

SUNSHINE AGRI-TECH INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

(Prepared by Management)

General

The following Management Discussion and Analysis of the results of operations and financial condition (“MD&A”) of Sunshine Agri-Tech Inc. (“Sunshine”), prepared as of April 4, 2022, should be read in conjunction with audited consolidated financial statements for the years ended December 31, 2021 and 2020. Additional information relating to Sunshine Agri-Tech Inc., including its interim financial statements can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and have been prepared using International Financial Reporting Standards (“IFRS”) for publicly accountable enterprises as issued by the International Accounting Standards Board (“IASB”). Throughout this MD&A references are made to “LBITDA” and “gross margin”. A description of these measures and their limitations are discussed below under “Non-GAAP Measures”.

At April 4, 2022, Sunshine has 72,006,250 common shares outstanding.

Impact of COVID-19 and Going Concern

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. As a holding company with no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company’s routine operations or on the carrying value of its assets. However, the pandemic’s effect on broader capital markets may hinder the Company’s ability to identify, evaluate and then acquire an interest in a business or assets.

Cautionary Note Regarding Forward Looking Statements

This MD&A contains forward-looking statements that reflect Sunshine’s expectations regarding the future growth, results of operation, performance, business prospects and opportunities. Forward-looking statements may contain such words as “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, “will” or similar expressions suggesting future conditions or events. Such forward looking statements reflect Sunshine’s current beliefs and are based on information currently available to us. A variety of inherent risks, uncertainties and factors, many of which are beyond Sunshine’s control, affect the operations, performance and results of Sunshine and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: legislative or regulatory developments in the jurisdictions where Sunshine operates, in particular in China; change in or application of tax laws; political conditions and developments; intensifying competition from established competitors; technological change; currency value fluctuation and changes in foreign exchange restrictions; changes in Chinese government support or restrictions on foreign investment; current economic conditions on the demands of Sunshine’s products, working capital, capital expenditure requirements and capital resources; Sunshine’s success in developing and introducing new products and services, constructing and operating new manufacturing facilities, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels.

Although the forward-looking statements contained in this MD&A are based on what Sunshine believes to be reasonable assumptions, Sunshine cannot assure readers that actual results will be consistent with these forward-looking statements and Sunshine undertakes no obligation to update such statements except as expressly required by law. Readers are cautioned not to put undue reliance on forward-looking statements.

Overview

Sunshine Agri-Tech Inc. (the “Company” or “Sunshine”), was incorporated under the laws of the Province of British Columbia on May 28, 2009 as Osia Ventures Ltd. (“Osia”), a Capital Pool Company. On July 27, 2010, Osia completed a qualifying transaction (“QT”) by acquiring all of the issued and outstanding common shares in the capital of Health China Capital Limited (“Health HK”) (formerly Sunscape (Hong Kong) Limited), a private company incorporated on August 22, 2007 under the Companies Ordinance of Hong Kong, by issuing 45,000,000 common shares in the capital of the Company to the shareholders of Sunscape on a pro-rata basis. The acquisition was accomplished through an exchange of shares which resulted in the former shareholders of Sunscape obtaining control of the Company. Accordingly, this

transaction was recorded as a reverse takeover (“RTO”) and Sunscope was deemed to be the accounting acquirer. Concurrent with this transaction, the Company changed its name from Osia Ventures Ltd. to Sunshine Agri-Tech Inc.

Health HK is a holding company that holds all of the issued and outstanding shares of Dalian Sunshine Agri-Tech Co., Ltd. (“Dalian Sunshine”), which is a wholly foreign owned enterprise incorporated on September 29, 2009 under the business laws of the People’s Republic of China (“PRC” or “China”) and based in the City of Dalian, PRC. Dalian Sunshine owns 100% of Changchun Sunshine Bio-Feed Co., Ltd. (“Changchun Sunshine”) through a corporate reorganization in July 2012. Changchun Sunshine was previously a special purpose entity under 100% control of Dalian Sunshine. Changchun Sunshine was incorporated on December 4, 2006 under the business laws of the PRC and is based in the City of Changchun, PRC.

On August 31, 2012, the Company acquired 51% interest in Changchun Grain Bio-Tech Co., Ltd. (“Changchun Grain”). The acquisition is considered to be an acquisition of manufacturing and office facilities, machinery and equipment, and the assumption of related liabilities for accounting purposes.

