



阳光油砂

SUNSHINE OILSANDS LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and twelve months ended December 31, 2022 and 2023**



## **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, 2023 is dated March 21, 2024 (Calgary time) / March 22, 2024 (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, 2023. 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 0.91 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2023 was approximately 1.53 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the Western Hemisphere and the third largest oil resource in the world. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

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

As at December 31, 2023, 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, 2023, the Company had \$0.53 million in cash.

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

### **Operational Update**

#### **West Ells**

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

For the three and twelve months ended December 31, 2023, the Company's average bitumen production was 1,604.4 bbls/day and 946.1 bbls/day respectively. The bitumen is blended with diluent as part of the production process to create the marketable "Dilbit" blend product. The average dilbit sales volume was 1,847.7 bbls/day and 1,152.8 bbls/day for the three and twelve months ended December 31, 2023.

#### **Thickwood and Legend**

The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013.



**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 financial information for the Company for the last eight quarters:

(\$ thousands except per share & bbl/d)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Restated <sup>3</sup> Q3 2022	Q2 2022	Q1 2022
Bitumen sales (bbl/d)	1,550	9	1,294	1,025	816	802	30	-
Petroleum sales	11,932	49	11,064	7,192	7,275	7,765	589	-
Royalties	373	(2)	298	13	266	676	20	-
Diluent	5,040	31	3,528	3,863	3,596	3,094	294	-
Transportation	3,436	106	3,468	2,521	2,050	1,779	91	6
Operating costs	4,528	3,581	4,472	4,487	6,506	4,030	5,002	3,404
Finance cost	2,684	2,668	2,237	2,536	(28,063)	13,003	12,166	11,631
Net loss (profit)	(2,111)	15,758	(5,671)	11,650	490,907	(322,871)	(46,099)	(56,232)
Net loss (profit) attributable to owners of the company	(2,184)	15,686	(5,745)	11,573	490,832	(322,945)	(46,173)	(56,311)
Per share - basic and diluted	(0.01)	0.06	(0.02)	0.05	2.02	(1.33)	(0.19)	(0.23)
Capital expenditures <sup>1</sup>	378	1,864	593	(54)	514	(185)	1,137	181
Total assets	745,932	739,708	744,484	747,557	747,719	1,240,853	877,108	812,323
Working capital deficiency <sup>2</sup>	79,458	94,082	87,079	517,464	511,583	499,257	57,625	100,543
Shareholders' equity	91,047	88,272	104,030	98,359	110,009	601,569	278,698	232,599

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

2. The working capital deficiency includes the foreign exchange gain from conversion of HKD/CNY denominated loans from related companies into CAD and the USD denominated Notes converted to CAD at each period end exchange rate.

3. The Q3 2022 comparative period in the table above have been restated. Please refer to "Restatement of the 3Q22 Comparative Periods" section of the restated Q3 2022 MD&A for full details.

**Results of Operations**

**Bitumen Realization**

(\$ thousands, except \$/bbl)	For the three months ended December 31 ,		For the twelve months ended December 31 ,	
	2023	2022	2023	2022
Dilbit revenue	\$ 11,932	\$ 7,275	\$ 30,237	\$ 15,629
Diluent blended	(5,040)	(3,596)	(12,462)	(6,984)
Realized bitumen revenue <sup>1</sup>	\$ 6,892	\$ 3,679	\$ 17,775	\$ 8,645
(\$ / bbl)	40.54	39.69	42.24	45.83

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, 2023, the Company's realized bitumen revenue increased by \$3.2 million to \$6.9 million from \$3.7 million for the same period in 2022. The increase in realized bitumen revenue in Q4 2023 was primarily due to higher bitumen production and dilbit sales at West Ells partially offset by higher diluent blending expenses. The bitumen realized price per barrel increased by \$0.85/bbl from \$39.69/bbl to \$40.54/bbl for the three months ended December 31, 2023 primarily due to lower diluent price and decreased diluent trucking costs per barrel. For the twelve months ended December 31, 2023, the Company's realized bitumen revenue increased by \$9.2 million



to \$17.8 million from \$8.6 million for the same period in 2022. The increase in realized bitumen revenue in 2023 was primarily due to higher bitumen production and dilbit sales at West Ells partially offset by higher blending expenses. Bitumen realized price per barrel decreased by \$3.59/bbl from \$45.83/bbl to \$42.24/bbl for the twelve months ended December 31, 2023 primarily due to decrease in WCS crude oil price partially offset by lower diluent cost per barrel.

