



阳光油砂

SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025



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 months ended March 31, 2025 is dated May 14, 2025 (Calgary time) / May 14, 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 unaudited condensed consolidated interim financial statements and notes thereto for the three months period ended March 31, 2025 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2024. All amounts and tabular 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 0.71 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2024 was approximately 1.10 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 plans 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 March 31, 2025, the Company had invested approximately CAD1.29 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at March 31, 2025, the Company had CAD0.31 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 the steps management takes will be successful. As such, there is significant doubt and there can be no assurance that 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 West Ells project has fully resumed operation.

For the three months ended March 31, 2025, the Company's average bitumen production was 0 bbls/day. The bitumen is blended with diluent as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 0 bbls/day for the first quarter of 2025.

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)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Bitumen sales (bbl/d)	-	311	479	884	1,227	1,550	9	1,294
Petroleum sales	-	3,074	5,211	10,674	11,437	11,932	49	11,064
Royalties	-	86	340	408	245	373	(2)	298
Diluent	-	1,113	2,422	4,668	4,942	5,040	31	3,528
Transportation	-	477	778	1,576	2,441	3,436	106	3,468
Operating costs	1,878	3,062	2,683	3,269	4,290	4,528	3,581	4,472
Finance costs	3,111	4,308	2,630	2,920	2,740	2,684	2,668	2,237
Net loss (profit)	9,793	41,845	579	11,048	22,217	(2,111)	15,758	(5,671)
Net loss (profit) attributable to owners of the company	9,716	41,769	505	10,974	22,144	(2,184)	15,686	(5,745)
Per share - basic and diluted	0.03	0.17	(0.00)	0.05	0.09	(0.01)	0.06	(0.02)
Capital expenditures ¹	121	962	275	672	171	378	1,864	593
Total assets	740,906	739,023	741,301	742,120	745,963	745,932	739,708	744,484
Working capital deficiency ²	99,258	92,666	514,041	83,772	84,242	79,458	94,082	87,079
Shareholders' equity	7,055	16,848	57,203	57,782	68,830	91,047	88,272	104,030

1. Included payments for exploration and evaluation, property, plant and equipment.

2. The working capital deficiency includes the foreign exchange gain from conversion of HKD/CNY denominated loans from related companies and shareholders 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 March 31 ,	
	2025	2024
Dilbit revenue	\$ -	\$ 11,437
Diluent blended	-	(4,942)
Realized bitumen revenue ¹	\$ -	\$ 6,495
(\$ / bbl)	N/A	42.86

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 March 31, 2025, the Company's realized bitumen revenue decreased by CAD6.5 million to CAD0 million from CAD6.5 million for the same period in 2024. The decrease in realized bitumen revenue in Q1 2025 was primarily due to no production as a result of equipment maintenance at West Ells. There was no disclosure on bitumen realized price per barrel for Q1 2025 as there was zero dilbit sales due to equipment maintenance.



Operating Netback

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2025	2024
Realized bitumen revenue	\$ -	\$ 6,495
Transportation	-	(2,441)
Royalties	-	(245)
Net bitumen revenues	-	3,809
Operating costs	(1,878)	(4,290)
Operating cash flow ¹	\$ (1,878)	\$ (481)
Operating netback (\$ / bbl)	N/A	(3.18)

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

For the three months ended March 31, 2025, the operating cash flow resulted in a net loss of CAD1.9 million compared to a net loss of CAD0.5 million for the same period in 2024. The increase in operating cash flow deficiency for the three months ended March 31, 2025 was primarily due to the loss of revenue as a result of equipment maintenance at West Ells in Q1 2025. There was no disclosure on operating netback per barrel for Q1 2025 as there was zero dilbit sales due to equipment maintenance.

Bitumen Production

(Barrels/day)	For the three months ended March 31,	
	2025	2024
Bitumen production	-	1,186

For the three months ended March 31, 2025, bitumen production at West Ells averaged 0 bbls/day compared to 1,186 bbls/day for the same period in 2024. This represents a 1,186 bbls/day decrease in bitumen production, primarily due to no production as a result of equipment maintenance at West Ells in Q1 2025.

