阳光油砂
SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended December 31, 2023 and 2024

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 "Company") for the three and twelve months ended December 31, 2024 is dated March 31, 2025 (Calgary time) / March 31, 2025 (Hong Kong time) and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2024. All amounts and tabulated amounts are stated in thousands of Canadian dollars unless indicated otherwise.

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.64 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2024 was approximately 1.00 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. The Athabasca region 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 the world. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

The Company's focus is on evaluating and developing its oil sands assets with the completion and operation of the 5,000 bbls/day Phase I commercial West Ells (the "Project"). When financing is available, the Company is planning to add an additional 5,000 bbls/day Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at December 31, 2024, the Company had invested approximately $1.29 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at December 31, 2024, the Company had $0.32 million in cash.

The Company relies on its ability to obtain various forms of financing and cash flow from operations to fund administration expenses and future exploration and development cost of its projects. The Company's ability to continue as a going concern is dependent on continuing operations and development in West Ells, marketing bitumen blends at favorable prices, achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that steps management will take will be successful. As such, there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

Operational Update

West Ells

On March 1, 2017, the Project commenced commercial production. Hence, effective March 1, 2017, the Company started recording revenue, royalties, expenses and depletion of the West Ells Project. On March 31, 2020, the Board has decided to temporarily suspend production due to volatility in the international crude oil market, severe decline in crude oil prices, and having considered the fact that the Company's West Ells production equipment and road need repair, coupled with the outbreak of COVID-19 in Canada. On April 11, 2022, the Company announced that its West Ells project had fully resumed operation.

For the three and twelve months ended December 31, 2024, the Company's average bitumen production was 301.9 bbls/day and 726.9 bbls/day respectively. The bitumen is blended with diluent as part of the production process to create the marketable "Dilbit" blend product. For three and twelve months ended December 31, 2024, the average Dilbit sales volume was 428.0 bbls/day and 1,018.8 bbls/day.

Muskwa and Godin Clastics Operations (Non-Operated 50% working interest)

As at the date of this report, Muskwa has no production. Development of Muskwa area is expected to be reactivated with the execution of the Amended Supplementary Agreement with Renergy, at no cost to Sunshine.

Summary of Quarterly Results

The following table summarizes selected unaudited financial information for the Company for the last eight quarters:

($ thousands except per share & bbl/d)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Bitumen sales (bbl/d)	311	479	884	1,227	1,550	9	1,294	1,025
Petroleum sales	3,074	5,211	10,674	11,437	11,932	49	11,064	7,192
Royalties	86	340	408	245	373	(2)	298	13
Diluent	1,113	2,422	4,668	4,942	5,040	31	3,528	3,863
Transportation	477	778	1,576	2,441	3,436	106	3,468	2,521
Operating costs	3,062	2,683	3,269	4,290	4,528	3,581	4,472	4,487
Finance cost	4,308	2,630	2,920	2,740	2,684	2,668	2,237	2,536
Net loss (profit)	41,845	579	11,048	22,217	(2,111)	15,758	(5,671)	11,650
Net loss (profit) attributable to owners of the company	41,769	505	10,974	22,144	(2,184)	15,686	(5,745)	11,573
Per share - basic and diluted	0.17	(0.00)	0.05	0.09	(0.01)	0.06	(0.02)	0.05
Capital expenditures[1]	962	275	672	171	378	1,864	593	(54)
Total assets	739,023	741,301	742,120	745,963	745,932	739,708	744,484	747,557
Working capital deficiency[2]	92,666	514,041	83,772	84,242	79,458	94,082	87,079	517,464
Shareholders' equity	16,848	57,203	57,782	68,830	91,047	88,272	104,030	98,359

1. Includes payments for exploration and evaluation, property, plant and equipment.
2. The working capital deficiency includes the foreign exchange loss from conversion of HKD/CNY denominated loans from related companies into CAD and the USD denominated Notes converted to CAD at each period end exchange rate.

Results of Operations

Bitumen Realization

($ thousands, except $/bbl)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Dilbit revenue	$ 3,074	$ 11,932	$ 30,396	$ 30,237
Diluent blended	(1,113)	(5,040)	(13,145)	(12,462)
Realized bitumen revenue[1]	$ 1,961	$ 6,892	$ 17,251	$ 17,775
($ / bbl)	49.80	40.54	46,27	42.24

1. Realized bitumen revenue is used to calculate operating netbacks.

Bitumen realization represents the Company's realized petroleum revenue ("Dilbit revenue"), net of diluent expenses. Dilbit revenue represents the Company's revenue from its bitumen produced at West Ells project blended with purchased diluent. The cost of blending is impacted by the amount of diluent required and the Company's cost of purchasing and transporting the diluent. A portion of the diluent expense is effectively recovered in the sales price of the blended product.

