阳光油砂
SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

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

(HKEX : 2012)

ANNUAL REPORT 2024

*For identification purpose only

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CONTENTS

SUMMARY OF AUDITED FINANCIAL FIGURES

As at and for the year ended December 31	**2024**	**2023**	**2022**	**2021**	**2020**
	($000s)	*($000s)*	*($000s)*	*($000s)*	*($000s)*
Cash and cash equivalents	319	527	542	312	838
Current restricted cash and cash equivalents	—	—	—	—	—
Non-current restricted cash and cash equivalents	—	—	—	—	—
Exploration and evaluation assets	239,259	237,971	235,044	255,696	256,195
Property, plant and equipment	476,446	481,384	485,222	477,624	481,825
Total liabilities	722,175	654,885	637,710	579,357	596,240
Shareholders' equity	16,848	91,047	110,009	176,367	165,420
Net profit / (loss)	(75,689)	(19,626)	(65,705)	1,122	1,983
Net profit per share *(CAD Cents per basic and diluted share)*	(30.73)	(7.94)	(26.86)	0.69	1.72

Note

(1) The Company implemented a Share Consolidation on the basis that every fifty (50) Existing Shares be consolidated into one (1) Consolidated Share, effective on February 26, 2020 (Hong Kong time)

MESSAGE TO SHAREHOLDERS

The Petroleum sales, net of royalties for the twelve months ended December 31, 2024 slightly decreased to CAD29.3 million from CAD29.6 million for the twelve months ended December 31, 2024. The decrease was mainly due to lower sales volume and higher royalty expenses, partially offset by higher dilbit sales price.

The net operating income for the three months ended December 31, 2024 excluding one-off foreign exchange loss, was a net operating loss of CAD1.3 million compared to a net operating income of CAD0.8 million for the same period in 2023.

Recurring net loss attributable to owners of the Company (excluding foreign exchange (loss) gain, non-cash depletion and depreciation) for the twelve months ended December 31, 2024 was a net loss of about CAD 25 million compared with approximately CAD 22 million for the twelve months ended December 31, 2023.

The operating cash flow for the three months ended December 31, 2024 was a net loss of CAD1.7 million compared to a net loss of CAD1.4 million for the three months December 31, 2023. The decrease in the operating cash flow was primarily due to decrease in sales volume.

Summary of Financial Figures

As at December 31, 2024, December 31, 2023, the Company notes the following selected financial figures.

(Canadian $000s)	December 31, 2024	December 31, 2023
Petroleum sales, net of royalties	29,317	29,555
Average Dilbit sales (bbl / day)	1,018.8	1,152.8
Foreign exchange (loss) gain	(43,549)	11,683
Non-Cash Depletion and depreciation	(6,686)	(8,610)
Net loss attributable to owners of the Company	(75,392)	(19,330)
Recurring net loss attributable to owners of the Company (excluding foreign exchange (loss) gain, non-cash depletion and depreciation)	(25,157)	(22,403)

(Canadian $000s)	3M ended 12/31/24	3M ended 12/31/23
Net Operating income(loss), excluding one-off foreign exchange gain (loss)	(1,273)	782
Operating cash flow	(1,664)	(1,445)
Net profit (loss) and comprehensive profit (loss) attributable to owners of the Company	(43,614)	2,771

(Canadian $000s)		December 31, 2024	December 31, 2023
Cash and cash equivalents		319	527
Trade and other receivables		4,811	8,018
Exploration and evaluation assets		239,259	237,971
Property, plant and equipment		476,446	481,384
Total liabilities		722,175	654,885
Shareholders' equity	$	16,848	91,047

Operating Netback

($ thousands, except $/bbl)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 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.

Reserves and Resources

Reserves and resources evaluations, dated December 31, 2024, were completed by independent evaluator, Boury Global Energy Consultants Ltd ("**Boury**").

Two notable differences from last year evaluation:

- the 2P reserves (Proved plus Probable) were moved into the Contingent Resources – Development Pending category due to AER's suspension of Sunshine's License to Operate.
- 266 mmbbl of best estimate Contingent Resources associated with properties that were transferred in 2024 to Burges Energy Holdings are no longer in the books for Sunshine.

Based on the evaluation, Sunshine has approximately 638 mmbbl of risked best estimate Contingent Resources.

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.

Acknowledgements

We would like to thank our Board of Directors, our staff and our stakeholders for their continuing support in advancing our corporate initiatives during a challenging commodity price cycle. At the same time, we are continuing with efforts to secure capital to support existing operations and to fund our Phase II expansion plans in West Ells and in our other project areas.

"Kwok Ping Sun "
Chairman of the Board

"Gloria Ho "
Executive Director, CFO

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE CHAIRMAN AND DIRECTOR

Mr. Kwok Ping Sun (“**Mr. Sun**”), aged 60, is an Executive Chairman and Executive Director appointed by the Board on June 28, 2015. He was appointed as a Non-Executive Director by the Board on May 27, 2015. Mr. Sun is the founder of Nobao Renewable Energy Holdings Limited (“Nobao”) and has served as the Chairman of the Board, Director and Chief Executive Officer of Nobao since its inception in 2007. Prior to founding Nobao, Mr. Sun was the General Manager of Shanghai Nobao Electric Appliance Co., Ltd from 2005 to 2007. In 2003, Mr. Sun started his own research and development with respect to ground source heat pump (GSHP) systems and gained over 10 years of experience in this area. From 1999 to 2002, Mr. Sun served as the General Manager of Dynamic Co., Ltd of Denmark and was responsible for developing wind power projects in China in cooperation with Chinese local companies. From 1994 to 1998, Mr. Sun was the Chief Executive Officer of Wu Fong Investment Co., Ltd of Denmark. Between 1983 and 1990, Mr. Sun worked as an Official of the customs department, the publicity department and the foreign trade bureau of the City Government of Zhangjiagang, Jiangsu Province, People’s Republic of China. Mr. Sun has over 20 years of experience in automated control systems through his experiences described above as well as his experience as the General Manager of Jiangsu Zhongwang Electronics Co., Ltd. between 1990 and 1993 and as an Engineer of Zhangjiagang Radio Factory between 1979 and 1982. Mr. Sun graduated from Suzhou Transportation Vocational College in 1985 and received an EMBA degree from Tsinghua University in 2006.

NON-EXECUTIVE VICE CHAIRMAN AND DIRECTOR

Mr. Michael J. Hibberd (“**Mr. Hibberd**”), aged 69, has been a Non-Executive Vice-Chairman and a Non-Executive Director since June 28, 2015. He was Executive Vice-Chairman of the Corporation from November 28, 2014 to June 28, 2015. He was Executive Chairman from June 25, 2014 to November 28, 2014 and was Executive Co-Chairman of the Corporation from October 6, 2008 to June 25, 2014. Mr. Hibberd was a founder of the Corporation and held the title of Chairman and Co-CEO from May, 2007 to October 6, 2008. Mr. Hibberd is President and CEO of MJH Services Inc., a corporate finance advisory company established in January 1995. Mr. Hibberd has extensive international energy project planning and capital markets experience. Prior to January 1995, Mr. Hibberd spent 12 years with ScotiaMcLeod. Mr. Hibberd worked in corporate finance in Toronto and Calgary and held the position of Director and Senior Vice-President, Corporate Finance. Mr. Hibberd is currently the Chairman of Canacol Energy Ltd. (TSX and Bolsa de Valores de Colombia) and the Chairman of Petro Frontier Corp., the shares of which are listed on the TSX Venture Exchange. He is also a director of D2 Lithium Corp., the shares of which are listed on the TSX Venture Exchange. Mr. Hibberd was previously Chairman of Heritage Oil Plc, Heritage Oil Corporation and Greenfields Petroleum Corporation. He was also director of CanAsia Energy Corp., Challenger Energy Corp., Deer Creek Energy Limited, Iteration Energy Ltd., Zapata Energy Corporation, Sagres Energy Inc., Rally Energy Corp, Pan Orient Energy Corp. and Montana Exploration Corp. Mr. Hibberd obtained his BA in 1976 and his MBA in 1978 from the University of Toronto. He obtained his LLB from University of Western Ontario in 1981, was called to the bar in 1983.

EXECUTIVE DIRECTOR

Ms. Gloria Pui Yun Ho ("**Ms. Ho**"), aged 44, became an Executive Director on June 27, 2017. She was appointed as Chief Financial Officer of the Corporation from November 2016. Ms. Ho has extensive experience in investment, risk management, corporate banking and finance. Prior to joining the Corporation, she worked in equity research, credit analysis, capital strategy, funds management and auditing in several international institutions and most recently as the Chief Executive of a reputable Chinese-based asset management firm.

Ms. Ho is a Chartered Accountant, Certified Public Accountant, Chartered Financial Analyst and Chartered Alternative Investment Analyst. Ms. Ho holds a postgraduate certificate in Financial Engineering at Stanford University and a M.Sc. in Finance at the University of Illinois Urbana-Champaign.

She was appointed as an Independent Non-Executive Director of New World Department Store China Limited (SEHK code: 825) since May 1, 2023.

NON-EXECUTIVE DIRECTORS ("NEDs")

Ms. Xijuan Jiang ("Ms. Jiang") aged 59, became a Non-Executive Director on June 30, 2016. She was a senior engineer with 26 years of experience in industrial applications. Ms. Jiang is the recipient of numerous design awards, primarily in respect of heating and ventilation systems. Ms. Jiang has been the Vice President and Chief Engineer of Nuoxin Energy Technology (Shanghai) Co. Ltd. since November 2012. Prior thereto, she was the Chief Engineer (Water and Sewer) at the Architecture Branch of Shougang Design Institute. Ms. Jiang obtained a Bachelor degree from the Xi'an University of Architecture and Technology in 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

Mr. Yi He ("**Mr. He**"), aged 52, is an Independent Non-Executive Director appointed on June 30, 2016. He has worked in the financial industry for more than 24 years and held various senior management roles in several global banks in China. In 2012, Mr. He was appointed as Chief Executive Officer of Nomura China Bank and led all China related banking businesses. From 2008 to 2012, he was in charge of China related banking business for Barclays Bank as the General Manager of the Shanghai Branch. Prior thereto, Mr. He led the global markets business for Australia and New Zealand Banking Corporations Limited and was the Deputy General Manager of ANZ China. Mr. He began his career with Credit Agricole China in 1994 and joined First Sino Bank as the Head of Treasury in 1997.

Mr. He has been an independent non-executive director of Kai Yuan Holdings Limited (SEHK code: 1215) since 2011. Mr. He was further appointed an independent non-executive director of Future World Holding Limited (SEHK code: 572) on July 1, 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Yi He *(continued)*

Mr. He founded Yaoxin Asset Management Company in early 2015, which mainly focuses on financial related consulting. In addition, Mr. He holds a Master Degree in Economics from Fudan University of China and also is a Certified Professional Accountant in China.

Mr. Guangzhong Xing ("**Mr. Xing**"), aged 68, is an Independent Non-Executive Director appointed on June 25, 2019. He obtained his Doctor Degree from the University of Hull with Debeers Scholarship in July 1995. He further obtained postdoctoral from the same university in June 1996. Mr. Xing holds a master degree and a bachelor degree of Metallography from the Northeast Heavy Machinery Institute (renamed as Yanshan University in 1997) ("Yanshan University") in August 1981 and August 1978 respectively. He started his career as university tutor in the Northeast Heavy Machinery Institute Metallography in September 1978 until August 1979 and during the period from September 1981 to September 1989. He was then acted for the position as dean for the school of materials science of Yanshan University during the period from August 1996 to October 1997.Thereafter, for the period from November 1997 to December 1999, he acted as a director of academic affairs of Yanshan University. During the period from January 2001 to October 2016, he was the vice principal of Yanshan University. He also had been the President of 燕山大學產業集團 (Yanda Industry Group Co., Ltd. *) and 燕山大學房地產公司 (Yanda Real Estate Company *) during the period from October 2004 to October 2009; and established 燕山大學國家大學科技園 National science area of Yanshan University.

Ms. Jue Pang ("**Ms. Pang**"), aged 43, is an Independent Non-Executive Director appointed on December 19, 2023. She is a founding Partner of Bing Wen Law Firm, holder of LL.M. degree of the University of Hong Kong and LL.B. degree of Nanjing University. Ms. Pang has 19 years of legal practice experience and was the partner at Grandall Law Firm (Shanghai). She specializes in IPO capital markets, capital restructuring, investment and financing, companies restructuring, merger and acquisitions, etc. Ms. Pang is an independent non-executive director of Ribo Fashion Group Co. Ltd, the shares of which are listed on Shanghai Stock Exchange with stock code: 603196.

CORPORATE GOVERNANCE REPORT

Sunshine Oilsands Ltd. (the "**Corporation**"; the "**Company**" or "**Sunshine**") is a new generation oil sands energy company, with the aim of leveraging technology, innovation and cost effective eco-innovation. It is a holder and a developer of Athabasca region oil sands resources with approximately 0.64 billion barrels of risked best estimate contingent resources. Sunshine has proven project portfolios for bitumen, carbonate and conventional heavy oil production. It is a Calgary-based public company, listed on The Stock Exchange of Hong Kong Limited ("**HKEX**" or the "**Stock Exchange**"), dedicated to delivering on its plans of providing sustainable, predictable oil growth, creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders.

The Company and the Board recognize that high quality 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. All Board members are required to act with integrity, promote the desired Sunshine culture. The Company and the Board are committed to maintaining high standards of corporate governance.

During the FY 2024, the Company has been in compliance with the Corporate Governance Code (the "**Code**") under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") save as the management is in course of identifying suitable insurers for appropriate insurance coverage for legal actions against the Company's Directors.

THE BOARD OF DIRECTORS

Being accountable to the Company's shareholders (the "**Shareholders**"), the Board has the responsibility of providing leadership for monitoring and controlling the Company and is collectively responsible for promoting the long-term sustainable and healthy development of the Group by directing and supervising the Company's affairs.

The Board currently comprises seven Directors, of which two are Executive Directors, two are Non-Executive Directors and the remaining three are Independent Non-Executive Directors. During the FY2024 and up to the date of this annual report, the Board's composition is as follows:

Executive Directors ***("ED")***
Mr. Kwok Ping Sun *(Chairman)*
Ms. Gloria Pui Yun Ho *(Chief Financial Officer)*

Non-Executive Directors ***("NED")***
Mr. Michael J. Hibberd *(Vice-Chairman)*
Ms. Xijuan Jiang
Ms. Linna Liu *(Resigned on March 31, 2025)*

Independent Non-Executive Directors ***("INED")***
Mr. David Yi He
Mr. Guangzhong Xing
Ms. Jue Pang

All Directors, including the INEDs, has been clearly identified and categorized in all corporate communication that disclose their names, role and functions. The Company has maintained on its website and on the Stock Exchange's website an updated list of its Directors identifying their roles and functions and whether they are INEDs.

The composition of the Board is well-balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. There are no interrelationship, including financial, business, family or other materials/relevant relationship(s) among all Board members, and in particular, between the Chairman and the chief executive(s) of the Company. Biographies of all Directors are set out in the section headed "Directors and **Senior Management**" of this Annual Report.

Saved as Ms. Linna Liu who resigned effective from March 31, 2025, during the year under review and up to the date of this report, the Directors, composition of the Board and its committees have no other changes.

In addition, saved as Mr. Michael J Hibberd ceased to be a director of CanAsia Energy Corp., the Board and all Directors' information remain unchanged.

All Directors have disclosed to the Company the number and nature of offices they held in other public companies or organizations and other significant commitments, with the identity of the public companies or organizations, and an indication of the time involved.

Directors are also reminded to notify the Company and confirm to the Company any change of such information in a timely manner pursuant to the disclosure requirements under the Listing Rules. The Board is of the view that each Director has given and is able to give sufficient time and attention to the affairs of the Company during the year under review and in future.

Chairman and Chief Executive Officer *("CEO")*

Mr. Kwok Ping Sun is the Executive Chairman of the Board, who provide leadership to the Company; whereas, the day-to-day management, administration and operation of the Company are delegated to the CEO, Mr. JianPing Sun, and the senior management.

While delegating the authority and responsibility for implementing business strategic and managing the day-to-day operations of the Group's business to the CEO and the senior management, the Board is collectively responsible for formulating the strategic business directions, operational and financial plans of the Group; setting objectives for the management, overseeing and controlling its operational and financial performance and assessing the effectiveness of management strategies.

The Company has established clear guidelines with respect to matters that must be approved or recommended by the Board, including, without limitation, (i) the annual, interim and quarterly results; (ii) the approval and adoption of the Company's operating budget, cash flow forecast and capital expenditure budget; (iii) the hiring or dismissal of the Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**"), Board Secretary or other key members of the Company's senior management team; and (iv) the approving and recommending payment of dividend or significant transactions, etc.

The Board will continue to review the management structure regularly to ensure that it continues to meet the Company's objectives and is in line with the industry practices.

Independent Non-Executive Directors

Operations and management of the Company is constantly subject to the scrutiny which is the valuable contributions from the INEDs.

At the end of the FY 2024, the Company received from each of the INEDs, all INED's confirmation of independence to the Company. In view that all INEDs fulfilled the independence requirements set out under Rule 3.13, including but not limited to, (i) they do not hold, whether legally or beneficially, more than 1% of the Company's issued shares or underlying shares; (ii) they have not received an interest in any securities of the Company as a gift, or by means of other financial assistance from a core connected person or the Company; (iii) they are not financially dependent to the Company; and (iv) they are not connected with other Directors, chief executive(s) or substantial shareholder(s) of the Company, etc., the Board considered that all INEDs are independent. It is also considered that all INEDs served the purpose of monitoring the Board.

Mr. David Yi He (one of the INEDs and Chair of Audit Committee) possesses the appropriate accounting professional qualifications. Besides, all INEDS have wide exposure on the related financial, legal or management expertise.

As at the date of this annual report, no INED has served the Company for more than 9 years. Should the Company appoint an INED who served the Company for over 9 years ("**Long Serving INED**") in future, the Company will include in its circular for general meeting the factors considered, the process and the discussion among Board members in arriving such decision that and the reason(s) why the Board believes such the Long Serving INED is still independent and should be re-elected.

Directors' and Officers' Liability Insurance

The management is in course of identifying suitable insurers for appropriate insurance coverage in this regards and strikes to fulfill this code soonest as possible.

Practices and Conduct of Meetings

Usually, notice of regular Board meetings is given to all Directors at least fourteen days in advance and reasonable notice is generally given for other Board meetings, unless on an emergency case. In case of continuation of Board meetings, reasonable and proper continuation notice of meeting will be given to the Board.

Whenever short notice of meeting is given, all Directors must be notified and their consents would be sought for such short notice. The fact that short notice of meeting and the Directors' consent or disagreement to such short notice must be duly recorded in minutes. During the year under review, the Board meetings were duly convened, proper and sufficient notices were given.

