阳光油砂
SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2022

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 nine months ended September 30, 2022 is dated November 11, 2022, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months period ended September 30, 2022 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.99 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2021 was approximately 1.57 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 barrels per day Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at September 30, 2022, the Company had invested approximately $1.28 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at September 30, 2022, the Company had $0.90 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 Company achieved a key milestone. 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 March 8, 2022, the Company announced that it has completed the preliminary preparatory work for resumption of production in the West Ells project. On April 11, 2022, the company has announced that its West Ells project has fully resumed operation.

For the three and nine months ended September 30, 2022, the Company's average bitumen production was 878 bbls/day and 296 bbls/day respectively. The bitumen is blended with diluent as part of the production process to create the marketable "Dilbit" blend product. For the three and nine months ended September 30, 2022, the average Dilbit sales volume was 989.7 bbls/day and 351.4 bbls/day.

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 in 2022/2023 under new ownership of 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)	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**
Bitumen sales (bbl/d)	802	30	-	-	-	-	22	-
Petroleum sales	7,765	589		-	-	-	144	78
Royalties	676	20	-	-	-	1	-	-
Diluent	3,094	294	-	-	-	-	-	-
Transportation	1,779	91	6	-	2	-	43	-
Operating costs	4,030	5,002	3,404	2,456	1,841	1,602	1,825	1,518
Finance cost	13,003	12,166	11,631	9,392	12,300	11,712	13,422	11,304
Net loss/(profit)	(26,581)	(46,099)	(56,232)	707	(27,306)	22,789	2,688	(41,131)
Net loss (profit) attributable to equity holders	(26,655)	(46,173)	(56,311)	632	(27,514)	22,791	2,625	(41,190)
Per share - basic and diluted	(0.11)	(0.19)	(0.23)	0.00	(0.11)	0.12	0.02	(0.02)
Capital expenditures[1]	(185)	1,137	181	1,428	460	486	428	450
Total assets	944,563	877,108	812,323	755,724	762,847	753,425	756,209	761,660
Working capital deficiency[2]	499,257	57,625	100,543	93,005	97,147	535,469	513,103	509,044
Shareholders' equity	305,279	278,698	232,599	176,367	176,125	148,756	162,509	165,420

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 at each period end exchange rate.

Results of Operations

Operating Netback

	For the three months ended September 30,		For the nine months ended September 30,	
($ thousands, except $/bbl)	2022	2021	2022	2021
Realized bitumen revenue	$ 4,671	$ -	$ 4,966	$ 144
Transportation	(1,779)	(2)	(1,876)	(45)
Royalties	(676)	-	(696)	(1)
Net bitumen revenues	$ 2,216	$ (2)	$ 2,394	$ 98
Operating costs	(4,030)	(1,841)	(12,436)	(5,268)
Operating cash flow[1]	$ (1,814)	$ (1,843)	$ (10,042)	$ (5,170)
Operating netback ($ / bbl)	(19.92)	N/A	(104.70)	(2,115.43)

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 and nine months ended September 30, 2022 was a net loss of $1.8 million and $10.0 million compared to a net loss of $1.8 million and $5.2 million for the three and nine months ended September 30, 2021, respectively. The increase in operating cashflow deficiency for 9M2022 vs 9M2021 was due to higher operating costs incurred during the production resumption and ramp-up in the first 6 months of the year. There was no disclosure on operating netback per barrel for 3Q21 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.

Bitumen Production

	For the three months ended September 30,		For the nine months ended September 30,	
(Barrels/day)	2022	2021	2022	2021
Bitumen production	878	-	296	-

Bitumen production at West Ells for the three and nine months ended September 30, 2022 averaged 878 bbls/day and 296 bbls/day compared to 0 bbls/day for the three and nine months ended September 30, 2021. For the three and nine months ended September 30, 2021, bitumen production averaged 0 bbls/day due to temporary production suspension since March 31, 2020.

Bitumen Sales

	For the three months ended September 30,		For the nine months ended September 30,	
(Barrels/day)	2022	2021	2022	2021
Bitumen Sales	802	-	280	7

Bitumen sales at West Ells for the three and nine months ended September 30, 2022 averaged 802 bbls/day and 280 bbls/day compared to 0 bbls/day and 7 bbls/day for the three and nine months ended September 30, 2021, respectively. Bitumen sales increased by 802 bbls/day and 273 bbls/day for the three and nine months ended September 30, 2022 compared to the same period in 2021 due to resumed production and sales at West Ells in 2022.

