive Directors and certain members of senior management; and
- Approved the participation of an Executive Director in an employee benefit plan.

In compliance with Code Provision B.1.1 of the Code, on 1 April 2012:

- Mr. Gregory George Turnbull stepped down from his role as Chairman of the compensation committee, and was replaced by Mr. Robert John Herdman, an independent non-executive Director of our Corporation. Mr. Gregory George Turnbull, a non-executive Director, remains as a member of the Compensation Committee.

- Mr. Raymond Shengti Fong and Mr. Gerald Franklin Stevenson, independent non-executive Directors, became members of the Compensation Committee.

Reserves Committee

The Corporation has established a reserves committee on 9 January 2008 and adopted written terms of reference that set forth the authority and duties of the committee. The reserves committee consists of four members, namely Mr. Wazir Chand Seth (INED), (Chairman of the reserves committee), Mr. Songning Shen (ED), Mr. Gerald Franklin Stevenson (INED) and Mr. Raymond Shengti Fong (INED).

The primary duties of the reserves committee include but are not limited to reviewing and approving management's recommendations for the appointment, or proposed changes of independent evaluators; reviewing procedures for providing information to the independent evaluators; meeting with management and the independent evaluator to review the reserves data and report; recommending to the Board whether to approve the content of the independent evaluators' report; and reviewing procedures for reporting on other information associated with oil sands producing activities and generally reviewing all public disclosure of estimates of reserves.

The Reserves Committee meets at least once annually to review procedures relating to the disclosure of information with respect to oil and gas activities, including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements.

The Reserves Committee also reviews and assesses the Company's health, safety and environment processes and controls.

SHAREHOLDER COMMUNICATION POLICY

The Company introduced a shareholder communication policy on 1 April 2012 in compliance with Code Provision E.1.4 of the Code.

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

In 2011, the Company put an emphasis on improving the field safety monitoring system for preventing workplace injuries. Sunshine executives and managers believe in the HSE principle of "Safety First", as well as focusing on safety and environmental protection, with an excellent safety record.

We are committed to protecting and promoting the safety and well being of our employees, contractors, communities and the environment. We aim for safe and reliable operations where any risks which compromise the health and safety of workers are identified and addressed.

Sunshine meets all regulated standards for environment, health and safety. We continue to improve by working together and sharing responsibility for a healthy environment, as well as the safety and well being of our contractors, our families, our communities and ourselves.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The following is a general description of the emolument policy of the Company, as well as the basis of determining the emoluments payable to the directors.

The remuneration of directors is determined by our Board, which receives recommendations from the compensation committee. One of our NEDs did not receive any directors' fees. All of our Executive Directors, INEDs and remaining NED's received directors fees in 2011.

Under our current compensation arrangements, Executive Directors and senior management receive compensation in the form of cash and bonuses subject to performance targets and are eligible to receive option grants.

As of the date of this annual report, the Company does not have any employee long-term incentive plans. If it is decided to establish any such plans in the future, further to recommendations from the compensation committee, such plans will comply with applicable provisions of the Listing Rules.

Remuneration of the directors (including retainers, fees, salaries, discretionary bonuses, and other benefits including share based payments) was approximately C$6.7 million for the year ended 31 December 2011.

Details of the directors' emoluments are as follows:

For the year ended 31 December 2011

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Michael Hibberd	$ 31,000	$ 455,393	$ —	$ 1,016,226	$ 520,000	$ 2,022,619
Songning Shen	32,000	455,393	—	1,016,226	520,000	2,023,619
Tseung Hok Ming	24,333	—	—	1,696,547	—	1,720,880
Tingan Liu	—	—	—	—	—	—
Haotian Li	22,333	—	—	238,803	—	261,136
Kevin Flaherty	—	—	—	11,362	—	11,362
Raymond Fong	27,333	—	—	10,818	—	38,151
Zhijan Qin	—	—	—	10,818	—	10,818
Wazir C. (Mike) Seth	29,000	—	—	10,818	—	39,818
Greg Turnbull	26,667	—	—	60,778	—	87,445
Robert Herdman	28,667	—	—	202,044	—	230,711
Gerald Stevenson	27,333	—	—	202,044	—	229,377
	$ 248,666	$ 910,786	$ —	$ 4,476,484	$ 1,040,000	$ 6,675,935

The aggregate amount of emoluments for the five highest paid individuals of the Company, including certain executive directors, was approximately C$1.6 million for the year ended 31 December 2011.

The five highest paid individuals includes three directors of the Company and two officers of the Company for the year ended 31 December 2011 (2010 – two directors and three officers). The compensation of these individuals is as follows:

	Year ended 31 December 2011
Salaries and other benefits	$ 483,933
Contributions to retirement benefits schemes	6,654
Share based compensation	736,264
Performance related incentive payments	340,000
	$ 1,566,851

The five highest paid individuals were within the following emolument bands:

	Year ended 31 December 2011
HK$ nil to HK$1,000,000	—
HK$1,000,001 to HK$1,500,000	—
HK$1,500,001 to HK$2,000,000	—
HK$2,000,001 to HK$2,500,000	—
HK$2,500,001 to HK$3,000,000	—
HK$3,000,001 to HK$3,500,000	—
HK$3,500,001 to HK$4,000,000	—
HK$4,000,001 to HK$4,500,000	—
HK$4.500,001 to HK$5,000,000	—
HK$5,000,001 to HK$5,500,000	—
HK$5,500,001 to HK$6,000,000	2
HK$6,000,001 to HK$6,500,000	—
HK$6,500,001 to HK$7,000,000	—
> HK$7,000,000	3

No amounts have been paid to the directors or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office for 2011. No directors waived or agreed to waive any emoluments to which they were entitled for the year ended 31 December 2011.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The auditors' statement about their reporting responsibilities for the Company's consolidated financial statements is set out in the Independent Auditors' Report on pages 98 to 99 of this Annual Report.

The fees in relation to the audit and related services for the year ended 31 December 2011 provided by Deloitte, the independent external auditors of the Company, were as follows:

	C$
Audit Fees (1)	**$724,842**
Audit-Related Fees (2)	**$388,720**
Tax Fees (3)	**Nil**
All Other Fees (4)	**Nil**
Total	**$1,113,562**

Notes:

(1) The aggregate fees billed by the Company's auditor for audit fees.

(2) The aggregate fees billed for assurance and related services by the Company's auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.

(3) The aggregate fees billed for professional services rendered by the Company's auditor for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for professional services rendered by the Company's auditor in relation to services other than the services reported under (1), (2) and (3) above.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it holds responsibility for:

- Overseeing the preparation of the financial statements of the Company with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company; and

- Selecting suitable accounting policies and applying them consistently with the support of reasonable judgment and estimates.

The Board ensures the timely publication of the financial statements of the Company.

Management provides explanations and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board strives to ensure a balanced, clear and understandable assessment of the Company's financial reporting, including annual and interim reports, other price-sensitive announcements, and other financial disclosures required under the Listing Rules, and reports to regulators and information required to be disclosed pursuant to statutory requirements and applicable accounting standards.

The Board is responsible for ensuring that the Company keeps proper accounting records, for safeguarding the Company's assets and for taking reasonable steps for the prevention of fraud and other irregularities.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

The Board places great importance on internal control and is responsible to ensure that the Company maintains sound and effective internal controls.

The Company's risk and compliance department provides an independent review of the adequacy and effectiveness of the internal control system. The internal and external audit plans are discussed and agreed each year with the audit committee.

Each year the Board reviews the overall effectiveness of the Company's internal controls. The Board has reviewed the effectiveness of the Company's system of internal control for the year ended 31 December 2011. In conducting such review, the Board has (i) reviewed the Company's internal control activities during the year and discussed such activities and the results thereof with the Company's Chief Financial Officer, (ii) reviewed and discussed the scope and results of the annual audit with the Company's independent external auditors, (iii) reviewed the assessment of internal controls conducted in connection with the Company's initial public offering, and (iv) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the annual financial statements. Based on its review, the Board is not aware of any material defects in the effectiveness of internal controls.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company strives to maintain a high level of transparency in communications with shareholders and investors. The Company keeps a constant dialogue with the investment community through company visits, conference calls, information sessions and participation in major investor conferences to communicate the Company's business strategies, developments and goals.

The Company's annual and interim reports, stock exchange filings, video webcasts, press releases and other information and updates on the Company's operations and financial performance are available for public access on the Company's website, www.sunshineoilsands.com, and some of these documents are also available on the website of The Stock Exchange of Hong Kong Limited, www.hkexnews.hk

At the previous annual and special meeting of the Shareholders held on 26 January 2012, the Shareholders confirmed and approved amendments to the Articles of Incorporation and By-Law No. 1. The amendments were made in compliance with requirements under the Listing Rules.

The Company encourages its shareholders to attend the Company's Annual General Meeting ("AGM") and other general meetings, to communicate their views and concerns to the Board directly so as to ensure a high level of accountability and also to stay informed of the Company's strategies, developments and goals.

The AGM will be held on 29 May 2012 at 8 am in Hong Kong and will be webcast to the Lecture Theatre Room of the Metropolitan Centre at 6 pm Mountain Daylight Time, 333 - 4th Avenue SW, Calgary Alberta.

Directors' Report

The Directors have the pleasure of submitting their annual report together with the audited financial statements of the Company for the year ended 31 December 2011.

Principal Activities

The Company is engaged in the exploration for, and the development of oil properties for the future production of bitumen in the Athabasca oil sands region in Alberta, Canada.

Results and Distributions to Shareholders

The results of the Company for the Financial Year are set out in the Consolidated Statements of Operations and Comprehensive Loss on page 100. The Board has not recommended, declared or paid any distributions for the Financial Year.

Shareholder Rights

Under the *Business Corporations Act* (Alberta) ("**ABCA**"), the directors of a corporation are authorized to call meetings of shareholders. The ABCA establishes two categories of meetings of shareholders: (i) annual meetings, and (ii) special meetings.

There are also specific circumstances in which shareholders may call special meetings where the directors fail to do so. Pursuant to the applicable provisions of the ABCA, registered or beneficial holders of not less than five per cent (5%) of the issued voting shares may requisition the directors to call a meeting of shareholders. If the directors do not call a meeting within 21 days after receiving the requisition, a shareholder who signed the requisition may call the meeting. The ABCA mandates that such shareholders be reimbursed for expenses incurred in requisitioning, calling, and holding the meeting unless the shareholders resolve otherwise at the meeting.

The last meeting of the shareholders of the Company was an annual general and special meeting which was held on 26 January 2012 in the Metropolitan Conference Centre, 333 - 4th Avenue S.W., Calgary, Alberta, Canada, T2P OH9 at 3:00 p.m. (Calgary time). At this meeting, the Shareholders passed various resolutions on major items, which included among others, adopting the new By-Law No. 1 of the Company, approving the amendment of the Company's Articles, approving a new share incentive plan, approving a share split of up to 25:1 of the Company's issued and outstanding share capital, approving a mandate for the Company to issue and allot a certain percentage of its shares until the next annual general meeting and approving a mandate for the Company to repurchase a certain percentage of its shares until the next annual general meeting.

In order to safeguard shareholders' interests and rights, a separate resolution will be proposed for each separate issue to be decided at a shareholders' meeting, including for the election of individual directors.

All resolutions put forward at a shareholders' meeting will be voted by poll pursuant to the Rule 13.39(4) of the Listing Rules, and the poll results will be posted on the Company's websites and on the Hong Kong Stock Exchange's website following each shareholders' meeting.

Shareholders may at any time change their choice of language (English or Chinese or both) or means of receipt (printed form or through electronic means on the Company's website) of corporate communications by writing or email to the Company's Hong Kong share registrar.

SEGMENT INFORMATION

The Company has one business and geographical segment. Accordingly, no business and geographical segment information are presented.

RESERVES

Details of movements in the Company's reserves during the year ended 31 December 2011 are set out in the consolidated statement of changes in equity on page 102 of this Annual Report and in the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2011, reserves available for distribution to shareholders amounted to approximately C$148.6 million as shown in the statutory accounts of the Company and calculated in accordance with the Company's articles of incorporation.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year ended 31 December 2011 are set out in note 8 to the consolidated financial statements.

PRINCIPAL SUBSIDIARY

Particulars of the Company's principal subsidiary as at 31 December 2011 are set out in note 1 to the consolidated financial statements.

Name of subsidiary	Principal Activity	Place of incorporation and operation	Unlisted shares				
			As at 31 December				
			2011	2010	2009	2008	2007
Fern Energy Ltd.	Oil & Gas exploration and production	Alberta, Canada	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000

LOANS

As at 31 December 2011, the Company had no loans that were repayable upon demand or within one year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of purchases attributable to the Company's major suppliers during the year ended 31 December 2011 are as follows:

SUPPLIERS

The largest supplier	6%
Five largest suppliers combined	21%

The aggregate percentage of sales attributable to the Company's major customers during the year ended 31 December 2011 are as follows:

Trade Payables

Trade payables mainly represent payables to subcontractors of exploration and evaluation services. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The following is an aged analysis of trade payables based on invoices dates at the end of the reporting periods:

	As at 31 December	
	2011	2010
0 - 30 days	**$ 7,225,897**	$6,101,044
31 - 60 days	**4,066,802**	1,368,367
61 - 90 days	**448,245**	—
>91 days	**210,558**	253,983
	11,951,502	7,723,394
Other payables and accruals	**21,413,936**	9,798,404
	$ 33,365,438	$17,521,798

CUSTOMERS

The largest customer	99%
All other customers combined	100%

To the knowledge of the directors, none of the directors, their associates, or any shareholders (which, to the knowledge of the directors, own more than 5% of the issued share capital of the Company) had a beneficial interest in the Company's five largest suppliers and customers.

Trade Receivables

The Company's trade and other receivables mainly arise from oil sales and goods and services tax receivable due from government taxation authorities. These are analysed as follows:

	As at 31 December	
	2011	2010
Trade receivables	**$ 2,047,804**	$ 313,684
Goods and Services Taxes receivable	**1,522,985**	785,537
Other receivables	**12,164**	174,337
	$ 3,582,953	$ 1,273,558

The Company allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables perceived based on invoice date at the end of the reporting period:

	As at 31 December	
	2011	2010
0 - 30 days	**$ 1,259,911**	$ —
31 - 60 days	**781,194**	201,829
61 - 90 days	**6,699**	111,855
	$ 2,047,804	$ 313,684

At 31 December 2011 and 2010, included in the Company 's trade receivable were debtors with aggregate carrying amount of $787,893 and $313,684, respectively, which were past due as at the reporting date for which the Company had not provided for impairment loss. The Company does not hold any collateral over these balances.

FIVE YEAR FINANCIAL INFORMATION

A summary of the results, assets, and liabilities of the Company for the last five financial years is set out on pages 16 to 17 of this Annual Report.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at 31 December 2011	2010
Assets			
Current Assets			
Cash and cash equivalents	4	**$84,957,414**	$41,540,387
Trade and other receivables	5	**3,582,953**	1,273,558
Prepaid expenses and deposits	6	**797,718**	1,910,487
		89,338,085	44,724,432
Non-Current Assets			
Exploration and evaluation assets	7	**382,277,258**	197,836,345
Property and equipment	8	**718,785**	474,051
Other assets	22	**3,379,627**	—
		386,375,670	198,310,396
		$ 475,713,755	$ 243,034,828
Liabilities and Shareholders' Equity			
Current Liabilities			
Trade and other payables	9	**$33,365,438**	$17,521,798
Provisions for decomissioning obligation	10	**68,365**	116,734
Fair value of warrants	12	**63,000,304**	—
Provision for flow-through shares		**—**	19,914
		96,434,107	17,658,446
Non-Current Liabilities			
Share repurchase obligation	14	**224,362,115**	—
Provisions for decomissioning obligation	10	**6,331,883**	2,052,330
Deferred income tax liabilities	11	—	891,262
		230,693,998	2,943,592
		327,128,105	20,602,038
Shareholders' Equity			
Share capital	12	**219,173,885**	224,526,472
Reserve for share based compensation		**30,074,070**	17,642,606
Deficit		**(100,662,305)**	(19,736,288)
		148,585,650	222,432,790
		$ 475,713,755	$ 243,034,828

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of incorporation, by-laws of the Company or the ABCA.

PURCHASE, SALE, OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Company was listed subsequent to the reporting period there was no purchase or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2011. Securities were issued by the Company during the year ended 31 December 2011

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in the consolidated statements of changes in equity.

DIRECTORS

As at 31 December 2011 and up to the date of this annual report, the composition of the Board was as follows:

Executive Directors
Michael John Hibberd
Songning Shen

Non-Executive Directors
Hok Ming Tseung
Tingan Liu
Haotian Li
Gregory George Turnbull

Independent Non-Executive Directors
Raymond Shengti Fong
Robert John Herdman
Wazir Chand Seth
Gerald Franklin Stevenson

Biographical details of the directors of the Company as at the date of this report are set out on pages 57 to 69 of this Annual Report in the section headed "Directors and Senior Management".

DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the 2011 AGM has or is proposed to have a service contract that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save for the related party transactions set out in note 18 to the consolidated financial statements and the transactions disclosed under the heading "Transactions with Related Parties" in the section entitled "Management Discussion and Analysis" of this Annual Report, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company and its subsidiary for the year ended 31 December 2011.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As of 31 December 2011, the interests and short positions of the directors and chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

1. Long position in the shares of the Company

Name of Director	Nature of Interest	Number of ordinary shares held at 31 December 2011 (a)(b)	Approximate shareholding %
Michael John Hibberd	Beneficial owner	84,800,000(L)	3.87
Songning Shen	Beneficial owner	87,017,660(L)	3.97
Hok Ming Tseung	Beneficial owner	16,000,000(L)	0.73
Tingan Liu	Beneficial owner	—(L)	—
Haotian Li	Beneficial owner	1,000,000(L)	0.05
Gregory George Turnbull	Beneficial owner	12,300,000(L)	0.56
Raymond Shengti Fong	Beneficial owner	8,500,000(L)	0.39
Robert John Herdman	Beneficial owner	1,000,000(L)	0.05
Wazir Chand Seth	Beneficial owner	1,700,000(L)	0.08
Gerald Franklin Stevenson	Beneficial owner	1,000,000(L)	0.05

Notes:

(a) (L) represents long position.