Annual meeting schedules and draft agendas for each meeting are normally made available to Directors or committees members in advance. During the year under review, regular Board meetings and various committees meetings were supplied with meeting papers sent at least two days in advance prior to the meetings.

Arrangements are in place to allow Directors to include items in the agenda. Usually final agendas and board papers are sent to Directors at least two days or as early as possible before each regular Board meeting and various committees meetings so that the Board / committees members can make informed decisions on matters placed before the meetings. Each Director also has separate and independent access to senior management where necessary. During the year under review, all board papers, meeting materials and notices of meetings were sent to Directors or committees members within a reasonable period of time, and in any case, no less than 48 hours prior to the meetings.

The Company's By-Laws and all applicable rules and regulations allow the Directors to participate Board meetings; committees meetings or general meetings by means of telephone or other communication facilities which permit all persons participating in the meeting to hear each other. Given that most of the Directors were located in various cities in China or in Canada and travelled frequently, the Board members and various committee members usually conduct the meeting via tele-conferencing. During the year under review, all Board meetings or committees meetings as well as annual general meeting were conducted via tele-conferencing.

Regular Board meetings will be held at least four times a year at approximately quarterly intervals. Usually, the Board meetings and the committee meetings were adjourned by the chair of the meeting and would be continued with proper notice send whenever necessary.

During the FY 2024, the Board held quarterly interval Board meetings with an aim to consider, discuss and approve the quarterly results of the Company. The Board also discussed and resolved the other matters that required Board's consideration and approval, which included, but not limited to, (i) approve the entering into the interest waiver agreement; (ii) the entering into the memorandum of understanding with Nobao Energy Holding (China) Company Limited (the "Nobao Deal"); (iii) placing of new shares for debt settlement, etc.

Minutes of the Board and committee meetings are kept by the Board Secretary and are open for inspection by Directors anytime. All Directors or committee members are properly briefed on issues arising at meetings. In addition to EDs, INEDs and other NEDs are encouraged to make positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

Upon reasonable request, Directors are allowed and enabled to seek independent professional advice at the expense of the Company. During the financial year under review, the Company received no such request for independent professional advice from any Directors or committees members.

If a Director and/or any of his associate has a material interest in a transaction, the matter must be dealt with by physical Board meeting and that Director is required to disclose his interest, abstain from voting and not to be counted in the quorum at the meeting for approving the said transaction. During the year under review, the Executive Chairman, Mr. Kwok Ping Sun, declared his interest in the Nobao Deal, abstained from voting in respect of the related motions in accordance with the Business Corporations Act (Alberta) and voluntarily not counted in the quorum at the Board meeting approving the Nobao deal.

Under the Code, the Chairman should hold meetings with the independent non-executive Directors at least annually without the presence of other Directors. During FY 2024, the Chairman held meetings with INEDs without the presence of other Directors or the Company's management.

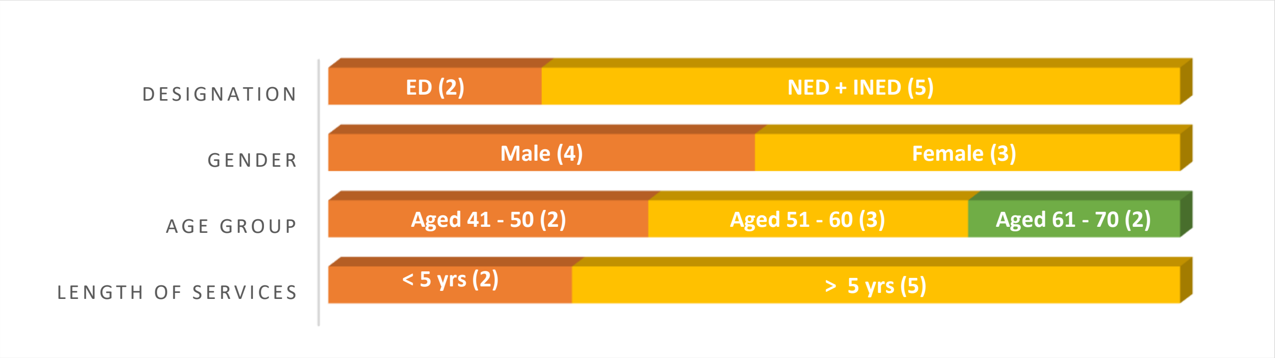
Appointment and Election of Directors, Board Diversity

The Company has a formal and transparent procedure for identification of nominees for Directors and recommendation to the Board, which is led by the Corporate Governance Committee ("**CG C**") of the Company.

The Board believes that diversity of experience, professionally and geographically, enhances its decision-making ability. The Company has adopted a Board Diversity Policy (the "**BD Policy**") with an aim of enhancing the Board's effectiveness and corporate governance as well as achieving business objectives. The BD Policy is available on the Company's website for public information.

In designing the Board's composition, board diversity has been considered with a number of aspects, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

As at the date of this report, the Board's diversified composition was summarized as follows:



The CG C is responsible for monitoring the achievement of the measurable objectives set out in the BD Policy. It will review the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhere to the BD Policy when making recommendation on any Board appointments.

During the financial year under review and up to the date of this report, saved as Ms. Linna Liu resigned on March 31, 2025, there is no change in Board composition. The CG C has (i) reviewed the current Board composition, its size, diversity and structure; and (ii) assessed the independence of all INEDs; and considered that no change is needed at the moment.

As at the date of this report, the Board consists of four (4) male Directors and three (3) female Directors. The Company has complied with Rule 13.92 of the HK Exchange Listing Rules with respect to board diversity. The gender ratio in the workforce is around 1:1. The Board has achieved the gender diversity in FY 2024. Besides, the total seven (7) experts covering the areas of new energy, mechanical engineering, geology, investment, audit, accounting, corporate finance, banking, financial services and legal. Having reviewed and considered the gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service of all Board members, the CG C considered the current composition of Board served the purpose of enhancing the quality of the Company's strategy and operation.

The CG C will review the Board composition as well as the BD Policy from time to time so as to make sure that they are in line with the business strategy of Sunshine, and if applicable and appropriate, to ensure its effectiveness. The CG C will discuss any revisions to the BD Policy that may be required, and recommend any change revisions to the Board for consideration and approval.

Directors’ Appointment and Re-election

In general, nominee Directors are elected to hold office until the next annual general meeting of the Company or until his successor is duly elected or appointed, unless his office is vacated earlier, in accordance with the Articles of Incorporation and By-laws of the Company.

The term of appointment of all Directors, including non-executive Directors, is from the time of election or re-election at the annual general meeting of shareholders to the following annual general meeting; at which point the Director must be re-elected. Each Director is subject to election or re-election annually. Biographical details of those appointed and/or re-elected Directors are detailed in the circular that contains the relevant notice of annual general meeting.

Directors’ Induction and Continuous Professional Development

As a general practice, each newly appointed Director receives a comprehensive and tailored induction to ensure his or her understanding of the business and operations of the Company as well as awareness of a director’s responsibilities and obligations under the applicable rules and regulations. During the FY 2024, no new Director was appointed.

Current directors are continuously updated on statutory, regulatory and business developments and participate in continuous professional development in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities and to develop and refresh their knowledge and skills. The Company is open to arrange and fund suitable training to Directors.

During the year under review, Directors were updated and kept abreast of the revised and newly adopted applicable rules and regulations, especially the Listing Rules, at Board meetings or via electronic mails. Directors were also encouraged reading newspapers, journals and/or updates relating to the economy and business management and duties of directors. The Company received records of training from Directors for FY 2024.

BOARD COMMITTEES

The Board is responsible for leadership and promoting the success of the Company by directing and overseeing the Company’s affairs. In addition, it is also responsible for overseeing the corporate governance and financial reporting of the Company, reviewing the effectiveness of the Company’s system of risk management and internal controls. To assist in fulfilling these duties, the Board has established four board committees: (i) Audit Committee (“**AC**”); (ii) Corporate Governance Committee (as defined before, “**CG C**”; (iii) Compensation Committee (“**Comp C**”) and (iv) Reserves Committee (“**Res C**”) for overseeing particular aspects of the Company’s affairs.

All Board committees are established with defined written terms of reference covering duties, powers and functions, which are in compliance with the Listing Rules and have taken into account the specific business needs of Sunshine. The Board Committees are provided with sufficient internal and external resources to discharge their duties. Each Committee reports the outcome of its meetings to the Board; addressing major issues and findings, and making recommendations to assist the Board in its decision making. All Committees’ terms of references are posted on the Company’s website at www.sunshineoilsands.com and are available to Shareholders upon request. Meetings of the Board committees are convened and conducted in accordance with the Company’s Articles of Incorporation and generally follow the same procedures as for meetings of the Board.

i) Audit Committee

The Board established an audit committee on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee, which have been revised from time to time since then. As at the date of this report, the AC consisted of three members, namely Mr. David Yi He (Chair of the AC and INED), Mr. Guangzhong Xing (INED) and Ms. Jue Pang (INED), all of them are financially literate. The AC is chaired by an INED and shall meet at least four times annually at approximately quarterly intervals, or more frequently as circumstances indicate. It shall meet with the external and internal auditors without executive Board members present at least once a year.

In compliance with Rule 3.21 of the Listing Rules, at least one member of the AC should possess appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibilities of the AC. Mr. David Yi He, Chair of the AC, possesses the required accounting professional qualifications and all other AC members possess the related financial, legal and management expertise, and have the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.

All members have sufficient experience in reviewing audited financial statements as aided by the independent external auditors of the Company, whenever required. To assist in discharging its responsibilities, the committee may at its discretion, in addition to the external auditors, at the expense of the Company, retain one or more persons having special expertise, including independent counsel.

The primary duties of the audit committee are to review and supervise the Company's financial reporting process, risk management and internal control systems, to monitor the integrity of the Company's financial statements and financial reporting, and to oversee the audit process.

The following is a summary of the work performed by the AC during the FY 2024:

a) In consultation with the management and the external auditors, Prism Hong Kong Limited, developing and reviewing an annual audit plan responsive to the committee's responsibilities; also the scope of audit of the financial statements of the Company for the year ended December 31, 2024 as well as the audit fee proposal for such audit;

b) Participating in a process for review of important financial topics that might pose impact to the Company's financial disclosure, especially the "Valuation of Assets" and "Going Concern" issues;

c) Reviewing the independence of the external auditors and recommending to the Board on re-appointment of external auditors;

d) Reviewing, prior to public release, the condensed consolidated interim financial statements for the periods ended March 31, 2024, June 30, 2024 and September 30, 2024, respectively and for the year ended December 31, 2024 with the management and, to the extent required, the external auditors, focusing in particularly, major judgmental areas, any changes in accounting policies and practices, significant adjustments resulting from the audit review, the basis of disclaimer of opinion by Auditor, the Going Concern issue and its assumption, etc.;

e) Reviewing the assessment of the design and testing the effectiveness of the Company's internal financial control systems and risk management as performed by external consultant; and

f) Reporting to the Board the conclusion of the AC meetings.

Whistleblowing policy and system have been established for employees and those who have business dealings with the Company (including suppliers and distributors). They may raise concerns, in confidence, to the AC about the possible improprieties in any matters related to the Company.

The Board has also adopted the Anti-Fraud and Anti-Bribery Policy setting out responsibilities of the Group's employees to identify and prevent bribery and corruption in order to protect the integrity and reputation of the Group. During the FY 2024, no report was received.

ii) Corporate Governance Committee

The Board established a corporate governance committee, which serves the same function as the nomination committee cited in the Code, on January 9, 2008. It adopted written terms of reference that set out the authorities and duties of the committee, which have been revised from time to time since then. As at the date of this report, the CG C was chaired by the Executive Chairman of the Board, Mr. Kwok Ping Sun, consisted of four other members (with majorities are INEDs), namely Mr. Michael J. Hibberd (NED), Mr. Guangzhong Xing (INED), Mr. David Yi He (INED) and Ms. Jue Pang (INED).

The primary duties of the CG C includes, but not limited to, (i) making recommendations to the Board relating to the structure, size and composition (including gender, age, skill, knowledge and experience) of the Board any proposed changes to complement the Company's corporate strategy; (ii) reviewing the appointment or re-appointment of Directors and senior officers by conducting enquiries into the backgrounds and qualifications of each potential candidate, considering succession planning for Directors, and in particular the Executive Chairman, the non-executive Vice-Chairman, Chief Executive Officer, Chief Technology Officer, Chief Financial Officer; and (iii) assessing the independence of Independent Non-executive Directors.

Furthermore, the CG C has other duties in respect of corporate governance matters and functions, including, but not limited to (i) to consider, develop and review the Company's corporate governance principles, practices and processes and to make recommendations to the Board; (ii) to develop, review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to review and monitor the code of conduct and compliance manual applicable to employees and directors and to review the Company's compliance with the Code as set out in the Listing Rules; (v) to recommend members and chairs of audit committee, reserves committee and compensation committee. The CG C has to meet at least once a year to discharge its responsibilities.

During the year under review, the CG C held a meeting to discuss the current Board composition and management team, check and see if it served the purpose of the corporate strategy; and to review all other INEDs' independence and the Board's performance.

Going forward, whenever a resolution to elect an individual as an independent non-executive director at the general meeting, details of the process used for identifying the individual and the reasons why the Board believes the individual should be elected and considers him to be independent; the perspectives, skill and experience that the individual can bring to the Board; and how the individual contributes to the diversity of the Board would be set out in detail in the circular to the shareholders accompanying the notice of the relevant general meeting.

The Company is of the view that the current member of the CG C is influential and important in setting the key direction of the Company at this time. The Company also encourages all Board members to sit on at least one of the Company's committees. The expertise of the current members of this committee is important to the Company.

iii) Compensation Committee

The Company established Compensation Committee, which served the same function of remuneration committee as cited in the Code, on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee. The Comp C was chaired by an INED, Mr. David Yi He, and consisted of four other members, namely, Mr. Kwok Ping Sun (Executive Chairman); Ms. Xijuan Jiang (NED); Mr. Guangzhong Xing (INED) and Ms. Jue Pang (INED).

The primary duties of the Comp C is (i) to determine the policy for the remuneration of the executive Directors; (ii) to assess performance of the Executive Directors, to approve the terms of the Executive Directors' service contracts; (iii) to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management; (iv) upon establishment of a formal and transparent procedure for developing policy on remuneration, to determine the specific remuneration packages of all executive Directors and certain members of senior management of the Company.

During the year under view, the Comp C members met once to consider, discuss and resolve, among others, the adjustment or amendment / revision, if any, to be made to the current remuneration policy of the Company by taking into account the prevailing economic conditions, industry benchmarks and the current financial position of the Company.

iv) Reserves Committee

The Company established a Res C on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee. The Res C currently consists of three members, namely Mr. David Yi He (Chair of the Res C and INED), Mr. Guangzhong Xing (INED) and Mr. Kwok Ping Sun (Executive Chairman).

The primary duties of the Res C include, but not limited to, (i) review and approve management's recommendation for the appointment of independent evaluators; (ii) review procedures for providing information to the independent evaluators; (iii) meet with management and the independent evaluators to review the reserves data and reports; (iv) recommend to the Board whether to accept the content of the independent evaluators' reports; (v) review procedures for reporting on other information associated with oil sands producing activities and generally review all public disclosure of estimates of reserves.

The Res C should meet at least once annually to review procedures relating to the disclosure of information with respect to oil and gas activities, including the review of its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements.

During the year under review, the Res C reviewed all the reserves reports prepared by Boury Global Energy Consultants Ltd and held a meeting with the independent evaluator with the presences of external auditor, discussed and reviewed the data and reports prepared by the evaluator and made recommendation to the Board for accepting the contents of the valuation reports.

BOARD AND COMMITTEES MEETINGS

The following is the attendance record of the Board and committee meetings held during the year, which can be attended either in person or through electronic means of communication:

Directors During FY 2024	**Board of Directors' meeting**	**Audit Committee meeting**	**Compensation Committee meeting**	**Corporate Governance Committee meeting**	**Reserves Committee meeting**
Mr. Kwok Ping Sun *(1)*	2/4		1/1	1/1	0/1
Mr. Michael J Hibberd	4/4			1/1	
Ms. Gloria Ho	4/4				
Ms. Linna Liu *(2)*	1/4				
Ms. Xijuan Jiang	4/4		1/1		
Mr. Guangzhou Xing	4/4	4/4	1/1	1/1	1/1
Ms. Jue Pang	3/4	3/4	1/1	1/1	
Mr. Yi He	4/4	4/4	1/1	1/1	1/1

Notes

1. *Mr. Sun's attendance hereto includes reporting representative attendance.*
2. *Ms. Liu's attendance hereto includes reporting representative attendance. She resigned on March 31, 2025.*
3. *During the year under review, no Director attended meetings or committee meetings through his/her alternate.*
4. *As permissible and allowable under the Company's constitutional documents and the applicable laws and regulation, during FY 2024, the Company usually held Board meetings, various committees meetings and the annual general meeting with Directors' attendance by means of telephone or other communication facilities that permit all attendees participating in that meeting to hear each other. A Director participated in meetings by those means is deemed to be present at that meetings.*
5. *All Directors attended the AGM held on June 18, 2024 (Hong Kong time) / June 17, 2024 (Calgary time).*
6. *During the FY 2024, for continuation of the Board meetings and/or committees meetings, reasonable notice (usually, not less than 48 hours prior to the continuation of meetings) were given.*

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

Sunshine executives and management believe in the HSE principle of "Safety First" and the Company has a good safety record. In FY 2024, the Company continued to emphasize improvements in the field safety monitoring system for preventing workplace injuries. The management committed to protect and promote the safety and well beings of our employees, contractors, communities and the environment. We aim for safe and reliable operations where any risks which compromise the health and safety of workers are identified and addressed.

The Board reviews and assesses the Company's health, safety and environment processes and controls from time to time.

REMUNERATION OF DIRECTORS

The following is a general description of the emolument policy of the Company, as well as the basis of determining the emoluments payable to the Directors.

The compensation of Directors is determined by the Board when it receives recommendations from the Compensation Committee.

Under current compensation arrangements, each of our EDs, NEDs, INEDs and senior management are eligible to receive compensation in the form of cash and/or bonuses and are eligible to receive option grants. During the FY 2024, the Company has not granted equity-based remuneration (e.g. share options or grants) with performance-related elements to INEDs.

As at the date of this annual report, the Company does not have any employee long-term incentive plans. If the Company decide to establish any such plans in the future, recommendations from the Comp C will be taken into account and such plans must comply with applicable rules and regulations, especially the provisions set out in the Listing Rules.

Remuneration of the Directors (including retainers, fees, salaries, discretionary bonuses, and other benefits including share based payments) was approximately $2.3 million for the year ended December 31, 2024 (2023 – approximately $2.3 million). No Director or any of his/her associates is involved in deciding that his/her own remuneration.