**Operating Netback**

(\$ thousands, except \$/bbl)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Realized bitumen revenue	\$ 6,892	\$ 3,679	\$ 17,775	\$ 8,645
Transportation	(3,436)	(2,050)	(9,531)	(3,926)
Royalties	(373)	(266)	(682)	(962)
Net bitumen revenues	\$ 3,083	\$ 1,363	\$ 7,562	\$ 3,757
Operating costs	(4,528)	(6,506)	(17,068)	(18,942)
Operating cash flow <sup>1</sup>	\$ (1,445)	\$ (5,143)	\$ (9,506)	\$ (15,185)
Operating netback (\$ / bbl)	(8.50)	(55.50)	(22.59)	(80.52)

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

For the three months ended December 31, 2023, operating cash flow was a net loss of \$1.4 million compared to a net loss of \$5.1 million for the same period in 2022. The decrease in operating cash flow deficiency for the three months ended December 31, 2023 was primarily due to increase in bitumen sales volume and lower operating costs, partially offset by higher transportation and royalty expenses in Q4 2023. On a per barrel basis, operating netback loss decreased by \$47.00/bbl to a loss of \$8.50/bbl from a loss of \$55.50/bbl for the year ended December 31, 2022. The factors that contributed to the decrease in netback loss per barrel are lower operating costs, lower diluent and transportation expenses, and lower royalty charges per barrel.

For the twelve months ended December 31, 2023, operating cash flow was a net loss of \$9.5 million compared to a net loss of \$15.2 million for the same period in 2022. The decrease in operating cash flow deficiency for the twelve months ended December 31, 2023 was primarily due to increase in bitumen sales volume as a result of full resumption of production in 2023, lower operating and royalty expenses, partially offset by higher transportation costs. On a per barrel basis, operating netback loss decreased by \$57.93/bbl to a loss of \$22.59/bbl from a loss of \$80.52/bbl for the year ended December 31, 2022 primarily due to lower operating costs, and lower diluent and royalty expenses per barrel.

**Bitumen Production**

(Barrels/day)	For the three months ended December 31 ,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Bitumen production	1,604	934	946	457

For the three and twelve months ended December 31, 2023, bitumen production at West Ells averaged 1,604 bbls/day and 946 bbls/day compared to 934 bbls/day and 457 bbls/day for the same period in 2022, respectively. Bitumen production increased 670 bbls/day for Q4 and 489 bbls/day for the year ended December 31, 2023. Bitumen production for 2022 was mainly from the last two quarters as the Company fully resumed production during the third quarter of 2022 after the temporary production suspension since March 31, 2020. Bitumen production for 2023 was mainly from bitumen produced during the first two quarters and the last quarter because of the equipment maintenance at West Ells during Q3 2023.

**Bitumen Sales**

(Barrels/day)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Bitumen Sales	1,550	816	968	415

Bitumen sales at West Ells for the three months ended December 31, 2023 averaged 1,550 Bbls/day compared to 816 Bbls/day for the same period in 2022. Bitumen sales increased by 734 Bbls/day primarily due to higher bitumen



production and thus sales at West Ells in Q4 2023.

Bitumen sales at West Ells for the twelve months ended December 31, 2023 increased 553 bbls/day to 968 bbls/day from 415 bbls/day for the same period in 2022. Bitumen sales for 2022 was primarily from the last two quarters of 2022 as the Company fully resumed production during the third quarter of 2022 after the temporary production suspension since March 31, 2020. Bitumen sales for 2023 was primarily from bitumen sold during the first two quarters and the last quarter because of the equipment maintenance at West Ells during Q3 2023.