(b) Includes Class "A" common shares, Class "G" and Class "H" preferred shares, Class "A" shares owned by spouses and stock options.

2. Interests in the shares of associated corporations

Name of Director	Name of Associated Corporation	Capacity	Number of ordinary shares Held at 31 December 2011	Approximate Shareholding %
N/A	N/A	N/A	N/A	—

Save as disclosed above, as at 31 December 2011, none of the directors or chief executives of the Company have or are deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of Part XV of the SFO, or as otherwise notifiable to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2011, so far as the directors are aware, the following shareholders (other than the directors or chief executives of the Company) had 5% or more beneficial interests or short positions in the issued shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company under Section 336 of Part XV of the SFO:

1. Long and short position in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held at 31 December 2011 (a)(b)	Approximate shareholding %
Orient International Resources Group Limited	Beneficial Owner	266,666,640(L)	14.01
Charter Globe Limited (BOCGI)	Beneficial Owner	206,611,560(L)	10.85
China Life Insurance	Beneficial Owner	144,628,100(L)	7.60

Notes:

(a) (L) represents long position. (S) represents short position.

(b) Includes Class "A" and Class "B" common shares only

Save as disclosed above, as at 31 December 2011, so far as the directors are aware, no other persons (except the directors or chief executives) or corporations had 5% or more interests or short positions in shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the SFO.

OVER-ALLOTMENT OPTION

The over allotment option available to underwriters pursuant to the Corporation's IPO was not exercised and lapsed on 24 March 2012.

As of 26 March 2012 the shareholding of the substantial shareholders were as follows:

Name of Shareholder	Capacity	Number of ordinary shares held at 26 March 2011 (a)(b)	Approximate shareholding %
Orient International Resources Group Limited	Beneficial Owner	266,666,640	9.39
Premium Investment Corporation	Beneficial Owner	239,197,500	8.42
Sinopec Century Bright Capital Investment Limited	Beneficial Owner	239,197,500	8.42
Charter Globe Limited	Beneficial Owner	206,611,560	7.27
China Life Insurance	Beneficial Owner	144,628,100	5.09

Notes:

(a) (L) represents long position.

(b) Includes Class "A" common shares only

2007 SHARE OPTION PLAN

The 2007 Share Option Plan was amended on 30 April 2008 and terminated in 2009, after which termination no further options were granted under the 2007 Share Option Plan but the provisions of the 2007 Share Option Plan continue to apply to options granted thereunder before such termination. In accordance with the rules of our 2007 Share Option Plan, the Board resolved on 9 February 2012 to adjust the number of Shares subject to our 2007 Share Option Plan and subject to any outstanding options granted thereunder by a ratio of 1:20, and to adjust the option price per Share underlying any outstanding option so that there is no change in the total exercise price applicable to the unexercised portion of the option, in each case so as to give effect to the adjustment in the number of Shares resulting from the 20-for-1 share split.

Purpose

The purpose of our 2007 Share Option Plan is to provide our directors, officers and employees and our consultants and our affiliates with an opportunity to purchase Shares and to benefit from the appreciation thereof. This provides an increased incentive for these individuals to contribute to our future success and prosperity, thus enhancing the value of our Shares for the benefit of all our Shareholders and increasing our ability and that of our Subsidiary to attract and retain skilled individuals.

Eligible participants

Our Board may determine the directors, officers and employees of our Company and our consultants and our affiliates to whom options may be granted under our 2007 Share Option Plan.

Number of shares authorised to be available for issue

The maximum number of Shares issuable pursuant to our 2007 Share Option Plan is 169,289,160 Shares, until such time as the number of options issued is equal or less than 10% of our then issued and outstanding Shares, at which time the maximum number of issuable options becomes and remains a "rolling" maximum number equal to 10% of our issued and outstanding Shares. No fractional shares may be purchased or issued under our 2007 Share Option Plan. Prior to the amendment of our 2007 Share Option Plan on 30 April 2008, the aggregate number of Shares reserved for issuance under our 2007 Share Option Plan could not exceed 20% of our outstanding Shares. The Shares in respect of which options were not exercised were to be available for subsequent options.

Maximum entitlement of each participant

The number of Shares that may be acquired under an option granted to a participant shall be determined by our Board at the time the option is granted, provided that the aggregate number of Shares reserved for issuance to any one participant under our 2007 Share Option Plan shall not exceed 5% of the total number of issued and outstanding Shares (calculated on a non-diluted basis) in any 12 month period (and, in the case of consultants, shall not exceed 2% in any 12 month period). Prior to the amendment of our 2007 Share Option Plan on 30 April 2008 there was no limit on the number of Shares that could be acquired under an option granted to a participant or on the aggregate number of Shares reserved for issuance to any one participant.

Period of Grant and Exercise period

An option must be exercised within a maximum period of five years from the date of the granting of the option. The vesting period or periods within this five year period during which an option or a portion thereof may be exercised by a participant shall be determined by our Board.

Amount payable on subscription for the options

Options are granted for such nominal consideration as is stipulated in the stock option agreement made between us and the participant, such consideration being C$1.00.

Basis of determining exercise price

The exercise price shall be such price as is determined by our Board at the time the option is granted, provided that such exercise price shall not be less than that which is from time to time permitted under the rules of any stock exchange or exchanges on which the Shares are then listed. Prior to the amendment of our 2007 Share Option Plan on 30 April 2008 there was no limit on our Board's discretion to fix the exercise price.

At the discretion of our Board, the exercise price may increase, throughout the period or for any part of the period that the option or a portion thereof remains unexercised, by an amount per annum fixed by our Board at the time the option is granted.

2009 SHARE OPTION PLAN

On 13 June 2010 the Company adopted the amended 2009 Share Option Plan, approved by the Shareholders at the Annual General Meeting. The Share Option Scheme is subject to the Administration of the Board whose decisions as to all matters arising in relation to this Scheme or interpretation or effect shall be final and binding on all parties. The Share Option Scheme will be valid and effective from the date of Shareholder approval to the next Annual General Meeting. The total amount of share options which may be issued under this 2009 share option scheme must not in aggregate exceed the larger of 10% of the share capital of the Company in issue or 10,500,000 options.

Purpose

The purpose of the 2009 Share Option Plan is to advance the Company interests by encouraging directors, officers, employees or providers of services to acquire our Shares, thereby increasing the proprietary interests of such persons in the Company; aligning the interests of such persons with the interests of the Shareholders generally; encouraging such persons to remain associated with the Company; and furnishing such persons with an additional incentive in their efforts on behalf of the Company.

Eligible Participants

The Board may, in its discretion, select any directors, officers or employees of, or providers of services to the Company to participate in our 2009 Share Option Plan.

Number of Shares Authorized to be Available for Issue

The aggregate number of Shares that may be issued under our 2009 Share Option Plan and any of our other share compensation arrangements, including our 2007 Share Option Plan, is the higher of (i) 210,000,000; or (ii) 10% of the total number of issued and outstanding Shares or such higher percentage as is approved in accordance with applicable laws and regulations. If any option granted under our 2009 Share Option Plan has expired or terminated for any reason before being exercised in full any un-purchased Shares to which such option relates shall be available for the purposes of the granting of options under our 2009 Share Option Plan.

Maximum Entitlement of Each Participant

The aggregate number of Shares issued or to be issued to any one participant under the 2009 Share Option Plan or any of our other share compensation arrangements shall not exceed 5% of the total number of issued and outstanding Shares (calculated on a non-diluted basis).

Period of Grant and Exercise Period

The period during which an option may be exercised is determined by the Company's Board at the time the option is granted, subject to any vesting limitations imposed by the Board in its sole unfettered discretion at the time of grant, provided that: (a) no option shall be exercisable for a period exceeding five years from the date the option is granted; and (b) unless otherwise agreed by our Board, the option period shall be automatically reduced upon the participant ceasing to be a director, officer, employee or provider of services to us or our subsidiary or upon his/her death, permanent disability or normal retirement. There is no minimum period for which options must be held by a participant prior to its vesting.

Amount Payable on Subscription

Options are granted for such nominal consideration as is stipulated in the Stock Option agreement made between Sunshine and the participant, such consideration being C$1.00.

Basis of Determining Exercise Price

The price per Share at which the participants may subscribe for Shares on the exercise of their options is stipulated in the stock option agreement made between the Company and the participant and is equal to the price of a Share in the last closing of any equity transaction, unless our Board believes, acting reasonably, that the prior equity offering price is not representative of market value.

The following table discloses movements in the Company's share options for the year ended 31 December 2011.

Name	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at year end
Michael John Hibberd	30,680,000	—	—	—	—	30,680,000
Songning Shen	30,880,000	—	—	—	—	30,880,000
Hok Ming Tseung	1,000,000	—	—	—	—	1,000,000
Tingan Liu	—	—	—	—	—	—
Haotian Li	—	1,000,000	—	—	—	1,000,000
Kevin Flaherty	1,600,000	—	(500,000)	—	—	1,100,000
Raymond S. Fong	1,500,000	—	—	—	—	1,500,000
Zhijan Qin	1,300,000	—	—	—	—	1,300,000
Wazir Chand (Mike) Seth	1,700,000	—	—	—	—	1,700,000
Gregory George Turnbull	1,600,000	—	—	—	—	1,600,000
Robert John Herdman	—	1,000,000	—	—	—	1,000,000
Gerald Franklin Stevenson	—	1,000,000	—	—	—	1,000,000
Total for Directors	70,260,000	3,000,000	(500,000)	—	—	72,760,000
John Empey Zahary	—	2,000,000				2,000,000
Douglas Stewart Brown	11,260,000	—	—	—	—	11,260,000
John Stanley Kowal	8,980,000	—	—	—	—	8,980,000
Thomas Kenneth Rouse	4,700,000	—	—	—	—	4,700,000
David Owen Sealock	4,900,000	—	—	—	—	4,900,000
Total for Executive Management	29,840,000	2,000,000	—	—	—	31,840,000
Total for other share option holders	89,623,980	18,313,540	(6,354,000)	(3,224,980)	—	98,358,540
Total	189,723,980	23,313,540	(6,854,000)	(3,224,980)	—	202,958,540

Further details of the Company's share option scheme are set out in Note 13 Share-Based Payments of the consolidated financial statements.

POST IPO SHARE OPTION SCHEME

The Company adopted a Post-IPO Share Option Plan approved by its shareholders at the annual general meeting on 26 January 2012. The Post-IPO Share Option Plan became effective on 1 March 2012. The Post-IPO Share Option Plan will be valid and effective for a period of 10 years from 1 March 2012. The total amount of share options which may be issued under the Post-IPO Share Option Plan is calculated in accordance with the following formula:

X = A-B-C

Where:

X = the maximum aggregate number of shares in respect of which options may be granted pursuant to the Post-IPO Share Option Plan;

A = the total number of shares in respect of which options may be granted pursuant to the post-IPO Share Option Plan and any other share option schemes of the Company, being (i) 284,092,143 Shares representing approximately 10% of the Shares issued and outstanding as at 1 March, 2012 (excluding any shares issued pursuant to the exercise of the Over-Allotment Option) or (ii) 10% of the Shares issued and outstanding as at the date of approval of the renewed limit (the "New Approval Date") (as the case may be)

B = the maximum aggregate number of shares underlying the options already granted pursuant to the Post-IPO Share Option Plan which in the event that there has been a New Approval Date, shall only include those shares underlying options that have been granted since that most recent New Approval Date; and

C = the maximum aggregate number of shares underlying the options already granted pursuant to any of the other share option schemes

Shares in respect of options which have lapsed in accordance with the terms of the post-IPO Share Option Plan and any of the other share option plans will not be counted for the purpose of determining the maximum aggregate number of shares in respect of which options may be granted pursuant to the Post-IPO Share Option Plan.

As of 26 March 2012, no options had been issued under the Post-IPO Share Option Plan.

CONNECTED TRANSACTIONS

On 18 October 2011, the Company entered into a two-year credit facility commencing on the date of the first drawdown with Orient International Resources Group Limited, in the principal amount of C$100 million, for general corporate purposes. The facility is unsecured and may be subordinated if another lender requires the facility to be subordinated, with no penalty chargeable upon early repayment or cancellation of the facility. The facility is interest-free until 31 May 2012, and commencing on 1 June 2012 an annual interest rate charged at 5% per annum on the outstanding principal will be payable on a semi-annual basis to Orient International Resources Group Limited. The annual interest rate was determined by commercial negotiations between Orient International Resources Group Limited and the Company. The Company understands that current market rates for oil sands companies in the developmental stages is approximately 400 basis points plus bankers acceptance (1.2% as of 25 October 2011) equating to an interest rate of 5.25%. The Company made its initial draw of C$30 million of the Orient Credit Facility on 13 January 2012. As of 8 March 2012, the C$30 million had been repaid, in full to Orient.

The facility constitutes financial assistance provided by Orient International Resources Group Limited for the Company's benefit, is on normal commercial terms and does not involve the granting of any security over our assets. Accordingly, the facility constitutes a continuing connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

As of 26 March 2012, Orient International Resources Group Limited was the largest shareholder of the Company.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Company during the year in the ordinary course of business are set out in note 18 to the consolidated financial statements. Other than those transactions disclosed in the section headed "Continuing Connected Transactions" above, none of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, the Company has maintained the prescribed public float of more than 25% of the issued share capital required under the Listing Rules during the period from the Listing Date to the date of this report.

AUDITOR

The financial statements were audited by Deloitte & Touche LLP, who shall be eligible for re-appointment, and a resolution to this effect will be proposed at the forthcoming AGM of the Company.

IMPORTANT SHAREHOLDER DATES

The Annual General Meeting of Sunshine Oilsands shareholders will take place on 29 May 2012 at 8:00 AM Hong Kong time in the Island Ballroom A on Level 5 of the Island Shangri-la, Hong Kong at Pacific Place, Supreme Court Road, Central, Hong Kong, The Annual General Meeting will be audio conferenced on 28 May 2012 at 6:00 PM MDT in the Lecture Theatre Room of the Metropolitan Centre, at 333 - 4th Avenue SW, Calgary, Alberta.

On behalf of the Board

Michael Hibberd
Co-Chairman

Songning Shen
Co-Chairman

26 April 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte & Touche LLP
700, 850 - 2nd Street S.W.
Calgary AB T2P 0R8
Canada

Tel: 403-267-1700
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To the Shareholders of Sunshine Oilsands Ltd.

We have audited the accompanying consolidated financial statements of Sunshine Oilsands Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at 31 December 2011 and 2010 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

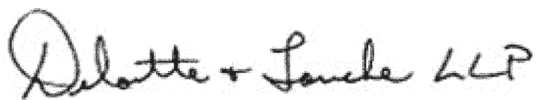
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sunshine Oilsands Ltd. as at 31 December 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Chartered Accountants
27 March 2012
Calgary, Canada

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Year ended 31 December 2011	2010
Interest income		**$1,624,507**	$257,067
Other income		**—**	7,602
		1,624,507	264,669
Salaries, consulting and benefits	7	**7,331,357**	3,002,087
Rent	7	**611,163**	213,743
Legal and audit		**1,252,116**	952,753
Depreciation	8	**185,729**	111,551
Sharebased payment expense	13	**8,075,446**	3,946,638
Allocation of other assets	22	**3,547,085**	—
Fair value adjustment on warrants	12	**20,297,567**	—
Finance costs	15	**25,469,650**	93,030
Other	7	**3,614,787**	1,620,493
		70,384,900	9,940,295
Loss before income taxes		**68,760,393**	9,675,626
Income tax (recovery) / expense	11	**(1,367,853)**	181,315
Net loss and comprehensive loss for the year		**$67,392,540**	$ 9,856,941
Loss per share			
Basic and diluted	16	**$0.05**	$0.01

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at 31 December 2011	2010
Assets			
Current Assets			
Cash and cash equivalents	4	**$84,957,414**	$41,540,387
Trade and other receivables	5	**3,582,953**	1,273,558
Prepaid expenses and deposits	6	**797,718**	1,910,487
		89,338,085	44,724,432
Non-Current Assets			
Exploration and evaluation assets	7	**382,277,258**	197,836,345
Property and equipment	8	**718,785**	474,051
Other assets	22	**3,379,627**	—
		386,375,670	198,310,396
		$ 475,713,755	$ 243,034,828
Liabilities and Shareholders' Equity			
Current Liabilities			
Trade and other payables	9	**$33,365,438**	$17,521,798
Provisions for decomissioning obligation	10	**68,365**	116,734
Fair value of warrants	12	**63,000,304**	—
Provision for flow-through shares		**—**	19,914
		96,434,107	17,658,446
Non-Current Liabilities			
Share repurchase obligation	14	**224,362,115**	—
Provisions for decomissioning obligation	10	**6,331,883**	2,052,330
Deferred income tax liabilities	11	—	891,262
		230,693,998	2,943,592
		327,128,105	20,602,038
Shareholders' Equity			
Share capital	12	**219,173,885**	224,526,472
Reserve for share based compensation		**30,074,070**	17,642,606
Deficit		**(100,662,305)**	(19,736,288)
		148,585,650	222,432,790
		$ 475,713,755	$ 243,034,828

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	For the year ended 31 December 2011			
	Reserve for share based compensation**	Share capital	Deficit	Total
Balance at 31 December 2010	**$17,642,606**	**$224,526,472**	**$(19,736,288)**	**$222,432,790**
Net loss and comprehensive loss for the year	**—**	**—**	**(67,392,540)**	**(67,392,540)**
Recognition of share-based payments	**15,230,124**	**—**	**—**	**15,230,124**
Issue of common shares	**—**	**7,469,466**	**—**	**7,469,466**
Common shares issued on a flow-through basis	**—**	**6,471,476**	**—**	**6,471,476**
Issue of preferred shares	**—**	**12,900**	**—**	**12,900**
Cancellation of preferred shares	**—**	**(980)**	**—**	**(980)**
Issues of shares under employee share option plan	**(9,811)**	**1,263,050**	**—**	**1,253,239**
Share option transferred on exercise of share options	**(511,626)**	**511,626**	**—**	**—**
Reclassification of fair value of warrants	**(2,277,223)**	**(20,513,800)**	**(13,533,477)**	**(36,324,500)**
Share issue costs, net of deferred tax	**—**	**(566,325)**	**—**	**(566,325)**
Balance at 31 December 2011	**$30,074,070**	**$ 219,173,885**	**$ (100,662,305)**	**$ 148,585,650**

	For the year ended 31 December 2010			
	Reserve for share based compensation**	Share capital	Deficit	Total
Balance at 31 December 2009	$7,098,415	$ 130,745,650	$ (9,879,347)	$ 127,964,718
Net loss and comprehensive loss for the year	—	—	(9,856,941)	(9,856,941)
Recognition of sharebased payments	8,558,203	—	—	8,558,203
Issue of common shares	—	66,595,006	—	66,595,006
Common shares issued on a flow-through basis	—	3,092,272	—	3,092,272
Issue of warrants	2,277,223	28,312,361	—	30,589,584
Issue of preferred shares	—	30,985	—	30,985
Cancellation of preferred shares	—	(150)	—	(150)
Issues of shares under employee share option plan	—	770,171	—	770,171
Transfer on exercise of share options	(291,235)	291,235	—	—
Share issue costs, net of deferred tax	—	(5,311,058)	—	(5,311,058)
Balance at 31 December 2010	$17,642,606	$ 224,526,472	$ (19,736,288)	$ 222,432,790

** Reserve for share based compensation includes recognition of share-based payments on stock options as well as share-based payments on fee warrants.