Please refer to the Audited Consolidated Financial Statements as included in this annual report for additional details on remuneration of Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own policy (the "**Corporate Disclosure and Trading Poli**cy") for securities transactions by Directors and employees who are likely to be in possession of unpublished price-sensitive information of the Company. This policy is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules.

Having made specific enquiry, all Directors confirmed that they had complied with the Corporate Disclosure and Trading Policy during FY 2024.

The interests of Directors' and Chief Executive Officer(s) in the Company's common shares and underlying shares as at December 31, 2024 are set out in the "**Directors' Report**" section of this annual report.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The auditors' statement about their reporting responsibilities for the Company's consolidated financial statements is set out in the "**Independent Auditor's Report**" section included in this annual report.

The fees in relation to the audit related and non-audit related services for the year ended December 31, 2024 provided by Prism Hong Kong Limited, the independent external auditor of the Company, is as follows:

Nature of services rendered	Fees paid/ payable
Audit fees	$133,000
Non-Audit fees	-
Total	$133,000

Audit fees were incurred in connection with the following services:

- Auditing the Company's annual financial statements;
- Auditing the financial statements of Sunshine Oilsands (Hong Kong) Ltd.;
- Reviewing the Company's interim financial statements;
- Auditing tax compliance, tax advice, and tax planning; and
- Additional audit procedures related to the 2024 audit.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board should ensure the timely publication of the financial statements of the Company. Management provides explanations and information to the Board to enable it to make an informed assessment of the financial and other information to be approved. The Board is responsible for ensuring that the Company keeps proper accounting records, for safeguarding the Company's assets and for taking reasonable steps for the prevention of fraud and other irregularities.

The Board strives to ensure a balanced, clear and understandable assessment of the Company's financial reporting, including annual and interim reports, other price-sensitive announcements, and other financial disclosures required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements and applicable accounting standards.

For the FY 2024 consolidated financial statements, the Board acknowledges that it holds responsibility for:

- Overseeing the preparation of the financial statements of the Company with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company; and
- Selecting suitable accounting policies and applying them consistently with the support of reasonable judgment and estimates.

Disclaimer of Auditor's Opinion for FY 2024

The Auditor, Prism Hong Kong Limited, also clearly stated its responsibilities is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and to issue an auditor's report that includes our opinion, solely to the Company, as a body in accordance with our agreed terms of engagement, and for no other purpose. However, because of the matters described in the "**Basis for Disclaimer of Opinion**" section set out in their report, Prism do not express opinion on the Group's FY 2024 consolidated financial statements.

Prism is of the view that as set out in note 1(b) to the FY 2024 consolidated financial statements, the Group incurred a net loss of approximately CAD75,689,000 for the year ended December 31, 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately CAD92,666,000. The current liabilities of the Group as at December 31, 2024 include trade payables, interest payables and accrued liabilities, other loans and senior notes with aggregate carrying amounts of approximately CAD108,587,000, while the Group's cash and cash equivalents as at December 31, 2024 amounted to only approximately CAD319,000. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The FY 2024 consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures taken by the directors of the Company, as described in note 1(b) to the consolidated financial statements, which are subject to material uncertainties, including (i) the successful granting an approval of resumption of production from the Alberta Energy Regulator in respect of West Ells Oilsand; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings; (iv) successfully strengthening and implementing measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs, to increase the Group's internally generated funds. Prism were provided with an analysis by the management in respect of the Group's going concern assessment. However, such analysis is not sufficiently detailed for them to assess the Group's plans and measures for future actions in the going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Accordingly, Prism have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of the management's use of the going concern basis of accounting in the preparation of the consolidated financial statements.

The Auditor finally reminded that should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Position and basis of the Group's management on the Auditor's disclaimer opinion

The 2024 annual Consolidated Financial Statements were prepared on a going concern basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in the normal course of business were based on the following consideration and assessment by the management:-

a) the expected timing when production can be resumed with the approval of the Alberta Energy Regulator;

b) the likelihood of the Nobao asset acquisition transaction ("NAA") (stipulated in the announcements dated June 3, 2024 and September 9, 2024) which is expected to be a strong catalyst for the Company's business, profitability and cash flow profile;

c) the investors gathered in the pipeline who have expressed interest in investing in the Company upon completion of the NAA and support from the major shareholder;

d) good relationship with the existing lenders of which the majority are related parties; and

e) measures to improve working capital and cash flow of the Company.

Specifically the management estimates that oil production can be resumed in the fourth quarter of 2025 based on its continuous dialogue with the Alberta Energy Regulator, as well as the timing of additional financing and thus completion of the required repair and maintenance work. Moreover, the Company believes that the NAA is highly likely to happen based on the eagerness and intention of the Company's Chairman to transfer a profitable, cash-rich business into the Company. Currently, Nobao Energy China and the Company is screening and understanding the projects within the Target Company and is expected to negotiate commercial terms which would bring the transaction closer to a legally binding deal. It is expected that the NAA will be a strong catalyst for the Company's cash flow, profitability and technological competence. At the same time, the Company has gathered prospective investors who have expressed interests to invest after the completion of the NAA. The management team estimated that the investment would at least be sufficient to cover the cash flow need for the repair and maintenance work of West Ells as well as the operating expenses for the Company for the next 6 months after the resumption of production. Regarding the relationship with the Company's existing lenders, actually over 90% of the interest-bearing debt is owed to related parties who have provided letter of support to the Company after year-end 2024 promising not to demand for repayment of the next 12 months from the year-end date.

Position and basis of the Audit Committee on the Auditor's disclaimer opinion

The Audit Committee, having thoroughly discussed with Auditor, is fully aware of their view and the management's assessment of the going concern basis. The Audit Committee believes that the Auditor took a more prudent approach in dealing with the Audit Issue is understandable because they cannot go beyond to assess the likelihood of the NAA as the only public information available is about the Memorandum of Understanding (MOU) regarding the transaction rather than having a legally binding agreement already executed. Whereas the management, close to the Chairman (also the largest shareholder of the Nobao group which holds the Target Company), is aware of his eagerness in fostering the transaction to happen. Secondly, prospective investors who have committed to invest in the Company after the NAA were investors who have invested in Nobao before and are even more inspired by the light-asset model of the business of the Target Company. As it is difficult to have any binding agreement inked at this moment but indeed prospective investors are in the pipeline, the Audit Committee fully understands the difficulty of the Auditor of putting in potential investment cash inflow from these investors in the cash flow forecast when assessing the going concern assumption of the Company. With the funds from the above series of transaction (i.e. NAA and the back-to-back investments e.g. equity placement, bond investment, etc.) from the investors, the management believes that production can be resumed in 2H 2025. Given the barrier to "see through" information as mentioned above, the Auditor's assessment was therefore having a different, more conservative outcome as compared to that of the management team of the Company. The Audit Committee agreed with the management's assessment.

Position and basis of the Board's view on the Auditor's disclaimer opinion

After considering the inputs from the Management and taking into account the recommendation from Audit Committee, the Board decided that the FY 2024 consolidated financial statements of the Company be prepared on a going concern basis.

Given the plan mentioned above, the Company is dedicated to conclude the NAA as quickly as possible, after which, the prospective investors solicited in the pipeline can invest into the Company, bringing in substantial cash inflow for the repair and maintenance work of West Ells, and negotiating a production resumption timeline with the Alberta Energy Regulator. The Audit Issue can then be resolved. The Company is aware that the NAA is a connected transaction that would need a Special Shareholder Meeting resolution for approval. The Company will issue press release for information update as and when necessary.

The Board believes that the above action plan is the best and most effective for the Company, as the Target Company has a number of long-term energy operation and management contracts with stable revenue and cash flow necessary to bring the Company back into production and will help support cash flow needs of the Company. Upon completion of the NAA, the Company's financial profile including revenue and cash flow, etc. could be substantially improved. The Target Company possesses leading technology for operation and intelligent management of shallow GSHP central heating and cooling projects. Upon completion of the NAA, such technology is expected to be applicable to the Company's oil production in Canada. With the new strategic cooperation between the two parties, it infuses clean energy elements into the Company's traditional energy business and greatly improves the Company's current mining technology and thus future cost efficiencies.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board places great importance on evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring the Company establishes and maintains appropriate and effective risk management and internal controls systems. The Board would oversee management in the design, implementation and monitoring of the risk management and internal control systems.

The Company reviews and monitors the adequacy and effectiveness of risk management and internal control systems on an ongoing basis so as to ensure that Group's risk management and internal control systems has been conducted effectively. Since the Company does not have an internal audit function, the Company engaged an external consultant to complete testing of the design and effectiveness of its internal control systems for the year ended December 31, 2024. The audit plans are discussed and agreed to for each year with the AC of the Company.

Each year the AC and the Board reviews the overall effectiveness of the Company's risk management and internal control systems. The Board has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended December 31, 2024. In conducting such review, the Board has: (i) reviewed the Company's internal control activities during the year and discussed such activities and the results thereof with the Chief Executive Officer and Chief Financial Officer ; (ii) reviewed and discussed the scope and results of the annual audit with the Company's independent external auditors ; and (iii) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the annual financial statements. Based on its review, the Board was not aware of any material defects in the effectiveness of risk management and internal control systems.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

ANNUAL ASSESSMENT

A review of the effectiveness of the Company's risk management and internal control systems covering all material controls, including financial, operational, compliance, and risk management controls, is conducted annually. The review at the end of 2024 was conducted with reference to the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) internal control framework, which assesses the Company's internal control system against the five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. The Company has also conducted an annual review to assess the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions and their budget (for training and related programs). The approach, findings, analysis and results of this annual review have been reported to the AC and the Board.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATING INSIDE INFORMATION

The Company complies with the requirements of the Securities and Futures Ordinance (the "**SFO**") and the HK Exchange Listing Rules. The Group discloses insider information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbors as provided under the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensure that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balance way, which requires equal disclosure of both positive and negative facts.

BOARD SECRETARY

The Board Secretary, a full-time employee of the Company, who has to report to the Executive Chairman and/or the CFO, has taken no less than 15 hours of relevant professional training during the FY 2024. She has complied with the relevant professional training requirement under Rule 3.29 of the HK Exchange Listing Rules.

All Directors are able to access to the advice and services of the Board Secretary to ensure that board procedures, and all applicable law, rules and regulations, are complied with.

SHAREHOLDERS' RIGHTS

Under the Business Corporations Act (Alberta) (the "**ABCA**"), the directors of a company are authorized to call meetings of shareholders. The ABCA establishes two categories of meetings of shareholders: (i) annual meetings, and (ii) special meetings.

There are also specific circumstances in which shareholders may call special meetings where the directors fail to do so. Pursuant to the applicable provisions of the ABCA, registered or beneficial holders of not less than five per cent (5%) of the issued voting shares may requisition the directors to call a meeting of shareholders. If the directors do not call a meeting within 21 days after receiving the requisition, a shareholder who signed the requisition may call the meeting. The ABCA mandates that such shareholders be reimbursed for expenses incurred in requisitioning, calling, and holding the meeting unless the shareholders resolve otherwise at the meeting.

DIVIDEND POLICY

The Company has adopted the "**Dividend Policy**" concerning the payment of dividends. Pursuant to the Dividend Policy, the Board, when deciding whether to propose a dividend and in determining the dividend amount, it will take into account, among others, (a) the Group's operations and earnings; (b) the general financial condition of the Group; (c) cash requirements and capital expenditures; (d) any restrictions on payment of dividends; and (e) any other factors that the Board may consider relevant, etc.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to the Company's Articles of Incorporation and By-laws, ABCA and any other applicable laws, rules and regulations. The Dividend Policy will be reviewed by the Board from time to time. Details of the Dividend Policy are available on the website of the Company.

Shareholders are encouraged to consult their own tax advisors regarding the tax consequences to them for share transactions.

CORPORATE COMMUNICATION

The Board strives to maintain a high level of transparency in its communications with shareholders and investors. The Company keeps a constant dialogue with the investment community through Company visits, conference calls and information sessions to communicate the Company's business strategies, developments and goals.

The Company introduced a shareholder communication policy on April 1, 2012 for proper compliance with the Code. It's annual and interim reports, stock exchange filings, press releases and other information and updates on the Company's operations and financial performance are available for public access on the Company's website, www.sunshineoilsands.com, and certain of these documents are also available on the website of the HKEX, www.hkexnews.hk.

To encourage shareholders to attend the meetings, more than twenty (20) clear business days' annual meeting notice and ten (10) clear business days' special meeting notice, and the circular containing necessary information that are given to the shareholders is to enable them to make informed decisions on the resolutions proposed to be considered at that general meetings.

During the Company's general meetings, shareholders are encouraged to communicate their views and concerns to the Board directly so as to ensure a high level of accountability and also to stay informed of the Company's strategies, developments and goals. Detailed explanation about procedures for conducting a poll is provided in all general meetings. Board members / committees members are welcome to answer questions at general meeting. For each substantially separate issue, separate resolution would be proposed by the chairman of that meeting.

During the year under review, the Company called Annual Meeting and a Special Meeting. Chair of the general meetings explained the procedures for conducting a poll in detail and opportunities were given to shareholders to raise questions. Nomination of persons as Directors are nominated by means of separate resolutions. Next annual meeting is tentatively scheduled to be held in June 2024 in Hong Kong. Details of the 2024 Annual Meeting and its necessary information on issues to be considered are set out in the circular to be dispatched to Shareholders.

The Board reviewed the Shareholders' Communication Policy or its mechanism in FY 2024 and considered such mechanism served the purpose of providing effective shareholders communication. The Board will review, at least annually, the effectiveness of the aforesaid mechanism.

Shareholders and/or potential investors can submit enquiries to the Board and/or the CEO by mail or by phone to the contact information set out in the "**Corporate Information**" section of this annual report.

CONSTITUTIONAL DOCUMENTS

For the FY 2024, there was no change in the Company's constitutional documents.

COMMUNICATION WITH STAKEHOLDERS

The management understands the importance of community development, health and wellness. And, it plans harmonize economic development with balanced long-term sustainability.

Sunshine has actively cultivated, established, and maintained positive relationships with First Nations and Metis peoples in the region who are proximate to or interested in its projects. The Company provides project updates and meets with the various aboriginal communities on a regular basis to discuss impacts of its operations and pro-actively deal with any issues. The Company also works closely with stakeholders at the municipal, provincial, and federal level to ensure that the regulatory authorities are aware of the Company's alignment with their rules, regulations, and expectations.

The Company will continue to review and improve its corporate governance with an aim to maintain a high degree of transparency, accountability and responsibility.

On behalf of the Board

Kwok Ping Sun
Chairman of the Board

DIRECTORS’ REPORT

The Board of Directors of the Company hereby present their report together with the audited consolidated financial statements of the Company and its wholly-owned subsidiaries for the year ended December 31, 2024 together with comparative figures for the corresponding period in 2023.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company and its subsidiaries (together referred to as the “**Group**”) is engaged in the evaluation and the development of oil properties for the production of crude oil products in the Athabasca oilsands region in Alberta, Canada.

The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

BUSINESS REVIEW

The business review for the year and further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Company and its subsidiaries (the “**Group**”) and an indication of likely future developments in the Group's business, can be found in the section headed “**Management Discussion and Analysis**” of this Annual Report. The discussions in the Management Discussion and Analysis section form part of this Directors’ Report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosures. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group will be provided in the Environmental, Social and Governance Report which will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.com and the Company's website at www.sunshineoilsands.com soonest as possible after the publication of this Annual Report.

KEY PERFORMANCE INDICATORS

The key performance indicators are detailed in the financial review set out in the “Management's Discussion and Analysis” section in this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year. This discussion constitutes part of this Directors’ Report.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2024, are set out in note 33 to the consolidated financial statements. The activities of these subsidiaries as at December 31, 2024 are summarized in the table below:

Name	Place of Incorporation	Principal country of operation	Issued and fully paid share capital	Principal activities
Sunshine Oilsands (Hong Kong) Ltd.	Hong Kong, China	Hong Kong	HK$1	Management services
Boxian Investments Limited	British Virgin, Islands	Hong Kong	US$1	Pursuing new investment opportunities
Sang Xiang Petroleum & Chemical (Shanghai) Limited * 桑祥石油化工(上海)有限公司 *(note 1)*	PRC	PRC	RMB 10,000,000	Pursuing new investment opportunities
Sang Xiang Petroleum & Chemical (Hebei) Limited * 桑祥石油化工(河北)有限公司 *(note 1)*	PRC	PRC	US$ 102,000,000	Inactive

* *for identification purpose only*

Note: *(1) The nature of legal entity established in PRC is Limited Liability Company. The registered capital is not paid.*

RESULTS AND DISTRIBUTIONS TO SHAREHOLDERS

The results of the Company for the financial year ended December 31, 2024 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income included in this Annual Report.

The Board of Directors has not recommended, declared or paid any distributions for the financial year ended December 31, 2024.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Company during the year ended December 31, 2024 are set out in note 11 to the consolidated financial statements.

RESERVES

Details of movements in the Company's reserves during the year ended December 31, 2024 are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2024, reserves available for distribution to shareholders amounted to approximately $17 million (2023: $91 million) as shown in the statutory accounts of the Company and calculated in accordance with the Company's Articles of Incorporation.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Incorporation, by-laws of the Company or the Business Corporations Act (Alberta) which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital of the Company during the year ended December 31, 2024 are set out in the Consolidated Statement of Changes in Equity in this Annual Report.

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 December 18, 2024, a total of 48,695,736 Class "A" common shares were issued and allotted.

Details of share options of the Company are set out in the section headed "EQUITY LINKED AGREEMENT" below.

DIRECTORS

As at December 31, 2024 and up to the date of this Annual Report, the composition of the Board of Directors was as follows:

Executive Directors

Mr. Kwok Ping Sun *(Chairman)*
Ms. Gloria Pui Yun Ho *(Chief Financial Officer)*

Non-Executive Directors

Mr. Michael J. Hibberd *(Vice-Chairman)*
Ms. Xijuan Jiang
Ms. Linna Liu *(Resigned on March 31, 2025)*

Independent Non-Executive Directors

Mr. David Yi He
Mr. Guangzhong Xing
Ms. Jue Pang

Ms. Linna Liu resigned as Non-Executive Director of the Company with effect from March 31, 2025 due to reallocation of work.

Saved as Ms. Liu' s resignation, there was no other changes in the Board, its composition and the composition of its committee members. Biographical details of the above Directors (except Ms. Liu) are included in this Annual Report under the section headed "Directors and Senior Management".

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

All Directors are eligible for being re-elected at the forthcoming annual general meeting of the Company and will offer themselves to stand for re-election at the forthcoming annual general meeting of the Company.