For the three months ended December 31, 2024, the Company's realized bitumen revenue decreased by $4.9 million to $2.0 million from $6.9 million for the same period in 2024. The decrease in realized bitumen revenue in Q4 2024 was primarily due to lower bitumen production as a result of equipment maintenance and therefore lower dilbit revenue at West Ells. The bitumen realized price per barrel increased by $9.26/bbl from $40.54/bbl to $49.80/bbl for the three months ended December 31, 2024 primarily due to higher dilbit realized price in Q4 2024.

For the twelve months ended December 31, 2024, the Company's realized bitumen revenue decreased by $0.5 million to $17.3 million from $17.8 million for the same period in 2023. The decrease in realized bitumen revenue in 2024 was primarily due to lower bitumen production and dilbit sales at West Ells. Bitumen realized price per barrel increased by $4.03/bbl from $42.24/bbl to $46.27/bbl for the twelve months ended December 31, 2024 primarily due to higher realized dilbit sales price.

Operating Netback

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2024	2023	2024	2023
Realized bitumen revenue	$ 1,961	$ 6,892	$ 17,251	$ 17,775
Transportation	(477)	(3,436)	(5,272)	(9,531)
Royalties	(86)	(373)	(1,079)	(682)
Net bitumen revenues	$ 1,398	$ 3,083	$ 10,900	$ 7,562
Operating costs	(3,062)	(4,528)	(13,304)	(17,068)
Operating cash flow[1]	$ (1,664)	$ (1,445)	$ (2,404)	$ (9,506)
Operating netback ($ / bbl)	(42.26)	(8.50)	(6.44)	(22.59)

1. Operating cash flow is a non-GAAP measure which is defined in the Advisory section of this MD&A.

The Operating cash flow for the three months ended December 31, 2024 was a net loss of $1.7 million compared to a net loss of $1.4 million for the same period in 2023. Operating netback loss on a per barrel basis increased by $33.76/bbl to a loss of $42.26/bbl from the loss of $8.50/bbl for the same period in 2023. The decrease in operating cash flow on a per barrel basis for the three months ended December 31, 2024 was primarily due to the increase in operation cost per barrel, driven by lower sales volume in Q4 2024.

The Operating cash flow for the twelve months ended December 31, 2024 was a net loss of $2.4 million compared to a net loss of $9.5 million for the same period in 2023. Operating netback loss on a per barrel basis decreased by $16.15 /bbl to a loss of $6.44/bbl from the loss of $22.59/bbl for the same period in 2023. The increase in operating cash flow on a per barrel basis for the twelve months ended December 31, 2024 was primarily due to higher realized dilbit sales price and the decrease in transportation and operating costs, and loss of production due to equipment maintenance in 3Q23, partially offset by the increased diluent and royalty costs.

Bitumen Production

	For the three months ended December 31,		For the twelve months ended December 31,	
(Barrels/day)	2024	2023	2024	2023
Bitumen production	302	1,604	727	946

Bitumen production at West Ells for the three and twelve months ended December 31, 2024 averaged 302 bbls/day and 727 bbls/day compared to 1,604 bbls/day and 946 bbls/day for the same period in 2023, respectively. Bitumen production decreased by 1,302 bbls/day for the three months and 219 bbls/day for the twelve months ended December 31, 2024, which was primarily due to equipment maintenance at West Ells in Q4 2024.

Bitumen Sales

	For the three months ended December 31,		For the twelve months ended December 31,	
(Barrels/day)	2024	2023	2024	2023
Bitumen Sales	311	1,550	723	968

Bitumen sales at West Ells for the three and twelve months ended December 31, 2024 averaged 311 bbls/day and 723 bbls/day compared to 1,550 bbls/day and 968 bbls/day for the three and twelve months ended December 31, 2023, respectively. Bitumen sales decreased by 1,239 bbls/day and 245 bbls/day for the three and twelve months ended December 31, 2024 compared to the same period in 2023 primarily attributable to lower bitumen production and thus lower sales as a result of equipment maintenance at West Ells in Q4 2024.