On July 20, 2018, the Company closed a transaction in accordance with an equity transfer agreement, pursuant to which the Company has agreed to sell its 100% ownership of Changchun Sunshine to a third party. The selling price is \$1,583,514 (RMB 8,200,000). As at December 31, 2018, the payment has been received. Changchun Sunshine was not previously classified as held for sale or as a discontinued operation. As at December 31, 2018, Changchun Sunshine is classified as discontinued operation.

On September 30, 2018, the Company entered into an equity transfer agreement, pursuant to which the Company has agreed to sell its 21% ownership of Changchun Grain to its non-controlling shareholder and remaining 30% ownership to a third party (collectively, the “Purchasers”). The aggregate consideration from the Purchasers is \$695,957 (RMB 3,700,000). As of September 30, 2018, the Company had lost its control in Changchun Grain. As at December 31, 2018, the Company retained its ownership in Changchun Grain and the subsidiary was classified as assets held for sale-investment in Changchun Grain. As at August 23, 2019, the transaction was approved by the TSX Venture Exchange and as a result the sale of Changchun Grain was completed. The Company recorded a gain on disposal of Changchun Grain in the amount of \$523,536. As at December 31, 2019, the Company received 395,640 (RMB 2,100,000) from its non-controlling shareholder and recorded 298,402 (RMB 1,600,000) in other receivable for the outstanding consideration payment from the third party purchaser. Subsequent to year-end, the Company received 157,171 (RMB 800,000) from the third party purchaser.

During the year ended December 31, 2018, an inter-company asset transfer agreement (the “Asset Transfer Agreement”) was entered into between Dalian Sunshine and Sino-Grain, pursuant to which Dalian Sunshine would transfer all of its operation-related assets and liabilities, operation and employees to Sino-Grain for consideration of \$913,329 (RMB 4,605,794).

At the time that the Asset Transfer Agreement was executed, Sino-Grain was a wholly-owned subsidiary of Dalian Sunshine. The operation of Dalian Sunshine continues to operate under Sino-Grain after the transfer and Dalian Sunshine's operation is not included in the discontinued operation disclosure as at December 31, 2018. Following the execution of the Asset Transfer Agreement, the 100% interest in Sino-Grain was transferred from Dalian Sunshine to LeHealth, a 100% owned subsidiary under Health HK. This transaction resulted in Sino-Grain becoming a wholly owned subsidiary of LeHealth. Sino-Grain continues to carry out the business in manufacturing of, and research on, the livestock feed additive.

Subsequently, a share transfer agreement (the “Dalian Sunshine Transfer Agreement”) dated December 25, 2018 was entered into between Health HK and a third party pursuant to which Health HK would sell its 100% ownership in Dalian Sunshine to this third party for a price of \$844,642 (RMB 4,500,000). The consideration was fully received during the year ended December 31, 2019. The transaction is subject to approval of the Company’s shareholders and final acceptance by the TSX Venture Exchange. Dalian Sunshine was reclassified to assets held for sale as of December 31, 2018. For the year ended December 31, 2019, the Company received the approval of such transaction from both shareholders and TSX Venture Exchange. The sale of Dalian Sunshine was completed. The Company recorded a gain on disposal of Dalian Sunshine in the amount of \$244,304.

On October 15, 2020, the Company entered into an equity transfer agreement, pursuant to which the Company agreed to sell its 100% ownership in Health HK to a third party (the “Purchaser”) for a price of CAD 1,100,000. As at December 21, 2020, the Company transferred their ownership to Purchaser and lost its control in Health HK. The transaction has been approved by TSX subsequent to December 31, 2020. As at December 31, 2020, the Company recorded a gain on disposal of Health HK in amount of \$126,112 and it is included in net income from discontinued operations in statement of income (loss) and comprehensive income (loss).

Highlights for the Year of 2021:

- Net loss for the year ended December 31, 2021 was \$83,358 compared with \$39,266 in the year ended December 31, 2020. This increase in net loss was primarily due to higher gain received from discontinued operation in prior year.

Selected Annual Financial Data

The following chart summarizes selected annual financial information:

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019 Re-presented
Balance Sheet:			
Total assets	27,367	1,165,287	707,886
Operation:			
Net income (loss)	(83,358)	(39,266)	235,819
Basic and diluted earnings (loss) per hare	(0.00)	(0.00)	0.00
Dividend per share	-	-	-

Health HK and its subsidiaries were not previously classified as a discontinued operation. The comparative Statements of (Loss) Income and Comprehensive (Loss) Income and Statements of Cash Flows has been re-presented to show the discontinued operation separately from continuing operations.