**Petroleum Sales, net of royalties**

(\$ thousands, except \$/bbl)	For the three months ended December 31 ,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Petroleum sales	\$ 11,932	\$ 7,275	\$ 30,237	\$ 15,629
Royalties	(373)	(266)	(682)	(962)
Balance, end of period	\$ 11,559	\$ 7,009	\$ 29,555	\$ 14,667
\$ / bbl	68.00	75.62	70.24	77.76

Petroleum sales are from the sales of Dilbit. For the three months ended December 31, 2023, petroleum sales, net of royalties was \$11.6 million compared to \$7.0 million for the same period in 2022. The increase of petroleum sales (net of royalties) is mainly due to higher bitumen production and sales volume, partially offset by higher royalty expenses. Petroleum sales per barrel (net of royalties) decreased by \$7.62/bbl to \$68.00/bbl from \$75.62/bbl primarily due to the decrease in WCS gross price paid at terminals in Q4 2023 partially offset by lower royalty expenses per barrel.

For the twelve months ended December 31, 2023, petroleum sales, net of royalties was \$29.6 million compare to \$14.7 million for the same period in 2022. The factors that contributed to the increase of petroleum sales (net of royalties) are higher sales volumes as a result of full resumption of production at West Ells in 2023, and lower royalty expenses due to decreased WTI and WCS price in 2023. Petroleum sales for 2023 were primarily from petroleum sold during the first two quarters and the last quarter because of the equipment maintenance at West Ells during Q3 2023. Petroleum sales for 2022 were primarily from the last two quarters of 2022 as the Company fully resumed production for the third quarter of 2022 after the temporary production suspension since March 31, 2020. Net petroleum sales revenue per barrel decreased by \$7.52/bbl to \$70.24/bbl from \$77.76/bbl primarily due to the decrease in WCS benchmark price in 2023 partially offset by lower royalty expenses per barrel.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above \$55 per barrel, to a maximum of 9% when the WTI crude oil price is \$120 per barrel or higher. The West Ells project is currently in pre-payout. For the three months ended December 31, 2023, royalties increased by \$0.11 million compared to the same period of 2022 primarily due to higher bitumen sales in Q4 2023. For the twelve months ended December 31, 2023, royalties decreased by \$0.28 million compared to the same period of 2022 primarily due to decreased WTI and WCS benchmark oil price and therefore lower royalty rate applicable to Crown and Burgess Energy Holdings royalty, partially offset by higher bitumen revenue used to calculate royalty.

**Diluent Costs**

(\$ thousands, except \$/bbl and blend ratio)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Diluent at CPF	\$ 3,276	\$ 2,736	\$ 7,658	\$ 5,783
Diluent at terminals	1,764	860	4,804	1,201
Total Diluent	\$ 5,040	\$ 3,596	\$ 12,462	\$ 6,984
\$/bbl	29.65	38.80	29.62	37.03
Blend ratio (CPF)	16.1%	19.0%	16.0%	19.6%
Blend ratio (terminals)	22.2%	18.2%	23.0%	15.6%

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 included the diluent blended at terminals to adjust dilbit density for pipeline shipping purpose. For the three months ended December 31, 2023, total diluent cost was \$5.0 million compared to \$3.6 million for the same period in 2022. Total diluent costs increased by \$1.4 million primarily due to higher required amount of diluent as a result of increased production in Q4 2023. On a per barrel basis, diluent costs decreased by \$9.15/bbl to \$29.65/bbl from \$38.80/bbl primarily due to lower diluent trucking costs and decline in diluent benchmark pricing in Q4 2023. Blending ratio for the three months ended December 31, 2023 was 16.1% at CPF and 22.2% at terminal compared to 19.0% and 18.2% respectively for Q4 2022.

For the twelve months ended December 31, 2023, total diluent cost was \$12.5 million compared to \$7.0 million for the same period in 2022. Total diluent cost increased by \$5.5 million primarily due to higher required amount of diluent as a result of fully resumed production at West Ells in 2023. On a per barrel basis, diluent cost decreased by \$7.41/bbl to \$29.62/bbl from \$37.03/bbl primarily due to lower diluent trucking costs and decline in diluent benchmark pricing in 2023. Blending ratio for the twelve months ended December 31, 2023 was 16.0% at CPF and 23.0% at terminal compared to 19.6% and 15.6% respectively for the same period in 2022.