Petroleum Sales, net of royalties

($ thousands, except $/bbl)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Petroleum sales	$ 3,074	$ 11,932	$ 30,396	$ 30,237
Royalties	(86)	(373)	(1,079)	(682)
Petroleum sales, net of royalties	$ 2,988	$ 11,559	$ 29,317	$ 29,555
$ / bbl	75.91	68.00	78.63	70.24

Petroleum sales are from the sales of dilbit. Petroleum sales, net of royalties for the three and twelve months ended December 31, 2024 were $3.0 million and $29.3 million compared to $11.6 million and $29.6 million for the three and twelve months ended December 31, 2023 respectively. The decrease of petroleum sales (net of royalties) for the three months ended December 31, 2024 is mainly due to lower bitumen production and thus lower sales volume. The decrease of petroleum sales (net of royalties) for the twelve months ended December 31, 2024 is mainly due to lower sales volume and higher royalty expenses, partially offset by higher dilbit sales price. Petroleum sales per barrel (net of royalties) were $75.91/bbl and $78.63/bbl compared to $68.00/bbl and $70.24/bbl for the same period in 2023. The increase by $7.91/bbl for the three months ended December 31, 2024 was primarily due to the increase in dilbit sales price. The increase by $8.39/bbl for the twelve months ended December 31, 2024 was primarily due to the increase in dilbit sales price, partially offset by higher royalty costs per barrel as a result of increasing applicable royalty rate.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently at pre-payout. For the three months ended December 31, 2024, royalties decreased by $0.3 million primarily due to lower sales volume in Q4 2024. For the twelve months ended December 31, 2024, royalties increased by $0.4 million compared to the same period of 2023 primarily due to higher petroleum sales and higher applicable royalty rate due to higher bitumen realized price.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Diluent at CPF	$ 1,113	$ 3,276	$ 12,551	$ 7,658
Diluent at terminals	-	1,764	594	4,804
Total Diluent	$ 1,113	$ 5,040	$ 13,145	$ 12,462
$/bbl	28.27	29.65	35.25	29.62
Blend ratio (CPF)	27.4%	16.1%	29.0%	16.0%
Blend ratio (terminals)	-	22.2%	8.2%	23.0%

At West Ells, diluent is blended with the bitumen as part of the production process to create a marketable dilbit blend product at West Ells. Diluent expense is mainly impacted by the required amount, cost of purchasing and transporting diluent, Canadian and U.S. benchmark pricing, the timing of diluent inventory purchases and changes in value of the Canadian dollar relative to the U.S. dollar.

Total diluent cost also include the diluent blended at terminals to adjust dilbit density for pipeline shipping purpose. Total diluent costs for the three and twelve months ended December 31, 2024 were $1.1 million and $13.1 million compared to $5.0 million and $12.5 million for the same period in 2023. Total diluent costs decreased by $3.9 million for the three months ended December 31, 2024 primarily due to decreased diluent volume blended at CPF as result of lower production volume. Total diluent costs increased by $0.7 million for the twelve months ended December 31, 2024 primarily due to increased diluent volume blended at CPF to meet the specific pipeline requirements of the new terminal. For the three and twelve months ended December 31, 2024, diluent cost per barrel was $28.27/bbl and $35.25/bbl, compared to $29.65/bbl and $29.62/bbl for the same period in 2023. For the three and twelve months ended December 31, 2024, blending ratio at CPF was 27.4% and 29.0% and blend ratio at terminals was 0% and 8.2% respectively. The average blending ratio at CPF and the terminal shifted in 2024 as the Company blended more diluent on-site to meet the specific pipeline requirements of the new terminal.

Transportation

($ thousands, except $/bbl)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Transportation	$ 477	$ 3,436	$ 5,272	$ 9,531
$ / bbl	12.11	20.21	14.14	22.65

Transportation costs consist of trucking costs for dilbit and pipeline terminals fees. The transportation expense for the three and twelve months ended December 31, 2024 were $0.5 million and $5.3 million respectively compared to $3.4 million and $9.5 million for the same periods in 2023. For the three and twelve months ended December 31, 2024, transportation costs decreased primarily due to lower sales volume and lower trucking rate. The transportation expense per barrel for the three and twelve months ended December 31, 2024 were $12.11/bbl and $14.14/bbl respectively compared to $20.21/bbl and $22.65 for the same periods in 2023. The significant decrease in the transportation cost per barrel was mainly because the Company began delivering dilbit to a new terminal from February 2024, which is much closer to the production site and resulted in lower rate charged by the trucking company.

Operating Costs

($ thousands, except $/bbl)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Energy operating costs	$ 596	$ 1,404	$ 3,301	$ 5,059
Non-energy operating costs	2,466	3,124	10,003	12,009
Operating costs	$ 3,062	$ 4,528	$ 13,304	$ 17,068

Operating costs are comprised of the sum of non-energy operating costs and energy costs. Non-energy operating costs represent production-related operating activities, excluding energy operating costs. Energy operating costs represent the cost of natural gas for the production of steam and power at the West Ells facilities.

For the three months ended December 31, 2024, the operating costs decreased by $1.5 million to $3.1 million from $4.5 million for the same period in 2023. The decrease in operating costs from last year was primarily due to lower energy costs as a result of reduced gas price and lower non-energy costs (chemical, treating, trucking, etc) at West Ells due to lower production in 4Q24. The decrease in road maintenance, maintenance, parts and labor, and CPF consumables costs also caused to lower non-energy costs.