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Notes	Year ended 31 December 2011	2010
Cash flows from operating activities			
Loss before income taxes		**$ (68,760,393)**	$ (9,675,626)
Finance costs	15	**25,469,650**	93,030
Allocation of other assets	22	**3,547,085**	—
Fair value adjustment on warrants	12	**20,297,567**	—
Interest income		**(1,624,507)**	(257,067)
Depreciation	8	**185,729**	111,551
Sharebased payment expense	13	**8,075,446**	3,946,638
		(12,809,423)	(5,781,474)
Movements in working capital			
Increase in trade and other receivables		**(1,633,968)**	(394,946)
Increase in prepaids and deposits		**(485,149)**	(312,569)
Increase in trade and other payables		**1,149,297**	527,455
		(13,779,243)	(5,961,534)
Cash flows from investing activities			
Interest received		**1,624,507**	257,067
Payments for exploration and evaluation assets		**(155,560,859)**	(43,163,744)
Payments for property and equipment	8	**(430,463)**	(283,755)
Interest paid and capitalized to exploration and evaluation assets		**—**	(303,028)
		(154,366,815)	(43,493,460)
Cash flows from financing activities			
Payment for other assets		**(2,151,571)**	—
Proceeds from issue of preferred shares		**11,920**	30,835
Proceeds from issue of common shares	12	**15,852,477**	99,595,204
Payment for share issue costs		**(758,131)**	(3,853,544)
Proceeds from share repurchase obligation	14	**210,000,001**	—
Payment for transaction costs on share repurchase obligation		**(11,391,611)**	—
Repayment of borrowings		**—**	(5,328,200)
Interest paid		**—**	(24,683)
		211,563,085	90,419,612
Net increase in cash and cash equivalents		**43,417,027**	40,964,618
Cash and cash equivalents, beginning of year		**41,540,387**	575,769
Cash and cash equivalents, end of year		**$ 84,957,414**	$ 41,540,387

See accompanying notes to the consolidated financial statements

1. GENERAL INFORMATION

Sunshine Oilsands Ltd. and its subsidiary, Fern Energy Ltd. ("Fern") was incorporated under the laws of the Province of Alberta on 22 February 2007. The address of its principal place of business is 1020, 903 - 8 Avenue S.W., Calgary, Alberta, T2P 0P7, Canada. The Corporation's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on 1 March 2012 and trades under the stock code symbol of "2012". Pursuant to the IPO and listing, on 26 January 2012, the shareholders of the Corporation approved and authorized the Corporation to complete a 20:1 stock split increasing the number of common shares, preferred shares, stock options and warrants to 20 times their then outstanding amounts. All share, stock option and warrants information is presented on a post split basis.

The Corporation and its subsidiary (the "Corporation") are engaged in the exploration for, and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada.

The Corporation is a development stage company. The continued existence of the Corporation is dependent on its ability to maintain capital funding to further development and to meet obligations. In the event that such capital is not available to the Corporation, it will be necessary to prioritize activities, which may result in delaying and potentially losing business opportunities and cause potential impairment to recorded assets. The Corporation currently anticipates incurring substantial expenditures to further its capital development program.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Basis of preparation

These consolidated financial statements are prepared in accordance with the IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, measured at fair value.

The consolidated financial statements are presented in Canadian Dollars ("C$"), which is the functional currency of the Corporation.

2. BASIS OF PREPARATION (Continued)

2.3 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Corporation's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.3.1 Critical judgments and estimates in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Oil and gas reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on, among other things, current production forecasts, prices, cost estimations and economic conditions.

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production forecasts, prices and other economic conditions;
- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and
- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Corporation's development and production assets are determined using proved and probable reserves.

Independent qualified reserves evaluators prepare reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by the Corporation's engineers and operational management familiar with the property.

2. BASIS OF PREPARATION (Continued)

2.3 Critical accounting judgments and key sources of estimation uncertainty (Continued)

2.3.1 Critical judgments and estimates in applying accounting policies (Continued)

Recoverability of exploration and evaluation costs

Exploration and Evaluation costs ("E&E") are capitalized as exploration and evaluation assets by cash generating unit ("CGU") and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues based on forecasted oil and gas prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value, and (v) potential value to future E&E activities of any geological and geographical data acquired.

Decommissioning costs

A provision is required to be recognised for the future retirement obligations associated with the Corporation's exploration and evaluation assets. The decommissioning provision is based on estimated costs, taking into account the anticipated method and extent of restoration consistent with legal, regulatory and constructive requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

Share repurchase obligation

The Corporation has a share repurchase obligation pursuant to the accounting treatment required under IAS 32. In order to calculate a value for the share repurchase obligation, the effective interest method has been applied which is based on estimates and assumptions to determine the effective interest rate. These effects of a change in the estimates or assumptions could result in a materially different amount.

Share-based payments

The Corporation recognises compensation expense on options, preferred shares and stock appreciation right ("SARs") granted. Compensation expense is based on the estimated fair value of each option, preferred share and stock appreciation rights at its grant date, the estimation of which requires management to make assumptions about future volatility of the Corporation's stock price, future interest rates and the timing with respect to exercise of the instruments. The effects of a change in one or more of these variables could result in a materially different fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the Corporation's wholly owned subsidiary, Fern.

Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements when control is achieved and until control is lost.

All inter-Corporation transactions, balances, revenues and expenses are eliminated in full on consolidation.

3.2 Oil and Natural Gas Exploration and Development Expenditures

Exploration and evaluation assets

Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, exploration and evaluation drilling, directly attributable general and administrative costs, (including share-based compensation costs), borrowing costs, consequential operating costs net of revenues, and the initial estimate of any decommissioning obligation associated with the assets. The costs directly associated with an exploration well are capitalized as intangible exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated.

Pre-acquisition costs for oil and gas assets are recognised in the consolidated statement of operations and comprehensive loss when incurred. Acquisitions of undeveloped mineral leases are initially capitalized as exploration and evaluation assets and charged to consolidated statement of operations and comprehensive loss upon the expiration of the lease, impairment of the asset or management's determination that no further exploration or evaluation activities are planned on the lease, whichever comes first. Exploration and evaluation assets can be further broken down into tangible and intangible assets. Intangible costs are all costs considered necessary to drill a well and ready a site prior to the installation of the production equipment. Tangible drilling costs are those incurred to purchase and install the production equipment and include production facilities.

The decision to transfer assets from exploration and evaluation to development and producing assets occurs when the technical feasibility and commercial viability of the project is determined, based on economically recoverable reserves being assigned to the project.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Oil and Natural Gas Exploration and Development Expenditures (Continued)

Impairment

If no economically recoverable reserves are found upon evaluation, the exploration asset is tested for impairment and the amounts are charged to the consolidated statement of operations and comprehensive loss. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being charged to the consolidated statement of operations and comprehensive loss. When economically recoverable reserves are determined and development is approved based on the Corporation's strategy and economics, the relevant carrying value is transferred to property and equipment.

Exploration and evaluation assets are tested for impairment at least annually and prior to reclassification. To test for impairment, exploration and evaluation assets are allocated to each CGU or groups of CGU, that are expected to benefit from the exploration and evaluation activity. After impairment is assessed, any carrying amounts which exceed recoverable amounts on the exploration and evaluation assets are written down to the recoverable amount in the consolidated statement of operations and comprehensive loss.

Impairment losses recognised in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognised.

3.3 Property and equipment

Carrying value

Property and equipment, includes computer and office equipment and development and production assets, which are stated at cost less the total of accumulated depreciation and accumulated impairment losses. The initial cost of a property and equipment comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation associated with the asset, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Property and equipment (Continued)

Depletion and depreciation

Depletion of development and production costs, included in property and equipment, and depreciation of production equipment are measured on the unit-of-production method based upon estimated proved and probable recoverable oil and natural gas reserves before royalties in each cost centre as determined by independent engineers. For purposes of this calculation, reserves and production of natural gas are converted to barrel of oil equivalent units based on their approximate energy content at six thousand cubic feet of natural gas to one barrel of oil.

In-situ oil sands processing facilities and support equipment are depreciated on a straight-line basis over their estimated useful lives. Office furniture, equipment and computers are depreciated on a declining balance basis at 30 percent per year.

Impairment

At the end of each reporting period, the Corporation reviews the property and equipment for circumstances that indicate that the assets may be impaired. Assets are grouped together into CGU's for the purpose of impairment testing, which is the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other property and equipment assets. If any such indication of impairment exists, the Corporation makes an estimate of its recoverable amount. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market's assessments of the time value of money and the risk, specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of estimated recoverable reserves.

When the recoverable amount, is less than the carrying amount, the asset or CGU is impaired. For impairment losses identified based on a CGU, or a group of CGUs, the loss is allocated on a pro rata basis to the assets within the CGU(s). This is first completed by reducing the carrying amount of any goodwill allocated to the CGU, or group of CGUs and then, reducing the carrying amount of other assets of the CGU, or group of CGUs, on a pro rata basis. The impairment loss is recognised as an expense in the consolidated statement of operations and comprehensive loss unless it is related to a re-valued asset where the value changes are recognised directly into equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Property and equipment (Continued)

Impairmentt (Continued)

Where an impairment loss subsequently reverses or decreases, the carrying amount of the assets or CGU is increased to the revised estimate of its recoverable amount, with the increased carrying amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior periods. A reversal of an impairment loss is recognised immediately in the consolidated statement of operations and comprehensive loss, unless the relevant asset is carried at the revalued amount, in which cases the reversal of the impairment loss is treated as a revaluation increase.

Corporate assets are allocated to each CGU on the basis of proportionate future net revenue calculated consistent with the recoverable amount in the most recent impairment test.

Maintenance and repairs

Major repairs and maintenance consists of replacing assets or parts of an asset. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the replacement will flow to the Corporation, the expenditure is capitalized and depreciated over the remaining life of the asset. All other maintenance costs are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.4.1 Decommissioning costs

Decommissioning costs and liabilities for statutory, contractual, constructive or legal obligations associated with site restoration and abandonment of tangible long-lived assets are initially measured at a fair value which approximates the cost the Corporation would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognised in the consolidated statement of financial position at the present value of expected future cash outflows to satisfy the obligation as a liability with a corresponding increase in the related asset and is depleted or depreciated using the unit-of-production method over the estimated remaining proved and probable oil and gas reserves after royalties, or the straight-line method, as appropriate. Subsequent to the initial measurement, the effect of the passage of time on the liability for the decommissioning obligation (accretion expense) is recognised in the consolidated statement of operations and comprehensive loss as finance costs. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the obligation and the recorded liability is recognised as a gain or loss in the consolidated statement of operations and comprehensive loss in the period in which the settlement occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Share-based payments

3.5.1 Equity-settled share-based payments transactions

Share options and preferred shares issued to employees

Equity-settled share-based payments to directors, officers and employees, providing services are measured at the fair value of the equity instruments, less the fair value of the proceeds received on issuing the equity instruments at the issue date.

The fair value of the equity instruments, including share options, warrants or preferred shares, expected to vest as determined at the issue date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, unless the services are directly attributable to qualifying assets, with a corresponding increase in equity (reserve for share based compensation).

At the end of each reporting period, the Corporation revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share based compensation.

At the time when the equity instruments are exercised or converted, the amount previously recognised in reserve for share based compensation will be transferred to share capital. When the equity instruments are cancelled, they are treated as if they had vested on the date of cancellation and any cost not yet recognised in the consolidated statement of operations and comprehensive loss is expensed immediately.

The Corporation records compensation expense at the date of issue, based on fair value and management's best estimate of the prospect of converting some, or all, of the Class "G" and Class "H" preferred shares to Class "A" common shares.

Share options, preferred shares and warrants issued to non-employees

Equity-settled share-based payment transactions, with parties other than employees and directors, are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments issued, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (reserve for share based compensation), when the Corporation obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets or directly attributable to qualifying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Share-based payments (Continued)

3.5.2 Cash-settled share-based payment transactions

For cash-settled share-based payments (including SARs), the Corporation measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of each reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in the consolidated statement of operations and comprehensive loss.

3.6 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The financial assets are initially measured at fair value, including transaction costs. Financial assets which have been classified as at fair value through profit or loss, are initially measured at fair value and transaction costs are expensed when incurred.

3.6.1 Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

3.6.1 Financial assets at fair value through profit or loss ("FVTPL") (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the consolidated statement of operations and comprehensive loss. The net gain or loss recognised in the consolidated statement of operations and comprehensive loss incorporates any dividend or interest earned on the financial asset and is included in the statement of operations and comprehensive loss.

3.6.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and deposits) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below). Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

3.6.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is expensed against the allowance account. Subsequent recoveries of amounts previously expensed are charged against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of operations and comprehensive loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

3.6.4 Derecognition of financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The difference between the asset's carrying amount and the sum of the consideration received (and/or receivable), and the cumulative gain or loss that had been recognised in other comprehensive loss and accumulated in equity is recognised in the consolidated statement of comprehensive loss.

3.7 Financial liabilities and equity instruments issued by the Corporation

3.7.1 Classification as debt or equity

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the terms of the arrangement.

3.7.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded, based on the proceeds received, net of direct issue costs.

3.7.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition. The Corporation classifies its warrants which are accounted for using the liability method as FVTPL.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Corporation has classified its trade and other payables, borrowings and share repurchase obligation as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial liabilities and equity instruments issued by the Corporation (Continued)

3.7.4 Derecognition of financial liabilities

The Corporation derecognises financial liabilities when the obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of operations and comprehensive loss.

3.7.5 Flow through shares

Pursuant to the terms of flow-through share agreements, tax deductions associated with eligible expenditures are renounced to the subscribers. Flow-through shares are recorded at their fair value without any adjustment for the renouncement of tax deductions. The difference between the fair value of the flow-through share and the cash received for the flow-through share is recorded as an obligation to renounce the flow through share expenditure. This obligation is reversed and a deferred tax liability is recognised once the eligible expenditures are renounced and the obligation, in respect of the share is met.

3.7.6 Flow-through warrants

Flow-through warrants were recorded at their fair value without any adjustment for the renouncement of tax deductions. The difference between the fair value of the flow-through warrant and the cash received for the flow-through warrant was recorded as an obligation to renounce the flow through warrant expenditure. This obligation was reversed and a deferred tax liability recognised once the eligible expenditures were renounced and the obligation, in respect of the warrant was met.

3.7.7 Purchase warrants

Purchase warrants were issued to holders in connection with Unit financings. A Unit consists of one Class "A" common share and one half of a purchase warrant and its fair value were recorded as share capital. The fair value of the purchase warrants was estimated using the Black-Scholes pricing model based on assumptions of expected volatility, risk-free rate of return, expected life, potential dividends and expected forfeitures.

3.7.8 Fee warrants

Fee warrants were issued to certain finders in connection with Unit financings. A Unit consists of one Class "A" common share and one half of a purchase warrant and its fair value was recorded as share issue costs with a corresponding increase to reserve for share-based compensation. The fair value of the fee warrants were estimated using the Black-Scholes pricing model based on assumptions of expected volatility, risk-free rate of return, expected life, potential dividends and expected forfeitures.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

3.8.1 Current tax

Tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of operations and comprehensive loss because of items of income or expense that are taxable or deductible in other years and permanent items which are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Taxation (Continued)

3.8.2 Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are recognised as an expense or income, in the consolidated statement of operations and comprehensive loss, except when they relate to items that are recognised in other comprehensive loss or directly in equity, in which case the tax is also recognised in other comprehensive loss or directly in equity.

3.9 Cash and cash equivalents

Cash and cash equivalents includes, cash and short-term investments, such as money market deposits or similar type instruments, with a maturity of ninety days or less when purchased.

3.10 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in the consolidated statement of operations and comprehensive loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Deferred costs

Deferred costs are included in Other Assets. Costs incurred relating to the proposed issuance of shares are deferred. Costs will be charged to share capital upon the issuance of shares. In the event that the share issuance does not occur, costs will be charged to income in that period.

Subsequent to year end, the Corporation's shares were listed on the SEHK. As such, upon the issuance of the shares, the allocated amount relating to the issuance of new shares under the IPO will be charged to share issue costs.

3.13 Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Corporation and other partners of assets contributed to or acquired for the purpose of the jointly controlled assets, without the formation of a corporation, partnership or other entity.

The Corporation accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with its partners, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the jointly controlled asset and any expenses it incurs in relation to its interest in the jointly controlled asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Adoption of new and revised International Financial Reporting Standards (IFRSs)

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on 1 January 2012. For the purpose of preparing and presenting the Financial Information of the relevant periods, the Corporation has consistently adopted all these new IFRSs for the relevant periods.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective during the relevant periods.

IFRS 7 (Amendments)	Financial instruments: Disclosures[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Disclosures – Presentation of other comprehensive income
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Amendments)	Disclosure and Measurement – Post-Employment Benefits and Termination Benefits projects
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Financial instruments – puttable instruments
IFRIC 20)	Stripping Cost in the Production Phase of a Surface Mine

1 Effective retrospectively for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2012

Management anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Corporation.