**Transportation**

(\$ thousands, except \$/bbl)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Transportation	\$ 3,436	\$ 2,050	\$ 9,531	\$ 3,926
\$ / bbl	20.21	22.12	22.65	20.82

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense for the three months ended December 31, 2023 was \$3.4 million compared to \$2.1 million for the same period in 2022. The increase in the transportation cost was mainly due to increased dilbit trucking and pipeline charges as a result of increased dilbit sales in Q4 2023. On a per barrel basis, transportation expense decreased \$1.91/bbl to \$20.21/bbl from \$22.12/bbl for the same period in 2022 primarily due to lower rate charged by a new third party trucking company.

The transportation expense for the twelve months ended December 31, 2023 was \$9.5 million compared to \$3.9 million for the same period in 2022. Higher transportation cost in 2023 was primarily due to increased dilbit trucking and pipeline charges as a result of fully resumed production and sales at West Ells in 2023. The transportation expense per barrel for the twelve months ended December 31, 2023 was \$22.65/bbl compared to \$20.82/bbl for the same period in 2022. The increase in the transportation cost per barrel was mainly due to higher rate charged by third party trucking companies in the first half year of 2023, especially during periods with regulated road ban.

**Operating Costs**

(\$ thousands, except \$/bbl)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Energy operating costs	\$ 1,404	\$ 3,127	\$ 5,059	\$ 7,942
Non-energy operating costs	3,124	3,379	12,009	11,000
Operating costs	\$ 4,528	\$ 6,506	\$ 17,068	\$ 18,942
\$ / bbl	26.64	70.20	40.56	100.43

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, 2023, the operating costs decreased by \$2.0 million to \$4.5 million from \$6.5 million for the same period in 2022. For the twelve months ended December 31, 2023, the operating costs decreased by \$1.8 million to \$17.1 million from \$18.9 million. The decrease in operating costs from last year was primarily due to lower gas price in 2023. 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**

(\$ thousands)	For the three months ended December 31 ,			2022		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	\$ 1,489	-	1,489	\$ 1,031	-	1,031
Rent	14	-	14	(97)	-	(97)
Legal and audit	328	-	328	519	-	519
Other	1,052	-	1,052	938	-	938
<b>Total</b>	<b>\$ 2,883</b>	<b>-</b>	<b>2,883</b>	<b>\$ 2,391</b>	<b>-</b>	<b>2,391</b>

(\$ thousands)	For the twelve months ended December 31 ,			2022		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	\$ 6,124	-	6,124	\$ 4,764	-	4,764
Rent	54	-	54	225	-	225
Legal and audit	832	-	832	1,192	-	1,192
Other	5,543	-	5,543	4,883	-	4,883
<b>Total</b>	<b>\$ 12,553</b>	<b>-</b>	<b>12,553</b>	<b>\$ 11,064</b>	<b>-</b>	<b>11,064</b>

The Company's general and administrative costs were \$2.9 million and \$12.6 million for the three and twelve months ended December 31, 2023 compared to \$2.4 million and \$11.1 million for the same period in 2022. For the three months ended December 31, 2023, general and administrative costs increased by \$0.5 million primarily due to increase in employee compensation and municipal charges, partially offset by lower audit and legal expenses. For the twelve months ended December 31, 2023, the increase of \$1.5 million was primarily due to higher salary, municipal and legal expenses partially offset by lower audit fee and office rent.

**Finance Costs**

(\$ thousands)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Interest expense on senior notes, including yield maintenance premium ("YMP")	\$ 299	\$ (29,800)	\$ 1,174	\$ 1,710
Interest expense on other loans	110	170	491	651
Interest expense on loans from related companies and shareholders	1,744	1,156	6,678	4,995
Other interest-lease and others	147	66	322	143
Accretion	384	345	1,460	1,238
<b>Finance costs</b>	<b>\$ 2,684</b>	<b>\$ (28,063)</b>	<b>\$ 10,125</b>	<b>\$ 8,737</b>

The Company's finance costs were \$2.7 million and \$10.1 million for the three and twelve months ended December 31, 2023 compared to \$(28.1) million and \$8.7 million for the three and twelve months ended December 31, 2022. For the three months ended December 31, 2023, finance costs increased by \$ 30.8 million compared to the same period in 2022 primarily due to interest waived on senior notes which was reclassified from other income to finance cost reduction in Q4 2022. For the twelve months ended December 31, 2023, finance costs increased by \$1.4 million compared to the same period in 2022 mainly attributed to interest expenses on loans from related companies and shareholders.



