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SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

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

(Stock Code: 2012)

Annual Results Announcement

For the year ended 31 December 2011 and changes in composition of Compensation Committee and Corporate Governance Committee

Highlights

- On 1 March 2012, Sunshine Oilsands Ltd. (the "Corporation" or "Sunshine") successfully completed its 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.
- With the successful close of the Qualifying IPO, and listing on the SEHK, the Corporation's share repurchase obligation has been extinguished and 433,884,300 common shares (consisting of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares), have been reclassified to Shareholders' Equity. Immediately prior to the closing of the IPO, all outstanding Class "B" common shares were exchanged for Class "A" common shares and cancelled.
- In January 2012, shareholders of the Corporation 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 is therefore presented on a post split basis.
- As evaluated by the Corporation's Competent Persons, the Corporation's proved plus probable ("2P") reserves and best estimate contingent resources have increased in 2011 as follows:
    - 2P reserves increased to 419 million barrels of oil in 2011 compared to 54 million barrels in 2010;
    - 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.

****For identification purposes only***

The Board of Directors of the Corporation is pleased to announce the annual results of the Corporation and its subsidiary, Fern Energy Ltd., for the year ended 31 December 2011 together with comparative figures for the corresponding period in 2010 as follows:

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended December 31, 2011	2010
Interest income	$ 1,624,507	$ 257,067
Other income	-	7,602
	1,624,507	264,669
Salaries, consulting and benefits	7,331,357	3,002,087
Rent	611,163	213,743
Legal and audit	1,252,116	952,753
Depreciation	185,729	111,551
Share-based payment expense	8,075,446	3,946,638
Allocation of other assets	3,547,085	-
Fair value adjustment on warrants	20,297,567	-
Finance costs	25,469,650	93,030
Other	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	(1,367,853)	181,315
Net loss and comprehensive loss for the year attributable to equity holders of the Corporation	$ 67,392,540	$ 9,856,941
Loss per share		
Basic and diluted	$ 0.05	$ 0.01

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 84,957,414	$ 41,540,387
Trade and other receivables	3,582,953	1,273,558
Prepaid expenses and deposits	797,718	1,910,487
	89,338,085	44,724,432
Non-Current Assets		
Exploration and evaluation	382,277,258	197,836,345
Property and equipment	718,785	474,051
Other assets	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	$ 33,365,438	$ 17,521,798
Provisions for decomissioning obligation	68,365	116,734
Fair value of warrants	63,000,304	-
Provision for flow-through shares	-	19,914
	96,434,107	17,658,446
Non-Current Liabilities		
Share repurchase obligation	224,362,115	-
Provisions for decomissioning obligation	6,331,883	2,052,330
Deferred income tax liabilities	-	891,262
	230,693,998	2,943,592
	327,128,105	20,602,038
Net current (liabilities)/assets	(7,096,022)	27,065,986
Total assets less current liabilities	379,279,648	225,376,382
Shareholders' Equity		
Share capital	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

Notes

1. Corporate Information

The Corporation was incorporated under the laws of the Province of Alberta, Canada, 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 SEHK on 1 March 2012 and trades under the stock code symbol of "2012".

The Corporation and its subsidiary 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 to preserve its interests in its existing properties. 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. Significant Accounting Policies

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 Board. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK.

The consolidated financial statements have been reviewed by the Audit Committee of the Corporation.

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 incorporate the financial statements of the Corporation and the Corporation's wholly owned subsidiary, Fern Energy Ltd. ("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.

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

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.

3. Segment Information

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

4. Trade Receivables

The Corporation'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 December 31, 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 Corporation 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 December 31, 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 Corporation'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 Corporation had not provided for impairment loss. The Corporation does not hold any collateral over these balances.

5. Trade Payables

Trade payables mainly represent payables to subcontractors of exploration and evaluation services. The Corporation 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 December 31, 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

6. Income Taxes

Income tax recognised in the Statement of Operations

	Year ended December 31, 2011	Year ended December 31, 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 December 31, 2011	Year ended December 31, 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:		
Stock 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.

Income tax recognised directly in equity

	Year ended December 31, 2011	Year ended December 31, 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 December 31, 2011	As at December 31, 2010
Deferred tax liabilities	$ -	$ 891,262

Deferred tax balances

December 31, 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)	$ -

December 31, 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)

Unrecognised deferred tax assets	As at December 31, 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.