Petroleum Sales, net of royalties

	For the three months ended September 30,		For the nine months ended September 30,	
($ thousands, except $/bbl)	2022	2021	2022	2021
Petroleum sales	$ 7,765	$ -	$ 8,354	$ 144
Royalties	(676)	-	(696)	(1)
Petroleum sales, net of royalties	$ 7,089	$ -	$ 7,658	$ 143
$ / bbl	77.86	N/A	79.83	58.75

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended September 30, 2022 was $7.1 million compared to $0.0 million for the three months ended September 30, 2021. The increase of $7.1 million sales (net of royalties) is mainly due to increased bitumen production and thus higher sales volume during the quarter. There was no disclosure on the petroleum sales per barrel for 3Q21 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.

Petroleum sales, net of royalties for the nine months ended September 30, 2022 increased by $7.6 million to $7.7 million from $0.1 million for the nine months ended September 30, 2021. For the nine months ended September 30, 2022, net petroleum sales per barrel increased by $21.08/bbl to $79.83/bbl from $58.75/bbl for the same period of 2021 primarily due to higher sales volumes and higher WCS price in 2022 partially offset by increased royalties.

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 and nine months ended September 30, 2022, royalties increased by $0.70 million compared to the same period of 2021 due to higher bitumen sales and increased royalty rate resulting from increased oil price.

Bitumen Realization

($ thousands, except $/bbl)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Dilbit revenue	$ 7,765	$ -	$ 8,354	$ 144
Diluent blended	(3,094)	-	(3,388)	-
Realized bitumen revenue[1]	$ 4,671	$ -	$ 4,966	$ 144
($ / bbl)	51.30	N/A	51.77	58.75

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 and nine months ended September 30, 2022, the Company's realized bitumen revenue increased by $4.7 million and $4.8 million from $0.0 million and $0.1 million for the same period in 2021. The bitumen realized price per barrel decreased by $6.98/bbl from $58.75/bbl to $51.77/bbl for the nine months ended 30 September 2022. The increase in realized bitumen revenue in 2022 was primarily due to higher bitumen production and dilbit sales at West Ells partially offset by higher diluent blending expenses.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Diluent	$ 3,094	$ -	$ 3,388	$ -
$/bbl	33.98	N/A	35.32	-
Blend ratio	19.0%	N/A	20.2%	N/A

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.

Diluent costs increased by $3.1 million and $3.4 million for the three and nine months ended September 30, 2022 respectively primarily due to higher required amount of diluent as a result of production resumption at West Ells. Diluent costs per barrel for the three and nine months ended September 30, 2022 was $33.98/bbl and $35.32/bbl compared to $0/bbl for the same period last year.There is no disclosure for the diluent cost per barrel and blend ratio for the same period in 2021 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.

Transportation

($ thousands, except $/bbl)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Transportation	$ 1,779	$ 2	$ 1,876	$ 45
$ / bbl	19.54	N/A	19.56	18.37

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the three and nine months ended September 30, 2022 were $19.54/bbl and $19.56/bbl respectively compared to $0/bbl and $18.37/bbl for the same period in 2021. The increase in the transportation cost per barrel was mainly due to higher bitumen sales and increased rate charged by third party trucking companies.

Operating Costs

	For the three months ended September 30,		For the nine months ended September 30,	
($ thousands, except $/bbl)	2022	2021	2022	2021
Energy operating costs	$ 1,461	$ 534	$ 4,815	$ 1,770
Non-energy operating costs	2,569	1,307	7,621	3,498
Operating costs	$ 4,030	$ 1,841	$ 12,436	$ 5,268

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 and nine months ended September 30, 2022, the operating costs increased by $2.2 million and $7.1 million to $4.0 million and $12.4 million from $1.8 million and $5.3 million for the same period in 2021. The increase in operating costs from last year was primarily due to higher fixed non-energy costs (field labor, parts and maintenance) and energy costs as a result of resumed production 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries, consultants and benefits	$ 1,001	$ 1,635	$ 3,733	$ 3,418
Rent	214	86	322	193
Legal and audit	37	(119)	673	324
Other	1,276	501	3,945	1,026
Balance, end of period	$ 2,528	$ 2,103	$ 8,673	$ 4,961

The Company's general and administrative costs were $2.5 million and $8.7 million for the three and nine months ended September 30, 2022 compared to $2.1 million and $5.0 million for the same periods in 2021. For the three months ended September 30, 2022, general and administrative costs increased by $0.4 million primarily due to increased municipal charges partially offset by decreased salaries and benefits expenses. For the nine months ended September 30, 2022, the increase of $3.7 million was primarily due to increased municipal charges.