CHANGES TO INFORMATION IN RESPECT OF DIRECTOR(S)

Save as Mr. Michael J. Hibberd ceased to be a director of CanAsia Energy Corp., there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the date of the 2023 Annual Report of the Company.

DIRECTORS' SERVICES CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has or is proposed to have a service contract that with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions set out in note 30 to the consolidated financial statements, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

INDEMNITY AND INSURANCE

Each Directors of the Company has entered into an indemnity agreement with the Company. Pursuant to such indemnity agreements, among other things, the Company has agreed to indemnify such Directors in connection with costs and expenses arising from claims relating to such Director's service as a Director of the Company or actions or omissions performed in such Director's capacity as a director, provided that such director acted honestly and in good faith with a view to the best interests of the Company and, in the case of certain criminal or administrative actions, such Director had reasonable grounds for believing that his conduct was lawful.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN COMMON SHARES AND/OR SHARE OPTIONS

As at December 31, 2024, the interests and short positions of the Directors and the chief executives of the Company in the Common Shares and underlying shares (set out in the section headed *"Share Option Scheme"* under "**EQUITY-LINKED AGREEMENT**") of the Company and its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**SEHK**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Class "A" Common Voting Shares

Name	Company	Nature of Interest	Number of Common Shares held [(1)]	Approximate % interest in the Common Shares [(1)]
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	150,232,591	51.42%
Mr. Michael J Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	2,165,981	0.74%
Ms. Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	139,682	0.05%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	104,814	0.04%
Ms. Linna Liu [(2)]	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Guangzhong Xing	Sunshine Oilsands Ltd.	N/A	-	-
Ms. Jue Pang	Sunshine Oilsands Ltd.	N/A	-	-

Note

(1) *As at December 31, 2024, the Company's issued share capital is 292,174,417 Class "A" Common Voting Shares.*

(2) *Ms. Linna Liu resigned on March 31, 2025*

Apart from the foregoing, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the Shares, underlying shares or debentures of the Company, or any of its subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Company or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2024. In addition, the Company is unaware of any non-compliance of the Model Code by its staff during the year.

EQUITY LINKED AGREEMENT - Share Option Scheme

Pre-IPO Stock Option Plan:

The Company's pre-IPO stock option plan is for Directors, officers, employees, consultants and advisors of the Company. These options vest over a period up to three years from the date of grant. Following the IPO closing on March 1, 2012, no further options were issued under the Pre-IPO Stock Option Plan. As at December 31, 2024, all Pre-IPO Stock Option expired.

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan (the "**Scheme**") was approved and adopted by shareholders at the Company's annual general meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO and listing on the SEHK, March 1, 2012. The maximum number of Common Shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding Common Shares, less the maximum aggregate number of Common Shares underlying the options ("**Options**") already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the Annual and Special Meeting of Shareholders on May 7, 2013. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the Toronto Stock Exchange (the "**TSX**") or the SEHK (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the Common Shares on the TSX or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the Common Shares on the TSX or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date.

On September 30, 2015, the Company completed a voluntary delisting from the TSX. As a result, the Board Directors now determines the exercise price of the Options based solely on the trading date of the Common Shares of the Company from the SEHK only.

The aggregate number of shares that may be issued under the Scheme is 601,359,617 (pre-share consolidation figure) representing 10% of Shares outstanding when the Scheme Mandate Limit was refreshed on October 31, 2018 (and representing approximately 4.94% of the Shares Outstanding as at the date of this report.)

As a result of the Share Consolidation of the Company effective on February 26, 2020, adjustments were made to the exercise prices and the number of Consolidated Shares falling to be allotted and issued upon exercise of the outstanding Options in accordance with the terms and conditions of the Scheme, Rule 17.03 (13) of the Listing Rules and the supplementary guidance dated September 5, 2005 issued by the SEHK. The adjustments to the exercise prices and the number of Consolidated Shares falling to be issued upon exercise of the outstanding Options are detailed in the announcement issued by the Company dated February 26, 2020.

Details of the Post-IPO Stock Option Plan are listed below:

Purpose of the Post-IPO Stock Option Plan:	The purpose of the Post-IPO Stock Option Plan is to attract skilled and experienced personnel, to incentivize them to remain with the Company and to motivate them to strive for the future development and expansion of the Company by providing them with the opportunity to acquire equity interests in the Company.
Participants:	Any Directors, officers and employees of the Company, the Company's subsidiaries and any other persons selected by the Board in its discretion.
Total number of securities available for issue under the scheme:	As at December 31, 2024, nil option (representing 0% of the issued shares of the Company as at the date of the Annual Report)
Maximum entitlement of Participant:	The aggregate number of shares issued or to be issued to any one person under the Post-IPO Stock Option Plan at any time in any 12 month period (together with any shares underlying Options granted during such period under any other share option scheme) must not exceed 1% of shares issued and outstanding at the time, unless shareholder approval has been sought and obtained in accordance with the provisions of the Post-IPO Stock Option Plan (and with the person receiving such Option grant abstaining from voting).

Period within which the shares must be taken up under an Option:	The Option period shall not expire later than 10 years from the date of grant.
Minimum period, if any, for which an Option must be held before it can be exercised:	The minimum period can be in a range from immediately upon grant to two years.
The amount payable, if any, on application or acceptance of the Option and the period within which payments or calls must be made or loans for such purposes must be paid:	Not applicable.
Remaining life of the Post-IPO Stock Option Plan:	The Post-IPO Stock Option Plan shall be valid and effective for the period commencing from January 26, 2012. There is currently no expiration date for the Post-IPO Stock Option Plan.

During the year 2024, no Options were granted.

The accounting policy adopted for the granted Options above follows the policy adopted under the Post-IPO Stock Option Plan for calculating the exercise price.

As of December 31, 2024, none of the Directors or the chief executives of the Company have or are deemed to have interests or short positions in the Common Shares, underlying shares of the Company and any of its associated companies (within the meaning of Part XV of the SFO) which were notifiable to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of Part XV of the SFO, or as otherwise notifiable to the Company and the SEHK pursuant to the Model Code.

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executives and other executive management of Company during the FY2024.

Directors' options

Name of Directors	Date of grant	As at January 1, 2024	Granted	Exercised	Lapsed	Cancelled	As at December 31, 2024	Exercise price (HKD) [2]	Market Closing price (HKD) [2]	End of Vesting period [3]	End of Exercise period [3]
Mr. Yi He	9/9/2019	100,000	-	-	100,000	-	-	3.65	3.6	9/9/2021	9/9/2024
Mr. Guangzhong Xing	9/9/2019	100,000	-	-	100,000	-	-	3.65	3.6	9/9/2021	9/9/2024
	Subtotal	200,000	-	-	200,000	-	-				

Notes:

1) *The Company conducted a share consolidation on the basis that every fifty (50) existing Class "A" Common Voting Shares be consolidated into one (1) consolidated share effective February 26, 2020. All numbers of share options above are adjusted on a post share-consolidation basis.*

2) *The exercise prices and the market closing price immediately before the date of grant of options are adjusted on a post share-consolidation basis. Details are set out in the Company's announcement dated February 26, 2020.*

3) *Under the Post-IPO share option scheme, the first 1/3 of the options granted are vested and exercisable on the date of grant, and each remaining 1/3 of the total options will become vested and exercisable in each subsequent two years immediately after the date of grant and the options will expire in five years from the date of grant.*

Other than disclosed in the tables above, none of the Directors or chief executives of the Company or their related parties had any interests or short positions in any Common Shares of the Company or its associated companies as at December 31, 2024. Please refer to the consolidated financial statements (note 27) included in this Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2024.

SUBSTANTIAL SHAREHOLDER'S INTERESTS IN COMMON SHARES AND/OR UNDERLYING SHARES

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at December 31, 2024, the Company had been notified of the following substantial shareholder's interests and short positions, being 5% or more of the Company's issued share capital. These interests are held in addition to those disclosed above in respect of the Directors and Chief Executives.

Name	Nature of Interest	Common Shares Held	Approximately % in the Common Shares
Zhang Jun	Direct/Indirect	59,695,736	20.4%

Note

(1) *As at December 31, 2024, the Company's issued share capital is 292,174,417 Class "A" Common Voting Shares.*

Other than disclosed in the tables above, so far as is known to the Directors, as at December 31, 2024, other than the interests of Directors or chief executive(s) of the Company as disclosed above, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMOLUMENT POLICY

The emolument policy of executives of the Company is set up by the compensation committee on the basis of merit, qualifications and competence of the staff. The emolument policy for the rest of employees is determined on a department-by-department basis with the executive in charge of each department determining the emoluments for senior employees and managers in the department and the emoluments for non-senior employees being determined by an appropriately designated manager. The emolument policy for non-executives is administered in conjunction with the human resources department and is done on the basis of merit, qualifications and competence.

The emolument policy for the Directors of the Company is decided by the compensation committee and approved by the Board of Directors, having regard to comparable market statistics.

The Company also has a stock option plan for Directors, officers, employees, consultants and advisors (the "**Stock Option Plan**"). The options vest over a period ranging up to five years from the date of grant. Since March 1, 2012, Options granted under the Stock Option Plan follow the granting rules of the Company's Post-IPO Stock Option Plan as disclosed above under the section entitled "**Share Option Scheme**".

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2024, none of the Directors nor their respective close associates had interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Company or its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2024 was the Company or its subsidiary a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities.

PENSION SCHEMES

The Company does not have a pension scheme.

LOANS

As at December 31, 2024, the Company had senior secured notes of which the Non-Forbearing part is considered current liabilities and the Forbearing part is considered non-current liabilities. Details of the classification of the note as a current liability are set out in Note 14(b) of the consolidated financial statements.

On August 8, 2023, the Company and the Forbearing Holder (The Noteholder representing 96% of the outstanding Notes) confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "2023 FRAA"). The principal terms of the 2023 FRAA include: (i) the FRAA covers the period from September 1, 2023 to August 31, 2025 ("Period of Forbearance 3"); (ii) same as the Forbearance Reinstatement and Amending Agreement 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, and 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 April 11, 2024, the Company and the Forbearing Holder entered into the interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holder agree to unconditionally and irrevocably waive the interest accrued between January 1, 2024 to December 31, 2024 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated August 8, 2023 (the "Waiver of Interest") which 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.

During the year, the Group also had loans from related companies totaling approximately CAD $56,205,000 which are unsecured, interest bearing at 10% per annum and repayment are due from 1 to 3 years (2023: CAD 51,933,000 are due from 3 months to 3 years). Amongst which, an outstanding principal amount of approximately CAD27,068,000 have been extended the repayment date to 2027.

As at December 31, 2024, the Group had loans from shareholders totaling approximately CAD$20,990,000 (2023: 19,021,000) which are unsecured, interest bearing at 10% per annum, and repayment are due from 1 to 3 years.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Protection and preservation of the environment is a fundamental operating principle of the Company. Its projects and operations adhere strictly to established Standard Operating Procedures and Practices (SOPs) for all situations and conditions which exist. Ongoing environmental monitoring, assessments, and audits ensure the Company's objectives are met with respect to environmental stewardship.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATION

For the FY2024, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on it.

RELATIONSHIPS WITH STAKEHOLDERS

The Company has actively cultivated, established, and maintained positive relationships with First Nations and Metis peoples in the region who are proximate to or interested in its projects. The Company provides project updates and meets with the various aboriginal communities on a regular basis to discuss impacts of its operations and pro-actively deal with any issues. The Company also works closely with stakeholders at the municipal, provincial, and federal level to ensure that the regulatory authorities are aware of the Company's alignment with their rules, regulations, and expectations.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

For the year ended December 31, 2024, the Company had two major customers (2023: two major customers) in aggregate contributed to 100% of the Group's revenue. Two customers (2023: two customer) exceeded 10% of the Company's revenue. The Company's largest customer accounted for approximately 76% of revenue totaling CAD23,170,000 (2023: 84% of total revenue totaling CAD25,400,000), while the second largest customer accounted for approximately 24% of revenue totaling CAD7,226,000 in 2024.

Revenue from customers contributing over 10% of the total revenue, before royalty, of the Group is as follows:

	2024 *CAD' 000*	2023 *CAD' 000*
Customer A	7,226	25,400
Customer B	-	4,694
Customer C	23,170	-

During FY2024, to the best knowledge of the Directors of the Company, neither the Directors, their associates, nor any Shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers for the years ended December 31, 2024 and 2023.

The Company will continuously look to expand its base of customers to obtain the best possible price for its product.

Suppliers

For the year ended December 31, 2024, the Company’ s largest supplier accounted for approximately 14% (2023: 18%) of the Company’ s total cost of sales. The Company’ s five largest suppliers accounted for approximately 49% (2023: 57%) of the Company’ s total cost of sales.

None of the Directors, nor any of their close associates, or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had an interest in the Group's five largest suppliers.

CONNECTED TRANSACTION

On June 3, 2024 (Hong Kong time), the Company entered into a non-binding memorandum of understanding (the “MOU”) with Nobao Energy Holding (China) Company Limited ("Nobao Energy China") in relation to a potential acquisition of equity interest in a wholly-owned subsidiary (the "Target Company") of Nobao Energy China (the "Potential Acquisition"). Since Mr. Sun Kwok Ping is a substantial shareholder, a Board member and the Executive Chairman of the Company, he is also the controlling shareholder of Nobao Energy China, Nobao Energy China is a connected person of the Company under the Listing Rules. And should the Potential Acquisition be proceeded, it is expected that it will constitute a connected transaction to the Company under Chapter 14A of the Listing Rules. The Potential Acquisition is subject to among other things, the satisfaction of certain conditions set out in the MOU, and the completion of mutually acceptable definitive and legally binding documentation including a share purchase agreement. Details are set out in the announcement issued by the Company dated June 3, 2024 (Hong Kong time).

Upon entering into the MOU, the Company is proactively carrying out due diligence and valuation work of the Target Company. After the relevant work is completed, the Company will further negotiate the transaction terms and details of the Potential Acquisition with Nobao Energy China. As at the date of this Annual Report, the parties have yet to conclude any agreement.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Company during the year in the ordinary course of business are set out in note 30 to the consolidated financial statements. None of these transaction constitutes a discloseable connected transaction as defined under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report section of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float of more than 25% of the issued share capital required under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares during the year ended December 31, 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 1. This summary does not form part of the audited financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

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).

LITIGATIONS

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2024 municipal property taxes of approximately CAD16,483,000. The Group was also charged with overdue penalties of approximately CAD19,682,000. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group 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 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 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 Group 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 judgment by serving notice in the State of New York.

CONFIRMATION OF INDEPENDENCE

The three independent non-executive Directors do not hold more than 1% of the number of issued shares of the Company. They have not received an interest in any securities of the Company as a gift, or by means of other financial assistance, from a core connected person or the Company. They are or were not a director, partner or principal of a professional adviser which currently provides or provided services to the Company and its Group. They met all the independent guidelines set out in Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers them to be independent.

DISCLAIMER OPINION

The Company's auditor, Prism Hong Kong Limited (the "Auditor"), issued a "Disclaimer Opinion" for the FY2024 consolidated financial statements of the Company. They do not express an opinion on the Company's consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of the Auditor's report, they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in their opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As set out in note 1(b) to the consolidated financial statements, the Group incurred a net loss of approximately CAD75,689,000 for the year ended December 31, 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately CAD92,666,000. The current liabilities of the Group as at December 31, 2024 include trade payables, interest payables and accrued liabilities, other loans and senior notes with aggregate carrying amounts of approximately CAD108,587,000, while the Group's cash and cash equivalents as at December 31, 2024 amounted to only approximately CAD319,000. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures taken by the Directors, as described in note 1(b) to the consolidated financial statements, which are subject to material uncertainties, including (i) the successful granting an approval of resumption of production from the Alberta Energy Regulator in respect of West Ells project; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful maintenance of relationship with the Group' s existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings; (iv) successfully strengthening and implementing measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs, to increase the Group' s internally generated funds. The Auditor was provided with an analysis by the management in respect of the Group' s going concern assessment. However, they are of the view that such analysis is not sufficiently detailed for them to assess the Group' s plans and measures for future actions in the going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Accordingly, they have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of the management' s use of the going concern basis of accounting in the preparation of the consolidated financial statements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group' s assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The management' s assessment and the Audit Committee' s view are set out in the section headed "**Management Discussion and Analysis**" of this Annual Report.

INDEPENDENT AUDITORS

The financial statements have been audited by Prism Hong Kong Limited, who will retire and, being eligible, to offer themselves for re-appointment. A resolution to this effect will be proposed at the forthcoming annual general meeting of the Company.

Prism has been appointed as auditor of the Company since September 22, 2020.

On behalf of the Board

Kwok Ping Sun

Chairman of the Board

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

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

(Barrels/day)	For the three months ended December 31, 2024	2023	For the twelve months ended December 31, 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

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

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2024	2023	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,		Twelve months ended December 31,	
	2024	2023	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

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands)	2024	2023	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

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2024	2023	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/M Mbtu)
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.

Auditor's Disclaimer Opinion, Management's assessment and Audit Committee's view

Auditor's Disclaimer Opinion

The Auditor issued a disclaimer opinion for the FY2024 consolidated financial statements of the Company. They do not express an opinion on the Company's consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of the Auditor's report, they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in their opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Management's Assessment

Based on management's assessment, the FY2024 consolidated financial statements were prepared on a going concern basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in the normal course of business was based on the following consideration and assumption:

i) the expected timing when production can be resumed with the approval of the Alberta Energy Regulator;

ii) the likelihood of the Nobao asset acquisition transaction (“NAA”) (stipulated in the announcements dated June 3, 2024 and September 9, 2024) which is expected to be a strong catalyst for the Company’s business, profitability and cash flow profile;

iii) the investors gathered in the pipeline who have expressed interest in investing in the Company upon completion of the NAA and support from the major shareholder;

iv) good relationship with the existing lenders of which the majority are related parties; and

v) measures to improve working capital and cash flow of the Company.

Specifically the management estimates that oil production can be resumed in the fourth quarter of 2025 based on its continuous dialogue with the Alberta Energy Regulator, as well as the timing of additional financing and thus completion of the required repair and maintenance work. Moreover, the Company believes that the NAA is highly likely to happen based on the eagerness and intention of the Company’s Chairman to transfer a profitable, cash-rich business into the Company. Currently, Nobao Energy China and the Company is screening and understanding the projects within the Target Company and is expected to negotiate commercial terms which would bring the transaction closer to a legally binding deal. It is expected that the NAA will be a strong catalyst for the Company’s cash flow, profitability and technological competence. At the same time, the Company has gathered prospective investors who have expressed interests to invest after the completion of the NAA. The management team estimated that the investment would at least be sufficient to cover the cash flow need for the repair and maintenance work of West Ells as well as the operating expenses for the Company for the next 6 months after the resumption of production. Regarding the relationship with the Company’s existing lenders, actually over 90% of the interest-bearing debt is owed to related parties who have provided letter of support to the Company after year-end 2024 promising not to demand for repayment of the next 12 months from the year-end date.

