

Given the Increasing Demand for Oil, Sunshine Oilsands Ltd. is Well Positioned for Future Growth as One of the Largest Non-Partnered Holders of Oil Sands Leases in the Athabasca Region with Over 60 Billion Barrels of Oil on their Lands



**Energy
Oil Exploration
(HKSE STOCK CODE: 2012)**



**John Zahary, M.Phil P.Eng
President and CEO**

BIO:
John Zahary, a Professional Engineer with extensive senior management experience in the upstream and

integrated oil and gas industry, is Sunshine's President & Chief Executive Officer.

Previously, Mr. Zahary held senior positions at Harvest Operations, Osum Oil Sands, Viking Energy, Petrovera Resources, PanCanadian Petroleum, Canadian Oil Sands, Gulf Canada, Imperial Oil and Texaco Canada.

Mr. Zahary is a member of Alberta Securities Commission Petroleum Advisory Committee and the Chairman of the Western Canada Rhodes Scholarship Selection Committee as well as other business and volunteer involvements. He has served in the past as a Director and President of the Alberta Chamber of Resources, a Governor of the Canadian Association of Petroleum Producers, and the Chairman of the Petroleum Technology Research Centre.

Mr. Zahary holds a B.Sc. in Mechanical Engineering from the University of Calgary and a M.Phil. in Management from the University of Oxford.

Company Profile:
Sunshine Oilsands Ltd., is one of the largest non-partnered holders of oil sands leases by area in the Athabasca oil sands region, which is located in the province of Alberta, Canada. Since the Company's incorporation on 22 February 2007, Sunshine has secured over 464,897 hectares (1,148,785 acres) of oil sands leases (equal to approximately 7% of all granted leases in this area).

The Company's principal operations are the exploration, development and production of its diverse portfolio of oil sands leases. Its principal operating regions in the Athabasca area are at West Ells, Thickwood, Legend Lake, Harper, Muskwa, Goffer, Pelican and Portage. Sunshine's oil sands leases are grouped into three main asset categories: clastics, carbonates and conventional heavy oil.

Sunshine listed on the Hong Kong Stock Exchange on March 1, 2012, raising approximately HK\$4.5 billion (approximately \$600 million CAD). The Hong Kong Stock Exchange Stock Code for Sunshine Oilsands is 2012.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: What is the focus and strategy at Sunshine Oilsands?

Mr. Zahary: Sunshine is an oilsands focused company. We have a very substantial asset base with more than 60 billion barrels of oil on our lands – to put that in context, the total reserves in the USA are currently about 20 billion barrels. Within the oilsands focus, we produce all of our assets from underground through wellbores. Included are clastic/sandstone reservoirs that we will heat to produce, carbonate reservoirs that we will heat to produce and reservoirs that we can produce without thermal stimulation. Our strategy is to become a leading force in oilsands production leveraging off our substantial asset base while doing it in a prudent and re-

sponsible manner and providing attractive returns to investors.

CEOCFO: Why does your experienced team like oilsands at this point in time?

Mr. Zahary: With strong and growing demand for oil globally and with new oil deposits becoming harder and more expensive to locate and develop, the supply-demand situation looks very constructive for world oil prices. The very large amount of oil in the oilsands and on Sunshine's lands provides opportunity for attractive returns in the business. Technology advancements that have already occurred and ones that we and others are working on have made the business profitable and should continue to provide that opportunity in the future. We see great opportunity and are excited about the potential.

CEOCFO: Do you have any impact on the land?

Mr. Zahary: Our impacts are relatively small because we are drilling wells. The wells reach around underneath the ground, but it does not disturb a whole bunch of surface land in order to drill those wells.

CEOCFO: Would you tell us about the technological advances you are developing?

Mr. Zahary: The main way that we plan to produce our oil is through the injection of heat.

We use technology in all aspects of our business. A part of that is how we drill the wells and usually we drill them horizontally. We drill a vertical well down to the formation and then horizontally through the formation, so that we touch as much of the reservoir as we can. We use pumping technologies that are technologically advanced, which allow to move this heavy oil. We are using commercial products, but we are using them in a way that is specialized with respect to our people's expertise. Therefore, some of it is how we touch the reservoir, which is typically through horizontal wells. Some of it is how we pump the oil, typically through creative use of commercial pumping tech-

nology. Then we have the mobilizing strategy, with respect to how we produce the oil. There are two ways that you can mobilize heavy oil that is under ground. One is through heat. We use steam often, but we are looking at other ways, including a down hole electric heater that we are installing, which we think very efficiently will get heat into the formation. That is something that has not been done to any great length by other companies. It is not the first time that it has been used, but it has not been an exploited technology. Therefore, it is something that we are investing in, to see if we can use creative ways to more efficiently produce oil. The other thing that we are looking at is in addition to

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putting the heat in to help liberate the oil, is that we would use solvents, such as propane or butane, which are hydrocarbon liquids. They have a commercial purpose as well, but they can be injected into the formation and help to mobilize the heavy oil. That heavy oil then can be produced to the surface, along with the solvents that we inject. That is an application that has not been done very much in heavy oil production. Therefore, we are at the forefront of looking for opportunities to employ that technology in heavy oil reservoirs.