4. CASH AND CASH EQUIVALENTS

	2011	2010
Cash	**$ 3,906,318**	$ 41,489,384
Term deposits	**81,051,096**	51,003
Cash and cash equivalents	**$ 84,957,414**	$ 41,540,387

The Corporation's cash equivalents comprises primarily of term deposits which have maturity range of less than three months to one week and an interest rate range of 0.93% to 1.34%.

5. TRADE AND OTHER RECEIVABLES

	2011	2010
Trade and other	**$ 2 ,059,968**	$ 4 88,021
Goods and Services Taxes receivable	**1,522,985**	785,537
	$ 3 ,582,953	$ 1,273,558

6. PREPAID EXPENSES AND DEPOSITS

	2011	2010
Prepaid expenses	**$ 344,912**	$ 823,890
Deposits	**452,806**	1,086,597
	$ 797,718	$ 1,910,487

7. EXPLORATION AND EVALUATION ASSETS

	Intangible Assets	**Tangible Assets**	**Land and Leaseholds**	**Total**
Cost				
Balance, 1 January 2011	**$ 125,560,650**	**$ 4,056,655**	**$ 68,219,040**	**$ 197,836,345**
Additions	**168,493,769**	**9,511,836**	**6,435,308**	**184,440,913**
Disposals	**—**	**—**	**—**	**—**
Transfers to Property & Equipment	**—**	**—**	**—**	**—**
Balance, 31 December 2011	**$ 294,054,419**	**$ 1 3,568,491**	**$ 74,654,348**	**$ 382,277,258**

	Intangible Assets	Tangible Assets	Land and Leaseholds	Total
Cost				
Balance, 1 January 2010	$ 73,455,835	$ —	$ 61,166,990	$ 134,622,825
Additions	52,104,815	4,056,655	7,052,050	63,213,520
Disposals	—	—	—	—
Transfers to Property and Equipment	—	—	—	—
Balance, 31 December 2010	$ 125,560,650	$ 4,056,655	$ 68,219,040	$ 197,836,345

7. EXPLORATION AND EVALUATION ASSETS (Continued)

The Corporation is a development stage entity and as a result, no depletion expense has been recorded for any period. During the year ended 31 December 2011, the Corporation capitalized the following costs:

	Year ended 31 December					
	2011			2010		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payment expense (Note 13.6)	$ 15,230,124	$ 7,154,678	$ 8,075,446	$ 8,558,203	$ 4,611,565	$ 3,946,638
Pre-production operating loss	2,179,874	2,179,874	—	805,268	805,268	—
Finance costs (Note 15)	56,105,177	6,790,875	49,314,302	139,068	46,038	93,030
	$ 73,515,175	$ 16,125,427	$ 57,389,748	$ 9,502,539	$ 5,462,871	$ 4,039,668

During the year ended 31 December 2011, the Corporation capitalized the following in general and administrative costs:

	Year ended 31 December					
	2011			2010		
	General and Administrative Costs	Capitalized portion	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Salaries, consulting and benefits	$ 13,631,212	$ 6,299,855	$ 7,331,357	$ 6,249,622	$ 3,247,535	$ 3,002,087
Rent	1,287,922	676,759	611,163	634,614	420,871	213,743
Other	4,472,926	858,139	3,614,787	2,657,057	1,036,564	1,620,493
	$ 19,392,060	$ 7,834,753	$ 11,557,307	$ 9,541,293	$ 4,704,970	$ 4,836,323

8. PROPERTY AND EQUIPMENT

Computer & Office Equipment

Cost	**2011**	2010
Balance, beginning of year	**$ 776,968**	$ 493,213
Additions	**430,463**	283,755
Disposals	**—**	—
Balance, end of year	**$ 1,207,431**	$ 776,968
Accumulated Depreciation		
Balance, beginning of year	**$ 302,917**	$ 191,366
Depreciation expense	**185,729**	111,551
Balance, end of year	**$ 488,646**	$ 302,917
Carrying value	**$ 718,785**	$ 474,051

9. TRADE AND OTHER PAYABLES

	2011	2010
Trade and accruals	**$ 28,590,297**	$ 17,521,798
Other liabilities and accruals (Note 22)	**4,775,141**	—
	$ 33,365,438	$ 17,521,798

10. PROVISIONS FOR DECOMMISSIONING OBLIGATION

At 31 December 2011, the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $6,707,500 (2010 - $2,890,000). Expenditures to settle asset decommissioning obligations are estimated to be incurred between 2012 and 2036. Decommissioning costs are based on estimated cash flows discounted using an annual risk-free interest rate between 0.95% to 2.42% per annum and inflated using an inflation rate of 2.0% per annum.

	2011	2010
Balance, beginning of year	**$ 2,169,064**	$ 354,833
Additional provisions recognised	**3,728,617**	1,778,716
Effect of changes in the discount rate	**374,004**	(32,832)
Unwinding of discount rate and effect	**128,563**	68,347
	6,400,248	2,169,064
Current portion	**(68,365)**	(116,734)
Balance, end of year	**$ 6,331,883**	$ 2,052,330

11. INCOME TAXES

11.1 Income tax recognised in the Statement of Operations

	Year ended 31 December	
	2011	2010
Tax expense comprises:		
Tax (recovery)/expense in respect of the current year	**$ (1,304,027)**	$ (46,391)
Effect of changes in tax rates and laws	**(63,826)**	227,706
Total tax (recovery)/expense	**$ (1,367,853)**	$ 181,315

The expense for the period can be reconciled to the accounting loss as follows:

	Year ended 31 December	
	2011	2010
Net loss before taxes	**$ (68,760,393)**	$ (9,675,626)
Tax rate (%)	**26.5%**	28.0%
Income tax (recovery)/expense	**(18,221,504)**	(2,709,175)
Effect of expenses that are not deductible in determining taxable profit:		
Share-based compensation	**2,139,993**	1,105,059
Flow-through shares	**1,267,166**	1,557,725
Fair value adjustment on warrants	**5,378,855**	—
Non-deductible interest[1]	**6,715,388**	—
Unrecognized tax pools	**1,215,541**	—
Effect on deferred tax balances due to the changes in income tax rate and other differences	**136,706**	227,706
Income tax (recovery)/expense	**$ (1,367,853)**	$ 181,315

1. Non-deductible interest relates to finance costs on funds raised subject to the share repurchase obligation (Note 14).

Tax rates used for reconciliations above are the corporate tax rates payable by corporate entities in Alberta, Canada on taxable profits under tax law in that jurisdiction for the periods presented.

11. INCOME TAXES (Continued)

11.2 Income tax recognised directly in equity

	Year ended 31 December	
	2011	2010
Current tax		
Share issue costs	**$ —**	$ —
Deferred tax		
Share issue expenses deductible over 5 years	**(1,921,211)**	(1,025,197)
Excess tax deductions related to share-based payments	**—**	—
Total income tax recognised directly in equity	**$ (1,921,211)**	$ (1,025,197)

Deferred tax balances are presented in the consolidated statement of cash flows as follows:

	As at 31 December	
	2011	2010
Deferred tax liabilities	**$ —**	$ 891,262

11. INCOME TAXES (Continued)

11.3 Deferred tax balances

31 December 2011	Opening Balance	Recognised in loss	Recognised in other comprehensive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (15,458,127)	$ (14,448,470)	$ –	$ –	$ –	$ –	$ (2,686,809)	$ (32,593,406)
Property and equipment	(4,093)	(27,383)	–	–	–	–	–	(31,476)
Other financial liabilities	498,289	(32,141)	–	–	–	–	289,007	755,155
Share issue expenses	1,091,963	(2,141,506)	–	1,921,211	–	–	–	871,668
	$ (13,871,968)	$ (16,649,500)	$ –	$ 1,921,211	$ –	$ –	$ (2,397,802)	$ (30,998,059)
Unused tax losses and credits								
Unused tax losses and credits	12,980,706	18,017,353	–	–	–	–	–	30,998,059
Deferred tax assets (liabilities)	$ (891,262)	$ 1,367,853	$ –	$ 1,921,211	$ –	$ –	$ (2,397,802)	$ –

31 December 2010	Opening Balance	Recognised in loss	Recognised in other comprehensive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (6,880,356)	(6,594,591)	$ –	$–	$ –	$ –	$ (1,983,180)	$ (15,458,127)
Property and equipment	4,784	(8,877)	–	–	–	–	–	(4,093)
Other financial liabilities	78,905	(17,087)	–	–	–	–	436,471	498,289
Share issue expenses	444,717	(377,951)	–	1,025,197	–	–	–	1,091,963
	$ (6,351,950)	$ (6,998,506)	$ –	$ 1,025,197	$ –	$ –	$ (1,546,709)	$ (13,871,968)
Unused tax losses and credits								
Tax losses	5,727,044	7,253,662	–	–	–	–	–	12,980,706
Deferred tax assets (liabilities)	$ (624,906)	$ 255,156	$ –	$ 1,025,197	$ –	$ –	$ (1,546,709)	$ (891,262)

11. INCOME TAXES (Continued)

11.4 Unrecognised deferred tax assets

	As at 31 December	
	2011	2010
Deferred tax assets not recognised at the reporting date:		
Tax losses (revenue)	**$ 1,215,541**	$ —
Temporary differences	**—**	—
	$ 1,215,541	$ —

The unrecognised tax losses will begin expiring in 2027.

	As at 31 December	
Tax pools available	**2011**	2010
The following tax pools are available to the Corporation in Canada:		
Non-capital losses	**$ 125,639,348**	$ 77,273,597
Exploration and evaluaton	**219,651,595**	93,493,687
Property and equipment	**592,882**	294,613
Share issue costs	**18,093,329**	4,343,968
	$ 363,977,154	$ 175,405,865

12. SHARE CAPITAL

On 26 January 2012, the shareholders of the Corporation approved and authorized the Corporation to complete up to a 25:1 share split. The Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares, stock options and warrants to 20 times their then outstanding amounts. All share, stock option and warrant information is presented on a post split basis (Note 24). In addition, the Articles of Incorporation were amended to remove the voting rights from the Class "G" preferred shares.

The Corporation'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" voting preferred shares to be issued shall not exceed 10% of the issued and outstanding number of Common Shares including any Common shares that have been authorized for issuance. The authorized number of preferred shares shall not be considered a rolling 10% available number and any preferred shares that are redeemed or converted in accordance with their terms shall permanently reduce the number available; and
- an unlimited number of Class "H" non-voting preferred shares.

Issued capital[1]

	2011	2010
Common shares	**$ 216,760,629**	$ 196,318,022
Class "G" preferred shares	**31,655**	27,235
Class "H" preferred shares	**11,100**	3,600
Flow through special warrants	**—**	5,293,314
Purchase warrants	**2,370,501**	22,884,301
Issued capital	**$ 219,173,885**	$ 224,526,472

1. 433,884,300 common shares (289,256,200 Class A common shares and 144,628,100 Class B common shares) issued in conjunction with the subscriptions financing, which closed in February 2011, are excluded from issued capital and have been presented as share repurchase obligation (Note 14).

12. SHARE CAPITAL (Continued)

Common shares

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

12.1 Fully paid Class "A" common shares

	Number of shares	**$**	Number of shares	$
	2011		2010	
Balance, beginning of year	**1,423,298,640**	**$ 196,318,022**	1,098,150,360	$ 130,745,650
Issued for cash	**15,432,780**	**7,469,466**	301,121,500	66,595,006
Common shares issued on a flow-through basis	**13,370,820**	**6,471,476**	11,780,080	3,092,272
Warrants exercised	**11,215,000**	**5,293,314**	—	—
Issue of shares under employee share option plan	**6,854,000**	**1,263,050**	12,246,700	770,171
Share option reserve transferred on exercise of stock options	**—**	**511,626**	—	291,235
Share issue costs, net of deferred taxes	**—**	**(566,325)**	—	(5,176,312)
Balance, end of year	**1,470,171,240**	**$ 216,760,629**	1,423,298,640	$ 196,318,022

During the year ended 31 December 2011, the Corporation issued 15,432,780 Class "A" common shares for gross proceeds of $7,469,466.

During the year ended 31 December 2011, 6,854,000 stock options of the Corporation were exercised. The weighted average exercise price of these exercised stock options for the year ended 31 December 2011, was $0.18 per Class "A" common share, resulting in gross proceeds to the Corporation of $1,263,050.

For the year ended 31 December 2011, cash fees of $758,131 were paid for legal fees and to certain finders in connection with the common share and the flow-through financings. The deferred tax benefit of these fees was estimated to be $191,806 for the year ended 31 December 2011 using a deferred tax rate of 25%. In addition, a total of 21,694,220 fee warrants were issued to certain finders. Each fee warrant entitles the holder to purchase one Class "A" common share at a price per Class "A" common share of $0.48 at any time on or before three years subsequent to the date of issuance of the Units upon which finders were granted fee warrants.

12. SHARE CAPITAL (Continued)

12.1 Fully paid Class "A" common shares (Continued)

In February 2011, the Corporation issued an additional 433,884,300 shares (289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares) at a price of $0.48 per share for gross proceeds of $210,000,001. At 31 December 2011, the subscribers of these shares had a share repurchase option as summarized below.

- At the option of the subscribers, the Corporation shall repurchase, for cancellation, all but not less than all common shares purchased by the subscribers pursuant to the Subscription Agreements (the "Subscription Agreements") if the Corporation does not complete a Qualifying IPO ("Trigger Events"):

  (i) On or before 31 December 2012, if the Board resolves, on or before 1 October 2012, that market and other factors affecting the successful launch of a Qualifying IPO are favourable and that the Corporation shall proceed to complete a Qualifying IPO by 31 December 2012; or

  (ii) In any event, by 31 December 2013.

- The definition of a Qualifying IPO includes a stock exchange as agreed to by the Corporation and the subscribers and in which the initial offering price per Class "A" common share to the public is at least 1.3 times the Hong Kong dollar equivalent of the subscription price of the Class "B" financing or $0.62 per share.

- If a Qualifying IPO is not completed on or before the applicable date, the subscribers may exercise its right to have the Corporation repurchase the Repurchase Shares by delivering an irrevocable and unconditional notice in writing to the Corporation (the "Repurchase Notice") on or before the 90th day after such date. If each subscriber does not deliver the Repurchase Notice on or before the 90th day after such date, the right of the subscriber to sell the Repurchase Shares to the Corporation and to require the Corporation to purchase the Repurchase Shares as provided herein shall terminate automatically.

- Within 90 days of receipt of the Repurchase Notice, the Corporation shall repurchase the Repurchase Shares for cash at an aggregate purchase price equal to the aggregate subscription price plus an amount equal to a 15% return on the aggregate subscription price, compounded annually and calculated in Canadian dollars.

As a result, the Corporation has presented these subscriptions as share repurchase obligation (Note 14). If the Corporation completes a Qualifying IPO before 31 December 2013, the share repurchase obligation will be reclassified as share capital. If the Corporation does not complete a Qualifying IPO before 31 December 2013, and the Repurchase Notice is presented; the share repurchase obligation will become due on 31 December 2013, which includes the 15% return on the aggregate subscription price, compounded annually.

As at 31 December 2011, the 433,884,300 common shares issued upon receipt of gross proceeds of $210,000,001 have not been included in the calculation of loss per share.

12. SHARE CAPITAL (Continued)

12.1 Fully paid Class "A" common shares (Continued)

As a result of reclassifying these subscriptions to share repurchase obligation, total transaction costs of $17,769,848 have been netted against the share repurchase obligation (Note 14). Of this amount, $11,391,611 was paid as cash fees and $6,378,237 was assigned as fair value of fee warrants issued to finders on the $210,000,001 financing. Transaction costs have been deducted against the debt and are being amortised over the term of the agreement using the effective interest method.

Subsequent to year end, the Corporation successfully closed a Qualifying IPO on the SEHK. Pursuant to this event, the balance of the share repurchase obligation, including 433,884,300 common shares comprising of 289,256,200 Class A common shares and 144,628,100 Class B common shares, has been reclassified to share capital as the terms of the Subscription Agreements were agreed to have been met with the subscription holders and the share repurchase obligation has been extinguished. The Class B common shares were also surrendered for cancellation and exchanged for common shares.

Flow-through shares

In February 2011, the Corporation issued 13,370,820 Class "A" common shares on a flow-through basis at a price of $0.53 per share for gross proceeds of $7,119,962. Eligible exploration expenses, totalling the gross proceeds amount, are to be expended prior to 31 December 2012. The net amount included in share capital is $6,471,476. The balance of $648,486, representing the premium received on the flow-through shares, was recorded as a provision for flow-through shares obligation. During the year ended 31 December 2011, the Corporation fulfilled its flow-through obligations.