Bitumen Sales

(Barrels/day)	For the three months ended March 31,	
	2025	2024
Bitumen sales	-	1,227

Bitumen sales at West Ells for the three months ended March 31, 2025 averaged 0 bbl/day compared to 1,227 bbl/day for the three months ended March 31, 2024. Bitumen sales decreased by 1,227 bbl/day primarily attributable to no production as a result of equipment maintenance at West Ells in Q1 2025.

Petroleum Sales, net of royalties

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2025	2024
Petroleum sales	\$ -	\$ 11,437
Royalties	-	(245)
Petroleum sales, net of royalties	\$ -	\$ 11,192
\$ / bbl	N/A	73.85

Petroleum sales are from the sales of Dilbit. For the three months ended March 31, 2025, petroleum sales, net of royalties amounted to CAD0 million compared to CAD11.2 million for the same period in 2024. The decrease in net petroleum sales is mainly due to the loss of revenue as a result of equipment maintenance at West Ells in Q1 2025. There was no disclosure on net petroleum sales per barrel for Q1 2025 as there was zero dilbit sales due to equipment maintenance.

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 in pre-payout. There was no royalties for the three months ended March 31, 2025 due to no dilbit revenue in Q1 2025.



Diluent Costs

(\$ thousands, except \$/bbl and blend ratio)	For the three months ended March 31,	
	2025	2024
Diluent at CPF	\$ -	\$ 4,348
Diluent at terminals	-	594
Total Diluent	\$ -	\$ 4,942
\$/bbl	N/A	32.61
Blend ratio (CPF)	N/A	26.4%
Blend ratio (terminals)	N/A	17.9%

At West Ells, diluent is blended with the bitumen as part of the production process to create a marketable dilbit blend product. 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 included the diluent blended at terminals to adjust the dilbit density for pipeline shipping purpose. For the three months ended March 31, 2025, total diluent cost was CAD0 million compared to CAD4.9 million for the same period in 2024. Total diluent cost decreased by CAD4.9 million due to no production as a result of equipment maintenance at West Ells. There was no disclosure on diluent cost per barrel and blending ratio for Q1 2025 as there was no production at West Ells.

Transportation

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2025	2024
Transportation	\$ -	\$ 2,441
\$ / bbl	N/A	16.11

Transportation costs consist of dilbit trucking expenses and pipeline terminals fees. For the three months ended March 31, 2025, transportation expenses were CAD0 million compared to CAD2.4 million for the same period in 2024. There were no transportation costs in Q1 2025 due to no dilbit sales as a result of equipment maintenance at West Ells.

Operating Costs

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2025	2024
Energy operating costs	\$ 640	\$ 1,516
Non-energy operating costs	1,238	2,774
Operating costs	\$ 1,878	\$ 4,290
\$ / bbl	N/A	28.31

Operating costs are comprised of the sum of non-energy operating costs and energy costs. Non-energy operating costs represents 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 March 31, 2025, the operating costs decreased by CAD2.4 million to CAD1.9 million from CAD4.3 million for the same period in 2024. The primary reason for the reduction in operating costs compared to last year was the no production as result of equipment maintenance at West Ells in Q1 2025.

General and Administrative Costs

(\$ thousands)	For the three months ended March 31,	
	2025	2024
Salaries, consultants and benefits	\$ 1,619	\$ 1,446
Rent	13	6
Legal and audit	23	62
Other	3,646	3,090
Total	\$ 5,301	\$ 4,604



The Company's general and administrative costs were CAD5.3 million and CAD4.6 million for the three months ended March 31, 2025 and March 31, 2024 respectively. General and administrative costs increased by CAD0.7 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to increased municipal charges and salaries expenses, partially offset by lower legal fees.

