

**SUNSHINE OILSANDS LTD.
TERMS OF REFERENCE OF THE COMPENSATION COMMITTEE**

The Board of Directors' Mandate for the Compensation Committee

A Role and Objective

The purpose of the Compensation Committee (the “**Committee**”) is, inter alia, to assist the board of directors (the “**Board**”) of Sunshine Oilsands Ltd. (the “**Corporation**”) in fulfilling its responsibilities under the Business Corporations Act (Alberta) by reviewing matters relating to compensation of the directors, officers and employees of the Corporation and its subsidiaries in the context of the budget and business plan of the Corporation.

B Membership of the Committee

1. The Committee shall be comprised of a majority of such independent non-executive directors as the Board may, from time to time, designate, provided that the Board does not have to comply with such requirement where the Board determines to explain publicly the reasons for its non compliance with provision B.1.1 of the Corporate Governance Code, as set out at Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Where appropriate, independent directors must be “independent” in accordance with the Listing Rules.
2. Unless otherwise designated by the Board, the members of the Committee shall elect a Chairperson (the “**Chair**”) from among the independent non-executive directors and the Chair shall preside at all meetings of the Committee.

C Mandate and Responsibilities of the Committee

The Compensation Committee shall formulate and make recommendations to the Board in respect of compensation issues relating to directors, officers and employees of the Corporation. Without limiting the generality of the foregoing, the Committee shall have the following duties:

- (a) to review the compensation philosophy and remuneration policy for employees of the Corporation and implement changes to improve the Corporation’s ability to recruit, retain and motivate employees;
- (b) to review and approve management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
- (c) to make recommendations to the Board on the Corporation’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (d) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (e) to review management’s recommendations, if any, for proposed stock option or share

purchase plans;

- (f) to administer the stock option plan, if any, approved by the Board in accordance with its terms including the grant of stock options;
- (g) to determine and approve the total amount of bonuses and other performance-based remuneration to be paid to officers and employees of the Corporation and to establish targets or criteria for the payment of such bonuses, if appropriate;
- (h) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is consistent with relevant contractual terms and that such compensation is otherwise fair and not excessive;
- (i) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (j) to ensure that no director or any of his associates is involved in deciding his own remuneration.

D Meetings and Administrative Matters

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast, with each member of the Committee, including the Chair, having one vote, and with the Chair having no tie breaker vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the independent non-executive directors present the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least once per year and at such other times as the Chair of the Committee may determine.
5. A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
6. Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
8. A member of the Committee or an officer of the Corporation, or any other person selected by the Committee, shall be appointed at each meeting to act as secretary for the purposes of recording the minutes of each meeting.

9. Minutes of the Committee will be maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Committee and upon request of the Board.
10. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.
11. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director.

February 6, 2012