12. SHARE CAPITAL (Continued)

Class "G" preferred shares

The Corporation's Board of Directors has authorized for issuance a maximum of 65,000,000 Class "G" preferred shares. The Class "G" preferred shares are entitled to one vote per share and were issued at $0.0005 per Class "G" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	Year ended 31 December 2011		Year ended 31 December 2010	
	Class "G" preferred shares	**$**	Class "G" preferred shares	$
Balance, beginning of year	**54,470,000**	**$ 27,235**	—	$ —
Issued	**10,800,000**	**5,400**	54,770,000	27,385
Cancelled	**(1,960,000)**	**(980)**	(300,000)	(150)
Balance, end of year	**63,310,000**	**$ 31,655**	54,470,000	$ 27,235
Convertible, end of year	**—**	**$ —**	—	$ —

For the year ended 31 December 2011, the Corporation issued 10,800,000 Class "G" preferred shares. The fair value of the Class "G" preferred shares was estimated to be $0.48 per Class "G" preferred share, using the Black Scholes pricing model with the following assumptions:

	Year ended 31 December 2011
Weighted average expected volatility (%)	**75% - 96%**
Risk-free rate of return (%)	**1.0% - 2.19%**
Expected life (years)	**2.02 - 2.87**
Expected forfeitures	**Nil**
Dividends	**Nil**

	Year ended 31 December 2010
Weighted average expected volatility (%)	96.00%
Risk-free rate of return (%)	1.55% - 1.95%
Expected life (years)	3.14 - 3.35
Expected forfeitures	Nil
Dividends	Nil

12. SHARE CAPITAL (Continued)

Class "H" preferred shares

The Corporation's Board of Directors has authorized for issuance a maximum of 25,000,000 Class "H" preferred shares. The Class "H" preferred shares were issued at $0.0005 per Class "H" preferred share and are convertible into Class " A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	Year ended 31 December 2011		Year ended 31 December 2010	
	Class "H" preferred shares	**$**	Class "H" preferred shares	$
Balance, beginning of year	**7,200,000**	**$ 3,600**	—	$ —
Issued	**15,000,000**	**7,500**	7,200,000	3,600
Balance, end of year	**22,200,000**	**$ 11,100**	7,200,000	$ 3,600
Convertible, end of year	**—**	**$ —**	—	$ —

For the year ended 31 December 2011, the Corporation issued 15,000,000 Class "H" preferred shares. The weighted average fair value of the Class "H" preferred share issued in 2011 was estimated to be $0.48 per Class "H" preferred share, using the Black Scholes pricing model with the following assumptions:

	Year ended 31 December 2011
Weighted average expected volatility (%)	**91% - 96%**
Risk-free rate of return (%)	**1.82% - 2.50%**
Expected life (years)	**2.27 - 2.87**
Expected forfeitures	**Nil**
Dividends	**Nil**

	Year ended 31 December 2010
Weighted average expected volatility (%)	96.00%
Risk-free rate of return (%)	1.95%
Expected life (years)	3.35
Expected forfeitures	Nil
Dividends	Ni

12. SHARE CAPITAL (Continued)

Class "H" preferred shares (Continued)

The term, conversion rights and conversion schedule are the same for both the Class "G" and the Class "H" preferred shares. The preferred shares have a term commencing from the date of issue until the date ("expiry date") that is the earlier of:

(i) the date that is 24 months after the date that the Corporation completes an initial public offering ("IPO") and listing on the SEHK, or such other going public transaction or listing as the Board of Directors of the Corporation may determine in its sole discretion;

(ii) the date upon which a change of control occurs; and

(iii) in the event the IPO does not occur by the end of 2011, the expiry date is 31 December 2013.

Both the Class "G" and the Class "H" preferred shares are convertible into Class "A" common shares on a one for one basis, at the option of the holder, at any time prior to the expiry date for no additional consideration to the Corporation. The number of Class "A" common shares the holder is entitled to receive upon conversion, is determined based on the following conversion schedule. The preferred shares shall automatically convert on the expiry date for the number of Class "A" common shares the holder is entitled to as set out in the following conversion schedule.

Class "G" and Class "H" Preferred Shares
Conversion Schedule

Time Period	Preferred Shares Conversion Schedule %	Class "G" and "H" Preferred Shares Outstanding	Class "A" Common Shares Issuable on Conversion
Date of issuance to initial public offering (IPO) less a day	0%	85,510,000	—
IPO date to 6 months after IPO date less a day	30%	85,510,000	25,653,000
6 months after IPO date to 12 months after IPO date less a day	46%	85,510,000	39,334,600
12 months after IPO date to 18 months after IPO date less a day	62%	85,510,000	53,016,200
18 months after IPO date to 21 months after IPO date less a day	78%	85,510,000	66,697,800
21 months after IPO date to 24 months after IPO date	100%	85,510,000	85,510,000
Expiry Date	100%	85,510,000	85,510,000

Prior to the IPO, the holders of Class "G" and Class "H" preferred shares are only entitled to a redemption amount of $0.0005 per Class "G" and Class "H" preferred share.

12. SHARE CAPITAL (Continued)

Class "H" preferred shares (Continued)

The Class "G" preferred shares are redeemable by the Corporation at any time for the number of Class "A" common shares the holder is entitled to on the date of redemption as set out in the above conversion schedule. The Class "H" preferred shares are redeemable by the Corporation for $0.0005 each on or after the date that is 21 months after an IPO, upon 30 days' notice to the holder.

The preferred shares are redeemable at the option of the holder commencing on the date that is 21 months after an IPO for the number of Class "A" common shares the holder is entitled to on the date of redemption as set out in the above conversion schedule.

In the event that a holder of preferred shares ceases to be eligible to hold preferred shares (e.g. ceases to be a director, officer, employee, consultant or advisor of the Corporation), the preferred shares held by such holder shall terminate and be cancelled on the date that is 30 days after such holder ceases to be eligible and, to the extent the holder requests such preferred shares be converted or redeemed, shall only be convertible or redeemable for the number of Class "A" common shares the holder is then entitled to on the date the person ceases to be an eligible as set out in the above conversion schedule.

Warrants

In September 2011, in conjunction with the Corporation's preliminary prospectus filing for an IPO and pursuant to certain conditions and requirements of this filing for a public listing on the SEHK, the Corporation, through its independent directors, commenced negotiations with significant warrant holders, who are also shareholders of the Corporation, to repurchase and cancel all issued and outstanding purchase and fee warrants. Approval and consent from all warrant holders for this transaction was obtained in October 2011. The offer would terminate at the Corporation's discretion. However, it was the Board's intention to complete the repurchase and cancellation of the Corporation's warrants prior to the approval and close of its IPO listing. The offer would terminate should the Corporation's planned IPO on the SEHK not close. The reference price for the repurchase of all warrants was determined by a committee of independent directors of the Corporation. On 4 January 2012, the Corporation completed the repurchase and cancellation of all warrants for total consideration to the warrant holders of $68,862,674. As at 31 December 2011, the following warrants remain issued and outstanding:

12. SHARE CAPITAL (Continued)

(a) Flow-through warrants

	Number of warrants	**$**	Number of warrants	$
	2011		2010	
Balance, beginning of year	**11,215,000**	**$ 5,293,314**	—	$ —
Issued	**—**	**—**	11,215,000	5,428,060
Exercised	**(11,215,000)**	**(5,293,314)**	—	—
Share issue costs, net of deferred taxes	**—**	**—**	—	(134,746)
Balance, end of year	**—**	**$ —**	11,215,000	$ 5,293,314

In January 2011, all flow-through special warrants were converted into 11,215,000 of Class "A" common shares for no additional consideration to the Corporation.

(b) Purchase warrants

	Number of warrants	**$**	Number of warrants	$
	2011		2010	
Balance, beginning of year	**139,132,060**	**$ 22,884,301**	—	$ —
Issued	**—**	**—**	139,132,060	22,884,301
Exercised	**—**	**—**	—	—
Reclassification of purchase warrants	**(124,719,900)**	**(20,513,800)**	—	—
Balance, end of year	**14,412,160**	**$ 2,370,501**	139,132,060	$ 22,884,301

12. SHARE CAPITAL (Continued)

(b) Purchase warrants (Continued)

In January 2011, holders of 124,719,900 purchase warrants agreed with the Corporation to amend the purchase warrants as follows:

Upon exercise of each purchase warrant through delivery of an exercise notice and payment of the exercise price the holder will be entitled to receive, within 10 days after the exercise date, a cash payment in Canadian dollars equal to the market value of one common share in the Corporation determined at the exercise date of each purchase warrant (the "Cash Payment"). Such market value shall be determined by reference to the closing trading price of the common shares on the principal stock exchange on which the common shares are listed and traded, and if the common shares are not listed on a stock exchange on the date of exercise, such market value of the common shares as determined by the Board of Directors of the Corporation acting reasonably. At the sole option and discretion of the Corporation determined at the time of each exercise of purchase warrants, upon each exercise of a warrant, the Corporation may satisfy the Cash Payment by the issuance of one common share.

The holders of 14,412,160 purchase warrants who did not sign the amending agreement continue to be entitled to receive one common share on exercise of each purchase warrant.

Accordingly, at the date of amendment, the Corporation reclassified 124,719,900 warrants at a fair value of $32,626,500 and presented a liability in the Consolidated Statement of Financial Position. For the year ended 31 December 2011, the Corporation recognized a fair value adjustment on the purchase warrants for $17,266,913 or a weighted average of $0.40 per purchase warrant. The fair value of the warrants was determined using the Black Scholes pricing model with the following assumptions:

	Year ended 31 December	
	2011	2010
Weighted average expected volatility (%)	**96.00%**	96.00%
Risk-free rate of return (%)	**2.02%**	1.86% - 2.50%
Expected life (years)	**3.00**	3.00
Expected forfeitures	**Nil**	Nil
Dividends	**Nil**	Nil

12. SHARE CAPITAL (Continued)

(c) Fee Warrants

	2011		2010	
	Number of warrants	**$**	Number of warrants	$
Balance, beginning of year	**12,499,920**	**$ 2,277,223**	—	$ —
Issued	**—**	**—**	12,499,920	2,277,223
Exercised	**—**	**—**	—	—
Reclassification of fee warrants	**(12,499,920)**	**(2,277,223)**	—	—
Balance, end of year	**—**	**$ —**	12,499,920	$ 2,277,223

In February 2011, 21,694,220 fee warrants were issued to certain finders in connection with the $210,000,001 financing (Note 14). Each fee warrant has an exercise price of $0.48 per Class "A" common share and are exercisable at any time during the three years after the date of issuance of the 433,884,300 common shares issued pursuant to this financing. Upon exercise of each fee warrant, through delivery of an exercise notice and payment of the exercise price the holder will be entitled to receive, within 10 days after the exercise date, a cash payment in Canadian dollars equal to the market value of one common share in the Corporation determined at the exercise date of each fee warrant (the "Cash Payment"). Such market value shall be determined by reference to the closing trading price of the common shares on the principal stock exchange on which the common shares are listed and traded, and if the common shares are not listed on a stock exchange on the date of exercise, such market value of the common shares as determined by the Board of Directors of the Corporation acting reasonably. At the sole option and discretion of the Corporation determined at the time of each exercise of fee warrants, upon each exercise of a warrant, the Corporation may satisfy the Cash Payment by the issuance of one common share. The fee warrants are recorded at a fair value of $6,378,237 or $0.29 per fee warrant, and charged to share issue costs associated with the Unit offering (Note 14), with an offsetting credit to the liability account, fair value of warrants. The fair value of the fee warrants was determined using the Black Scholes pricing model and the assumptions are noted below.

12. SHARE CAPITAL (Continued)

(c) Fee Warrants (Continued)

In the first quarter of 2011, holders of 12,499,920 fee warrants agreed with the Corporation to amend the fee warrants as follows:

Upon exercise of each fee warrant through delivery of an exercise notice and payment of the exercise price the holder will be entitled to receive, within 10 days after the exercise date, a cash payment in Canadian dollars equal to the market value of one common share in the Corporation determined at the exercise date of each fee warrant (the "Cash Payment"). Such market value shall be determined by reference to the closing trading price of the common shares on the principal stock exchange on which the common shares are listed and traded, and if the common shares are not listed on a stock exchange on the date of exercise, such market value of the common shares as determined by the Board of Directors of the Corporation acting reasonably. At the sole option and discretion of the Corporation determined at the time of each exercise of fee warrants, upon each exercise of a warrant, the Corporation may satisfy the Cash Payment by the issuance of one common share.

Accordingly, the Corporation has reclassified 12,499,920 warrants at a fair value of $3,698,000 and presented a liability in the Consolidated Statement of Financial Position. For the year ended 31 December 2011, the Corporation recognized a fair value adjustment on the fee warrants for $3,030,654 or a weighted average of $0.38 per fee warrant. The fair value of the warrants was determined using the Black Scholes pricing model with the following assumptions:

	Year ended 31 December	
	2011	2010
Weighted average expected volatility (%)	**91% - 96%**	96.00%
Risk-free rate of return (%)	**2.02% - 2.19%**	2.19%
Expected life (years)	**3.00**	3.00
Expected forfeitures	**Nil**	Nil
Dividends	**Nil**	Nil

13. SHARE-BASED PAYMENTS

13.1 Employee share option plan

The Corporation has a stock option plan for directors, officers, employees, consultants and advisors. The options vest over a period ranging up to three years from the date of grant. Options granted under the Stock Option Plan will have an exercise price that is not less than the price of the most recent private placement, or, if the common shares are listed on a stock exchange, the price which is, from time to time, permitted under the rules of any stock exchange or exchanges on which the Class "A" common shares are then listed.

On 9 September 2010, the 2009 Stock Option Plan dated 7 May 2009, was amended, approved, ratified and adopted by shareholders at the Corporation's Annual General Meeting. The amendment increased the maximum number of Class "A" common shares that may be reserved for issuance pursuant to the 2009 Stock Option Plan from 169,289,160 to the greater of 210,000,000 or 10% of the total number of issued and outstanding shares.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Series 1	12,800,000	15 May 2007	15 May 2012	0.06	261,117
Series 2	4,300,000	15 June 2007	15 June 2012	0.06	87,719
Series 3	23,120,000	20 July 2007	20 July 2012	0.07	557,395
Series 4	14,480,000	24 August 2007	24 August 2012	0.08	402,802
Series 5	12,539,980	9 October 2007	9 October 2012	0.15	697,670
Series 6	38,660,000	9 January 2008	9 January 2013	0.14	1,919,142
Series 7	596,000	1 February 2008	1 February 2013	0.14	29,586
Series 8	11,506,000	31 March 2008	31 March 2013	0.20	830,801
Series 9	4,500,000	1 April 2008	1 April 2013	0.20	324,926
Series 10	3,100,000	30 April 2008	30 April 2013	0.20	223,838
Series 11	13,008,000	13 June 2008	13 June 2013	0.20	939,254
Series 12a	4,440,000	1 August 2008	1 August 2013	0.20	320,594
Series 12b	15,310,000	1 August 2008	1 August 2013	0.20	1,105,472
Series 13	800,000	16 September 2008	16 September 2013	0.20	57,765
Series 14	70,000	29 September 2008	29 September 2013	0.20	5,054
Series 15	1,340,000	1 November 2008	1 November 2013	0.20	96,756
Series 16	150,000	30 March 2009	30 March 2014	0.45	24,613
Series 17a	3,421,400	1 October 2009	1 October 2014	0.26	536,692

13. SHARE-BASED PAYMENTS

13.1 Employee share option plan

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Series 17b	3,428,600	22 January 2010	21 January 2015	0.26	539,164
Series 18	8,620,000	2 March 2010	1 March 2015	0.28	1,420,086
Series 19	19,900,000	9 September 2010	1 March 2015	0.28	3,278,388
Series 20	1,000,000	2 March 2010	1 March 2015	0.28	164,743
Series 21	2,700,000	22 March 2010	21 March 2015	0.28	444,806
Series 22	2,450,000	14 May 2010	13 May 2015	0.28	405,158
Series 23a	1,050,000	31 May 2010	30 May 2015	0.28	173,639
Series 23b	450,000	28 June 2010	27 June 2015	0.28	74,417
Series 23c	280,000	5 July 2010	4 July 2015	0.28	46,169
Series 23d	350,000	12 July 2010	11 July 2015	0.28	57,711
Series 23e	700,000	31 August 2010	30 August 2015	0.28	115,422
Series 24a	400,000	20 December 2010	14 July 2015	0.48	116,081
Series 24b	250,000	20 December 2010	2 August 2015	0.48	72,551
Series 24c	1,900,000	20 December 2010	31 August 2015	0.48	551,386
Series 24d	700,000	20 December 2010	11 October 2015	0.48	202,347
Series 24e	800,000	20 December 2010	31 October 2015	0.48	231,253
Series 24f	3,900,000	20 December 2010	5 December 2015	0.48	1,127,361
Series 25	4,000,000	17 February 2011	17 February 2016	0.48	1,152,149
Series 26	3,050,000	14 April 2011	14 April 2016	0.48	843,795
Series 27	2,150,000	27 May 2011	27 May 2016	0.48	594,807
Series 28a	1,200,000	9 June 2011	9 June 2016	0.48	331,985
Series 28b	200,000	9 June 2011	1 July 2016	0.48	55,224
Series 29	450,000	14 July 2011	18 July 2016	0.48	124,253
Series 30	2,000,000	14 July 2011	15 August 2016	0.48	552,237
Series 31a	1,450,000	26 August 2011	22 August 2016	0.48	400,372
Series 31b	400,000	26 August 2011	1 September 2016	0.48	110,447
Series 32a	4,423,540	16 September 2011	16 September 2016	0.48	1,221,420
Series 32b	800,000	25 September 2011	25 September 2016	0.48	220,895
Series 33	540,000	26 October 2011	26 October 2016	0.48	149,104
Series 34	300,000	17 November 2011	17 November 2016	0.48	70,062
Series 35	350,000	15 December 2011	15 December 2016	0.48	81,739
Series 36	2,000,000	20 December 2011	20 December 2016	0.48	467,079

13. SHARE-BASED PAYMENTS

13.2 Fair value of share options granted in the period

The weighted average fair value of the share options granted for the year ended 31 December 2011: $0.27; (2010: $0.17). Options were priced using the Black Scholes model. From inception of the Corporation to 31 December 2011, the cumulative weighted average fair value per option is $0.10. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility from a peer group of listed companies. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 1%.