Finance Costs

(\$ thousands)	For the three months ended March 31,	
	2025	2024
Interest expense on senior notes, including yield maintenance premium ("YMP")	\$ 312	\$ 294
Interest expense on other loans	134	62
Interest expense on loans from related companies and shareholders	2,142	1,878
Other interest - leases and others	85	75
Accretion	438	431
Total	\$ 3,111	\$ 2,740

The Company's finance costs were CAD3.1 million for the three months ended March 31, 2025 compared to CAD2.7 million for the three months ended March 31, 2024. Finance costs increased by CAD0.4 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily attributed to interest expenses on loans from related companies and shareholders.

Share-based Compensation

(\$ thousands)	For the three months ended March 31,					
	2025			2024		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Share-based compensation	\$ -	-	-	\$ -	-	-

Share-based compensation expense for the three months ended March 31, 2025 and 2024 were both zero. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Depletion and Depreciation

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2025	2024
Depletion	\$ -	\$ 2,413
Depreciation	184	206
Depletion and depreciation	\$ 184	\$ 2,619
Depletion (\$ / bbl)	N/A	15.92

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 March 31, 2025, depletion and depreciation expense decreased by CAD2.4 million to CAD0.2 million from CAD2.6 million for the same period in 2024. The primary reason for the decrease is no depletion expenses due to no production as result of equipment maintenance at West Ells in Q1 2025.

Impairment / (Reversal)

(\$ thousands, except \$/bbl)	For the three months ended March 31,	
	2025	2024
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 ("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.

As of March 31, 2025 and 2024, the Company did not identify any indicators of further impairment loss (reversal) of the above E&E or West Ells CGU. As a result, nil impairment (reversal) was recognized in profit and loss.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three months ended March 31, 2025 and 2024. 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 March 31, 2025, the Company had total available tax deductions of approximately CAD1.43 billion, with unrecognized tax losses that expire between 2029 and 2045.

Liquidity and Capital Resources

	March 31, 2025		December 31, 2024	
Working capital deficiency	\$	99,258	\$	92,666
Shareholders' equity		7,055		16,848
	\$	106,313	\$	109,514

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 unaudited condensed consolidated interim financial statements as at March 31, 2025.

As of March 31, 2025, the Company had incurred unsecured debt for a total of US\$ 57.7 million (CAD83.0 million equivalent).

The Company received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016-2025 municipal property taxes of CAD16.8 million. The Company was also charged with overdue penalties of CAD23.7 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. If 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 March 31, 2025, the Company had incurred CAD0.82 million (USD \$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 8 August 2014 (including principal and interests) in an aggregate amount of approximately US\$15,481,000 (equivalent to approximately CAD 20,967,000). 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 CAD 26,048,000). 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 Notes are translated into Canadian dollars at the period end exchange rate of \$1USD = \$1.4376 CAD.



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 three months ended March 31, 2025, the Company reported a net loss and comprehensive loss attributable to owners of the Company of CAD9.7 million. At March 31, 2025, the Company had a working capital deficiency of CAD99.3 million.

The Company's debt-to-asset ratio, measured based on total liabilities divided by total assets was 99% as at March 31, 2025, compared to 98% as at December 31, 2024.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. The Company is exposed to currency risks primarily through senior notes, loans from related companies and shareholders, other loans, accounts 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 Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2025.

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2025 would have been impacted by \$Nil (March 31, 2024: \$Nil) and the carrying value of the debt at March 31, 2025 would have been impacted by CAD2.9 million (March 31, 2024: CAD2.7 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2025 would have been impacted by \$Nil (March 31, 2024: \$Nil) and the carrying value of the debt at March 31, 2025 would have been impacted by CAD0.7 million (March 31, 2024: CAD0.7 million).

If exchange rate to convert from RMB to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2025 would have been impacted by \$Nil (March 31, 2024: \$Nil) and the carrying value of the debt at March 31, 2025 would have been impacted by CAD0.1 million (March 31, 2024: CAD0.1 million).

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. 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 the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2025 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2024.