Finance Costs

	For the three months ended September 30,		For the nine months ended September 30,	
($ thousands)	2022	2021	2022	2021
Interest expense on senior notes, including yield maintenance premium (YMP)	$ 10,806	$ 10,388	$ 31,510	$ 30,700
Interest expense on other loans and shareholder loans	1,836	884	4,320	3,750
Financing related costs	-	37	-	37
Other interest expense	2	726	29	2,241
Other interest expense-leases	15	24	48	75
Accretion	344	241	893	631
Finance costs	$ 13,003	$ 12,300	$ 36,800	$ 37,434

The Company's finance costs were $13.0 million and $36.8 million for the three and nine months ended September 30, 2022 compared to $12.3 million and $37.4 million for the three and nine months ended September 30, 2021. Finance costs increased by $0.7 million for the three months ended September 30, 2022 mainly attributed to interest expense on shareholder loan. For the nine months ended September 30, 2022, finance costs decreased by $0.6 million primarily due to the decrease of municipal charges partially offset by higher interest expenses on senior notes and shareholder loan.

Share-based Compensation

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ -	$ -	$ -	$ 1	$ -	$ 1

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ -	$ -	$ -	$ 3	$ -	$ 3

Share-based compensation expense for the three and nine months ended September 30, 2022 and 2021 were $0 million. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Depletion, Depreciation and Impairment

	For the three months ended September 30,		For the nine months ended September 30,	
($ thousands, except $/bbl)	2022	2021	2022	2021
Depletion	$ 1,843	$ -	$ 1,843	$ -
Depreciation	136	324	603	904
Impairment	(64,870)	-	(191,816)	-
Depletion, depreciation and impairment	$ (62,891)	$ 324	$ (189,370)	$ 904
Depletion ($/bbl)	20.24	N/A	19.21	N/A

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.

Depletion expense was $1.8 million for the three and nine months ended September 30, 2022 compared to zero for the three and nine months ended September 30, 2021 due to higher bitumen production in 2022. Depreciation expense was $0.1 million and $0.6 million for the three and nine months ended September 30, 2022 compared to $0.3 million and $0.9 million for the same period in 2021. Depreciation expenses decreased in 2022 primarily due to end of office lease term.

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. During the reporting period, the Company identified indicators of an impairment reversal due to increased forward commodity prices and an increase in the Company's market capitalization since the impairment loss recognized as at 2019. As a result, recovery testing was performed to determine the recoverable amount of the respective assets.

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 group 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. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU (cash-generating unit) in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life.
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, assumed tax rate:23%). 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"). 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 GLJ'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 September 30, 2022 was 10.0% based on specific risk to the asset.

The reversal is recognized in the profit or loss only to the extent that was previously recognized in the profit or loss. Any additional increase is accounted for as a revaluation and is recognized in other comprehensive income. Future depletion expenses are adjusted to allocate the CGU's revised carrying amount over its remaining useful life.

As at September 30, 2022, the Group recognized a reversal of impairment loss recorded in previous years for the individual CGU based on its assessment that the estimated recovery amount exceeded the carrying value as follows, the reversal was primarily attributable to the increase in the independent reserve engineer's oil price forecast as used in the reserve evaluation.

CGU ($ thousands)	Recoverable Amount as of September 30, 2022	Reversal Amount for the nine months ended September 30, 2022
Exploration and Evaluation	367,970	28,067
West Ells	1,132,619	163,749
Total:	1,500,589	191,816

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses for the three and nine months ended September 30, 2022 and 2021. 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 September 30, 2022, the Company had total available tax deductions of approximately $1.65 billion, with unrecognized tax losses that expire between 2033 and 2042.

Liquidity and Capital Resources

		September 30, 2022		December 31, 2021
Working capital deficiency	$	499,257	$	93,005
Shareholders' equity		305,279		176,367
	$	804,536	$	269,372

On May 12, 2022, the Company and the Forbearing Holder entered into another 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, 2022 to December 31, 2022 at 10.0% per annum on the outstanding amounts (principal and interests) under the FRAA dated August 8, 2021 (the "Waiver of Interest") which amounted to US$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

As of September 30, 2022, the Company had incurred unsecured Permitted Debt for a total of US$46.6 million (CAD$63.9 million equivalent).

The Company received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2022 municipal property taxes of CAD $13.4 million. The Group was also charged with overdue penalties of CAD $10.9 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 Group 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 believe 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 September 30, 2022, the Company had incurred $0.82 million (US $0.60 million equivalent using the period end exchange rate) in Builders' liens (not related mineral leases) against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.3707 CAD.