The table below details the input variables used in the Black Scholes model to determine the fair value for share-based compensation:

2010	**Series 17b**	**Series 18**	**Series 19**	**Series 20**	**Series 21**	**Series 22**
Grant date share price (C$)	0.26	0.28	0.28	0.28	0.28	0.28
Exercise price (C$)	0.26	0.28	0.28	0.28	0.28	0.28
Expected volatility (%)	96.0	96.0	96.0	96.0	96.0	96.0
Option life (years)	3.0	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	—	—	—	—	—	—
Risk-free interest rate (%)	1.86	1.86	1.86	1.86	1.86	2.25

2010 (continued)	**Series 23a**	**Series 23b**	**Series 23c**	**Series 23d**	**Series 23e**	**Series 24a**
Grant date share price (C$)	0.28	0.28	0.28	0.28	0.28	0.48
Exercise price (C$)	0.28	0.28	0.28	0.28	0.28	0.48
Expected volatility (%)	96.0	96.0	96.0	96.0	96.0	96.0
Option life (years)	3.0	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	—	—	—	—	—	—
Risk-free interest rate (%)	2.25	2.25	1.95	1.95	1.95	1.95

2010 (continued)	**Series 24b**	**Series 24c**	**Series 24d**	**Series 24e**	**Series 24f**
Grant date share price (C$)	0.48	0.48	0.48	0.48	0.48
Exercise price (C$)	0.48	0.48	0.48	0.48	0.48
Expected volatility (%)	96.0	96.0	96.0	96.0	96.0
Option life (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.95	1.95	1.55	1.55	1.55

13. SHARE-BASED PAYMENTS (Continued)

13.2 Fair value of share options granted in the period (Continued)

2011	Series 25	Series 26	Series 27	Series 28a	Series 28b
Grant date share price (C$)	0.48	0.48	0.48	0.48	0.48
Exercise price (C$)	0.48	0.48	0.48	0.48	0.48
Expected volatility (%)	96.0	91.0	91.0	91.0	91.0
Option life (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.82-2.50	1.82-2.50	1.82-2.50	1.82-2.50	1.71-2.27
Expected for feitures (%)	1.0	1.0	1.0	1.0	1.0

2011(continued)	Series 29	Series 30	Series 31a	Series 31b	Series 32a
Grant date share price (C$)	0.48	0.48	0.48	0.48	0.48
Exercise price (C$)	0.48	0.48	0.48	0.48	0.48
Expected volatility (%)	91.0	91.0	91.0	91.0	91.0
Option life (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.71-2.27	1.71-2.27	1.71-2.27	1.71-2.27	1.71-2.27
Expected for feitures (%)	1.0	1.0	1.0	1.0	1.0

2011(continued)	Series 32b	Series 33	Series 34	Series 35	Series 36
Grant date share price (C$)	0.48	0.48	0.48	0.48	0.48
Exercise price (C$)	0.48	0.48	0.48	0.48	0.48
Expected volatility (%)	91.0	91.0	75.0	75.0	75.0
Option life (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.71-2.27	1.71-2.27	0.95-1.26	0.95-1.26	0.95-1.26
Expected for feitures (%)	1.0	1.0	1.0	1.0	1.0

Options from Series 25 to Series 35 vest as to one-third on grant date and as to one-third on each of the first and second anniversaries from grant date.

13. SHARE-BASED PAYMENTS (Continued)

13.3 Movements in share options during the period

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

	Year ended 31 December			
	Number of Options	**Weighted Average Exercise Price($)**	Number of Options	Weighted Average Exercise Price($)
	2011		2010	
Balance, beginning of year	**189,723,980**	**0.18**	153,392,080	0.14
Granted	**23,313,540**	**0.48**	48,878,600	0.31
Forfeited	**(3,224,980)**	**0.40**	(300,000)	0.20
Exercised	**(6,854,000)**	**0.18**	(12,246,700)	0.06
Expired	**—**	**—**	—	—
Balance, end of year	**202,958,540**	**0.22**	189,723,980	0.18
Exercisable, end of year	**170,785,520**	**0.18**	149,517,780	0.16

	Number exercised	**Exercise date**	**Exercise price($)**
2011			
Series 3	300,000	17-Feb-11	0.07
Series 10	3,000,000	6-Apr-11	0.20
Series 11	500,000	6-Apr-11	0.20
Series 12b	264,000	6-Apr-11	0.20
Series 19	990,000	6-Apr-11	0.28
Series 8	100,000	8-Apr-11	0.20
Series 3	400,000	6-Jul-11	0.07
Series 4	100,000	6-Jul-11	0.08
Series 6	1,200,000	22-Jul-11	0.14
	6,854,000		

13. SHARE-BASED PAYMENTS (Continued)

13.3 Movements in share options during the period

	Number exercised	Exercise date	Exercise price($)
2010			
Series 1	900,000	31-Mar-10	0.06
Series 1	200,000	31-Mar-10	0.06
Series 1	3,000,000	6-May-10	0.06
Series 1	600,000	28-May-10	0.06
Series 1	600,000	18-Jun-10	0.06
Series 1	200,000	9-Aug-10	0.06
Series 1	3,000,000	11-Aug-10	0.06
Series 1	600,000	7-Sep-10	0.06
Series 1	600,000	7-Sep-10	0.06
Series 2	200,000	3-Aug-10	0.06
Series 3	500,000	31-Mar-10	0.07
Series 3	400,000	7-Sep-10	0.07
Series 3	66,680	31-Dec-10	0.07
Series 4	100,000	7-Sep-10	0.08
Series 4	600,000	23-Sep-10	0.08
Series 5	300,000	7-Sep-10	0.15
Series 6	200,000	7-Sep-10	0.14
Series 6	66,680	31-Dec-10	0.14
Series 8	33,340	31-Dec-10	0.20
Series 22	80,000	12-Aug-10	0.28
	12,246,700		

The share options outstanding as at 31 December 2011, had a weighted average remaining contractual life of 1.92 years (2010 – 2.62 years).

13. SHARE-BASED PAYMENTS (Continued)

13.4 Class "G" preferred shares

The Class "G" preferred shares convert to Class "A" common shares according to the conversion schedule (Note 12). The following table sets out the Class "G" preferred share issuances and cancellations for the year ended 31 December 2011 and 2010.

	Year ended 31 December			
	Class"G" preferred shares	**Weighted average price**	Class"G" preferred shares	Weighted average price
	2011		2010	
Balance, beginning of year	**54,470,000**	**$0.31**	—	$—
Issued	**10,800,000**	**$0.48**	54,770,000	$0.31
Cancelled	**(1,960,000)**	**$0.46**	(300,000)	$0.28
Balance, end of year	**63,310,000**	**$0.33**	54,470,000	$0.31
Convertible, end of year	**—**	**$—**	—	$—

Total compensation expense is amortized over the vesting period of the Class "G" preferred shares.

13.5 Class "H" preferred shares

The Class "H" preferred shares convert to Class "A" common shares according to the conversion schedule in Note 12. The following table sets out the balance of Class "H" preferred shares for the year ended 31 December 2011 and 2010.

	Year ended 31 December			
	Class"H" preferred shares	**Weighted average price**	Class"H" preferred shares	Weighted average price
	2011		2010	
Balance, beginning of year	**7,200,000**	**$0.28**	—	$—
Issued	**15,000,000**	**$0.48**	7,200,000	$0.28
Balance, end of year	**22,200,000**	**$0.42**	7,200,000	$0.28
Convertible, end of year	**—**	**$—**	—	$—

Total compensation expense is amortized over the vesting period of the Class "H" preferred shares.

13. SHARE-BASED PAYMENTS (Continued)

13.6 Share-based compensation

Share-based compensation has been recorded in the consolidated financial statements for the periods presented as follows:

	Year ended 31 December 2011		
	Expensed	**Capitalized**	**Total**
Stock options	$3,424,651	$3,549,936	$6,974,587
Preferred shares	4,650,795	3,604,742	8,255,537
	$8,075,446	$7,154,678	$15,230,124

	Year Ended 31 December 2010		
	Expensed	**Capitalized**	**Total**
Stock options	$3,160,194	$3,699,395	$6,859,589
Preferred shares	786,444	912,170	1,698,614
	$3,946,638	$4,611,565	$8,558,203

14. SHARE REPURCHASE OBLIGATION

	2011	2010
Balance, beginning of year	**$-**	$-
Issue of subscriptions for cash	**210,000,001**	—
Transaction costs[1]	**(17,769,848)**	—
Accretion[2]	**32,131,962**	—
Balance, end of year	**$224,362,115**	$-

1. Transaction costs include cash costs of $11,391,611 and 21,694,220 of fee warrants with an assigned fair value of $6,378,237 (Note 12).

2. Accretion for the year ended 31 December 2011, includes finance costs expensed of $25,341,087 and capitalized finance costs of $6,790,875, respectively (Notes 7 and 15).

14. SHARE REPURCHASE OBLIGATION (Continued)

In February 2011, the Corporation entered into Subscription Agreements with investors. Pursuant to the terms of the Subscription Agreements, the Corporation issued at a subscription price of $0.48 per share, a total of 433,884,300 common shares of which 289,256,200 are Class "A" common shares and the remaining 144,628,100 are Class "B" common shares, for gross proceeds of $210,000,001. Each subscriber also has a Share Repurchase Right ("Share Repurchase Right") as per the terms and conditions of the Subscription Agreements (Note 12). The terms and conditions in respect of the Share Repurchase Right provide that, in specified circumstances, the subscription holders have the option to require the Corporation to repurchase, for cancellation, all common shares issued pursuant to the Subscription Agreements. The Share Repurchase Right provides a repurchase price equal to the subscription price paid plus a 15% return, compounded annually. The terms of the Share Repurchase Right include a successful completion of a Qualifying IPO or, in any event, by 31 December 2013 (the "Trigger Events") (Note 12).

These financial liabilities have been classified as other liabilities and are recorded at amortised cost, using the effective interest method. The balances will be accreted over the term of the agreement or 31 December 2013.

For the year ended 31 December 2011, finance costs expensed were $25,341,087 and finance costs of $6,790,875 were capitalized as the funds are directly attributable to the development of the Corporation's qualifying assets. Transaction costs of approximately $17,769,848 have been deducted against the debt and are being amortised over the term of the agreement using the effective interest method. Of this amount, $11,391,611 was paid as cash fees and $6,378,237 was assigned as fair value to the 21,694,220 fee warrants issued to finders on this financing.

Should the conditions of the Trigger Events be met within the appropriate time period, the balance of the share repurchase obligation will be reclassified to share capital.

Subsequent to year end, the Corporation successfully closed a Qualifying IPO on the SEHK. Pursuant to this event, the balance of the share repurchase obligation, including 433,884,300 common shares comprising of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares, has been reclassified to share capital as the terms of the Subscription Agreements were agreed to have been met with the subscription holders and the share repurchase obligation has been extinguished. The Class "B" common shares were surrendered for cancellation and exchanged for common shares.

15. FINANCE COSTS

	Year ended 31 December	
	2011	2010
Interest expense on bank loan	**$—**	$70,721
Finance cost on share repurchase obligation[1]	**32,131,962**	—
Unwinding of discounts on provisions	**128,563**	68,347
Less: Amounts capitalized in exploration and evaluation assets	**(6,790,875)**	(46,038)
	$25,469,650	$93,030

1. Finance costs on share repurchase obligation relate to the $210 million common share subscriptions, which closed in February 2011. These finance costs relate to accretion of the common share subscriptions, which have a share repurchase right, and have been accounted for at amortised cost using the effective interest method (Note 14).

16. LOSS PER SHARE

Other than Class "A" common shares, all equity instruments have been excluded in calculating the diluted loss per share as they were anti-dilutive, considering the Corporation was in a loss position for the periods presented.

	Year ended 31 December[2]	
	2011	2010
Basic - Class A common	**1,462,502,402**	1,327,566,120
Diluted - Class A common	**1,462,502,402**	1,327,566,120
Redeemable Class A common	**289,256,200**	—
RedeemableClass B common[1]	**144,628,100**	—
Preferred G shares[3]	**63,310,000**	54,470,000
Preferred H shares	**22,200,000**	7,200,000
Stock Options	**202,958,540**	189,723,980
Warrants	**173,326,200**	162,846,980

1. Subsequent to year end, with the successful close of a qualifying IPO and listing on the SEHK, 144,628,100 Class "B" common shares were surrendered for cancellation and exchanged for common shares.
2. On 26 January 2012, the shareholders of the Corporation approved and authorized the Corporation to complete up to a 25:1 share split. The Board concluded that a 20:1 share split was appropriate.
3. A total of 1,000,000 Class "G" preferred shares are set to expire on 30 June 2012. In accordance with the conversion schedule disclosed in Note 12, 700,000 of these Class "G" preferred shares will expire with no economic value.

17. FINANCIAL INSTRUMENTS

17.1 Capital risk management

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

The Corporation's strategy is to access capital, through equity issuances and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Corporation manages its capital structure and makes adjustments relative to changes in economic conditions and the Corporation's risk profile. In order to maintain the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Corporation monitors its working capital in order to assess capital efficiency. The Corporation's capital structure currently includes shareholders' equity, share repurchase obligation and working capital. The Corporation is not subject to any externally imposed financial covenants. There may be a substantial impact to the Consolidated Statement of Financial Position given the terms and conditions of the share repurchase obligation in respect of the subscription holders' share repurchase right and the uncertainty related to a successful Qualifying IPO launch.

Subsequent to year end, the Corporation successfully closed a Qualifying IPO on the SEHK. Pursuant to this event, the balance of the share repurchase obligation, including 433,884,300 common shares comprising of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares, has been reclassified as the terms of the Subscription Agreements were agreed to have been met with the subscription holders. The Class "B" common shares were surrendered for cancellation and exchanged for common shares.

There is no change in the Corporation's objectives and strategies of capital management for the year ended 31 December 2011.

The Corporation's capital structure is described below:

	2011	2010
Working capital deficiency/(surplus)	**$7,096,022**	(27,065,986)
Share repurchase obligation (Note24)	**224,362,115**	—
Shareholders' equity	**148,585,650**	222,432,790
	$380,043,787	$195,366,804

17. FINANCIAL INSTRUMENTS (Continued)

17.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

17.3 Categories of financial instruments

	2011	2010
Financial assets		
Cash and cash equivalents	**$84,957,414**	$41,540,387
Loan sand receivables	**3,582,953**	1,273,558
Deposits	**452,806**	1,086,597
Financial liabilities		
Fair value through profit or loss (FVTPL)	**63,000,304**	—
Other liabilities	**$257,727,553**	$17,521,798

17.4 Financial risk management

Financial risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Corporation does not use any derivative financial instruments to mitigate these risk exposures. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

17. FINANCIAL INSTRUMENTS (Continued)

17.5 Market risk

Market risk is the risk that changes in market prices, such as currency risk, commodity price risk and interest rate risk will affect the Corporation's net loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There have been no changes over the prior year to the Corporation's objectives, policies or processes to manage market risks.

The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. The Corporation 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. Thus, exchange rate fluctuations can affect the fair value of future cash flows. The Corporation had no forward exchange rate contracts in place as at or during the year ended 31 December 2011. As at 31 December 2011, if exchange rates to convert from US dollars to Canadian dollars had been $0.10 lower with all other variables held constant, net loss for the year would not have been impacted. As at 31 December 2011, if exchange rates to convert from HK dollars to Canadian dollars had been $0.10 lower with all other variables held constant, net loss for the year would not have been impacted by an immaterial amount.

Subsequent to year end, the Corporation listed on the SEHK and closed its IPO and issued 923,299,500 shares at HK$4.86 per share for gross proceeds of HK$4,487,235,570. This amount is being held as cash and short-term deposits in the Corporation's Hong Kong bank accounts.

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by world economic events that dictate the levels of supply and demand. The Corporation has not attempted to mitigate commodity price risk through the use of various financial derivative and physical delivery sales contracts.

17.6 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at 31 December 2011, the Corporation does not have any floating rate debt as its share repurchase obligation is at a fixed rate (Note 14).

17. FINANCIAL INSTRUMENTS (Continued)

17.7 Credit risk management

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, deposits and receivables and GST receivables. As at 31 December 2011, the Corporation's receivables consisted of 57% from oil sale receivables and 43% from Goods and Services Tax receivable (2010 – 38% from oil sale receivables and 62% from Goods and Services Tax receivable).

The Corporation is exposed to credit risk on amounts held in individual banking institutions for balances that are above nominal guaranteed amounts. The Corporation periodically monitors published and available credit information of all its banking institutions.

The Corporation is exposed to credit risk from the Corporation's receivables from purchasers of the Corporation's crude oil. At 31 December 2011, there was no allowance for impairment of accounts receivable and the Corporation did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered past due or impaired (2010 - $Nil). The Corporation considers any amounts in excess of 120 days past due.

17.8 Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or bank debt proceeds. The Corporation expects to settle all trade and other payable within 90 days.

The Corporation utilizes authorizations for expenditures to manage its planned capital expenditures and actual expenditures are regularly monitored and modified as considered necessary.

17. FINANCIAL INSTRUMENTS (Continued)

17.9 Fair value of financial instruments

17.9.1 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	2011		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash, loans and other receivables	**$88,993,173**	**$88,993,173**	$43,900,542	$43,900,542
Financial Liabilities				
Fair value through profit or loss (FVTPL)	**63,000,304**	**63,000,304**	—	—
Other liabilities	**257,727,553**	**257,727,553**	17,521,798	17,521,798

The fair value of cash, term deposits, trade and other receivables, trade and other payables and accrued liabilities approximate their carrying values due to their short term maturity. The Corporation's financial instruments have been assessed on their fair value hierarchy described below.

Subsequent to year end, the share repurchase obligation was reclassified to share capital pursuant to the IPO and listing on the SEHK (Note 24).

17. FINANCIAL INSTRUMENTS (Continued)

17.9 Fair value of financial instruments (Continued)

17.9.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

17.9.3 Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

* Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
* Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable as of the reporting date. The Corporation does not have any financial instruments classified under level 2.
* Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data. The Corporation classified its warrants, which are accounted for using the liability method, under Level 3.

18. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiary, who are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

18.1 Trading transactions

The Corporation had transactions with a law firm in which a director of the Corporation is a partner. The Corporation also paid consulting fees to two directors of the Corporation.

During the period, the Corporation entered into the following trading transactions with related parties:

	Year ended 31 December			
	2011		2010	
	Sales of goods and services	**Purchases of goods and services**	Sales of goods and services	Purchases of goods and services
Other assets[1]	**$ —**	**$ 867,297**	$ —	$ —
Share issue costs	**—**	**115,520**	—	—
	$ —	**$ 982,817**	$ —	$ —
Legal expense	**$ —**	**$ 291,410**	$ —	$ 225,243

1. Other assets comprises of IPO financing costs before allocation expense (Note 22).

The following balances were outstanding and included in trade and other payables at the end of the reporting period:

	As at 31 December	
	2011	2010
Legal	**$ 362,903**	$ 29,619

During the year ended 31 December 2011, the Corporation issued 11,000,000 of Class "H" preferred shares at $0.0005 per share to a director, who is also a principal of a significant shareholder of the Corporation (2010 – Nil).