Audit Committee’s view

The Audit Committee is fully aware of the auditor’s view and the management assessment of the going concern basis. The Audit Committee believes that the auditor took a more prudent approach in dealing with the Audit Issue is understandable because they cannot go beyond to assess the likelihood of the NAA as the only public information available is about the Memorandum of Understanding (MOU) regarding the transaction rather than having a legally binding agreement already executed. Whereas management, close to the Chairman (also the largest shareholder of the Nobao group which holds the Target Company), is aware of his eagerness in fostering the transaction to happen. Secondly, prospective investors who have committed to invest in the Company after the NAA were investors who have invested in Nobao before and are even more inspired by the light-asset model of the business of the Target Company. As it is difficult to have any binding agreement inked at this moment but indeed prospective investors are in the pipeline, the Audit Committee fully understands the difficulty of the auditors of putting in potential investment cash inflow from these investors in the cash flow forecast when assessing the going concern assumption of the Company. With the funds from the above series of transaction (i.e. NAA and the back-to-back investments e.g. equity placement, bond investment, etc.) from the investors, the management believes that production can be resumed in 2H 2025. Given the barrier to “see through” information as mentioned above, the auditor’s assessment was therefore having a different, more conservative outcome as compared to that of the management team of the Company. The Audit Committee agreed with the management’s assessment.

Sunshine’s plan

Given the plan mentioned above, the Company is dedicated to conclude the NAA as quickly as possible, after which, the prospective investors solicited in the pipeline can invest into the Company, bringing in substantial cash inflow for the repair and maintenance work of West Ells, and negotiating a production resumption timeline with the Alberta Energy Regulator. The Audit Issue can then be resolved. The Company is aware that the NAA is a connected transaction that would need a Special Shareholder Meeting resolution for approval. The Company will issue press release for information update as and when necessary.

The Board of Directors believes that the above action plan is the best and most effective for the Company, as the Target Company has a number of long-term energy operation and management contracts with stable revenue and cash flow necessary to bring the Company back into production and will help support cash flow needs of the Company. Upon completion of the NAA, the Company's financial profile including revenue and cash flow, etc. could be substantially improved. The Target Company possesses leading technology for operation and intelligent management of shallow GSHP central heating and cooling projects. Upon completion of the NAA, such technology is expected to be applicable to the Company's oil production in Canada. With the new strategic cooperation between the two parties, it infuses clean energy elements into the Company's traditional energy business and greatly improves the Company's current mining technology and thus future cost efficiencies.

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.

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.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SUNSHINE OILSANDS LTD.
(Incorporated in the Province of Alberta, Canada with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Sunshine Oilsands Ltd. (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 58 to 133, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the Group's consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As set out in note 1(b) to the consolidated financial statements, the Group incurred a net loss of approximately CAD75,689,000 for the year ended December 31, 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately CAD92,666,000. The current liabilities of the Group as at December 31, 2024 include trade payables, interest payables and accrued liabilities, other loans and senior notes with aggregate carrying amounts of approximately CAD108,587,000, while the Group's cash and cash equivalents as at December 31, 2024 amounted to only approximately CAD319,000. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures taken by the directors of the Company, as described in note 1(b) to the consolidated financial statements, which are subject to material uncertainties, including (i) the successful granting an approval of resumption of production from the Alberta Energy Regulator in respect of West Ells Oilsand; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings; (iv) successfully strengthening and implementing measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs, to increase the Group's internally generated funds. We were provided with an analysis by the management in respect of the Group's going concern assessment. However, such analysis is not sufficiently detailed for us to assess the Group's plans and measures for future actions in the going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Accordingly, we have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of the management's use of the going concern basis of accounting in the preparation of the consolidated financial statements.

Basis for Disclaimer of Opinion *(continued)*

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Responsibilities of Directors of the Company and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report that includes our opinion, solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fung Shing Bun, Spencer.

Prism Hong Kong Limited
Certified Public Accountants
Fung Shing Bun, Spencer
Practising Certificate Number: P07451
Hong Kong, March 31, 2025

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

	Notes	**2024**	**2023**
		CAD'000	CAD'000
Assets			
Current assets			
Trade and other receivables	7	4,811	5,424
Loan receivables	8	11,366	-
Cash and cash equivalents	9	319	527
		16,496	5,951
Non-current assets			
Exploration and evaluation assets	10	239,259	237,971
Property, plant and equipment	11	476,446	481,384
Right-of-use assets	12(a)	5,326	5,983
Other receivables	7	-	2,594
Loan receivables	8	1,496	12,049
		722,527	739,981
Total assets		739,023	745,932
Liabilities and shareholders' equity			
Current liabilities			
Trade payables, interest payables and accrued liabilities	13	81,863	72,450
Other loans	14(a)	15,213	1,839
Senior notes	14(b)	11,511	10,581
Lease liabilities	12(b)	575	539
		109,162	85,409
Non-current liabilities			
Interest payables	13	204,055	181,556
Loans from related companies	15	56,205	51,933
Loans from shareholders	16	20,990	19,021
Other loans	14(a)	3,890	13,615
Senior notes	14(b)	274,315	252,142
Lease liabilities	12(b)	509	1,380
Provisions	17	53,049	49,829
		613,013	569,476
Total liabilities		722,175	654,885

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

(CONTINUED)

	Notes	2024	2023
		CAD'000	CAD'000
Shareholders' equity			
Share capital	18	1,318,681	1,315,265
Reserve for share-based compensation		76,416	76,416
Capital reserve		(4,453)	(4,453)
Exchange fluctuation reserve		(2,300)	(455)
Accumulated deficit		(1,369,900)	(1,294,508)
Equity attributable to owners of the Company		18,444	92,265
Non-controlling interests		(1,596)	(1,218)
Total shareholders' equity		16,848	91,047
Total liabilities and shareholders' equity		739,023	745,932

Going concern	1(b)
Commitments and contingencies	32

The consolidated financial statements on pages 58 to 133 were approved and authorised for issue by the board of directors on March 31, 2025 and are signed on its behalf by:

David Yi He,
Independent Non-Executive Director

Kwok Ping Sun,
Executive Director

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

	Notes	2024	2023
		CAD'000	CAD'000
Revenue	19	29,317	29,555
Other income	21	1,610	9,822
Total revenue and income		30,927	39,377
Expenses			
Diluent costs		(13,145)	(12,462)
Transportation costs		(5,272)	(9,531)
Operating costs		(13,304)	(17,068)
Depletion and depreciation		(6,686)	(8,610)
Impairment loss on financial assets, net of reversal		229	(337)
General and administrative costs		(12,291)	(12,553)
Finance costs	22	(12,598)	(10,125)
Total expenses		(63,067)	(70,686)
Other (loss) gain			
Foreign exchange (loss) gain, net		(43,549)	11,683
Loss before income tax		(75,689)	(19,626)
Income tax expenses	28	-	-
Loss for the year	23	(75,689)	(19,626)
Loss for the year attributable to:			
Owners of the Company		(75,392)	(19,330)
Non-controlling interests		(297)	(296)
		(75,689)	(19,626)

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

(CONTINUED)

	Note	2024 CAD'000	2023 CAD'000
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		(1,926)	664
Other comprehensive (expense) income for the year		(1,926)	664
Total comprehensive expenses for the year		(77,615)	(18,962)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(77,237)	(18,743)
Non-controlling interests		(378)	(219)
		(77,615)	(18,962)
Loss per share	24		
Basic and diluted (CAD cents)		(30.73)	(7.94)

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

	Attributable to owners of the Company							
	Share capital	**Reserve for share-based compensation**	**Capital reserve**	**Exchange fluctuation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000
Balance as at January 1, 2024	1,315,265	76,416	(4,453)	(455)	(1,294,508)	92,265	(1,218)	91,047
Loss for the year	-	-	-	-	(75,392)	(75,392)	(297)	(75,689)
- Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	(1,845)	-	(1,845)	(81)	(1,926)
Total comprehensive expense for the year	-	-	-	(1,845)	(75,392)	(77,237)	(378)	(77,615)
Issuance of new shares (note 18)	3,416	-	-	-	-	3,416	-	3,416
Balance as at December 31, 2024	1,318,681	76,416	(4,453)	(2,300)	(1,369,900)	18,444	(1,596)	16,848

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

(CONTINUED)

	Attributable to owners of the Company							
	Share capital	Reserve for share-based compensation	Capital reserve	Exchange fluctuation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Balance as at January 1, 2023	1,315,265	76,416	(4,453)	(1,042)	(1,275,178)	111,008	(999)	110,009
Loss for the year	-	-	-	-	(19,330)	(19,330)	(296)	(19,626)
- Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	587	-	587	77	664
Total comprehensive income (expense) for the year	-	-	-	587	(19,330)	(18,743)	(219)	(18,962)
Balance as at December 31, 2023	1,315,265	76,416	(4,453)	(455)	(1,294,508)	92,265	(1,218)	91,047

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	CAD'000	CAD'000
Operating activities		
Loss before income tax	(75,689)	(19,626)
Adjustments for:		
Depletion and depreciation	6,686	8,610
Unrealised foreign exchange loss (gain)	44,141	(11,851)
Income recognised in relation to the bitumen royalty agreement	-	(5,000)
Interest income	(7)	(7)
Written-off on trade payables	-	(2,374)
Gain on disposal of property, plant and equipment (note 23)	(161)	-
Gain on early termination of lease (note 23)	(97)	-
Impairment loss on financial assets, net of reversal	(229)	337
Finance costs	12,599	10,125
Operating cash flows before movements in working capital	(12,757)	(19,786)
Decrease in trade and other receivables	3,376	104
Increase in trade payables and accrued liabilities	6,413	12,094
Net cash used in operating activities	(2,968)	(7,588)
Investing activities		
Payments for acquisition of property, plant and equipment	(772)	(547)
Payments for exploration and evaluation assets	(560)	(2,234)
Proceeds from disposal of property, plant and equipment	590	-
Interest received	7	7
Net cash used in investing activities	(735)	(2,774)
Financing activities		
Advances from related companies' loans	194	265
Advances from shareholders' loans	3,447	6,991
Advances from other loans	3,693	1,440
Repayments to other loans	(1,525)	(1,780)
Repayments of lease liabilities	(639)	(583)
Payments for finance costs	(958)	(512)
Repayments of related companies' loans	(159)	(455)
Repayments of shareholders' loans	(538)	-
Proceeds from bitumen royalty agreement	-	5,000
Net cash generated from financing activities	3,515	10,366
Net increase in cash and cash equivalents	(188)	4
Cash and cash equivalents, beginning of year	527	542
Effect of foreign exchange rate changes	(20)	(19)
Cash and cash equivalents, end of year	319	527

The accompanying notes form part of these annual consolidated financial statements.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate information

Sunshine Oilsands Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on February 22, 2007. Its ultimate controlling party is Mr. Kwok Ping Sun ("Mr. Sun"). The address of its principal place of business is 1100, 700 – 6th Avenue S.W., Calgary, Alberta, Canada T2P 0T8 and subsequently with effective from November 20, 2024, was changed to Suite 1210 – 635 8th Avenue SW, Calgary, AB T2P 3M3. The Company's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on March 1, 2012 pursuant to an initial public offering ("IPO") and trades under the stock code symbol of "2012". On November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange ("TSX") and traded under the symbol of "SUO". On September 30, 2015, the Company completed a voluntary delisting from the TSX. The Company continues to be a reporting issuer in Canada.

The Company and its subsidiaries (together referred to as the "Group") is engaged in the evaluation and the development of oil properties for the production of crude oil products in the Athabasca oilsands region in Alberta, Canada. Details of the subsidiaries are set out in note 33.

The consolidated financial statements are presented in Canadian Dollars ("CAD") which is the same as the functional currency of the Company.

(b) Basis of preparation

Multiple uncertainties relating to going concern

The Group incurred a net loss of approximately CAD75,689,000 for the year ended December 31, 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately CAD92,666,000. The current liabilities of the Group as at December 31, 2024 include trade payables, interest payables and accrued liabilities, other loans and senior notes with aggregate carrying amounts of approximately CAD108,587,000, while the Group's cash and cash equivalents as at December 31, 2024 amounted to only approximately CAD319,000.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors of the Company have reviewed the Group's cash flow projections prepared by management, which covers a period of at least 18 months from 31 December 2024.

The Group has developed and implemented the following liquidity plans to mitigate the liquidity pressures and to improve its financial position of the Group, and to address the going concern issue:

(i) The Group will closely monitor the progress of repair and maintenance work for its West Ells oilsands and actively obtain an approval of resumption of production from the Alberta Energy Regulator in the shortcoming future;

1. CORPORATE INFORMATION AND BASIS OF PREPARATION (CONTINUED)

(b) Basis of preparation (continued)

Multiple uncertainties relating to going concern *(continued)*

(ii) The Group will actively obtain additional new sources of financing (such as additional advances from shareholders of the Company) as and when needed;

(iii) The Group will closely communicate with the senior noteholders and other loans holders to request for undertaking that they would not demand repayment of the amounts due to them with aggregate amounts of approximately CAD26,724,000 or extend the advances until the Group has excess cash to repay;

(iv) The Group will continue to strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs, to increase the Group's internally generated funds.

The directors of the Company are confident that, after the abovementioned measures progressively take effect, the financial condition of the Group will be restored and the uncertainties relating to going concern will be properly addressed. The directors of the Company therefore hold the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next eighteen months from December 31, 2024. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern for a period of eighteen months from the end of the reporting period would depend upon the following:

(i) The successful granting an approval of resumption of production from the Alberta Energy Regulator in respect of West Ells oilsands;

(ii) The successful obtaining of additional new sources of financing as and when needed;

(iii) The successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings; and

(iv) Successfully strengthening and implementing measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs, to increase the Group's internally generated funds.

Should the Group be unable to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

In the current year, the Group has applied, for its first time, the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on January 1, 2024.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRS Accounting Standards issued but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards and interpretation that have been issued but are not yet effective:

Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards — Volume 11[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after January 1, 2025
[2] Effective for annual periods beginning on or after January 1, 2026
[3] Effective for annual periods beginning on or after January 1, 2027
[4] Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the new and amendments to IFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (CONTINUED)

Change in accounting policy

New Hong Kong Institute of Certified Public Accountants ("HKICPA") guidance on the accounting implication of the abolition of the mandatory provident fund ("MPF") – long service payment ("LSP") offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to MPF scheme to reduce the LSP in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implication of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

The Group has considered the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. Historically, the Group accounted for the offsetting mechanism by applying the practical expedient in IAS19.93(b). Based on the HKICPA guidance, upon the enactment of the Amendment Ordinance in June 2022, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying IAS19.93(a).

The Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. There is no material impact on the Group's results and financial position for the current or prior periods.

3. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standard issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantages) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Sales of goods

Revenue from the sales of crude oil products is recognised based on the floating prices specified in contracts with customers and when control of the product transfers to the customers and collection is reasonably assured. The sales or transaction price of the Group's crude oil products to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalisation adjustments. The revenue is collected on the 25th day of the month following sales.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- the amount expected to be payable by the lessee under residual value guarantees;

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. CAD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs and termination benefits

Payments to the defined contribution plans, state-managed retirement benefit schemes, the Mandatory Provident Fund Scheme (the "MPF scheme") and the Employee Provident Fund (the "EPF scheme") and Canada Pension Plan ("CPP") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from " profit (loss) before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss.

Oil and natural gas exploration and development expenditures

Exploration and evaluation ("E&E") assets

E&E assets are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, E&E drilling, directly attributable general and administrative costs (including share-based compensation costs), borrowing costs, consequential operating costs net of revenues and the initial estimate of any decommissioning obligation associated with the assets. The costs directly associated with an exploration well are capitalised as E&E assets until the drilling of the well is completed and the results have been evaluated.

Pre-acquisition costs for oil and gas assets are recognised in the consolidated statement of profit or loss and other comprehensive income when incurred. Acquisition of undeveloped mineral leases is initially capitalised as E&E assets and charged to consolidated statement of profit or loss and other comprehensive income upon the expiration of the lease, impairment of the asset or management's determination that no further E&E activities are planned on the lease, whichever comes first. E&E assets can be further broken down into tangible and intangible assets. Intangible costs are all costs considered necessary to drill a well and ready a site prior to the installation of the production equipment. Tangible drilling costs are those incurred to purchase and install the production equipment and include production facilities.

The decision to transfer assets from E&E to development and producing assets (included in property, plant and equipment) occurs when the technical feasibility and commercial viability of the project are determined, based on proved and probable reserves being assigned to the project. If commercial reserves are found, E&E are tested for impairment and transferred to appraisal and development tangible assets as part of property, plant and equipment. No depreciation and/or amortisation is charged during the E&E phase.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Oil and natural gas exploration and development expenditures (Continued)

Impairment

If no economically recoverable reserves are found upon evaluation, the E&E assets are tested for impairment and the difference between the carrying amount and the recoverable amount are charged to the consolidated statement of profit or loss and other comprehensive income. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for indicators of impairment at the end of each reporting period to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being charged to the consolidated statement of profit or loss and other comprehensive income. When economically recoverable reserves are determined and development is approved, the relevant carrying value is transferred to property, plant and equipment.

E&E assets are assessed for the indicators of impairment at the end of each reporting period. The assessment for impairment is completed on a CGU basis. After impairment is assessed, any carrying amounts which exceed recoverable amounts, by CGU, on the E&E assets are written down to the recoverable amount through the consolidated statement of profit or loss and other comprehensive income.

Impairment losses recognition are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. The reversal of an impairment loss is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Property, plant and equipment

Property, plant and equipment comprises mainly computers and office equipment and development and production assets (includes crude oil products assets), The initial cost of a property, plant and equipment consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation associated with the asset and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid, including the fair value of any other consideration given to acquire the asset. Property, plant and equipment are carried at cost less the total of accumulated depletion, depreciation and impairment losses.

Turnaround costs

Turnaround costs, which are the costs related to the turnaround of a capital project, such as those costs incurred to ensure safety of the worksite and preservation of an asset that are not directly attributable to the development of an asset are expensed through the consolidated statements of profit and loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

Maintenance and repairs

Major repairs and maintenance consist of replacing assets or substantial parts of an asset. Where an asset or substantial part of an asset is replaced and it is probable that future economic benefits associated with the replacement will flow to the Group, the expenditure is capitalised and depreciated the decreasing charge over the remaining life of the asset. The net carrying value of the asset or substantial part being replaced is derecognised at the time the replacement is capitalised. All other maintenance costs are expensed as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depletion and depreciation

Depletion of development and production costs (crude oil products assets), included in property, plant and equipment, and production equipment are measured on the unit-of-production method based upon estimated proved plus probable recoverable oil and natural gas reserves before royalties in each CGU as determined by independent engineers.