For the twelve months ended December 31, 2024, the operating costs decreased by $3.8 million to $13.3 million from $17.1 million for the same period in 2023. The decrease in operating costs from last year was primarily due to lower energy costs as a result of reduced gas price, along with lower non-energy costs (chemical, treating, trucking, etc) at West Ells. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production continues to increase at West Ells.

General and Administrative Costs

	Three months ended December 31, 2024	2023	Twelve months ended December 31, 2024	2023
Salaries, consultants and benefits	$ 1,346	$ 1,489	$ 5,493	$ 6,124
Rent	3	14	24	54
Legal and audit	387	328	519	832
Other	1,066	1,052	6,255	5,543
General and Administrative Costs	$ 2,802	$ 2,883	$ 12,291	$ 12,553

The Company's general and administrative costs were $2.8 million and $12.3 million for the three and twelve months ended December 31, 2024 compared to $2.9 million and $12.6 million for the same periods in 2023. General and administrative costs decreased by $0.7 million for the three months ended December 31, 2024 compared to the same periods in 2023 primarily due to lower salaries and lower rent expenses, partially offset by higher municipal charges. General and administrative costs decreased by $0.3 million for the twelve months ended December 31, 2024 compared to the same period in 2023 primarily due to lower salaries expense and legal fees, partially offset by higher municipal charges.

Finance Costs

($ thousands)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Interest expense on senior notes, including yield maintenance premium (YMP)	$ 308	$ 299	$ 1,192	$ 1,174
Interest expense on other loans	717	110	932	491
Interest expense on loan from related companies and shareholders	2,723	1,744	8,375	6,678
Other interest expense-lease and others	137	147	346	322
Accretion	423	384	1,753	1,460
Finance costs	$ 4,308	$ 2,684	$ 12,598	$ 10,125

For the three and twelve months ended December 31,2024, the Company's finance costs were $4.3 million and $12.6 million compare to $2.7 million and $10.1 million for the same period in 2023, respectively. Finance costs increased by $1.6 million for the three months ended December 31, 2024 compared to the same periods in 2023 primarily due to higher interest expenses on loans from related companies and shareholders, higher interest expense on other loans, and higher accretion cost. Finance costs increased by $2.5 million for the twelve months ended December 31, 2024 compared to the same period in 2023 primarily due to higher interest expenses on loans from related companies and shareholders, higher interest expense on other loans and higher accretion cost.

Share-based Compensation

	Three months ended December 31, 2024			Three months ended December 31, 2023		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ -	$ -	$ -	$ -	$ -	$ -

	Twelve months ended December 31, 2024			Twelve months ended December 31, 2023		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ -	$ -	$ -	$ -	$ -	$ -

Share-based compensation expense for the three and twelve months ended December 31, 2024 and 2023 were $0 million. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its Audited consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

Depletion and Depreciation

($ thousands, except $/bbl)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 2024	2023
Depletion	$ 672	$ 3,311	$ 5,946	$ 7,737
Depreciation	143	211	740	873
Depletion and depreciation	$ 815	$ 3,522	$ 6,686	$ 8,610
Depletion ($/bbl)	17.07	19.48	15.95	18.39

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at that time, the Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. The depletion rate is based on unit-of-production.

For the three months ended December 31, 2024, depletion and depreciation expense decreased $2.7 million to $0.8 million from $3.5 million for the same period in 2023. For the twelve months ended December 31, 2024, depletion and depreciation expense decreased $1.9 million to $6.7 million from $8.6 million for the twelve months ended December 31, 2023. The primary reason for the decrease in depletion and depreciation expenses in 2024 is the lower depletion expenses due to decreased production volume and lower depletion rate.

Impairment / (Reversal)

	For the three months ended December 31,		For the twelve month ended December 31,	
($ thousands, except $/bbl)	2024	2023	2024	2023
Impairment (reversal)	$ -	$ -	$ -	$ -

The Company assesses at each reporting date whether there is an indication that it's E&E (exploration and evaluation assets) and PP&E assets may be impaired or that historical impairment may be reversed. The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment/impairment reversal. Cash generating units ("CGU"s) are based on an assessment of the units' ability to generate independent cash inflows. The company recognized impairment loss or reversal based on CGU which is identified with respect to geographical proximity, shared infrastructure and similarity of market risk exposure and materiality. The recoverable amount of the E&E and PP&E assets were determined using judgement and internal estimates.

For the purpose of impairment (reversal) testing, recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Company's oil and gas reserves which was prepared by an independent qualified reserve evaluator, Boury Global Energy Consultants Ltd. ("Boury") and its latest oil price forecasts. The projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including management forecast of long-term commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on Boury's evaluation of the Company's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures.