Tax pools available	As at December 31, 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

7. Loss per share [2]

Basic - Class A Common	**1,462,502,402**
Diluted - Class A Common	**1,462,502,402**
Redeemable Class A Common	**289,256,200**
Redeemable Class B Common[1]	**144,628,100**
Class G Preferred shares[3]	**63,310,000**
Class H Preferred shares	**22,200,000**
Stock Options	**202,958,540**

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 exchanged for common shares and all class "B" common shares were cancelled.

2. Subsequent to year end, shareholders of the Corporation authorized the Corporation to complete up to 25:1 share split. The Board of Directors concluded that the ratio of share split would be 20:1. The 20:1 share split is reflected in the above per share numbers.

3. 1,000,000 Class "G" Preferred Shares are set to expire June 30, 2012 and will carry a maximum conversion basis of 0.3 common shares per Class "G" Preferred 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.

8. Dividends

The Corporation has not declared or paid any dividends in respect of the year ended 31 December 2011 (2010 – Nil).

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 Peterochemical 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.

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 December 31,				
	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 December 31,				For the period since inception to December 31,
	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 December 31,				For the period since inception to December 31,
	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/Deduct					
Allocation of other assets	3,547,085	-	-	-	-
Fair value adjustment on warrants	20,297,567	-	-	-	-
Finance costs	25,469,650	93,030	140,745	83,057	-
Interest income	(1,624,507)	(257,067)	(3,060)	(295,382)	(91,174)
Depreciation	185,729	111,551	105,589	80,393	5,384
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 December 31,				
	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
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 December 31,	
	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 December 31,					
	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 December 31,					
	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 December 31,				
	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 end 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 December 31,				For the period since inception to December 31,
	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 end 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 end 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 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 October 31, 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 December 31, 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 December 31, 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 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.

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 nonexecutives 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 effective 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 January 1, 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 January 1, 2013
[2] Effective for annual periods beginning on or after January 1, 2015
[3] Effective for annual periods beginning on or after January 1, 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. These 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			
Property	**Total PIIP**	**Total PIIP LARP impact**	**Remaining 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 February 20, 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 February 20, 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 February 20, 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.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")

Since the Corporation was listed subsequent to the reporting period it was not obliged to comply with the Model Code. The Corporation has adopted a Corporate Disclosure and Trading policy that has terms that are no less exacting than those set out in the Model Code.

Purchase, sale or redemption of Sunshine's Listed Securities

Since the Corporation was listed subsequent to the reporting period, there was no purchase, sale or redemption of any of the Corporation's listed securities by the Corporation or its subsidiary during the year ended 31 December 2011.

Recent Developments

Subsequent to 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.

Publication of Information on the Hong Kong Stock Exchange's Website and the Corporation's Website

This annual results announcement is published on the websites of the SEHK (www.hkexnews.hk) and the Corporation's website at www.sunshineoilsands.com and the annual report of the Corporation for the year ended 31 December 2011 will be dispatched to the shareholders of the Corporation and published on the respective websites of the SEHK and the Corporation in due course.

Changes in Composition of Compensation Committee and Corporation Governance Committee

The Board of Directors is pleased to announce the following changes to the Compensation Committee and the Corporate Governance Committee of the Board:

Compensation Committee

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

- Mr. Gregory George Turnbull will step down from his role as Chairman of the compensation committee, to be replaced by Mr. Robert John Herdman, an independent non-executive Director of our Corporation. Mr. Gregory George Turnbull, a non-executive Director, will remain as a member of the Compensation Committee.
- Mr. Raymond Shengti Fong and Mr. Gerald Franklin Stevenson, independent non-executive Directors, will become members of the Compensation Committee.

From 1 April 2012, members of the Compensation Committee will be 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 will consist of a majority of independent non-executive Directors and will be chaired by an independent non-executive Director.

Corporate Governance Committee

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

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

From 1 April 2012, the members of the Corporate Governance Committee will be 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 will consist of a majority of independent non-executive Directors and will be chaired by an independent non-executive Director.

Shareholder communication policy

The Corporation will introduce a shareholder communication policy, effective from 1 April 2012, in compliance with Code Provision E.1.4 of the Code.

By Order of the Board of Sunshine Oilsands Ltd.
Michael John Hibberd
Co-Chairman
and
Songning Shen
Co-Chairman

Hong Kong, 28 March 2012

As at the date of this announcement, the Board consists of Mr. Michael John Hibberd and Mr. Songning Shen as executive directors, Mr. Hok Ming Tseung, Mr. Tingan Liu, Mr. Haotian Li and Mr. Gregory George Turnbull as non-executive directors and Mr. Raymond Fong, Mr. Wazir Chand Seth, Mr. Robert John Herdman and Mr. Gerald Franklin Stevenson as non-executive directors.

* *For identification purposes only*