CEOCFO: Would you tell us about your latest Reserves and Resources report?

Mr. Zahary: We were very pleased to announce our updated reserve and resource report last week. Following our successful winter drilling program and the ongoing technical work to understand the potential of our assets, we engaged our outside reserve engineers GLJ Petroleum Consultants and DeGolyer and MacNaughton to update their assessment of the potential of our lands. They assessed our updated reserves as 80 million barrels of proved (90% certainty threshold) and 445 million barrels of proved + probable reserves (50% certainty threshold) which was a significant increase from our report of last year. In addition, they indicated an incremental best estimate contingent resource of 5 billion barrels – while there is a range on that 5 billion barrels with a low estimate of 2 billion barrels, the high estimate is 11.4 billion barrels. By that measure and inclusive of everything on a high end estimate at this stage, that would put Sunshine's opportunity around 12 billion barrels. In terms of context, that is a massive resource. It has increased substantially from the previous assessment reflecting the ongoing work at the company and reflects the huge opportunity at Sunshine.

CEOCFO: What is the plan for the rest of 2012 and 2013?

Mr. Zahary: We are very active on a number of fronts currently at Sunshine. At West Elys, which is our first major thermal project, we are in the middle of construction and development of the first project. That will be completed in mid-2013. At the same time, we are progressing regulatory approval at Thickwood and Legend Lake, our next two major projects – approval there is expected before mid-2013. Those three project areas comprise about 10% of our overall asset base. Thus while we are busy there, we are also active on the other part of the asset base where we advance our planning and technology work around delineation and development of the other substantial assets. We are looking at other clastic/sandstone projects across our asset base. We are also one of the larg-

est owners of carbonate bitumen reservoir in Canada and the world and as that technology advances, have a great opportunity to participate in that production. On the financing / corporate side, we continue to advance our financial strategy looking at putting in place debt facilities to advance our projects and pursue discussions on joint ventures that would see us accelerate and broaden the development of our assets.

CEO CFO: Will you continue to own your properties 100%?

Mr. Zahary: In conjunction with our recent equity financing, we also committed to explore the opportunity of partnering and joint venturing with Sinopec and China Investment Corporation. That work continues. In the meantime, other companies seeing the potential of our massive asset base and the importance of this source of oil to satisfy global demand in the years ahead have approached us and we are discussing opportunity with them as well. That may lead us to owning less than the 100% of our assets that we own now but do think that the skills and experience of Sunshine personnel can and will contribute significantly to the development of this resource base even if we own less than 100%.

CEO CFO: Why the decision to list on the Hong Kong exchange?

Mr. Zahary: Sunshine is a relatively young company but over the years of its existence has established important relationships in China, Hong Kong and Asia generally that has helped its growth. When the decision to raise incremental capital and list the shares publicly was pursued earlier this year, it was those existing and

new relationships that led us to the decision to list in Hong Kong. Hong Kong provides access to shifting capital markets globally and allows us to access capital that might not be otherwise available to us. At the same time, half of our current shareholding and about 80% of our current shareholders live in Canada and the USA, so this remains and will remain a very important constituency for us. We have been approached about getting a listing in North America as well and that is something that we will be considering further in the next time period.

CEO CFO: What, if any, challenges are on your radar screen as the company moves forward?

Mr. Zahary: While we have assembled an impressive asset base and are positioned advantageously as a high growth oil company, we recognize the importance of executing our projects efficiently and effectively. Sunshine is relatively young but our people have long and successful careers in executing this sort of work, so we feel very comfortable on our ability to handle. Challenges remain as we need to ensure that capital and operating costs do not increase to the point where they challenge the economics of these projects and we are actively working on initiatives to ensure that we deliver projects on time and on budget.

CEO CFO: How does the world energy/macro economy play into your plans?

Mr. Zahary: Oil is a global economy. While energy and oil is core to the existence of our way of life, price is affected by the global supply-demand situation. With uncertainty in global

economies, there has been some regional impacts on oil demand, but overall demand continues to be strong as high growth out of growing economies largely in Asia leads to growing global demand. We feel confident that there will be room for Sunshine to expand to help satisfy regional and global demand for oil. A further upside for Canadian oil production will occur when the infrastructure challenges that make Canadian oil sell at a discount to world oil are resolved in the months and years ahead – that will expose Canadian oil companies and Canadian oil company investors to current world oil prices which are higher than they now experience.

CEO CFO: What is the financial picture like for Sunshine Oilsands today?

Mr. Zahary: With the capital raise done earlier this year, we currently have no debt and have been building out our first project. We have plans in place to move quickly toward 20,000 bpd of production without needing to access equity capital markets and only needing a prudent amount of debt. Our financial situation is strong and we plan to maintain a strong financial position.

CEO CFO: Why should investors pay attention to Sunshine Oilsands?

Mr. Zahary: Sunshine has two very significant attributes – we are one of the largest holders of oil rights and resources in Canada and we have a very strong shareholder group. We combine that with a management team with deep understanding of this sort of production and technology. The combination of resource and access to capital provides opportunity for very attractive return over time.



HKSE STOCK CODE: 2012

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