Depreciation of office furniture, equipment, computers and vehicles included in property, plant and equipment are depreciated on a declining balance basis between 20% to 30% per year.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGUs, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 21).

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 12 months past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at fair value through profit or loss , are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions including decommissioning costs are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Decommissioning costs and liabilities for statutory, contractual, constructive or legal obligations associated with site restoration and abandonment of tangible long-lived assets are initially measured at a fair value which approximates to the costs the Group would incur in performing the tasks necessary to abandon the field and restore the site. Fair value is recognised in the consolidated statement of financial position at the present value of expected future cash outflows to satisfy the obligation as a liability, with a corresponding increase in the related asset, and is depleted using the unit-of-production method over the estimated remaining proved plus probable oil and gas reserves before royalties as appropriate.

Subsequent to initial measurement, the effect of the passage of time on the liability for the decommissioning obligation (accretion expense) is recognised in the consolidated statement of profit or loss and other comprehensive income as finance costs. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the obligation and the recorded liability is recognised as a gain or loss in the consolidated statement of profit or loss and other comprehensive income in the period in which the settlement occurs.

Equity-settled share-based payment transactions

Share options issued to employees

Equity-settled share-based compensation to directors and employees are measured at the fair value of the equity instruments, less the fair value of the proceeds received on issuing the equity instruments at the issue date.

The fair value of the equity instruments, including share options or warrants, expected to vest as determined at the issue date of the equity-settled share-based compensation is expensed on a graded vesting basis over the vesting period, unless the services are directly attributable to qualifying assets, with a corresponding increase in reserve for share-based compensation.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based compensation.

When share options are exercised the amount previously recognised in share options reserve will be transferred to share capital when the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

The Group records compensation expense at the date of issue, based on fair value and management's best estimates.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Equity-settled share-based payment transactions (Continued)

Share options issued to non-employees

Equity-settled share-based compensation transactions, with parties other than employees and directors, are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments issued, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (reserve for share-based compensation), when the Company obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets or directly attributable to qualifying assets.

Fair value measurement

When measuring fair value except value in use of exploration and evaluation assets, property, plant and equipment and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statement, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimates, that management has made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 1(b) to the consolidated financial statements.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Oil and gas reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on, among other things, forecasts of production, prices, cost estimates and economic conditions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Oil and gas reserves (Continued)

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production, prices and other economic conditions;

- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and

- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Group's development and production assets are determined using proved plus probable reserves.

Depletion and impairment of property, plant and equipment and exploration and evaluation assets

The amounts recorded for depletion and impairment of property, plant and equipment crude oil assets are based on estimates. These estimates include proved and probable reserves, production rates, future oil prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Group's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under the Canadian Oil and Gas Evaluation Handbook ("COGEH"). Changes in reserve estimates impact the financial results of the Group as reserves and estimated future development costs are used to calculate depletion and are also used in impairment calculations.

The decision to transfer exploration and evaluation assets to property, plant and equipment crude oil is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

For impairment testing, property, plant and equipment (crude oil assets) and exploration and evaluation assets are aggregated into CGUs, based on management's judgement in defining the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

Exploration and evaluation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of oil and production profile. Management uses all readily available information in determining an amount that is a reasonable approximately of recoverable amount, including estimates basis on reasonable and supportable assumptions and projections of future oil prices and production profile.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Depletion and impairment of property, plant and equipment and exploration and evaluation assets (continued)

The discount rate used to calculate the net present value of cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate company and industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

The forecasted Western Canada Select (WCS) price utilised in the computation of the net present value of cash flows for impairment testing is obtained through examination of historical engineering forecasts in comparison to actual WCS prices. The accuracy of the engineer's WCS forecast is subject to fluctuations in global oil demand and supply dynamics, geopolitical tensions, regulatory changes impacting the oil industry, technological advancements affecting oil extraction and refining processes, as well as environmental considerations and their implications on oil production and consumption patterns. Additionally, market sentiments, currency fluctuations, and unforeseen events such as natural disasters or global economic downturns can significantly influence the WCS price trajectory.

The impairment test, if conducted, was performed with the sole objective of assessing whether the recoverable amount exceeds the carrying amount of the assets, utilising the available information and assumptions at the time of evaluation by the Company. Therefore, the impairment test inherently entails a significant level of uncertainty and volatility, and the conclusions drawn are subject to various limitations and external factors beyond the Company's control.

The determination of the recoverable amount in the impairment test relies on numerous assumptions, encompassing the accuracy and comprehensiveness of both financial and non-financial data provided. Additionally, it relies on the successful execution of engineering reports or relevant assessments and the occurrence of transactions in an orderly and highly efficient market. Fluctuations in the external environment, market conditions, regulatory frameworks, technological advancements, and unforeseen events can notably influence the recoverable amounts of the subject CGUs under evaluation.

Moreover, the realisation of the estimated recoverable amount is contingent upon the effective execution of the Company's strategies, the attainment of projected financial performance, and the general performance of the industry in which the Company operates. There are significant inherent uncertainties and constraints associated with impairment tests, as well as the potential impact of unforeseen events on the calculation of the recoverable amount.

Decommissioning costs

A provision is required to be recognised for the future retirement obligations associated with the Group's assets. The decommissioning provision is based on estimated costs, taking into account of the anticipated method and extent of restoration consistent with legal, regulatory and construction requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance recognised in respect of trade and other receivables and loan receivables

The impairment provisions for trade and other receivables and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at December 31, 2024, the carrying amounts of trade and other receivables and loan receivables are approximately CAD3,480,000 (2023: CAD6,669,000) and CAD12,862,000 (2023: CAD12,049,000) respectively, with accumulated loss allowance on trade and other receivables and loan receivables of approximately CAD151,000 (2023: CAD324,000) and CAD988,000 (2023: CAD1,041,000) respectively.

Share-based compensation

The Company recognises compensation expense on options and stock appreciation rights ("SARs") granted. Compensation expense is based on the estimated fair value of each option, preferred share and stock appreciation right at its grant date, the estimation of which requires management to make assumptions about future volatility of the Company's stock price, future interest rates, future forfeiture rates and the timing with respect to exercise of the instruments. The effects of a change in one or more of these variables could result in a materially different fair value.

Income taxes

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes other loans and senior notes in note 14, loans from related companies in note 15 and loans from shareholders in note 16, net of cash and cash equivalents disclosed in note 9 and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated deficit.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024	**2023**
	CAD'000	CAD'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	16,661	19,245
Financial liabilities		
Financial liabilities at amortised cost	668,042	603,137

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, cash and cash equivalents, trade payables, interest payables and accrued liabilities, loans from related companies, loans from shareholders, other loans and senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices will affect the Group's net loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There have been no changes over the prior year to the Group's objectives, policies or processes to manage market risks.

(a) Price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil products are impacted by world economic events that dictate the levels of supply and demand. The Group has not attempted to mitigate commodity price risk through the use of various financial derivative or physical delivery sales contracts.

(b) Currency risk

The Group is exposed to currency risks primarily through loan receivables, loans from related companies, Loans from shareholders, other loans, senior notes 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 Group's exposure as at the reporting date to currency risk arising from recognised assets or (liabilities) denominated in a currency other than the functional currency of the entity to which they relate.

	2024			2023		
	Denominated in			Denominated in		
	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)
Loans from shareholders	(20,990)	-	-	(19,021)	-	-
Other loans	(16,936)	-	-	(15,454)	-	-
Senior notes	-	(285,826)	-	-	(262,723)	-
Interest payables	(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 Group 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.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

(b) Currency risk (Continued)

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A negative number below indicates an increase in post-tax loss where respective functional currency weakened 5% against the relevant foreign currency. For a 5% strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be positive.

	Effect in post-tax loss	
	2024	**2023**
	CAD'000	CAD'000
HK$	(3,571)	(2,936)
US$	(18,338)	(16,811)
RMB	(512)	(555)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances carried at prevailing market rates. The Group also exposed to fair value interest rate risk in relation to fixed-rate restricted bank balance and obligation under a finance lease. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal due to short-term maturities, hence, no sensitivity analysis is prepared.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

As at December 31, 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge all obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, loan receivables, and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to recognise the credit risk, the management of the Company has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 Financial Instruments to measure the loss allowance at lifetime ECL. The Group determines the ECL on an collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase the Group compares the risk of a default occurring on the asset as at the reporting date with the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating result of the borrower;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk

In order to recognise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

				2024			2023		
	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
				CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Trade receivables	7	(Note)	Lifetime ECL (simplified approach)	-	-	--	3,558	(57)	3,501
Other receivables and deposits	7	Performing	12-month ECL	3,631	(151)	3,480	3,435	(267)	3,168
Loan receivables	8	Performing	12-month ECL	13,850	(988)	12,862	13,090	(1,041)	12,049
					(1,139)			(1,365)	

As at December 31, 2023, the Group has concentration of credit risk as 100% of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively. As at December 31, 2024, there were no trade receivables.

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 7 include further details on the loss allowance for these assets respectively.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds.

The maturity analysis of the Group's financial liabilities is as follows:

	Weighted average effective interest rate	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Carrying value
		CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
As at December 31, 2024							
Trade payables and accrued liabilities	N/A	70,324	-	-	-	70,324	70,324
Interest payables (note)	10%	12,694	231,423	-	-	244,117	215,594
Loans from shareholders	10%	-	23,646	-	-	23,646	20,990
Loans from related companies	10%	-	63,316	-	-	63,316	56,205
Other loans	2%	15,213	1,853	2,710	-	19,776	19,103
Senior notes	10%	12,662	321,542	-	-	334,204	285,826
		110,893	641,780	2,710	-	755,383	668,042
Lease liabilities	9%	608	414	92	-	1,114	1,084
As at December 31, 2023							
Trade payables and accrued liabilities	N/A	63,120	-	-	-	63,120	63,120
Interest payables (note)	10%	10,264	212,041	-	-	222,305	190,886
Loans from a shareholder	10%	-	21,428	-	-	21,428	19,021
Loans from related companies	10%	-	58,504	-	-	58,504	51,933
Other loans	N/A	1,852	11,922	1,693	-	15,467	15,454
Senior notes	10%	11,639	295,551	-	-	307,190	262,723
		86,875	599,446	1,693	-	688,014	603,137
Lease liabilities	9%	701	712	847	-	2,260	1,919

Note: It represented interest payables on senior notes, loans from related parties and shareholders.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values.

7. TRADE AND OTHER RECEIVABLES

	2024	2023
	CAD'000	CAD'000
Trade receivables	-	3,558
Other receivables (note a)	3,109	2,946
Deposits	522	489
Prepayments	1,331	1,349
	4,962	8,342
Less: Loss allowance (note b and c)	(151)	(324)
	4,811	8,018
Analysed as:		
Current	4,811	5,424
Non-current	-	2,594
	4,811	8,018

As at December 31, 2023, the gross amount of trade receivables arising from contracts with customers amounted to approximately CAD3,558,000.

The Group allows an average credit period of 30 days to its trade customers. The Group transacts with a number of oil and natural gas marketing companies, and the marketing companies typically remit amounts to the Group by the 25th day of the month following production.

The following is an ageing analysis of trade receivable, net of loss allowances presented based on the invoice date, as at December 31, 2024 and 2023:

	2024	2023
	CAD'000	CAD'000
0-30 days	-	3,501

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group applies the simplified approach to provide for ECL using the lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information as follow:

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	CAD'000	CAD'000
As at December 31, 2024			
Not past due	0%	-	-
As at December 31, 2023			
Not past due	1.61%	3,558	57

The movement in the loss allowance for trade receivables is set out below:

	2024	**2023**
	CAD'000	CAD'000
As at January 1	57	9
(Reversal of loss allowance) impairment of loss allowance recognised in profit or loss during the year	(57)	48
As at December 31	-	57

Notes:

(a) As at December 31, 2024, included in other receivables, amount of approximately CAD2,878,000, net of allowance of approximately CAD10,000 (2023: CAD2,594,000, net of allowance of approximately CAD144,000) represented the amount due form Renergy Petroleum (Canada) Co., Ltd., which Mr. Sun and Nobao Energy Holding (China) Company Limited* 挪寶能源控股(中國)有限公司 ("Nobao Energy (China)"), a company under the control of Mr. Sun, has conditionally acquired Changjiang Investment Group Co., Ltd.'s interest in.

The amount is unsecured and interest-free. According to the amended supplemental agreement dated at October 20, 2023, specific that the expected repayment date has been extended to October 2025.

(b) The Group measures the loss allowance for other receivables and deposit at an amount equal to 12-month ECL. The Group recognised 12-month ECL for other receivables based on the internal credit rating of receivables as follows:

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	CAD'000	CAD'000
As at December 31, 2024			
Performing	4.15%	3,631	151
As at December 31, 2023			
Performing	7.77%	3,435	267

* For identification purpose only

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) The movement in the loss allowance for other receivables and deposits is set out below:

	2024	2023
	CAD'000	CAD'000
As at January 1	267	86
(Reversal of loss allowance) impairment of loss allowance recognised in profit or loss during the year	(116)	181
As at December 31	151	267

8. LOAN RECEIVABLES

	2024	2023
	CAD'000	CAD'000
Analysed as:		
Current	12,239	-
Non-current	1,611	13,090
	13,850	13,090
Less: loss allowance (notes d and e)	(988)	(1,041)
	12,862	12,049

Notes:

(a) The loan receivable represented that the Group and Zhengwei International Investment and Management Co., Ltd. ("ZIIM"), a Hong Kong-based investment holding company controlled by a shareholder of the Company, entered into several loan agreements and under which the Group provided loans (denominated in RMB) to ZIIM with a specific principal amount. Meanwhile, ZIIM provided loans (denominated in RMB) to the Group with a specific principal amount (note 14a). The loans were unsecured and no interest bearing.

The following is an ageing analysis on the repayment schedule of loans receivables, net of loss allowances, presented based on their contractual maturity dates:

	2024	2023
	CAD'000	CAD'000
Within one year	11,366	-
After one year but within two years	1,496	10,648
After two years but within five years	-	1,401
As at December 31	12,862	12,049

8. LOAN RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) During the years ended December 31, 2024 and 2023, in determining the 12-month ECL for the loan receivables, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the debtors operate, various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets individually occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

(c) There has been no change in the estimation techniques or significant assumptions made during both years.

(d) The following is the analysis of the gross carrying amount and loss allowance of the loan receivables as at December 31, 2024 and 2023.

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	CAD'000	CAD'000
As at December 31, 2024			
Performing	7.13%	13,850	988
As at December 31, 2023			
Performing	7.95%	13,090	1,041

(e) The movement in the loss allowance for loan receivables is set out below:

	2024	**2023**
	CAD'000	CAD'000
As at January 1	1,041	933
(Reversal of loss allowance) impairment of loss allowance recognised in profit or loss during the year	(53)	108
As at December 31	988	1,041

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6.

9. CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates which range from 0% to 0.5% (2023: 0% to 0.4%) per annum.

Details of the balances denominated in a currency other than functional currency of the Group is disclosed in note 6.

10. EXPLORATION AND EVALUATION ASSETS

	CAD'000
Balance as at January 1, 2023	235,044
Capital expenditures	2,234
Non-cash expenditures (note a)	693
Balance as at December 31, 2023 and January 1, 2024	237,971
Capital expenditures	560
Non-cash expenditures (note a)	728
Balance as at December 31, 2024	239,259

Note:

a. Non-cash expenditures include changes in decommissioning obligations.

At the end of the reporting period, the Group assessed impairment for its E&E assets. For the purpose of impairment assessment, the recoverable amount of E&E assets was determined using judgement and internal estimates. The recoverable amount is the FVLCD. FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount was based on the FVLCD model with reference to cash flow forecast provided by management of Company. Key assumptions for the FVLCD calculations relate to the estimation of cash flows which include forecasted crude oil prices, sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations. The post-tax discount rate in measuring the FVLCD was 11% (2023: 12%) in relation to E&E assets.

For the years ended December 31, 2024 and 2023, the Group assessed E&E assets 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 (year ended December 2023: nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Crude oil assets	Corporate assets	Total
	CAD'000	CAD'000	CAD'000
Cost			
Balance as at January 1, 2023	886,185	5,850	892,035
Additions	542	5	547
Non-cash expenditures (note a)	3,532	-	3,532
Exchange alignment	-	(18)	(18)
Balance as at December 31, 2023 and January 1, 2024	890,259	5,837	896,096
Additions	772	-	772
Disposal of assets	(240)	(327)	(567)
Non-cash expenditures (note a)	738	-	738
Exchange alignment	-	81	81
Balance as at December 31, 2024	891,529	5,591	897,120
Accumulated depletion, depreciation and impairment			
Balance as at January 1, 2023	401,654	5,159	406,813
Depletion and depreciation charge for the year	7,737	179	7,916
Exchange alignment	-	(17)	(17)
Balance as at December 31, 2023 and January 1, 2024	409,391	5,321	414,712
Depletion and depreciation charge for the year	5,946	84	6,030
Elimination on disposal	-	(143)	(143)
Exchange alignment	-	75	75
Balance as at December 31, 2024	415,337	5,337	420,674
Carrying values			
As at December 31, 2024	476,192	254	476,446
As at December 31, 2023	480,868	516	481,384

Note:

a. Non-cash expenditures include changes in decommissioning obligations.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, Boury Global Energy Consultants Ltd ("Boury"). As at December 31, 2024 and 2023, the projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including long-term forecasts of 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 Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Future cash flow estimates are discounted using after-tax risk-adjusted discount rates. The after-tax discount rates applied in the impairment calculation as at December 31, 2024 was 11% (2023: 12%) based on the specific risk to the assets.

The reversal is recognised in the profit or loss only to the extent that was previously recognised in the profit or loss. Any additional increase is accounted for as a revaluation and is recognised in other comprehensive income. Future depletion expenses are adjusted to allocate the CGU's revised carrying amount over its remaining useful life. To determine the extent of any impairment or its reversal, estimates are made regarding the future after-tax cash flows generated from each CGU based on Sunshine's year end reserve report and the latest oil price forecasts (if applicable) as prepared by a third party – independent reserve engineer.

For the years ended December 31, 2024 and 2023, the Group assessed 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 (year ended December 2023: nil).