The reversal is recognized in profit or loss only to the extent that it reverses an impairment loss that was previously recognized in profit or loss. Any additional increase is accounted for as a revaluation and is recognized in other comprehensive income.

A reversal of an impairment loss shall be recognized immediately in profit or loss. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset shall not be increased above the lower of:
(a) Its recoverable amount; and
(b) The carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods.

Future depletion expenses are adjusted to allocate the CGU's revised carrying amount over its remaining useful life.

For the year ended December 31, 2024, the Company performed impairment assessment of its E&E CGU and West Ells CGU for any indicators of impairment due to higher commodity price sensitivity and changing interest rate expectations. Based on the impairment assessment, nil impairment was recognised in profit and loss during the year ended December 31, 2024. Future cash flows were discounted at a pre-tax rate of 11.07%% for E&E CGU and 10.86% for West Ells CGU (2023: 14.91% for E&E CGU and 14.95% for West Ells CGU).

Year	Oilfield Costs Inflation %	Exchange 1 CAD = x USD	WTI @Cushing $US/bbl	WCS @ Hardisty $CAD/bbl	Edmonton Light $CAD/bbl	Heavy Oil 12 API @Hardisty $CAD/bbl	AECO Spot ($CAD/MM btu)
2025	0	0.705	71.25	82.52	102.96	75.39	2.05
2026	2	0.730	73.50	82.20	99.93	75.88	3.00
2027	2	0.750	76.00	82.67	100.65	76.27	3.50
2028	2	0.750	78.53	84.97	104.12	78.23	4.00
2029	2	0.750	80.10	86.80	106.20	79.98	4.08
2030	2	0.750	81.70	88.67	108.27	81.79	4.16
2031	2	0.750	83.34	90.45	110.45	83.45	4.24
2032	2	0.750	85.00	92.25	112.67	85.12	4.33
2033	2	0.750	86.70	94.09	114.93	86.84	4.41
2034	2	0.750	88.44	95.98	117.25	88.60	4.50
2034+	2	0.750	escalate oil, gas and product prices at 2% per year thereafter				

For the year ended December 31, 2023, the Company did not identify any indicators of further impairment loss (reversal) of the above E&E or West Ells CGU and nil impairment (reversal) was recognized in profit and loss.

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Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses for the three and twelve months ended December 31, 2024 and 2023. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At December 31, 2024, the Company had total available tax deductions of approximately CAD1.42 billion, with unrecognized tax losses that expire between 2029 and 2044.

Liquidity and Capital Resources

		December 31, 2024		December 31, 2023
Working capital deficiency	$	92,666	$	79,458
Shareholders' equity		16,848		91,047
	$	109,514	$	170,505

On February 16, 2023, the Company and the Forbearing Holder entered into an interest waiver agreement (the "2023 Interest Waiver Agreement") pursuant to which the Forbearing Holder agrees to unconditionally and irrevocably waive the interest accrued between January 1, 2023 and December 31, 2023 (the "Waiver of Interest"). Based on the Forbearance Reinstatement and Amending Agreement ("2021 FRAA") dated August 8, 2021, the waived interest calculated at 10.0% per annum on the outstanding amounts (principal and interests) amounted to US$31.5 million. Save as the waiver of interest, all other terms and conditions in relation to the Senior Note and its subsequent forbearance remain unchanged.

On August 8, 2023, the Company and the Forbearing Holder confirmed the signing of the Forbearance Reinstatement and Amending Agreement ("2023 FRAA"). The principal terms of the 2023 FRAA include:

- The 2023 FRAA covers the period from September 1, 2023 to August 31, 2025 ("Period of Forbearance 3");
- Same as the 2021 FRAA executed on August 8, 2021, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2025, unless otherwise waived in separate interest waiver agreements. During the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial 2016 Forbearing Agreement executed on September 12, 2016.

On April 11, 2024, the Company and the Forbearing Holder entered into an interest waiver agreement (the "2024 Interest Waiver Agreement") pursuant to which the Forbearing Holder agrees to unconditionally and irrevocably waive the interest accrued between January 1, 2024 and December 31, 2024 (the "Waiver of Interest"). Based on the Forbearance Reinstatement and Amending Agreement ("2023 FRAA") dated August 8, 2023, the waived interest calculated at 10.0% per annum on the outstanding amounts (principal and interests) amounted to US$31.5 million. Save as the waiver of interest, all other terms and conditions in relation to the Senior Note and its subsequent forbearance remain unchanged.