18. RELATED PARTY TRANSACTIONS (Continued)

18.1 Trading transactions (Continued)

During 2010, the Corporation entered into an advisory fee agreement (the "Agreement") in which the Corporation has agreed to pay a fees for services to be rendered in connection with an initial filing of an IPO prospectus and listing (Note 20). The fee is equal to 0.75% of the number of common shares issued and outstanding at the time of the initial filing of an IPO and may be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the Agreement expires 20 January 2013. The Corporation has determined that the fair value of the obligation is $Nil until such time that the conditions of the Agreement and services have been satisfied. The service provider is a company which is significantly owned by a director who is a principal of a significant shareholder of the Corporation, and who also holds a senior management position with the service provider company.

Subsequent to year end, the Corporation successfully closed its IPO on the SEHK. Pursuant to this event, the obligation owing for the advisory fee was recognized and 13,566,395 common shares issued and cash fee of $440,933 paid.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties. The amounts outstanding are unsecured and will be settled in cash or common shares. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

18.2 Compensation of key management personnel and directors

	Year ended 31 December	
	2011	2010
Salaries and allowances	**$1,564,599**	$1,300,478
Consulting fees	**1,950,785**	991,880
Directors fees	**272,999**	120,000
Share-based payments	**5,752,450**	2,987,580
	$9,540,833	$5,399,938

The remuneration of the Co-Chairmen, directors and key executives is determined by the Compensation Committee and approved by the Board of Directors with regard to the performance of individuals and market trends.

19. OPERATING LEASE ARRANGEMENTS

19.1 The Corporation as lessee

19.1.1 *Leasing arrangements*

Office Leases

The Corporation has a lease for corporate office space, located in Calgary, Canada, with a term commencing 1 October 2011, to 30 March 2019. Total commitment on this lease is approximately $12,794,000.

The Corporation has secured office space in Hong Kong with a total minimum lease commitment of approximately C$782,000. This is based on a fixed rate for 38 months of the lease term at HK$157,080 per month with a foreign exchange rate of 1C$ = 7.637HK$ (based on Bank of Canada 31 December 2011 exchange rates). The Hong Kong lease runs from 1 September 2011 to 31 October 2017. Lease payments are HK$157,080 per month for the first 38 months and then an open market rate for the last 36 months. A deposit of HK$703,290 was due upon signing of the lease.

Lease Rentals

As at 31 December 2011, the Corporation has an annual obligation of approximately $1,615,000 for oil sands mineral lease rentals and surface lease rentals as well as $10,750 for petroleum and natural gas lease rentals. Each oilsands mineral lease has an initial fifteen year term from the date of acquisition. Each petroleum and natural gas lease has an initial four year term from date of acquisition.

19.1.2 *Payments recognised as an expense*

	Year ended 31 December	
	2011	2010
Minimum lease payments	**$1,203,949**	$ 548,995

20. COMMITMENTS FOR EXPENDITURE

For the year ended 31 December 2011, the Corporation's commitments are as follows:

	Due within the next 12 months	Due in the next 2 to 5 years	Over 5 years
Drilling and other equipment and contracts	$ 73,785,000	$ —	$ —
Lease rentals	1,625,910	6,482,136	10,063,500
Office leases[1]	1,612,342	8,155,266	4,043,950
	$ 77,023,252	$ 14,637,402	$ 14,107,450

[1] Office leases only includes minimum lease commitments for the first 38 months up to 31 October 2014 for the Hong Kong premise lease.

Drilling program

The Corporation has secured the services of various drilling rigs and other equipment and services related to its ongoing drilling programs. The Corporation's commitment for these services as at 31 December 2011 is approximately $73,785,000. These commitments are expected to be fulfilled within the 12 month period.

Flow-through shares

The Corporation incurred $622,296 in eligible exploration expenditures during the year ended 31 December 2011 in order to meet its 31 December 2010 obligation. As at 31 December 2011, there are no outstanding flow-through obligations.

Advisory Fee

During 2010, the Corporation entered into an agreement in which the Corporation has agreed to pay fees for services to be rendered in connection with an initial filing of an IPO prospectus and listing (Note 18.1). The fee is equal to 0.75% of the number of common shares issued and outstanding at the time of the initial filing of an IPO and may be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the agreement expires 20 January 2013. The Corporation has determined that the fair value of the obligation is $Nil until such time that the conditions of the agreement and services have been satisfied.

Subsequent to year end, the Corporation successfully closed its IPO and listed on the SEHK. Pursuant to this event, the obligation owing for the advisory fee was recognized and 13,566,395 common shares were issued and a cash fee of $440,933 was paid.

21. JOINT CONTROLLED ASSETS

The Corporation has a 50% working interest in certain oilsands formations in six sections with another company. The Corporation is entitled to a 50% share of assets, liabilities, income and expenses arising from operations of these assets in the specific oilsands formations. There has been no activity on these jointly controlled assets since 2008. There has been no change in the Corporation's ownership or voting interest in the jointly controlled assets since the inception of this agreement.

22. OTHER ASSETS

Other assets consists of costs incurred relating to the proposed issuance of shares for the IPO have been recognised as deferred charges and presented in Other assets on the Consolidated Statement of Financial Position. For those costs not directly attributable to the issue of new equity instruments, these costs are recognised in the Statement of Operations over the period incurred up to the IPO closing date. Upon the issuance of the shares, the allocated amount relating to the issuance of new shares under the IPO will be charged to share issue costs. In the event that the IPO does not occur, the latter portion of the costs will be charged to the Statement of Operations in that period.

	Deferred IPO costs
Cost	
Balance, beginning of year	**$ —**
Additions	**6,926,712**
Balance, end of year	**$6,926,712**
Allocation of IPO costs	
Balance, beginning of year	**$ —**
Allocation of IPO costs	**3,547,085**
Balance, end of year	**$3,547,085**
Carrying value, 31 December 2011	**$3,379,627**

23. CREDIT FACILITY

On 18 October 2011, the Corporation negotiated and signed an agreement with a non-arm's length lender in which a credit facility for general working capital purposes is available of up to a maximum of $100 million. The credit facility is interest free until 31 May 2012, after which, interest of 5% is due on a semi-annual basis. The loan is unsecured and subordinated and can be repaid at anytime without penalty. The effective date of the agreement is 31 October 2011, and has a term of two years from the date of initial drawdown. Amounts drawn on the loan will be accounted for as a related party transaction since a director and significant shareholder of the Corporation, who is also a significant shareholder and holds a senior position with the lending company. As at 31 December 2011, $Nil was outstanding on this credit facility.

24. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the Corporation successfully closed its IPO on the SEHK. Pursuant to this event, the Corporation completed the following events:

- On 26 January 2012, the shareholders of the Corporation approved and authorized the Corporation to complete up to a 25:1 share split. The Board concluded that a 20:1 share split was appropriate.
- the Corporation repurchased and cancelled all issued and outstanding purchase and fee warrants for a settlement amount of approximately $68.9 million (Note 12);
- the balance of the share repurchase obligation, including 433,884,300 common shares comprising of 289,256,200 Class "A" common shares and 144,628,100 Class B common shares, has been reclassified to share capital as the Qualifying IPO provision of the Subscription Agreements were acknowledged to have been met by the subscription holders and the share repurchase obligation has been extinguished. The Class "B" common shares were surrendered for cancellation and exchanged for common shares (Note 12);
- the obligation owing for an advisory fee was recognized and 13,566,395 common shares issued and cash fee of $440,933 paid (Note 20);
- issued 923,299,500 shares at HK$4.86 per share for gross proceeds of HK$4,487,235,570; and
- signed an international underwriting agreement with its joint global coordinators for the IPO of the Corporation's common shares. The agreement provides for underwriting and brokerage fees totaling no more than 3.583% of the total proceeds raised in the offering.

25. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 27 March 2012.

26. EXPLANATION OF TRANSITION TO IFRS

The Corporation has adopted IFRS from the date of its incorporation on 22 February 2007. Under IFRS 1 "First time adoption of International Financial Reporting Standards", the IFRSs are applied retrospectively at the date of adoption. The IFRS standards in effect as at 31 December 2010, the reporting date of the Corporation's first IFRS financial statements, were used to prepare the opening consolidated statement of financial position as at 22 February 2007, and each of the comparative periods being presented. As the Corporation transitioned from Canadian GAAP ("CGAAP") to IFRS at the incorporation date of 22 February 2007, no IFRS 1 elections or exemptions available were taken. In preparing the 2010 financial statements, the Corporation adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from CGAAP to IFRS has affected the Corporation's financial position and financial performance is illustrated in the following reconciliations. Certain amounts in these financial statement reconciliations have been reclassified, where applicable, to conform to IAS 1.

The principal changes to the Corporation's accounting policies arising as a result of the adoption of IFRS were as follows:

(a) Exploration and evaluation costs were recognised as intangible and tangible assets in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. The Corporation previously, followed full cost accounting under CGAAP and classified all exploration and evaluation costs as oil and gas properties and equipment. The effect of this change resulted in a reclassification of exploration and evaluation costs, which were determined not to have resulted in the discovery of commercial reserves, from property and equipment to exploration and evaluation assets.

(b) In accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources', costs incurred prior to obtaining licenses are expensed directly to the consolidated statement of operations and comprehensive loss as they are incurred. Under CGAAP such pre-license costs are capitalized as part of oil and gas properties and equipment. Since no pre-license costs were incurred in the years 2007, 2008, 2009 and 2010, no adjustments were required to the statements of comprehensive loss and exploration and evaluation assets in the transition to IFRS.

(c) In accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources' an entity must consider the degree to which an expenditure can be associated with the finding of specific mineral resources in assessing whether an expenditure is appropriate for capitalization as an exploration and evaluation asset. Similarly, under IAS 16, 'Property, Plant and Equipment', only costs which are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are included as part of the cost of the asset. The standards under IFRS are more prescriptive than the CGAAP standards specifically excluding administration and other general overhead costs.

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

(d) Under CGAAP, the tax attributes of expenditures financed by the issuance of flow-through shares are renounced to investors in accordance with Canadian income tax legislation. To recognise the foregone tax benefits to the Corporation, the carrying amount of the shares issued is reduced by the tax effect of the benefits renounced to the subscribers with an offsetting increase in future income tax liability. The tax effect of the renouncement is recorded when the renouncement documents are filed with the tax authorities and the obligation in respect of the flow-through share is met.

Flow-through shares are recorded at their fair value without any adjustment for the renouncement of tax deductions in accordance with IAS 37. The difference between the fair value of the flow-through share and the cash received for the flow-through share is recorded as an obligation to renounce the flow through share expenditure. This obligation is reversed and a deferred tax liability is recognised once the expenditures are renounced and the obligation in respect of the flow-through share is met. The tax effect recorded under CGAAP has also been eliminated from deferred tax liabilities with an offset to future income taxes.

Under IFRS the deferred tax liability is recognised in accordance with IAS 12,'Income Taxes' when the flow-through shares are renounced and the future tax liability is transferred to the future income tax expense.

(e) Under CGAAP, the fair value of stock options was calculated for each option grant and the resulting expense was recognised on a straight-line basis over the three year vesting period at a rate of one-third on each anniversary date of the stock option grant. Forfeitures of stock options were recognised as they occurred. Under IFRS, each vesting tranche of an option grant with different vesting dates was considered a separate grant for the calculation of fair value. This resulted in accelerated expense recognition which attributed higher stock-based compensation expense in early years of an option grant and less expense in later years. An estimated forfeiture rate was also applied at the initial grant date. The forfeiture rate is taken into account by adjusting the number of stock options expected to vest under each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary. When determining the fair value of each vesting tranche under IFRS, an estimated option life for each respective tranche was applied, this reflects historical experiences. The effect of this change was a charge/ (credit) to the consolidated statement of operations and comprehensive loss of the corresponding fiscal years. Accounting for the capitalized portion under IFRS resulted in a difference that was charged against reserve for share based compensation.

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

(f) SAR's are recorded under CGAAP when the current issue price of Class "A" common shares exceeds the grant price of the SAR's. Compensation expense would be recorded by multiplying the increase in price per share by the number of outstanding SAR's; from the time the SAR's were granted to the time they were cancelled. From the time the SAR's were granted on 2 March 2010 to the time they were cancelled on 9 September 2010, there was not an increase in price of the Class "A" common shares over the original grant price of the SAR's. Under IFRS, the fair value of the SAR's granted is estimated. From the time the SAR's were granted on 2 March 2010 to the time they were cancelled on 9 September 2010, share based compensation expense was recorded based on the appropriate amortised amount of the fair value. On 9 September 2010, upon approval of the conditional stock options, the SAR's were replaced with an equal amount of stock options. The options had the same terms, conditions and inputs as the SAR's and therefore there were no fair value differences between the SAR's and the options. As a result, no further share based compensation expense was recorded upon replacement.

(g) Under CGAAP the finance costs are directly related to the interest paid on the debt. Under IFRS the finance costs include the accretion expense and are also reduced by the borrowing costs that directly relate to and are capitalized in qualifying assets. These borrowing costs result in a credit to the consolidated statement of operations and comprehensive loss. The accretion expense is charged to the consolidated statement of operations and comprehensive loss as part of the financing costs.

(h) Deferred income taxes have been adjusted to reflect the tax effect arising from the difference between IFRS and CGAAP. Capitalized share based compensation does not affect accounting profit or the taxable profit as the cost is capitalized. As a result, no deferred taxes have been recognised for capitalized share based compensation. The CGAAP deferred tax liability for both flow-through shares and preferred shares has been transferred to share capital. The deferred tax on capitalized stock options has been transferred to reserve for share based compensation. The tax effect recorded under CGAAP has also been eliminated from deferred tax liabilities with an offset to issued share capital.

(i) Under CGAAP, depreciation includes both depreciation and accretion expense. Under IFRS the accretion expense is recorded in finance costs, in the consolidated statement of operations and comprehensive loss.

The expense, under CGAAP is recorded as a decommissioning obligation and is measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Liabilities were not remeasured to reflect period end discount rates. Under IFRS, the decommissioning obligation is measured as the best estimate of the expenditure to be incurred and requires that the asset retirement be remeasured using the period end discount rate. The remeasurement of the obligation has resulted in an increase charge to the consolidated statement of operations and comprehensive loss.

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

Statement of Financial Position IFRS Differences Detail

	Note	E & E	Property and Equipment	Flow-through Shares Obligation	Provisions for Decom-missioning Obligation	Deferred Tax Liability	Share Capital	Reserve for Share Based Compensation	Deficit
Balance 31 December 2010		134,622,825	(131,951,725)	250,075	73,055	(2,384,809)	2,991,496	1,527,125	214,158
Allocate E & E from PP & E - IFRS 6	(a)	60,809,552	(60,809,552)						
Capitalized interest - IFRS 6	(g)	46,038							
Increase in amount of G & A capitalized - IAS 16	(c)	–							
Increase due to application of IFRS 2 - SBP	(e)	1,149,468						1,799,325	
Recognition of flow- through shares obligation - IAS 37	(d)	–		19,914			(736,254)		
Changes in Statement of Comprehensive Loss					1,403	2,203,433			(2,193,757)
Change in decommissioning liability - IAS 37	(i)	1,208,462			1,208,462				
Change in share issue costs									
Deferred tax on flow-through shares - IAS 12	(h)	–					500,149		
Deferred tax on capitalized stock options - IAS 12	(h)	–					(179,440)		
Deferred tax on exercised stock options - IAS 12	(h)	–				(865,829)	35,510	830,318	
FIT tax Calculation 2010		–				30,809			
Balance 31 December 2010		197,836,345	(192,761,277)	19,914	1,282,920	(1,016,396)	2,611,461	4,156,768	(1,979,599)

Statement of Comprehensive Loss on IFRS Differences Detail

	Note	Share-based Payments	Flnacing Costs	Depreciation	Income Taxes	Deficit
2010						
Decrease in amount capitalized - IAS 16	(a)					
Increase due to application of IFRS 2 - SBP	(e)	649,857			1,557,726	(2,207,583)
Increase/decrease due to decommissioning liability unwinding of discount shown as financing cost- IAS 37	(i)		68,347	(66,944)		(1,403)
Interest capitalized - IAS 23	(g)		(46,038)			46,038
FIT tax calculation					30,809	(30,809)
		649,857	22,309	(66,944)	1,588,535	(2,193,757)

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

The above adjustments are presented in the following reconciliations as outlined below:

- Reconciliation of the Consolidated Statement of Financial Position as at 31 December 2010;
- Reconciliation of the Consolidated Statement of Operations and Comprehensive Loss for the year ended 31 December 2010; and
- Reconciliation of the Consolidated Statement of Changes in Equity for the year ended 31 December 2010.