**Share-based Compensation**

(\$ thousands)	For the three months ended December 31 ,					
	2023			2022		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Share-based compensation	\$ -	-	-	\$ -	-	-

  

(\$ thousands)	For the twelve months ended December 31,					
	2023			2022		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Share-based compensation	\$ -	-	-	\$ -	-	-

Share-based compensation expense for the three and twelve months ended December 31, 2023 and 2022 was both \$0. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its audited consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

**Depletion and Depreciation**

(\$ thousands, except \$/bbl)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Depletion	\$ 3,311	\$ 1,261	\$ 7,737	\$ 3,104
Depreciation	211	163	873	766
Depletion and depreciation	\$ 3,522	\$ 1,424	\$ 8,610	\$ 3,870
Depletion (\$ / bbl)	19.48	13.60	18.39	16.46

The Company commenced commercial production at West Ells Phase I Project 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, 2023, depletion and depreciation expense increased \$2.1 million to \$3.5 million from \$1.4 million for the same period in 2022. For the twelve months ended December 31, 2023, depletion and depreciation expense increased \$4.7 million to \$8.6 million from \$3.9 million for the twelve months ended December 31, 2022. The primary reason for the increase in depletion and depreciation expenses in 2023 is the higher depletion expenses due to increased production volume and higher depletion rate.

**Impairment / (Reversal)**

(\$ thousands, except \$/bbl)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Impairment / (Reversal)	-	487,731	-	(375)

The Company assesses at each reporting date whether there is an indication that its 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 Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ") and its latest oil price forecasts. The projected cash



## SUNSHINE OILSANDS LTD.

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 GLJ's evaluation of the Group'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:

- Its recoverable amount; and
- 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, 2023, the Group 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, 2023. Future cash flows were discounted at a pre-tax rate of 14.91% for E&E CGU and 14.95% for West Ells CGU (2022: 16.92% for E&E CGU and 16.61% for West Ells CGU).

Year	Oilfield Costs Inflation %	Exchange 1 CAD = x USD	WTI @Cushing \$US/bbl	WCS @ Hardisty \$CAD/bbl	Edmonton Light \$CAD/bbl	Heavy Oil 12 API @Hardisty \$CAD/bbl	AECO Spot (\$CAD/MM btu)	
2024	0	0.755	72.50	73.92	94.04	66.89	2.01	
2025	2	0.755	75.00	78.15	98.01	71.19	3.42	
2026	2	0.765	76.99	81.03	101.95	73.76	4.30	
2027	2	0.765	78.53	83.05	103.99	75.76	4.39	
2028	2	0.765	80.10	86.21	106.07	79.25	4.47	
2029	2	0.765	81.70	87.93	108.18	80.86	4.56	
2030	2	0.765	83.34	89.70	110.35	82.50	4.65	
2031	2	0.765	85.00	91.48	112.55	84.16	4.75	
2032	2	0.765	86.70	93.31	114.80	85.87	4.84	
2033	2	0.765	88.44	95.19	117.07	87.62	4.94	
2033+	2	0.765	escalate oil, gas and product prices at 2% per year thereafter					

During the year ended December 31, 2022, the Company identified indicators of impairment (reversal) in its Exploration and Evaluation (E&E) and West Ells CGU primarily due to higher commodity price sensitivity and changing interest rate expectations. At December 31, 2022, the Company completed impairment (reversal) tests on its E&E CGU and West Ells CGU which resulted in an estimated recoverable value of \$236.3 million and \$497.6 million respectively based on FVLCD. The estimated recoverable amount of E&E CGU was lower than its carrying value resulting in an impairment of \$19.7 million. The recoverable amount of West Ells CGU was above their carrying value, therefore an impairment reversal of \$20.0 million was recorded for the year ended December 31, 2022.

### 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, 2023 and 2022. 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, 2023, the Company had total available tax deductions of approximately \$1.45 billion, with unrecognized tax losses that expire between 2029 and 2043.