On January 7, 2025, the Company and the Forbearing Holder confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "FRAA2025"). The principal terms of the FRAA2025 include:

- The FRAA2025 covers the period from September 1, 2025 to August 31, 2027 (“Period of Forbearance”);
- Same as the 2021 FRAA executed on January 8, 2021, all outstanding amounts (principal and interests) will continue to be accrued at an interest rate of 10% per annum until August 31, 2027, unless otherwise waived in separate interest waiver agreements. During the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial Forbearance Agreement executed on September 12, 2016.

The Board believes the entering into of the FRAA2025 is in the interests of the Company and its shareholders as a whole in view that the FRAA2025 will provide the Company with additional time to repay or refinance the indebtedness owed by the Company to the Noteholders under the Notes, whilst at the same time the financing cost will be substantially lowered.

On January 7, 2025, the Company and the Forbearing Holder entered into an interest waiver agreement (the “2025 Interest Waiver Agreement”) pursuant to which the Forbearing Holder agrees to unconditionally and irrevocably waive the interest accrued between January 1, 2025 and December 31, 2025 (the “Waiver of Interest”). Based on the Forbearance Reinstatement and Amending Agreement (“FRAA2025”) dated January 7, 2025, the waived interest calculated at 10.0% per annum on the outstanding amounts (principal and interests) amounted to US$31.5 million.

The Company has presented the portion held by Non-Forbearing holder as current liabilities and the portion held by Forbearing holder as non-current liabilities on the Audited consolidated financial statements as at December 31, 2024.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.4389 CAD.

As of December 31, 2024, the Company had incurred unsecured Permitted Debt for a total of US$56.6 million (CAD81.4 million equivalent).

The Company received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016-2024 municipal property taxes of CAD16.5 million. The Company was also charged with overdue penalties of CAD19.7 million. Since then the Company was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Company believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Company has sought judicial review to determine the effect of non-compliant tax notices on RMWB’s property tax claim.

The Company is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company’s consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company’s view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At December 31, 2024, the Company had incurred CAD0.82 million (US$0.57 million equivalent using the period end exchange rate) in Builders’ liens (not related mineral leases) against them during the ordinary course of business.

The Company received a judgment from the Court of the State of New York, New York County (the “Judgment”) that the Company shall pay the Non-forbearing holder all the amounts due and owing on the Senior Notes issued under the notes indenture dated August 8, 2014 (including principal and interests) in an aggregate amount of approximately US$15,481,000 (equivalent to approximately CAD20,967,000). The judgment was vacated on May 25, 2023. On December 13, 2023, the Company received a judgment from the Court of the State of New York, New York County that the Company should pay the Non-forbearing Holder all the amounts due and owing on the Notes (including principal and interests) in an aggregate amount of approximately US$19,694,000 (equivalent to approximately CAD26,048,000). On January 2, 2024 and February 20, 2024, the Company lodged an appeal against the Judgment to the New York court of appeal. On February 27, 2024, the Non-forbearing Holder tried to execute the judgement by serving notice in the State of New York.

The Company’s strategy is to access sufficient capital, through equity issuances, monetization, joint ventures and the utilization of debt, in order to maintain a capital base that properly supports the objectives of maintaining financial flexibility and of sustaining future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company’s risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital deficiency levels. The Company’s liquidity may be adversely affected if the

Company's access to the capital markets is hindered because of financial market conditions generally, or as a result of conditions specific to the Company.

For the twelve months ended December 31, 2024, the Company reported a net loss and comprehensive loss attributable to owners of the Company of CAD77.2 million. At December 31, 2024, the Company had a working capital deficiency of CAD92.7 million.

The Company's debt-to-asset ratio, measured based on total liabilities divided by total assets was 98% as at December 31, 2024, compared to 88% as at December 31, 2023.

The Company is exposed to currency risks primarily through senior notes, loans from related companies and shareholders, other loans, interest payables and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollar ("HK$"), United States dollar ("US$") and Renminbi ("RMB").

The following table details the Company's exposure as at the reporting date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2024			2023		
	HK$ CAD'000	US$ CAD'000	RMB CAD'000	HK$ CAD'000	US$ CAD'000	RMB CAD'000
Assets						
Cash and cash equivalents	311	1	2	501	1	5
Loan receivables	-	-	12,862	-	-	12,049
Liabilities						
Loan from related companies	(34,425)	-	(21,780)	(31,427)	-	(20,411)
Loan from a share holder	(20,990)	-	-	(19,021)	-	-
Other loans	(16,936)	-	-	(15,454)	-	-
Senior notes	-	(285,826)	-	-	(262,723)	-
Interest payable	(20,722)	(190,485)	(4,387)	(10,849)	(173,939)	(6,051)
	(92,762)	(476,310)	(13,303)	(76,250)	(436,661)	(14,408)

The Company currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

Royalty Agreement

On August 31, 2021 (Calgary time), the Company entered into a Royalty Agreement (together with its ancillary documents, the "Royalty Agreement") with Burgess Energy Holdings, L.L.C. ("BEH"), pursuant to which, the Company has granted to BEH a royalty interest in the bitumen within, upon, under or produced from the royalty lands owned by the Company and/or its affiliates, free and clear of any and all encumbrances for an aggregate consideration of CAD 20,000,000 (the "Aggregate Consideration"), subject to the terms and conditions stipulated therein. The arrangement under the Royalty Agreement is perpetual.