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Leasehold land	**Offices**	**Trucks**	**Equipment**	**Total**
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Balance as at January 1, 2023	4,548	777	282	113	5,720
Additions	-	1,221	-	-	1,221
Depreciation	(116)	(484)	(57)	(37)	(694)
Exchange alignment	(229)	(35)	-	-	(264)
Balance as at December 31, 2023 and January 1, 2024	4,203	1,479	225	76	5,983
Additions	-	247	-	-	247
Termination of lease	-	(355)	(211)	-	(566)
Depreciation	(116)	(489)	(14)	(37)	(656)
Exchange alignment	240	78	-	-	318
Balance as at December 31, 2024	4,327	960	-	39	5,326

The right-of-use assets represented leases leasehold land, office premises, trucks and equipment.

Additions to the right-of-use assets for the year ended December 31, 2024 amounted to approximately CAD247,000 due to new leases in Canada of office premises (2023: CAD1,221,000 due to new lease in Canada of office premises, trucks and equipment).

(b) Lease liabilities

	2024	**2023**
	CAD'000	CAD'000
Analysed as:		
Current	575	539
Non-current	509	1,380
	1,084	1,919

	2024	**2023**
Amounts payable under lease liabilities	CAD'000	CAD'000
Within one year	575	539
After one year but within two years	421	607
After two years but within five years	88	773
Over five years	-	-
	1,084	1,919
Less: Amount due for settlement within 12 months (shown under current liabilities)	(575)	(539)
Amount due for settlement after 12 months	509	1,380

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(c) Lease liabilities (Continued)

During the year ended December 31, 2024, the Group entered into a new lease agreement for office premises, resulting in the recognition of lease liabilities. Additionally, lease agreements pertaining to office premises and trucks were terminated, leading to the derecognition of associated lease liabilities. (2023: the Group had new lease agreement in respect of office premises recognised lease liabilities).

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, which is 10% for the office premises, trucks and equipment.

(d) Amount recognised in profit or loss

	2024	**2023**
	CAD'000	CAD'000
Depreciation of right-of-use assets	656	694
Interests on lease liabilities	144	133
Expense relating to short-term leases	-	6

(e) Others

During the year ended December 31, 2024, the total cash outflow for lease amount to approximately CAD639,000 (2023: CAD589,000).

As at December 31, 2024 and 2023, no lease agreement which not yet commenced is committed by the Group.

13. TRADE PAYABLES, INTEREST PAYABLES AND ACCRUED LIABILITIES

	2024	**2023**
	CAD'000	CAD'000
Trade payables	20,340	18,973
Interest payables (note a)	215,594	190,886
Other payables (notes b)	23,520	21,830
Accrued liabilities	26,464	22,317
	285,918	254,006
Analysed as:		
Current	81,863	72,450
Non-current	204,055	181,556
	285,918	254,006

Notes:

(a) The interest payables as at December 31, 2024 includes the interest payable relating to: i) senior notes of approximately CAD190,485,000 (2023: CAD173,939,000). ii) loans from related companies of approximately CAD 21,131,000 (2023: CAD14,885,000); iii) loans from shareholders of approximately CAD3,793,000 (2023: CAD2,019,000) and iv) other loans of approximately CAD185,000 (2023: CAD43,000) respectively.

13. TRADE PAYABLES, INTEREST PAYABLES AND ACCRUED LIABILITIES (CONTINUED)

Notes: (continued)

(b) As at December 31, 2024, an amount included in other payables are approximately of CAD2,108,000 (2023: CAD1,835,000) represented the amounts due to directors. The amounts are unsecured, interest-free and repayment on demand.

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2024	**2023**
	CAD'000	CAD'000
Within 90 days	1,284	1,537
91 – 180 days	442	904
181 – 365 days	1,180	2,831
Over 365 days	17,434	13,701
	20,340	18,973

The average credit period granted by its suppliers of 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6.

14. DEBT

(a) Other loans

	2024	**2023**
	CAD'000	CAD'000
Analysed as:		
Current	15,213	1,839
Non-current	3,890	13,615
	19,103	15,454

As at December 31, 2024 and 2023, the maturity of loans from shareholders analysis:

	2024	**2023**
	CAD'000	CAD'000
Within one year or on demand	15,213	1,839
After one year but within two years	1,853	11,922
After two years but within five years	2,037	1,693
	19,103	15,454

14. DEBT (CONTINUED)

(a) Other loans (Continued)

Included in the above balance is approximately CAD14,899,000 (2023: CAD13,615,000) for which the Group and Zhengwei International Investment and Management Co., Ltd. ("ZIIM"), a Hong Kong-based investment holding company controlled by a shareholder of the Company, entered into several loan agreements and under which ZIIM provided loans (denominated in HK$) to the Group with a specific principal amount. Meanwhile, the Group provided loans (denominated in RMB) to ZIIM with a specific principal amount (note 8a).

The loans were unsecured, no interest bearing and expected to be repaid in 2025 and 2026.

(b) Senior notes

	2024	**2023**
	CAD'000	CAD'000
Balance as at January 1	262,723	269,040
Exchange alignment	23,103	(6,317)
Balance as at December 31	285,826	262,723
Analysed as:		
Current	11,511	10,581
Non-current	274,315	252,142
	285,826	262,723

On August 8, 2014, the Company completed an offering of US$200 million (equivalent to approximately CAD232,020,000) senior secured notes (the "Notes") at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and had a potential maturity date of August 1, 2017, if certain conditions were met as explained below.

The conditions were: if by February 1, 2016, the Company had not (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "2016 Forbearing Agreement"). The remaining noteholders representing 4% of the outstanding Notes is referred to as Non-Forbearing Holders.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement ("2017 FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations of terms listed on the 2016 Forbearing Agreement and fully reinstate the 2016 Forbearing Agreement, provided that the Company made the following payments on or before March 27, 2017:

14. DEBT (CONTINUED)

(b) Senior notes (Continued)

- Payment of US$2.8 million representing 20% of the yield maintenance premium originally due on August 1, 2016;
- Payment of US$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment US$5.2 million was paid;
- the Company agreed to repurchase and the Forbearing Holders agreed to sell up to US$11.2 million of Notes in exchange for common shares of the Company, pending on conditions.

Other payments contemplated in the 2017 FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the yield maintenance premium to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of US$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Forbearing Holders of US$5.0 million on April 30, 2017, US$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "2017 Amended FA"). The principal terms of the 2017 Amended FA include:

- The forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of US$0.2 million upon signing the 2017 Amended FA, which was paid on September 26, 2017;
- Repayment of US$1.8 million by October 30, 2017;
- Repayment of US$5.0 million and US$15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company was to obtain financing of US$5.0 million within 45 days after signing the 2017 Amended FA;
- The Company was to obtain financing of US$5.0 million every quarter.

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfill the minimum liquidity, quarterly financings and capital raise covenants as required in the 2017 Amended FA. Furthermore, the Company did not fulfill repayment requirements of US$1.8 million on October 30, 2017, US$5.0 million on February 1, 2018 and US$15.0 million on May 1, 2018.

On August 1, 2018, the Company was required, amongst other matters, to repay notes principal, and any previous outstanding payment commitments. The Company did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the Forbearing Holders signed a Reinstatement and Amending Agreement ("2018 FRAA"). The principal terms of the 2018 FRAA include:

- The forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company is to obtain financing of at least US$5.0 million by April 30, 2019 to maintain sufficient liquidity.

14. DEBT (CONTINUED)

(b) Senior notes (Continued)

On April 24, 2020, the Company and the Forbearing Holders confirmed the signing of the Forbearance Reinstatement and Amending Agreement ("2020 FRAA"). The principal terms of the 2020 FRAA include:

- The 2020 FRAA covers the period from December 31, 2019 to August 31, 2021 ("Period of Forbearance 1");
- Same as the 2018 FRAA executed on November 1, 2018, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2021, and during the Period of Forbearance 1, there will not be any forbearance fee and yield maintenance premium based on the initial 2016 Forbearance Agreement executed on September 12, 2016.

During the year ended December 31, 2021, the Forbearing Holders (the "Note Transferor") entered into note assignments and transfer agreements with the ultimate controlling party, Mr. Sun (the "Note Transferee"), and agreed to assign the initial nominal principal amount of notes from the transferee Holders of approximately US$188,658,000 (equivalent to approximately CAD240,200,000) from the Note Transferor to the Note Transferee.

On August 8, 2021, the Company and Mr. Sun confirmed the signing of the Forbearance Reinstatement and Amending Agreement ("2021 FRAA"). The principal terms of the 2021 FRAA include:

- The 2021 FRAA covers the period from September 1, 2021 to August 31, 2023 ("Period of Forbearance 2");
- Same as the 2020 FRAA executed on April 24, 2020, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2023, and during the Period of Forbearance 2, there will not be any forbearance fee and yield maintenance premium based on the initial 2016 Forbearance Agreement executed on September 12, 2016.

On August 8, 2023, the Company and Mr. Sun confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "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 3, 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 approximately 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.

14. DEBT (CONTINUED)

(b) Senior notes (Continued)

The directors of the Company believe the entering into of the 2024 FRAA is in the interests of the Company and its shareholders as a whole in view that the 2024 FRAA will provide the Company with additional time to repay or refinance the indebtedness owned by the Company to the noteholders under the Notes, whilst at the same time the financing cost has been substantially lowered to a reasonable market level.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

15. LOANS FROM RELATED COMPANIES

Related companies	2024	2023
	CAD'000	CAD'000
Prime Union Enterprises Limited (notes a,b)	34,985	32,033
Jiangxi Nobao Electrical Company Limited* 江西挪寶電器有限公司(notes a,b)	11,629	10,992
Others (notes a,b)	9,591	8,908
	56,205	51,933
Analysed as:		
Current	-	-
Non-current	56,205	51,933
	56,205	51,933

Notes:

(a) As at December 31, 2024, the Group had loans from related companies which are unsecured, interest bearing at 10% per annum and repayment are due from 1 to 3 years. (2023: CAD51,933,000 are due from 3 months to 3 years).

(b) Mr. Sun is the common director and shareholder of the related companies.

(c) During the year ended December 31, 2024, loans with an outstanding principal amount of approximately CAD27,068,000 have been extended the repayment date to 2027.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

* For identification purpose only

16. LOANS FROM SHAREHOLDERS

Shareholders	2024	2023
	CAD'000	CAD'000
Zhang Jun	10,537	12,030
Mr. Sun	10,453	6,991
	20,990	19,021
Analysed as:		
Non-current	20,990	19,021

As at December 31, 2024 and 2023, the Group had loans from shareholders which are unsecured, interest bearing at 10% per annum, and repayment are due from 1 to 3 years.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6.

17. PROVISIONS

	2024	2023
	CAD'000	CAD'000
Decommissioning obligations, non-current		
Balance, as at January 1	49,829	44,144
Effect of changes in discount rate	1,466	4,225
Unwinding of discount rate	1,754	1,460
Balance, as at December 31	53,049	49,829

As at December 31, 2024, the Group's estimated total undiscounted cash flows required to settle asset decommissioning obligations was approximately CAD83,025,000 (2023: CAD82,193,000). Expenditures to settle asset decommissioning obligations were estimated to be incurred up to 2040. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil products properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 3.03% to 3.32% (2023: 3.45% to 4.30%) per annum and inflated using an inflation rate of 2.0% (2023: 2.0%) per annum.

18. SHARE CAPITAL

The Company's authorised share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and
- an unlimited number of Class "G" and Class "H" non-voting preferred shares.

	Number of shares	**Issued amount**
		CAD'000
Issued and fully paid		
As at January 1, 2023, December 31, 2023 and January 1, 2024	243,478,681	1,315,265
Issued common shares	48,695,736	3,416
As at December 31, 2024	292,174,417	1,318,681

Note:

(a) Common shares consist of fully paid Class "A" common shares, which have no par value, carry one vote per share and carry a right to dividends.

(b) Issued common shares during the year ended December 31, 2024

On May 10, 2024, the Company entered into a settlement agreement with Mr. Zhang Jun, being a shareholder and a creditor of the Company, that the Company would allot and issue for a total of 48,695,736 Class "A" common shares ("new shares") at a price of HK$0.38 per share to Mr. Zhang Jun as a partial settlement against the outstanding principal amount and interest payable amount arisen from loan advances from Mr. Zhang Jun with the amount of approximately HK$18,504,000 (approximately CAD3,416,000). The Company issued the new shares completely on December 18, 2024.

For details, please refer to the announcement of the Company dated May 10, 2024, June 7, 2024, July 31, 2024, August 30, 2024, September 30, 2024, October 31, 2024, December 1, 2024 and December 18, 2024.

19. REVENUE

Revenue represents revenue arising on sales of crude oil products. An analysis of the Group's revenue for the year is as follows:

	2024	2023
	CAD'000	CAD'000
Revenue from contracts with customers within the scope of IFRS 15		
- Crude oil products sales	30,396	30,237
- Royalties	(1,079)	(682)
	29,317	29,555

All revenue from contracts with customers is derived from Canada and recognised at a point in time.

Revenues associated with the sale of crude oil products are recognised at a point in time when control of goods have transferred, which is generally when title passes from the Group to the customer. Revenues are recorded net of crown royalties. Crown royalties are recognised at the time of production. The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of crude oil products sales and increases for every dollar that the WTI crude oil products price in Canadian dollars is priced above CAD55 per barrel, to a maximum of 9% when the WTI crude oil products price is CAD120 per barrel or higher. The West Ells project is currently in pre-payout.

Revenue is allocated to each performance obligation on the basis of its standalone selling price and measured at the transaction price, which is the fair value of the consideration and represents amounts receivable for goods or services provided in the normal course of business. The price is allocated to each unit in the series as each unit is substantially the same and depicts the same pattern of transfer to the customer.

20. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: mining, production and sales of crude oil products. The directors of the Company monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about geographical area

As all of the Group's revenue is derived from the customers based in the Canada (country of domicile) and majority of the Group's non-current assets are located in Canada, no geographical information is presented.

20. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the total revenue, before royalty, of the Group is as follows:

	2024	2023
	CAD'000	CAD'000
Customer A	7,226	25,400
Customer B	-	4,694
Customer C	23,170	-

For the year ended December 31, 2024, Customer A and Customer C contributed 24% and 76% of the Group's revenue respectively (2023: 84% and nil respectively) and five largest customers in aggregate contributed to 100% of the Group's revenue (2023: 100%). To the best knowledge of the directors of the Company, neither the directors of the Company, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers for the years ended December 31, 2024 and 2023.

21. OTHER INCOME

	2024	2023
	CAD'000	CAD'000
Income recognised in relation to the bitumen royalty agreement (note a)	1,271	6,978
Written-off on trade payables	-	2,374
Bank interest income	7	7
Gain on disposal of property, plant and equipment	161	-
Gain on early termination of lease	97	-
Others	74	463
	1,610	9,822

Notes:

(a) For the year ended December 31, 2023, the Group recognised the income in relation to bitumen royalty agreement, including i) approximately of CAD5,000,000 represented that a payment from the royalty agreement with Burgess Energy Holdings L.L.C. ("Burgess") from the aggregate consideration subject to the terms and conditions stipulated therein; and ii) approximately of CAD1,271,000 (2023: CAD1,978,000) represented that a reimbursement made by Burgess to the Group in respect of mineral and surface lease rental borne by the Group in accordance with the terms of the agreement. For details, please refer to the note 31(c) to the consolidated financial statements.

For the year ended December 31, 2024, the Group did not receive other income from the royalty agreement with Burgess Energy Holdings L.L.C. ("Burgess") based on the aggregate consideration outlined in the terms and conditions specified therein.

22. FINANCE COSTS

	2024	2023
	CAD'000	CAD'000
Interest on:		
- Senior notes, including yield maintenance premium	1,192	1,174
- Other loans	932	491
- Leases liabilities	144	133
- Loans from shareholders	1,938	1,531
- Loans from related companies	6,437	5,147
- Others	202	189
Unwinding of discounts on provisions	1,753	1,460
	12,598	10,125

23. LOSS FOR THE YEAR

	2024	2023
	CAD'000	CAD'000
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments (note 25)	2,318	2,304
Salaries, wages, allowances and other benefits (note a)	8,131	8,834
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments) (note a)	494	514
Total staff costs (note 25)	10,943	11,652
Auditor's remuneration	324	325
Depletion and depreciation of property, plant and equipment	6,030	7,916
Depreciation of right-of-use assets	656	694
Gain on disposal of property, plant and equipment	(166)	-
Gain on early termination of lease	(97)	-
(Reversal of) impairment loss on trade and other receivables	(173)	229
(Reversal of) impairment loss on loan receivables	(53)	108
Lease rentals for office premises (note b)	-	6

Note:

a) The amount of approximately CAD5,046,000 and CAD3,579,000 are included in operating costs and general and administrative costs respectively for the year ended December 31, 2024 (2023: CAD5,629,000 and CAD3,719,000 respectively).

b) The amounts represent lease rentals relating to short-term leases.

24. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2024	**2023**
	CAD'000	CAD'000
Loss per share		
Loss attributable to owners of the Company for the purpose of basic and diluted earnings per share for the year	(75,392)	(19,330)

	2024	**2023**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	245,341,360	243,478,681

The computation of diluted earnings per share does not assume the exercise of the Company's share-based compensation because the exercise price of those share-based compensation was higher than the average market price for shares for both 2024 and 2023.

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS

The directors' emoluments and other staff costs are broken down as follows:

	2024	**2023**
	CAD'000	CAD'000
Directors' emoluments (note a)		
Directors' fees	357	338
Salaries and allowances	1,955	1,960
Contribution to retirement benefits scheme	6	6
	2,318	2,304
Other staff costs		
Salaries and other benefits	8,131	8,834
Contribution to retirement benefits scheme	494	514
	8,625	9,348
Total staff costs	10,943	11,652

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTIINUED)

(a) Directors' emoluments

Details of the directors' emoluments are as follows:

For the year ended December 31, 2024

Emoluments paid or receivable in respect of a person's services in connection with the management of the affairs of the Company or its subsidiary undertaking:	Director's fees	Salaries, allowances and other benefits	Employer's contributions to retirement benefits scheme	Total
	CAD'000	CAD'000	CAD'000	CAD'000
Executive Directors				
Mr. Sun	48	855	3	906
Gloria Ho	41	600	3	644
Non-Executive Directors:				
Michael Hibberd	45	500	-	545
Xijuan Jiang	41	-	-	41
Linna Liu	39	-	-	39
Independent Non-Executive Directors:				
Yi He	56	-	-	56
Guangzhong Xing	44	-	-	44
Jue Pang (note c)	43	-	-	43
	357	1,955	6	2,318

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2023

Emoluments paid or receivable in respect of a person's services in connection with the management of the affairs of the Company or its subsidiary undertaking:	**Director's fees**	**Salaries, allowances and other benefits**	**Employer's contributions to retirement benefits scheme**	**Total**
	CAD'000	CAD'000	CAD'000	CAD'000
Executive Directors				
Mr. Sun	52	855	3	910
Gloria Ho	41	600	3	644
Non-Executive Directors:				
Michael Hibberd	45	505	-	550
Xijuan Jiang	41	-	-	41
Linna Liu	39	-	-	39
Independent Non-Executive Directors:				
Yi He	53	-	-	53
Guangzhong Xing	45	-	-	45
Alfa Li (note b)	21	-	-	21
Jue Pang (note c)	1	-	-	1
	338	1,960	6	2,304

Notes:

(a) The remuneration includes remuneration received from the Group by directors in his/her capacity as an employee of the subsidiaries.