### Liquidity and Capital Resources

	December 31, 2023		December 31, 2022	
Working capital deficiency	\$	79,458	\$	511,583
Shareholders' equity		91,047		110,009
	\$	170,505	\$	621,592



On February 16, 2023, the Corporation 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, 2023 and December 31, 2023 (the “Waiver of Interest”). Based on the Forbearance Reinstatement and Amending Agreement (“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 as stipulated in the FRAA remain unchanged.

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 2023 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.

The directors of the Company believe the entering into of the 2023 FRAA is in the interests of the Company and its shareholders as a whole in view that the 2023 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.

As of December 31, 2023, the Company had incurred unsecured third party debt for a total of USD 55.0 million (CDN 72.8 million equivalent).

The Group has presented the Forbearing part of the Notes as a non-current liability on the Audited consolidated financial statements of Financial Position as at December 31, 2023.

The Group received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016-2023 municipal property taxes of CAD 15.1 million. The Group was also charged with overdue penalties of CAD 14.9 million. 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 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. As at December 31, 2023, the Company had incurred CAD 818,000 Builders’ liens (not related to mineral leases) against them during the ordinary course of business.

The Company received a judgment from the Court of the State of New York, New York County (the “Judgment”) that the Company shall pay the Non-forbearing holder all the amounts due and owing on the Senior Notes issued under the notes indenture dated 8 August 2014 (including principal and interests) in an aggregate amount of US\$15,481,013.33 (equivalent to approximately CAD 20,967,000). The judgment was vacated on May 25, 2023. On December 13, 2023, the Company received a judgment from the Court of the State of New York, New York County that the 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 US\$19,694,218.17 (equivalent to approximately CAD 26,048,000). On January 2, 2024 and February 20, 2024, the Group lodged an appeal against the Judgment to the New York court of appeal. 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.

The Notes are translated into Canadian dollars at the year ended exchange rate of \$1USD = \$1.3226 CAD.

The Group’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 Group manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Group's risk profile. In order to manage risk, the Group may from time to time issue shares and adjust its capital spending to manage current working capital deficiency levels. The Group's liquidity may be adversely affected if the Group's access to the capital markets is hindered because of financial market conditions generally, or as a result of conditions specific to the Group.

For the twelve months ended December 31, 2023, the Company reported a net loss and comprehensive loss attributable to owner of the Company of \$18.7 million. At December 31, 2023, the Company had a working capital deficiency of \$79.5 million.

The Group's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 88% as at December 31, 2023, compared to 85% as at December 31, 2022.

The Group 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 Group'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.

	2023			2022		
	HK\$ CAD'000	US\$ CAD'000	RMB CAD'000	HK\$ CAD'000	US\$ CAD'000	RMB CAD'000
<b>Assets</b>						
Cash and cash equivalents	501	1	5	213	1	11
Loan receivables	-	-	12,049	-	-	12,861
<b>Liabilities</b>						
Loan from related companies	(31,427)	-	(20,411)	(35,645)	-	(18,204)
Loan from a share holder	(19,021)	-	-	(12,342)	-	-
Other loans	(15,454)	-	-	(16,238)	-	-
Senior notes	-	(262,723)	-	-	(269,040)	-
Interest payable	(10,849)	(173,939)	(6,051)	(5,939)	(176,942)	(4,482)
	<u>(76,250)</u>	<u>(436,661)</u>	<u>(14,408)</u>	<u>(69,951)</u>	<u>(445,981)</u>	<u>(9,814)</u>

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.

### 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 Corporation has granted to BEH a royalty interest in the bitumen within, upon, under or produced from the royalty lands owned by the Corporation 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 Corporation entered into an amended Royalty Agreement (together with its ancillary documents, the "Amended Royalty Agreement") with BEH, pursuant to which, the Corporation will receive an accelerated payment of CAD \$5 million from the aggregate consideration of CAD \$20 million, subject to the terms and conditions stipulated therein. In accordance with the Amended Royalty Agreement, the royalty rate calculation for WCS prices above USD \$80/bbl is amended. When average daily WCS price of the month is US\$80/bbl, the royalty rate is 8.75% and proportionally increases up to a maximum of 25.00% when the WCS price rises to USD \$113/bbl (based on the original Royalty Agreement, the royalty rate increases from 8.75% up to a maximum of 15.00% when the WCS price rises to USD \$100/bbl).