On June 8, 2023, the Company entered into an amended Royalty Agreement (together with its ancillary documents, the "Amended Royalty Agreement") with BEH, pursuant to which, the Company will receive an accelerated payment of CAD5 million from the aggregate consideration of CAD20 million, subject to the terms and conditions stipulated therein. In accordance with the Amended Royalty Agreement, the royalty rate calculation for WCS prices above USD $80/bbl is amended as follows: When average daily WCS price of the month is US$80/bbl, the royalty rate is 8.75% and proportionally increases up to a maximum of 25.00% when the WCS price rises to USD $113/bbl (based on the original Royalty Agreement, the royalty rate increases from 8.75% up to a maximum of 15.00% when the WCS price rises to USD $100/bbl).

Commitments and Contingencies

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company's commitments and contingencies, please refer to the Company's Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2024 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2023.

Transactions with Related Parties

For the twelve months ended December 31, 2024, a consulting Company, to which a director of Sunshine is related, charged the Company CAD0.5 million (December 31, 2023: CAD0.5 million) for management and advisory services.

As at December 31, 2024, Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 150,232,591 common shares of the Company, which represents approximately 51.42% of the Company's outstanding common shares.

As at December 31, 2024, the Company had loans from related companies and a shareholder, which are unsecured, interest bearing at 10% per annum. Loans from related companies totaling approximately CAD56,205,000 can be rolled over for a period of 2 to 3 years (December 31, 2023: CAD51,933,000). Total loans from shareholders are approximately CAD20,990,000 are due from 1 to 3 years (December 31, 2023: CAD19,021,000).

Off-balance Sheet Arrangements

As at December 31, 2024, the Company did not have any other off-balance sheet arrangements.

Subsequent Event

On January 7, 2025, the Company and the Forbearing Holder confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "FRAA2025"). The principal terms of the FRAA2025 include: (i) the FRAA2025 covers the period from September 1, 2025 to August 31, 2027 (the "Period of Forbearance"); and (ii) same as the Forbearance Reinstatement and Amending Agreement executed on January 8, 2021, all outstanding amounts (principal and interests) will continue to be accrued at an interest rate of 10% per annum until August 31, 2027, unless otherwise waived in separate interest waiver agreements. During the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial Forbearance Agreement executed on September 12, 2016.

On January 7, 2025, the Board is pleased to announce that, the Company and the Forbearing Holder entered into an interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holder agrees to unconditionally and irrevocably waive the interest accrued between January 1, 2025 and December 31, 2025 (the "Waiver of Interest"). Based on the Forbearance Reinstatement and Amending Agreement ("FRAA") dated January 7, 2025, the waived interest calculated at 10.0% per annum on the outstanding amounts (principal and interests) amounted to US$31,529,139 (approximately HKD 245,139,056).

Critical Accounting Policies and Estimates

The Company's critical accounting estimates are those estimates having a significant impact on the Company's financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgements, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgements, assumptions and estimates may be subject to change.

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to Note 4 to the consolidated annual financial statements for the year ended December 31, 2024.

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2023, which is available at www.hkexnews.hk. The 2024 annual report of the Company will be available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk.

Disclosure Controls and Procedures

Ms. Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Jianping Sun, Chief Executive Officer, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Company 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. As at December 31, 2024, the Chief Financial Officer and the Chief Executive Officer evaluated the design and operation of the Company's DC&P. Based on that evaluation, the Executive Director of the Board and the Chief Financial Officer and the Chief Executive Officer concluded that the Company's DC&P were effective as at December 31, 2024.

Internal Controls over Financial Reporting

Ms. Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Jianping Sun, Chief Executive Officer, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Company used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework); they have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR at December 31, 2024, and concluded that the Company's ICFR are effective at December 31, 2024 for the foregoing purpose.

No material changes in the Company's ICFR were identified during the three months period ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

This MD&A includes references to certain measures which do not have a standardized meaning as prescribed by IFRS, such as “operating netbacks” and “funds from operations”, and therefore are considered non-GAAP measures. These non-GAAP measures are commonly used in the oil and gas industry and the Company believes including such measures is useful to investors. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to measures calculated in accordance with IFRS as, given the non-standardized meanings, these measures may not be comparable to similar measures presented by other issuers.