(b) Retired on June 28, 2023

(c) Appointed on December 19, 2023

Mr. Sun is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors and chief executive of the Company waived or agreed to waive the emolument paid by the Group during the years ended December 31, 2024 and 2023.

No emoluments were paid by the Group to the directors of Company as an inducement for joining the Group or as compensation for loss of office during the years end December 31, 2024 and 2023.

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals include three (2023: three) directors of the Company for the year ended December 31, 2024. The emoluments of the remaining two (2023: two) non-director individuals are as follows:

	2024	**2023**
	CAD'000	CAD'000
Salaries and other emoluments	1,008	1,074
Contribution to retirement benefit scheme	6	7
	1,014	1,081

The emoluments fell within the following bands:

	2024	**2023**
	Number of individuals	Number of individuals
HK$2,000,001 (equivalent to approximately CAD351,000) to HK$2,500,000 (equivalent to approximately CAD438,000)	1	-
HK$2,500,001 (equivalent to approximately CAD438,000) to HK$3,000,000 (equivalent to approximately CAD526,000)	-	1
HK$3,000,001 (equivalent to approximately CAD526,000) to HK$3,500,000 (equivalent to approximately CAD614,000)	1	-
HKD3,500,001 (equivalent to approximately CAD614,000) to HK$4,000,000 (equivalent to approximately CAD702,000)	-	1

26. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (equivalent to CAD250) per month, to the MPF Scheme, in which the contribution is matched by employees.

As stipulated by rules and regulations in the People's Republic of China ("PRC"), subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

The Group operates the CPP Scheme for all qualifying employees in Canada. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5.25% of relevant payroll costs, capped at CAD292,000 per annually, to the CPP Scheme, in which the contribution is matched by employees.

26. RETIREMENT BENEFIT SCHEME

During the year ended December 31, 2024, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately CAD500,000 (2023: CAD520,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

27. SHARE-BASED COMPENSATION

(a) Employee stock option plan

Post-IPO Stock Option Plan

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Company's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the Annual and Special Meeting of Shareholders on June 13, 2013. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the TSE or the SEHK (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on TSE or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the TSE or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date.

There was no share options granted for the years ended December 31, 2024 and 2023.

As at 31 December 2024, all outstanding stock options have expired.

(b) Movements in stock options

The following reconciles the stock options outstanding at the beginning and end of each year:

	2024		2023	
	Number of options	Weighted average exercise prices CAD	Number of options	Weighted average exercise prices CAD
Balance, as at January 1	200,000	0.60	6,500,000	1.96
Expired	(200,000)	0.60	(6,300,000)	2.00
Balance, as at December 31	-	-	200,000	0.60
Exercisable, as at December 31	-	-	200,000	0.60

As at December 31, 2024, stock options outstanding had no weighted average remaining contractual life of years (2023: 0.69 years).

28. INCOME TAX EXPENSES

(a) Current income tax

No provision for income tax was made for the years ended December 31, 2024 and 2023 as the Group had no assessable profits for both years.

Reconciliation between income tax expenses and accounting loss at combined federal and provincial income tax rate:

	2024	2023
	CAD'000	CAD'000
Loss before income tax	(75,689)	(19,626)
Tax at the domestic income tax rate at 23% (2023:23%)	(17,408)	(4,514)
Tax effect of expenses not deductible for tax purposes	10,277	682
Tax effect of income not taxable for tax purposes	(1,060)	(2,682)
Tax effect of deductible temporary differences not recognised	1,795	2,152
Tax effect of tax losses not recognised	6,297	4,266
Effect of different tax rates of subsidiaries operating in other jurisdictions	99	96
Income tax	-	-

(b) Deferred income tax

At the end of the reporting period, the Group has not recognised deferred income tax due to the unpredictability of future profit streams of the respective group entities. The components of the net deferred income tax asset not recognised are as follows:

	2024	2023
	CAD'000	CAD'000
Deferred tax assets (liabilities)		
E&E assets and property, plant and equipment	(50,611)	(69,426)
Right-of-use assets	(230)	133
Decommissioning liabilities	12,201	10,489
Lease liabilities	249	(105)
Share issue costs	-	(1)
Tax losses (note)	243,878	244,634
	205,487	185,724

Note: During the year ended December 31, 2024, an amount of tax losses of approximately CAD6,729,000 was deducted from the deferred tax assets as the directors of the Company was in the view that the corresponding amount was ineligible to be allowed in certain tax jurisdiction.

Unrecognised tax losses will expire in 20 years from the year of origination.

29. DIVIDENDS

The directors of the Company did not recommend or declare the payment of any dividend in respect of the years ended December 31, 2024 and 2023.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these consolidated financial statements, during the year, the Group entered into the following material related party transactions.

(a) Trading transactions

For the year ended December 31, 2024, a consulting company, to which the director of the consulting company is a common director of the Company, charged the Group of approximately CAD525,000 (2023: CAD533,000) for management and advisory services. As at December 31, 2024, the outstanding amount of approximately CAD3,568,000 (2023: CAD3,043,000) was included in trade payables.

(b) Compensation of key management personnel

The remuneration of the directors of the Company and other key management executives is determined by the Compensation Committee and consists of the following amounts:

	2024	**2023**
	CAD'000	CAD'000
Directors' fees	357	338
Salaries and allowances	2,963	3,034
Contribution to retirement benefit scheme	12	13
	3,332	3,385

31. LONG SERVICE PAYMENT LIABILITIES

Obligation to long service payments ("LSP") under Hong Kong Employment Ordinance

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to employees in Hong Kong under certain circumstances, subject to a minimum of 5 years employment period, based on this formula: Last monthly wages (before termination of employment) × 2/3 × Years of service. Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's Mandatory Provident Fund contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement").

31. LONG SERVICE PAYMENT LIABILITIES (CONTINUED)

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment Ordinance will come into effect prospectively from 1 May 2025 (the **"Transition Date**"). Under the Amendment Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

32. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2024	2023
	CAD'000	CAD'000
Capital expenditure in respect of the acquisition of drilling machinery contracted for but not provided in the consolidated financial statements	-	-

Note: The Group has an annual obligation for oil sands mineral lease rentals and surface lease rentals. Annual payment is approximately CAD1,484,000.

(b) Litigations

i) The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2024 municipal property taxes of approximately CAD16,483,000. The Group was also charged with overdue penalties of approximately CAD19,682,000. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

ii) The Group received a judgement from the Court of the State of New York, New York County (the "Judgement") that the Company shall pay the non-forbearing holder all the amounts due and owing on the 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 CAD20,967,000). The judgement was vacated on May 25, 2023. On December 13, 2023, the Company received a judgement from the Court of the State of New York, New York County that the Group 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 Judgement. The appeal is expected to be held in July 2024. On February 27, 2024, the Non-forbearing Holder tried to execute the judgement by serving restraining notice in the State of New York.

32. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Bitumen Royalty Agreement

On August 31, 2021 (Calgary time), the Company entered into a royalty agreement with Burgess, pursuant to which, the Company has granted to Burgess a royalty interest in the bitumen within, upon, under or produced from the royalty lands owned by the Company and/or its affiliates ("Bitumen Royalty Agreement"), free and clear of any and all encumbrances for an aggregate consideration of CAD20,000,000 (the "Consideration").

On June 8, 2023, the Company entered into an amended royalty agreement (together with its ancillary documents, the "Amended Bitumen Royalty Agreement") with Burgess, pursuant to which, the Company receive a payment of CAD5,000,000 from the Consideration of subject to the terms and conditions stipulated therein. Up to year ended December 31, 2024, an accumulative amount of approximately CAD15,788,000 (2023: CAD14,517,000) has been received by the Company in respect of the Consideration.

During the year ended December 31, 2024, a total of approximately CAD1,271,000 (2023: CAD6,978,000) was recognised in other income (note 21) in accordance with terms set out in the Bitumen Royalty Agreement.

Pursuant to Amended Bitumen Royalty Agreement, the royalty interest entitled Burgess to share a percentage of the Company's produced oil of that month (the "royalty share of bitumen") when average daily WCS of the month rise to US$60/bbl or above. The percentage that Burgess can share from the Company's produced oil of the month is calculated based on the following:

a) When the WCS price is below US$60/bbl, the royalty rate is 0%;

b) When the WCS price is US$60/bbl, the royalty rate is 2.5% and thereafter proportionally increases up to a maximum of 8.75%, when the WCS price rises to US$80/bbl.

c) When the WCS price is US$80/bbl, the royalty rate is 8.75% and thereafter proportionally increases up to a maximum of 25%, when the WCS price rises to US$113/bbl or above.

The bitumen involved under the Bitumen Royalty Agreement covered all royalty lands owned by the Company. Thus far, West Ells is the only project that has been put into operation.

Burgess has the option of either receiving the royalty in cash of in kind.

During the year ended December 31, 2024, royalty amounts of approximately CAD200,000, net of withholding tax were paid by the Company in accordance with Bitumen Royalty Agreement.

The directors of the Company considered that the possibility of outflow in royalty interest expenses was remote. No provision for potential liabilities in respect of the royalty interest expense has been made in the consolidated financial statements.

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024	2023
		CAD'000	CAD'000
Assets			
Current assets			
Trade and other receivables	(a)	4,553	5,190
Loan receivables		11,366	-
Cash and cash equivalents		9	25
Amounts due from subsidiaries	(c)	-	-
		15,928	5,215
Non-current assets			
Exploration and evaluation assets		239,259	237,971
Property, plant and equipment		476,352	481,278
Right-of-use assets		1,000	1,780
Investment in subsidiaries		-*	-*
Other receivables	(a)	-	2,594
Loan receivables		1,496	12,049
		718,107	735,672
Total assets		734,035	740,887
Liabilities and shareholders' equity			
Current liabilities			
Trade payables, interest payables and accrued liabilities	(b)	81,166	72,201
Other loans		15,213	1,839
Senior notes		11,511	10,581
Amount due to subsidiaries	(c)	2,937	2,684
Lease liabilities		575	539
		111,402	87,844
Non-current liabilities			
Interest payables		199,666	178,317
Loans from related companies		46,551	42,881
Loans from shareholders		20,990	19,021
Other loans		3,890	13,615
Senior notes		274,315	252,142
Lease liabilities		509	1,380
Provisions		53,049	49,829
		598,970	557,185
Total liabilities		710,372	645,029

* The amount shown as zero due to rounding less than CAD1,000.

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Notes	2024	2023
		CAD'000	CAD'000
Shareholders' equity			
Share capital		1,318,681	1,315,265
Reserve for share-based compensation	(d)	76,416	76,416
Capital reserve	(d)	(4,453)	(4,453)
Accumulated deficit	(d)	(1,366,981)	(1,291,370)
Total shareholders' equity		23,663	95,858
Total liabilities and shareholders' equity		734,035	740,887

Notes:

(a) As at December 31, 2024, included in other receivables, amount of approximately CAD 2,878,000, net of allowance of approximately CAD10,000 (2023: CAD2,594,000 (net of allowance of approximately CAD144,000)) represented the amount due form Renergy Petroleum (Canada) Co., Ltd., which Mr. Kwok Ping Sun and Nobao Energy (China), a company under the control of Mr. Sun, has conditionally acquired Changjiang Investment Group Co., Ltd.'s interest in. The amount is unsecured, interest-free and expect to be settled in October 2025.

(b) Included in the amount of other payables as at December 31, 2024, approximately CAD2,109,000 (2023: CAD1,835,000) represented the amounts due to directors. The amounts are unsecured, interest-free and repayment on demand.

(c) As at December 31, 2024 the carrying amount of amounts due from subsidiaries was approximately nil (2023: nil), net of impairment CAD19,311,000 (2023: CAD16,415,000).

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes: (Continued)

(d) Reserves movement of the Company is as follows:

	Share capital	Reserve for share-based compensation	Capital reserve	Accumulated deficit	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
As at January 1, 2023	1,315,265	76,416	(4,453)	(1,258,324)	128,904
Loss and total comprehensive expense for the year	-	-	-	(33,046)	(33,046)
As at December 31, 2023 and January 1, 2024	1,315,265	76,416	(4,453)	(1,291,370)	95,858
Issue of common shares	3,416	-	-	-	3,416
Loss and total comprehensive expense for the year	-	-	-	(75,611)	(75,611)
As at December 31, 2024	1,318,681	76,416	(4,453)	(1,366,981)	23,663

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at December 31, 2024 and 2023 are as follows:

Name of subsidiaries	Place of incorporation / establishment / operation	Class of shares held	Issued and fully paid ordinary share capital / registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				Direct		Indirect		
				2024	2023	2024	2023	
Sunshine Oilsands (Hong Kong) Ltd.	Hong Kong	Ordinary	HK$1	100%	100%	-	-	Provision of corporate management services and act as holding investment
Boxian Investments Limited	British Virgin Islands	Ordinary	US$1	100%	100%	-	-	Pursuing new investment opportunities
Sang Xiang Petroleum & Chemical (Shanghai) Limited *桑祥石油化工(上海)有公司(note a)	The PRC	Registered capital	RMB10,000,000	-	-	100%	100%	Pursuing new investment opportunities
Sang Xiang Petroleum & Chemical (Hebei) Limited *桑祥石油化工(河北)有公司(note a)	The PRC	Registered capital	US$102,000,000	-	-	51%	51%	Inactive

Notes:

(a) The nature of legal entity established in the PRC is limited liability company. The registered capital is not paid.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

* For identification purpose only

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables	**Lease liabilities**	**Senior notes**	**Other loans**	**Loans from shareholders**	**Loans from related companies**	**Total**
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
	(note 13)	(note 12(b))	(note 14(b))	(note 14(a))	(note 16)	(note 15)	
Balance as at January 1, 2024	190,886	1,919	262,723	15,454	19,021	51,933	541,936
Changes in cash items:							
Addition	-	-	-	3,693	3,447	194	7,334
Repayment	(958)	(639)	-	(1,525)	(538)	(159)	(3,819)
Changes in non-cash items:							
Accrued interest	10,701	144	-	-	-	-	10,845
Lease adjustment	-	(422)	-	-	-	-	(422)
Settled by issuing new shares (note 18)	(520)	-	-	-	(2,896)	-	(3,416)
Exchange realignment	15,485	82	23,103	1,481	1,956	4,237	46,344
Balance as at December 31, 2024	215,594	1,084	285,826	19,103	20,990	56,205	598,802

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTUNIED)

	Interest payables	**Lease liabilities**	**Senior notes**	**Other loans**	**Loans from shareholders**	**Loans from related companies**	**Total**
	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000
	(note 13)	(note 12(b))	(note 14(b))	(note 14(a))	(note 16)	(note 15)	
Balance as at January 1, 2023	187,400	1,202	269,040	16,238	12,342	53,944	540,166
Changes in cash items:							
Addition	-	-	-	1,440	6,991	265	8,696
Repayment	(512)	(583)	-	(1,780)	-	(455)	(3,330)
Changes in non-cash items:							
Accrued interest	8,532	133	-	-	-	-	8,665
Lease adjustment	-	1,221	-	-	-	-	1,221
Unrealised exchange loss	(4,534)	(110)	(6,317)	(444)	(312)	(1,809)	(13,526)
Exchange realignment	-	56	-	-	-	(12)	44
Balance as at December 31, 2023	190,886	1,919	262,723	15,454	19,021	51,933	541,936

36. MAJOR NON-CASH TRANSACTIONS

a) During the year ended December 31, 2024, the Company and the Forbearing Holders entered into an interest waiver agreement pursuant to which the Forbearing Holders agree to unconditionally and irrevocably waive the accrued interest for 2024 on the outstanding amounts (principal and interests) under the Forbearance Reinstatement and Amending which amounted to approximately US$31,500,000 (equivalent to approximately CAD45,325,000) (2023: US$31,500,000 (equivalent to approximately CAD42,509,000)). Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

b) During the year ended December 31, 2024, amounts of approximately HK$15,683,000 (equivalent to approximately CAD2,896,000) and approximately HK$2,821,000 (equivalent to approximately CAD520,000) included in loans from shareholders and interest payables respectively have been settled by a total of 48,695,736 shares of the Company issued on December 18, 2024.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Executive Directors:

Mr. Kwok Ping Sun *(Chairman)*
Ms. Gloria Pui Yun Ho

Non-Executive Directors:

Mr. Michael John Hibberd *(Vice Chairman)*
Ms. Linna Liu *(Resigned on March 31, 2025)*
Ms. Xijuan Jiang

Independent Non-Executive Directors:

Mr. Yi He
Mr. Guangzhong Xing
Ms. Jue Pang

AUTHORIZED REPRESENTATIVES:

Mr. Kwok Ping Sun
Ms. Man Ngan Chow

AUDITORS:

Prism Hong Kong Limited

LEGAL ADVISERS:

Robertson Solicitors

COMPETENT PERSONS:

Boury Global Energy Consultants Ltd.

PRINCIPAL BANKERS:

Bank of China (Hong Kong) Limited
Bank of China (Canada)

PLACE OF SHARE LISTING AND STOCK CODE:

The Stock Exchange of Hong Kong Limited: 2012

WEBSITE:

www.sunshineoilsands.com

AUDIT COMMITTEE:

Mr. Yi He *(Chairman)*
Mr. Guangzhong Xing
Ms. Jue Pang

COMPENSATION COMMITTEE:

Mr. Yi He *(Chairman)*
Mr. Kwok Ping Sun
Ms. Xijuan Jiang
Mr. Guangzhong Xing
Ms. Jue Pang

RESERVES COMMITTEE:

Mr. Yi He *(Chairman)*
Mr. Guangzhong Xing
Mr. Kwok Ping Sun

CORPORATE GOVERNANCE COMMITTEE:

Mr. Kwok Ping Sun *(Chairman)*
Mr. Michael John Hibberd
Mr. Yi He
Mr. Guangzhong Xing
Ms. Jue Pang

CORPORATE HEADQUARTERS:

Suite 1210 – 635 8th Avenue SW,
Calgary, AB T2P 3M3.

REGISTERED OFFICE IN ALBERTA:

Suite 1210 – 635 8th Avenue SW,
Calgary, AB T2P 3M3.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

20/F, Two Chinachem Central,
No. 26 Des Voeux Road Central,
Central, Hong Kong

SHARE REGISTRAR IN ALBERTA:

Odyssey Trust Company

SHARE REGISTRAR IN HONG KONG:

Computershare Hong Kong Investor Services Limited