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

For the nine months ended September 30, 2022, the Company reported a net gain including non-controlling interest of $128.9 million. At September 30, 2022, the Company had a working capital deficiency of $499.3 million.

The Company's debt-to-asset ratio, measured based on total liabilities divided by total assets was 68% as at September 30, 2022, compared to 77% as at December 31, 2021.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the nine months ended September 30, 2022.

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2022 would have been impacted by $Nil (2021: $Nil) and the carrying value of the debt at September 30, 2022 would have been impacted by $2.73 million (2021: $2.53 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2022 would have been impacted by $Nil (2021: $Nil) and the carrying value of the debt at September 30, 2022 would have been impacted by $0.45 million (2021: $0.34 million).

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 Unaudited Condensed Consolidated interim Financial Statements and notes thereto for the three and nine months period ended September 30, 2022 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2021.

Transactions with Related Parties

For the nine months ended September 30, 2022, a consulting Company, to which a director of Sunshine is related, charged the Company $0.4 million (December 31, 2021 – $0.5 million) for management and advisory services.

As at September 30, 2022, 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 September 30, 2022, the Company had loans from related companies, which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $61,766,000 can be rollover for a period of 2 to 3 years.

Off-balance Sheet Arrangements

As at September 30, 2022, the Company did not have any other off-balance sheet arrangements.

Changes in Accounting Policies

Our significant accounting policies have remained unchanged since December 31, 2021. A summary of our significant accounting policies is included in our 2021 Annual Report.

Critical Accounting Policies and Estimates

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to Note 5 to the consolidated annual financial statements for the year ended December 31, 2021.

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, 2021, which is available at www.hkexnews.hk. The 2021 annual report of the Company is available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk.

Disclosure Controls and Procedures

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 Group is made known to the Group's CFO and CEO 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 September 30, 2022, 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 September 30, 2022.

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 September 30, 2022, and concluded that the Group's ICFR are effective at September 30, 2022 for the foregoing purpose.

No material changes in the Company's ICFR were identified during the nine months period ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

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

Cash Flow Used in Operations

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

	For the three months ended September 30,		For the nine months ended September 30,	
($ thousands)	2022	2021	2022	2021
Net cash used in operating activities	$ (5,522)	$ 7,051	$ (16,094)	$ 2,177
Deduct (add):				
Net change in non-cash operating working capital	1,536	(10,990)	(1,524)	(12,303)
Cash flow used in operations	$ (3,986)	$ (3,939)	$ (17,618)	$ (10,126)

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 Stock Exchange 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 the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (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 Company 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 period ended September 30, 2022.

Name	December 31, 2021	Granted	Exercised	Forfeited	Expired	September 30, 2022
Kwok Ping Sun	6,000,000	-	-	-	-	6,000,000
Gloria Ho	300,000	-	-	-	-	300,000
Yi He	130,000	-	-	-	(30,000)	100,000
Guangzhong Xing	100,000	-	-	-	-	100,000
Sub-total for Directors	6,530,000	-	-	-	(30,000)	6,500,000
Sub-total for other share option holders	50,000	-	-	-	(50,000)	-
Total	6,580,000	-	-	-	(80,000)	6,500,000

Please refer to our consolidated financial statements included in the 2021 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2021.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted in previous years was 0.60 (2021 - $0.60). The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the nine months ended September 30, 2022 and year ended December 31, 2021.

Input Variables	Nine months period ended September 30, 2022	Year ended December 31, 2021
Grant date share price ($) after consolidation	0.60-2.00	0.60-2.50
Exercise Price ($) after consolidation	0.60-2.00	0.60-2.50
Expected volatility (%)	61.88-63.91	61.88-73.23
Option life (years)	0.76-1.95	0.26-2.69
Risk-free interest rate (%)	1.48-1.95	0.93-1.95
Expected forfeitures (%)	0-15.39	0-15.39

Purchase, Sale or Redemption of Sunshine’s Listed Securities

Class “A” Common Shares

General mandate

2022 activity

There was not any purchase, sale or redemption of Sunshine’s listed securities as of September 30, 2022.

Shares Outstanding

As at September 30, 2022, the Company had 243,478,681 Class “A” common shares issued and outstanding.

Dividends

The Company has not declared or paid any dividends in respect of the nine months period ended September 30, 2022 (nine months period ended September 30, 2021 - $Nil).

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three and nine months ended September 30, 2022, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

This Quarterly results announcement is published on the websites of SEDAR (www.sedar.com), the SEHK (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.
This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

2022 Outlook

Sunshine will continue to focus on cost controls and carefully monitor developments in crude oil markets as well as the development of COVID-19 pandemic in North America. 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.