Transactions with Related Parties

For the three months ended March 31, 2025, a consulting Company, to which a director of Sunshine is related, charged the Company CAD0.1 million (for the year ended December 31, 2024- CAD0.5 million) for management and advisory services.

As at March 31, 2025, 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 March 31, 2025, the Company had loans from related companies and shareholders, which are unsecured, interest bearing at 10% per annum. Loans from related companies totaling approximately CAD56,325,000 can be rolled over for a period of 2 to 3 years (December 31, 2024: CAD56,205,000). Total loans from shareholders are approximately CAD21,688,000 which are due from 1 to 3 years (December 31, 2024: CAD20,990,000).

Off-balance Sheet Arrangements

As at March 31, 2025, the Company did not have any other off-balance sheet arrangements.

Subsequent Event

On Apr 17, 2025 (Hong Kong time), the Company entered into settlement agreements for a total of 48,695,736 Class "A" common shares at a price of HKD \$0.35 per share (post-consolidation) for gross proceeds of HKD \$ 17,043,508. This settlement agreement was entered into for settlement of Debt Payables with the creditors separately.

On Apr 28, 2025 (Hong Kong time), the Company entered into settlement agreements for a total of 162,310,261 Class "A" common shares at a price of HKD \$0.45 per share (post-consolidation) for gross proceeds of HKD \$ 73,039,619. This settlement agreement was entered into for settlement of Debt Payables with the creditors separately.

On May 14, 2025 (Hong Kong time), the Company announced that it received an order notice (the "Order") from the Alberta Energy Regulatory ("AER") requiring the Company to submit a project abandonment plan as the Company failed to meet their maintenance requirements. The Company also received legal documents from the Orphan Well Association (the "OWA"), a delegated body under the AER, seeking to take over the Company's project as a result of AER's Order. After consulting legal Advice, the Company is now preparing for an appeal and stay of the Order. As at the day hereof, no significant adverse impact was posed on the Company's business.

Changes in Accounting Policies

Our significant accounting policies have remained unchanged since December 31, 2024. A summary of our significant accounting policies is included in our 2024 Annual Report.

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, 2024, which is available at www.hkexnews.hk. The 2024 annual report of the Company is 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 March 31, 2025, 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 March 31, 2025.

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 March 31, 2025, and concluded that the Company’s ICFR are effective at March 31, 2025 for the foregoing purpose.

No material changes in the Company’s ICFR were identified during the three months period ended March 31, 2025 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:

(\$ thousands)	For the three months ended March 31,	
	2025	2024
Net cash (used) in operating activities	\$ (1,239)	\$ (916)
Add (deduct)		
Net change in non-cash operating working capital items	(5,848)	(3,635)
Cash flow (used in) operations	\$ (7,087)	\$ (4,551)

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 March 31, 2025, 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 Model 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 complied 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 quarter ended March 31, 2025.

Name	December 31, 2024	Granted	Exercised	Forfeited	Expired	March 31, 2025
Sub-total for Directors	-	-	-	-	-	-
Sub-total for other share option holders	-	-	-	-	-	-
Total	-	-	-	-	-	-

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 (2024 - CAD0). 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	Three month ended March 31, 2025	Year ended December 31, 2024
Grant date share price (\$)	-	-
Exercise Price (\$)	-	-
Expected volatility (%)	-	-
Option life (years)	-	-
Risk-free interest rate (%)	-	-
Expected forfeitures (%)	-	-

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

2025 activity

There was not any purchase, sale or redemption of Sunshine's listed securities in Q1 2025.

Shares Outstanding

As at March 31, 2025, the Company had 292,174,417 Class "A" common shares issued and outstanding.

Employees

As at March 31, 2025, the Company has 27 full-time employees. For the three months ended March 31, 2025, total staff costs amounted to CAD1.6 million.



Dividends

The Company has not declared or paid any dividends in respect of the three months ended March 31, 2025 (three months ended March 31, 2024 - \$Nil).

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three months ended March 31, 2025, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

This Quarterly 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.