## **Commitments and Contingencies**

Management estimated the contractual maturities of the Group's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Group's commitments and contingencies, please refer to the Group's audited Consolidated Financial Statements and notes thereto for the three and twelve months period ended December 31, 2023 and with the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2022.

## **Transactions with Related Parties**

For the twelve months ended December 31, 2023, a consulting company, to which a director of Sunshine is related, charged the Group CAD 0.5 million (December 31, 2022 – CAD 0.5 million) for management and advisory services.

As at December 31, 2023, 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 61.70% of the Company's outstanding common shares.

As at December 31, 2023, the Company had loans from related companies and shareholders which are unsecured, interest bearing at 10% per annum. Loans from related companies totaling approximately CAD \$51,933,000 are due from 1 to 3 years (December 31, 2022: CAD 53,944,000 are due from 3 months to 3 years). Total loans from shareholders are approximately CAD \$19,021,000 are due from 1 to 3 years (December 31, 2022: CAD \$12,342,000).

## **Off-balance Sheet Arrangements**

As at December 31, 2023, the Group did not have any other off-balance sheet arrangements.

## **Subsequent Event**

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 CAD 26,048,000). On January 2, 2024 and February 20, 2024, the Group lodged an appeal against the Judgment to the New York court of appeal. 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.

## **Critical Accounting Policies and Estimates**

The Group's critical accounting estimates are those estimates having a significant impact on the Group'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 Group's critical accounting policies and estimates, please refer to Note 4 to the consolidated annual financial statements for the year ended December 31, 2023

## **Risk Factors**

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Group, their potential impact and the Group's principal risk management strategies are substantially unchanged from those disclosed in the Group's MD&A for the year ended December 31, 2022. The 2023 annual report of the Group will be available at the Group's website at [www.sunshineoilsands.com](http://www.sunshineoilsands.com), and the website of the SEHK, [www.hkexnews.hk](http://www.hkexnews.hk).

## **Disclosure Controls and Procedures**

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Jiangping 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 Group is made known to the Group'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 Group 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, 2023, the Chief Financial Officer and the Chief Executive Officer evaluated the design and operation of the Group’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 Group’s DC&P were effective as at December 31, 2023.

**Internal Controls over Financial Reporting**

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Jiangping 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 Group’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Group 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 Group’s ICFR at December 31, 2023, and concluded that the Group’s ICFR are effective at December 31, 2023 for the foregoing purpose.

No material changes in the Group’s ICFR were identified during the three months and year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Group’s ICFR. It should be noted that a control system, including the Group’s disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

**ADVISORY SECTION**

**Non-GAAP Measures**

This MD&A includes references to certain measures which do not have a standardized meaning as prescribed by IFRS, such as “operating netbacks” and “Cash flow used in operations”, and therefore are considered non-GAAP measures. These non-GAAP measures are commonly used in the oil and gas industry and the Group 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 Group to analyze operating performance and liquidity. Cash flow used in operations excludes the net change in non-cash operating working capital and decommissioning expenditures while the IFRS measurement “Net cash used in operating activities” includes these items. Cash flow used in operations is reconciled to Net cash used in operating activities in the table below:

(\$ thousands)	For the three months ended December 31,		For the twelve months ended December 31,	
	2023	2022	2023	2022
Net cash used in operating activities	\$ (2,385)	\$ (5,231)	\$ (7,588)	\$ (21,325)
Add:				
Net change in non-cash operating working capital items	(1,874)	(1,144)	(12,198)	(2,668)
Cash flow used in operations	\$ (4,259)	\$ (6,375)	\$ (19,786)	\$ (23,993)



## **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 Group hereby cautions investors about important factors that could cause the Group'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 Group'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 Group 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 Group 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 Hong Kong Stock Exchange ("SEHK" or "Stock Exchange") Information**

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

### **Code of Corporate Governance Practice (the "Code")**

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

As Mr. Alfa Li ("Mr. Li") did not offer himself for re-election at the Annual General Meeting of the Company (the "AGM") held on June 28, 2023 (Hong Kong time) / June 27, 2023 (Calgary time), upon conclusion of the AGM, Mr. Li retired as independent non-executive director and all his offices in the Company ceased accordingly.