Cash Flow Used in Operations

Cash flow used in operations is non-GAAP measure utilized by the Company to analyze operating performance and liquidity. Cash flow used in operations excludes the net change in non-cash operating working capital and decommissioning expenditures while the IFRS measurement “Net cash used in operating activities” includes these items. Cash flow used in operations is reconciled to Net cash used in operating activities in the table below:

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands)	2024	2023	2024	2023
Net cash used in operating activities	$ (935)	$ (2,385)	$ (2,968)	$ (7,588)
Add:				
Net change in non-cash operating working capital	(3,954)	(1,874)	(10,697)	(12,198)
Cash flow used in operations	$ (4,889)	$ (4,259)	$ (13,665)	$ (19,786)

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 Company hereby cautions investors about important factors that could cause the Company’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 Company’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 Company 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 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 Company 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.

Additional Information

Additional information required by the SEHK and not shown elsewhere in this announcement is as follows:

Compliance of Corporate Governance Code (the "Code")

The Company is committed to maintaining high standards of corporate governance. The Company recognizes that corporate governance practices are fundamental to the effective and transparent operation of a Company and its ability to protect the rights of its shareholders and enhance shareholder value.

The Company confirms that during the three months period ended December 31, 2024, the code provisions as set out in Appendix C1 to the Hong Kong Listing Rules has been complied with saved that the Company is in course of identifying suitable insurers for appropriate insurance coverage for legal actions against the Company's Directors.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Mode Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules ("Model Code"). Having made specific enquiry of all Directors, the Directors confirmed that they had compiled with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during financial year under review.

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Company during the period ended December 31, 2024.

Name	December 31, 2023	Granted	Exercised	Forfeited	Expired	December 31, 2024
Yi He	100,000	-	-	-	100,000	-
Guangzhong Xing	100,000	-	-	-	100,000	-
Sub-total for Directors	200,000	-	-	-	200,000	-
Sub-total for other share option holders	-	-	-	-	-	-
Total	200,000	-	-	-	200,000	-

Please refer to our consolidated financial statements included in the 2024 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2024.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted in previous years was CAD0 (2023 - CAD0.60). Options were valued using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non- transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted in previous years.

Input Variables	Year ended December 31, 2024	Year ended December 31, 2023
Grant date share price ($) after consolidation	-	0.60
Exercise Price ($) after consolidation	-	0.60
Expected volatility (%)	-	63.91
Option life (years)	-	0.69
Risk-free interest rate (%)	-	1.48
Expected forfeitures (%)	-	0-15.39

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

2024 activity

On May 10, 2024 (Hong Kong time), the Company entered into a settlement agreement for a total of 48,695,736 Class "A" common shares at a price of HKD $0.38 per share (post-consolidation) for gross proceeds of HKD $ 18,504,380. This settlement agreement was entered into for settlement of trade payables with an independent third party. On June 7, 2024, the Company and the Creditor agreed to extend the closing date from June 7, 2024 to July 31, 2024 (or such later date as may be agreed between the Company and the Creditor). Thereafter, the Company and the Creditor entered into several supplemental agreements on July 31, 2024, August 30, 2024, September 30, 2024 and October 31, 2024 respectively, in order to further extend the closing date for another month respectively. On December 18, 2024, a total of 48,695,736 Class "A" common shares were issued.

Saved as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the twelve months ended December 31, 2024.

Shares Outstanding

As at December 31, 2024, the Company had 292,174,417 Class "A" common shares issued and outstanding.

Employees

As at December 31, 2024, the Company has 30 full-time employees. For the twelve months ended December 31, 2024, total staff costs amounted to $5.5 million.

Dividends

The Company has not declared or paid any dividends in respect of the year ended December 31, 2024 (year ended December 31, 2023 - $Nil).

Review of Annual Results

The audited consolidated financial statements for the Company for the twelve months ended December 31, 2024, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

This annual results announcement is published on the websites of SEDAR (www.sedar.com), the SEHK (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.

This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

2025 Outlook

With the recovery in commodity demand, Sunshine continues to focus on cost controls and looks for opportunities to carefully expand and divert its businesses. On June 3, 2024, Sunshine has entered into a MOU with Nobao Energy Holding (China) Company Ltd for acquisition of its clean energy business subsidiary which holds a number of long-term energy operation and management contracts with stable revenue and cash flow. Upon completion of the potential acquisition, the Company's financial profile including revenue and cash flow, etc. is expected to be substantially improved. The target company also possesses leading technology in relation to shallow GSHP central heating and cooling which can be applied to the Company's current mining operations and thus greatly improves its future cost efficiencies.

The Company will also work with its joint venture partner for re-activation of the Muskwa and Godin Area activities.