The reconciliation of cash flows was not performed since no material differences existed between CGAAP and IFRS

Consolidated statement of financial position reconciliation

	31 December 2010 Canadian GAAP	Adjustment on transition*	31 December 2010 IFRS
Assets			
Current Assets			
Cash and cash equivalents	$ 41,540,387	$ —	$ 41,540,387
Trade and other receivables	1,273,558	—	1,273,558
Prepaid expenses and deposits	1,910,487	—	1,910,487
	44,724,432	—	44,724,432
Non-current Assets			
Exploration and evaluation	—	197,836,345	197,836,345
Property and equipment	193,235,328	(192,761,277)	474,051
	193,235,328	5,075,068	198,310,396
	$ 237,959,760	$ 5,075,068	$ 243,034,828

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

Consolidated statement of financial position reconciliation (Continued)

	31 December 2010 Canadian GAAP	Adjustment on transition*	31 December 2010 IFRS
Liabilities			
Current Liabilities			
Trade and other payables	$ 17,521,798	$ —	$ 17,521,798
Provision for flow-through shares obligation	116,734	—	116,734
Borrowings	—	19,914	19,914
	17,638,532	19,914	17,658,446
Non-current Liabilities			
Provision for decommissioning obligation	769,410	1,282,920	2,052,330
Deferred tax liabilities	1,907,658	(1,016,396)	891,262
	2,677,068	266,524	2,943,592
	20,315,600	286,438	20,602,038
Shareholders' Equity			
Share capital	221,915,011	2,611,461	224,526,472
Reserve for share based compensation	13,485,838	4,156,768	17,642,606
Deficit	(17,756,689)	(1,979,599)	(19,736,288)
	217,644,160	4,788,630	222,432,790
	$ 237,959,760	$ 5,075,068	$ 243,034,828

* See Statement of Financial Position IFRS Differences Detail

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

Consolidated statement of operations and comprehensive loss reconciliation

	Amounts presented in Canadian Dollars (C$)		
	Year ended 31 December 2010 Canadian GAAP	**Adjustment on transition***	**Year ended 31 December 2010 IFRS**
Interest income	$ 257,067	$ —	$ 257,067
Other Income	7,602	—	7,602
Interest and other income	264,669	—	264,669
Salaries, consulting and benefits	3,002,087	—	3,002,087
Rent	213,743	—	213,743
Legal and audit	952,753	—	952,753
Other	1,620,493	—	1,620,493
Depreciation	178,495	(66,944)	111,551
Share-based payment expense	3,296,781	649,857	3,946,638
Finance costs	70,721	22,309	93,030
Total Expenses	9,335,073	605,222	9,940,295
Loss before tax	9,070,404	605,222	9,675,626
Income tax (recovery) expense	(1,407,220)	1,588,535	181,315
Net Loss and Total Comprehensive Loss	$ 7,663,184	$ 2,193,757	$ 9,856,941
Loss per share			
Basic and diluted	$ 0.01	$ 0.00	$ 0.01

* See Statement of Operations and Comprehensive Loss IFRS Differences Detail

26. EXPLANATION OF TRANSITION TO IFRS (Continued)

Consolidated statement of operations and comprehensive loss reconciliation (Continued)

	Canadian GAAP	Adjustment on transition	IFRS
Balance at 31 December 2010	$ 123,231,939	$ 4,732,779	$ 127,964,718
Net loss and comprehensive loss for the year	(7,663,184)	(2,193,757)	(9,856,941)
Recognition of share-based payments	8,170,273	387,930	8,558,203
Issue of common shares	66,595,006	—	66,595,006
Issue of preferred shares	30,985	—	30,985
Cancellation of preferred shares	(150)	—	(150)
Common shares issued on a flow-through basis	3,828,526	(736,254)	3,092,272
Issue of warrants	28,491,801	2,097,783	30,589,584
Issues of shares under employee share option plan	770,171	—	770,171
Renouncement of flow-through shares	(500,149)	500,149	—
Share issue costs	(5,311,058)	—	(5,311,058)
Balance at 31 December 2010	$ 217,644,160	$ 4,788,630	$ 222,432,790

* See Statement of Financial Position IFRS Differences Detail and Statement of Operations and Comprehensive Loss IFRS Differences Detail

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the SEHK and not shown elsewhere in these Consolidated Financial Statements is as follows:

A1. Sunshine Oilsands Ltd. non-consolidated statement of financial position

The Corporation's statement of financial position is on a non-consolidated basis which excludes the Corporation's wholly owned subsidiary, Fern Energy Ltd. ("Fern").

SUNSHINE OILSANDS LTD.
Statements of financial position (Unconsolidated)

	31 December 2011	31 December 2010
Non-current Assets		
Property and equipment	**718,785**	474,051
Exploration and evaluation assets	**382,234,416**	197,793,503
Other Assets	**3,379,627**	—
Investment in subsidiary	**60,000**	60,000
	386,392,828	198,327,554
Current Assets		
Other receivables	**3,582,073**	1,273,073
Prepaid expense and deposits	**797,718**	1,910,487
Cash and cash equivalents	**84,950,577**	41,533,456
	89,330,368	44,717,016
Current Liabilities		
Trade and other payables	**33,365,438**	17,521,798
Provision for decomissioning obligation	**68,365**	116,734
Provision for flow-through shares	**—**	19,914
Fair value of warrants	**63,000,304**	—
Borrowings	**—**	—
	96,434,107	17,658,446
Net current assets (liabilities)	**(7,103,740)**	27,058,570
Total assets less current liabilities	**379,289,089**	225,386,124

Statements of financial position-Unconsolidated (continued)

	31 December 2011	31 December 2010
Non-current liabilities		
Long term borrowings	**224,362,115**	—
Provision for decomissioning obligation	**6,331,883**	2,052,330
Deferred tax liabilities	**—**	891,262
	230,693,998	2,943,592
Net Assets	**$ 148,595,091**	$ 222,442,532
Capital and reserves		
Share capital	**219,173,885**	224,526,472
Reserve for share based compensation	**30,074,070**	17,642,606
Deficit	**(100,652,864)**	(19,726,546)
	$ 148,595,091	$ 222,442,532

A2. Directors' emoluments and other staff costs

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

	Year ended 31 December	
	2011	2010
Directors emoluments		
Directors' fees	**$ 248,666**	$ 120,000
Salaries and allowances	**910,786**	193,266
Contribution to retirement benefit scheme	**—**	4,085
Share-based payments	**4,476,484**	1,709,316
Performance related incentive payments	**1,040,000**	800,000
	6,675,936	2,826,667
Other staff costs		
Salaries and other benefits	**9,617,583**	4,178,299
Contribution to retirement benefit scheme	**164,177**	81,329
Share-based payments	**10,753,640**	6,848,887
Performance related incentive payments	**1,650,000**	872,643
Total other staff costs	**22,185,400**	11,981,158
Total staff costs, including director's emoluments	**28,861,336**	14,807,825
Less: staff costs capitalized in exploration and evaluation assets	**13,454,533**	7,859,100
	$ 15,406,803	$ 6,948,725

Details of the directors' emoluments are as follows:

For the year ended 31 December 2011

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Michael Hibberd	$ 31,000	$ 455,393	$ -	$ 1,016,226	$ 520,000	$ 2,022,619
Songning Shen	32,000	455,393	—	1,016,226	520,000	2,023,619
Tseung Hok Ming	24,333	—	—	1,696,547	—	1,720,880
Tingan Liu	—	—	—	—	—	—
Haotian Li	22,333	—	—	238,803	—	261,136
Kevin Flaherty	—	—	—	11,362	—	11,362
Raymond Fong	27,333	—	—	10,818	—	38,151
Zhijan Qin	—	—	—	10,818	—	10,818
Wazir C. (Mike) Seth	29,000	—	—	10,818	—	39,818
Greg Turnbull	26,667	—	—	60,778	—	87,445
Robert Herdman	28,667	—	—	202,044	—	230,711
Gerald Stevenson	27,333	—	—	202,044	—	229,377
	$ 248,666	$ 910,786	$ —	$ 4,476,484	$ 1,040,000	$ 6,675,935

For the year ended 31 December 2010

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Michael Hibberd	$ —	$ 96,633	$ —	$ 588,816	$ 400,000	$ 1,085,449
Songning Shen	—	96,633	—	588,816	400,000	1,085,449
Tseung Hok Ming	20,000	—	—	242,484	—	262,484
Kevin Flaherty	20,000	—	817	55,051	—	75,868
Raymond Fong	20,000	—	817	53,408	—	74,225
Zhijan Qin	20,000	—	817	55,275	—	76,092
Wazir C. (Mike) Seth	20,000	—	817	53,943	—	74,760
Greg Turnbull	20,000	—	817	71,523	—	92,340
	$ 120,000	$ 193,266	$ 4,085	$ 1,709,316	$ 800,000	$ 2,826,667

A3. Five highest paid individuals

The five highest paid individuals includes three directors of the Corporation and two officers of the Corporation for the year ended 31 December 2011 (2010 – two directors and three officers). The compensation of the remaining individuals is as follows:

	Year ended 31 December	
	2011	2010
Salaries and other benefits	**$ 483,933**	$ 494,609
Contributions to retirement benefits schemes	**6,654**	6,489
Share based compensation	**736,264**	1,029,252
Performance related incentive payments	**340,000**	513,000
	$ 1,566,851	$ 2,043,350

The five highest paid individuals were within the following emolument bands:

	Year ended 31 December	
	2011	2010
HK$ nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**—**	—
HK$3,000,001 to HK$3,500,000	**—**	1
HK$3,500,001 to HK$4,000,000	**—**	—
HK$4,000,001 to HK$4,500,000	**—**	—
HK$4,500,001 to HK$5,000,000	**—**	—
HK$5,000,001 to HK$5,500,000	**—**	—
HK$5,500,001 to HK$6,000,000	**2**	—
HK$6,000,001 to HK$6,500,000	**—**	—
HK$6,500,001 to HK$7,000,000	**—**	—
> HK$7,000,000	**3**	3

For the year ended 31 December 2011, the conversion factor used in the above table is 1C$ = 7.637 HK$ (year ended 31 December 2010 – 1C$ = 7.5359).

Summary of Competent Persons' Reports Evaluation[1]

Property	Region	Number of Oil & Gas Leases	Total PIIP[6] Low Estimate	Total PIIP[6] Best Estimate [3]	Total PIIP[6] High Estimate	Reserves 1P	Reserves 2P	Reserves 3P	Contingent Resources[4] Low Estimate	Contingent Resources[4] Best Estimate [3]	Contingent Resources[4] High Estimate	Pre-Tax PV10% 1P	Pre-Tax PV10% 2P	Pre-Tax PV10% 3P	Pre-Tax PV10% Low Estimate Contingent Resources	Pre-Tax PV10% Best Estimate Contingent Resources [3]	Pre-Tax PV10% High Estimate Contingent Resources
Conventional																	
Heavy Oil																	
Muskwa	Muskwa	21[8]	**47**	**86**	**120**	**2**	**6**	**9**	**0**	**0**	**0**	**38**	**56**	**61**	**0**	**0**	**0**
Total Conventional Heavy Oil			**47**	**86**	**120**	**2**	**6**	**9**	**0**	**0**	**0**	**38**	**56**	**61**	**0**	**0**	**0**
Clastics [7]																	
West Ells	West Ells [17]	26[9]	1,918	1,918	1,918	0	158	209	401	745	1,011	0	407	706	1,082	1,811	2,548
Thickwood	Thickwood [16]	4[14]	1,403	1,403	1,403	0	164	219	258	325	419	0	218	399	65	513	890
Legend Lake	Legend Lake	27[10]	1,730	1,844	1,844	0	91	124	255	449	673	0	166	271	477	891	1,801
Pelican Lake	Pelican Lake	2[15]	375	375	384	0	0	0	77	118	185	0	0	0	100	270	596
Opportunity	Legend Lake	27[10]	949	2,235	2,235	0	0	0	0	37	131	0	0	0	0	(4)	128
East Long Lake	East Long Lake	5	113	162	162	0	0	0	15	33	74	0	0	0	64	160	353
Crow Lake	Crow Lake	2	225	332	332	0	0	0	0	0	14	0	0	0	0	0	24
Portage Grand Rapids	Portage	14[11]	232	232	367	0	0	0	0	0	4	0	0	0	0	0	4
Harper	Harper	38[12]	5,581	5,581	7,512	0	0	0	0	326	780	0	0	0	0	491	2,068
Muskwa/Godin	Muskwa	21[8]	1,163	1,482	1,870	0	0	0	270	418	643	0	0	0	136	231	437
Portage Wabiskaw	Portage	14[11]	381	445	592	0	0	0	0	0	0	0	0	0	0	0	0
Total Clastics			**14,070**	**16,009**	**18,619**	**0**	**413**	**552**	**1,276**	**2,450**	**3,934**	**0**	**790**	**1,376**	**1,924**	**4,363**	**8,849**
Carbonates [5]																	
Harper	Harper	38[12]	8,780	10,555	11,819				0	393	1,405	0	0	0	0	243	2,668
Ells Leduc	West Ells	26[9]	856	997	997	0	0	0	0	159	271	0	0	0	0	448	904
Goffer	Goffer	2[13]	1,289	1,732	2,158	0	0	0	0	0	521	0	0	0	0	0	71
Muskwa	Muskwa	21[8]	8,209	10,841	14,583	0	0	0	0	0	1,810	0	0	0	0	0	1,308
Saleski	Saleski	1	538	596	762	0	0	0	0	0	123	0	0	0	0	0	243
South Thickwood	South Thickwood	9[16]	243	287	402	0	0	0	0	0	56	0	0	0	0	0	63
Portage Nisku	Portage	14[11]	3,597	4,265	4,853	0	0	0	0	64	961	0	0	0	0	8	2,771
Goffer Keg River	Goffer	2[13]	0	0	22	0	0	0	0	0	0	0	0	0	0	0	0
Total Carbonates			**23,512**	**29,273**	**35,596**	**0**	**0**	**0**	**0**	**616**	**5,147**	**0**	**0**	**0**	**0**	**699**	**8,028**
Combined Total		**151**	**37,629**	**45,368**	**54,335**	**2**	**419**	**561**	**1,276**	**3,066**	**9,081**	**38**	**846**	**1,437**	**1,924**	**5,062**	**16,877**
Pre-tax PV10% [2]												**30**	**829**	**1,410**	**1,866**	**4,837**	**16,520**
Post-tax PV10% [2]												**21**	**482**	**895**	**869**	**2,555**	**9,723**

Source: Competent Persons' Reports, dated as at 30 November 2011.

Notes:

(1) MMbbl unless otherwise noted. Figures are rounded to the nearest MMbbl or C$ million (where it applies).

(2) Both D&M's and GLJ's Pre-Tax PV10% and Post-Tax PV10% in this table incorporate GLJ's 1 October 2011 price forecasts for oil, bitumen and natural gas and are denominated in C$ millions. PV10% is not a measure of financial or operating performance, nor is it intended to represent the current value of our reserves and resources.

(3) If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best.

(4) A significant part of the Corporation's resource base is comprised of contingent resources, which are estimated to be potentially recoverable but not currently considered to be commercially recoverable due to one or more contingencies. None of the volumes or values of our reserves and resources have been risked for chance of development. We cannot assure you that it will be commercially viable to produce any portion of the contingent resources until contingencies are eliminated through detailed designs and regulatory submissions.

(5) The development of the carbonates is based on technology under development.

(6) Total PIIP is a sum of discovered and undiscovered PIIP components.

(7) The 21 Oil Sands Leases in the Muskwa region consist of conventional heavy oil, clastics and carbonates. The clastics are at Godin in the Muskwa region.

(8) The 26 Oil Sands Leases in the West Ells region consist of clastic and carbonates. The carbonates are at Ells Leduc in the West Ells region.

(9) The 27 Oil Sands Leases in the Legend Lake region consist of clastics at Legend Lake and Opportunity.

(10) The 14 Oil Sands Leases in the Portage region consist of carbonates at Portage Nisku and Clastics at Grand Rapids and Wabiskaw.

(11) The 38 Oil Sands Leases in the Harper region consist of clastics and carbonates.

(12) The one PNG Licence and one Oil Sands Lease in the Goffer region consist of Carbonates at Goffer and Keg River.

(13) Sunshine has 23 sections or 5,888 hectares at Thickwood that were acquired in 2007.

(14) Sunshine has 21.8 sections or 5,614 hectares at Pelican Lake that were acquired in 2007, 2008 and 2011. We acquired 13.3 sections or 3,438 hectares of land at Pelican Lake on 14 December 2011 for approximately C$2.7 million, which is not referred to in this table. This table only contains estimates for the 8.5 sections or 2,176 hectares at Pelican Lake that were acquired prior to 30 November 2011. Petro Energy Corp has a 100% working interest in the Wabiskaw formation in seven sections at Pelican Lake; the area of which is equal to 82.4% of our WABISKAW Pelican Lake holding in the seven sections.

(15) Petro Energy Corp has a 50% participating interest in the Wabiskaw formation in six sections in the Thickwood region; the area of which equates to 9.1% of our Thickwood holdings (including the 33 sections comprising Thickwood and South Thickwood).

(16) We received regulatory approval from the ERCB for our first 10,000 bbl/d clastic SAGD project at our West Ells property on 26 January 2012.

Corporate Information

BOARD OF DIRECTORS:

Executive Directors:

Mr. Michael John Hibberd
Mr. Songning Shen

Non-Executive Directors:

Mr. Hok Ming Tseung
Mr. Tingan Liu
Mr. Haotian Li
Mr. Gregory George Turnbull

Independent Non-Executive Directors:

Mr. Raymond Shengti Fong
Mr. Robert John Herdman
Mr. Wazir Chand Seth
Mr. Gerald Franklin Stevenson

JOINT COMPANY SECRETARIES:

Mr. Tingan Liu
Mr. Richard Walter Pawluk

AUTHORIZED REPRESENTATIVES:

Mr.Tingan Liu
Mr. Haotian Li

COMPLIANCE ADVISER:

Anglo Chinese Corporate Finance Limited

AUDITORS:

Deloitte & Touche LLP

AUDIT COMMITTEE:

Mr. Robert John Herdman *(Chairman)*
Mr. Gerald Franklin Stevenson
Mr. Wazir Chand Seth
Mr. Tingan Liu

COMPENSATION COMMITTEE:

Mr. Robert John Herdman *(Chairman)*
Mr. Gregory George Turnbull
Mr. Hok Ming Tseung
Mr. Raymond Shengti Fong
Mr. Gerald Franklin Stevenson

RESERVES COMMITTEE:

Mr. Wazir Chand Seth *(Chairman)*
Mr. Songning Shen
Mr. Gerald Franklin Stevenson
Mr. Raymond Shengti Fong

CORPORATE GOVERNANCE COMMITTEE:

Mr. Gerald Franklin Stevenson *(Chairman)*
Mr. Michael John Hibberd
Mr. Haotian Li
Mr. Robert John Herdman
Mr. Gregory George Turnbull
Mr. Wazir Chand Seth
Mr. Raymond Shengti Fong

CORPORATE HEADQUARTERS:

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Corporate Information

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T2P 4K9 Canada

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

Unit 4308, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

SHARE REGISTRAR IN HONG KONG:

Computershare Hong Kong Investor Services Limited

SHARE REGISTRAR IN ALBERTA:

Alliance Trust Company

COMPETENT PERSONS:

DeGolyer and MacNaughton Canada Limited
GLJ Petroleum Consultants Limited

PRINCIPAL BANKERS:

Bank of China (Hong Kong) Limited
Royal Bank of Canada
ATB Financial

LEGAL ADVISERS:

McCarthy Tétrault LLP
Freshfields Bruckhaus Deringer

WEBSITE:

www.sunshineoilsands.com

PLACE OF SHARE LISTING AND STOCK CODE:

The Stock Exchange of Hong Kong Limited: 2012

SUNSHINE OILSANDS LTD.