Following Li's departure, the Company had two independent non-executive directors and two members of Audit Committee. The Board is fully aware of the requirements: (i) under Rule 3.10(1) of the Hong Kong Listing Rules that an listed issuer should have at least three independent non-executive directors; (ii) Rule 3.21, the audit committee should be comprised of a minimum of three members.

Given the great difficulties in identifying suitable candidates and the impending expiry of the 3-month period under Rule 3.11 on September 28, 2023, the Company submitted an application to the Stock Exchange applying for a waiver from strict compliance of Rules 3.10(1), 3.10A, 3.11 and 3.21 under the Hong Kong Listing Rules for a period of 3 months to December 29, 2023 (the "Waiver"). The Waiver was granted on October 10, 2023.

On December 19, 2023, Ms. Jue Pang ("Ms. Pang") was appointed as an independent non-executive Director, a member of each of the Audit Committee (the "Audit Committee"), the Compensation Committee (the "Compensation Committee") and the Corporate Governance Committee (the "Corporate Governance Committee") of the Corporation with effect from December 19, 2023.

The Company confirms that the Code, as set out in Appendix 14 to the Hong Kong Listing Rules, has been complied with save 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 Companies (the “Model Code”)**

The Group confirms that it has adopted the Model Code, as set out in Appendix 10 to the Hong Kong Listing Rules, following its public listing. Having made specific enquiries with all directors, the directors have confirmed and compiled with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions.

**Movements in Stock Options**

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Group during the year ended December 31, 2023.

<b>Name</b>	<b>December 31, 2022</b>	<b>Granted</b>	<b>Exercised</b>	<b>Forfeited</b>	<b>Expired</b>	<b>December 31, 2023</b>
Kwok Ping Sun	6,000,000	-	-	-	6,000,000	-
Gloria Ho	300,000	-	-	-	300,000	-
Yi He	100,000	-	-	-	-	100,000
Guangzhong Xing	100,000	-	-	-	-	100,000
Sub-total for Directors	6,500,000	-	-	-	6,300,000	200,000
Sub-total for other share option holders	-	-	-	-	-	-
<b>Total</b>	<b>6,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,300,000</b>	<b>200,000</b>

Please refer to our consolidated financial statements included in the 2023 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2023.

**Fair Value of Share Options Granted**

The weighted average fair value of the share options in previous years was CAD 0.6 (2022 – CAD 0.60). 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.

<b>Input variables</b>	<b>2023</b>	<b>2022</b>
Grant date share price (\$) after consolidation	0.60	0.60-2.00
Exercise price (\$) after consolidation	0.60	0.60-2.00
Expected volatility (%)	63.91	61.88-63.91
Weighted Average Option life (years)	0.69	0.55
Risk-free interest rate (%)	1.48	1.48-1.95
Expected forfeitures (%)	0-15.39	0-15.39

**Purchase, Sale or Redemption of Sunshine’s Listed Securities**

*Class “A” Common Shares*

**General mandate**

**2023 activity**

There was not any purchase, sale or redemption of Sunshine’s listed securities as of December 31, 2023.



## **SUNSHINE OILSANDS LTD.**

### **Shares Outstanding**

As at December 31, 2023 the Group has 243,478,681 Class "A" common shares issued and outstanding.

### **Employees**

As at December 31, 2023, the Group has 23 full-time employees. For the three and twelve months ended December 31, 2023, total staff costs amounted to \$1.5 million and \$6.1 million, respectively.

### **Dividends**

The Group has not declared or paid any dividends in respect of the year ended December 31, 2023 (year ended December 31, 2022 - \$Nil).

### **Review of Annual Results**

The audited consolidated financial statements for the Group for the three and twelve months ended December 31, 2023, were reviewed by the Audit Committee of the Group and approved by the Board.

### **Publication of Information**

This annual results announcement is published on the websites of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Group's website at [www.sunshineoilsands.com](http://www.sunshineoilsands.com).

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

### **Outlook**

Sunshine will continue to focus on cost controls and carefully monitor developments in crude oil markets. As at the date hereof, the Corporation's West Ells project has fully resumed production. The Corporation will continue to work with its joint venture partner for re-activation of the Muskwa and Godin Area activities.