For further financial information, please refer to the annual audited consolidated financial statements.

Results of Operations

Operating Expenses from continuing operations

	2021	2020
	\$	\$
Expenses		
Office and administration	-	1,476
Filing expenses	13,995	5,889
Professional fees	69,291	140,565
Interest and finance expenses	72	538
	83,358	148,468

Overall, operating expenses decreased by \$65,110 compared to December 31, 2020. The main decrease was primarily attributed to the less professional fee incurred in FY2020.

Net income from discontinuing operations

	2021	2020
	\$	\$
Net income from discontinuing operations	-	109,202

On October 15, 2020, the Company entered into an equity transfer agreement, pursuant to which the Company agreed to sell its 100% ownership in Health HK to a third party (the “Purchaser”) for a price of \$1,100,000. As at December 21, 2020, the Company transferred their ownership to Purchaser and lost its control in Health HK. The transaction has been approved by TSX subsequent to December 31, 2020. As at December 31, 2020, the Company considered the transaction closed and recorded a gain on disposal of Health HK in amount of \$126,112 and it is included in net income from discontinued operations in statement of income (loss) and comprehensive income (loss).

Net Income (Loss)

For the year ended December 31, 2021, net loss was \$83,358 compared to \$39,266 for the year ended December 31, 2020. This increase in net loss was primarily due to higher gain received from discontinued operation in prior year.

Summary of Quarterly Results

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters. Changchun Grain and Changchun Sunshine’s operating results have been represented as a discontinued operation in prior quarters.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
						Re-presented	Re-presented	Re-presented
Operating expenses	(12,935)	(3,897)	(42,578)	(23,948)	(52,505)	(12,513)	(69,925)	(13,525)
Net income (loss) for the period from continuing operations	(12,935)	(3,897)	(42,578)	(23,948)	(52,505)	(12,513)	(69,925)	(13,525)
Net income (loss) for the period from discontinued operations	-	-	-	-	204,029	59,346	(26,167)	(128,007)
Net income (loss) for the period	(12,935)	(3,897)	(42,578)	(23,948)	151,524	46,833	(96,092)	(141,532)
Earnings (loss) per share - basic and diluted								
Earnings (loss) from continuing operations	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)
Earnings (loss) for the period	(0.00)	(0.00)	(0.00)	(0.00)	0.00	0.00	(0.00)	(0.00)
Weighted average number of shares								
Basic	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250
Diluted	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250	72,006,250

Liquidity and Capital Resource

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2021 and 2020, the Company had a working capital deficit of \$88,602 and \$5,244 respectively.

As at December 31, 2021, the Company had cash and trade and other receivables of \$11,453 and \$11,072 respectively. Cash provided in operation activities for the period ended December 31, 2021 was \$7,147.

The following tables detail the remaining contractual maturities at the respective reporting dates of the Company’s non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Company can be required to pay:

Contractual obligations	Payments Due by Period			
	Total	Year	1-3 years	4-5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	52,859	52,859	-	-
Due to related parties	63,110	63,110	-	-
Total contractual obligations	115,969	115,969	-	-

Capital Resources

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company has defined its capital as common shares, reserves and accumulated deficit.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments. The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed during the year. These objectives and strategies are reviewed on a continuous basis.

Capital Structure

As at April 4, 2022, the date of this report, there were 72,006,250 common shares outstanding and there were no stock options outstanding.

Off-Balance Sheet Arrangement

Sunshine does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of its operations or financial condition including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

The following is a summary of balances and transactions with a director, an officer and companies controlled by officers and directors of the Company:

	2021	2020
	\$	\$
<i>Transactions:</i>		
Rental fees paid to a company controlled by CEO	-	113,480
<i>Balances:</i>		
Loan payable to a company controlled by CEO*	40,000	40,000
Prepaid rent expenses to a company controlled by CEO**	-	3,144
Amounts owing to CEO	23,110	39,663
Amounts owing to CFO	-	14,260

*During the period, the Company borrowed loan of \$40,000 from a company controlled by CEO. The loan is non-interest bearing and due on demand.

**Sino-Grain prepaid \$3,144 rental expenses to a company controlled by CEO. The balance has been included in the net assets of Health HK which has been disposed as at December 31, 2020. Please refer to note 8.

The Company has identified its directors and key officers, including the Chief Executive Office and Chief Financial Officer, as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the year ended December 31, 2021 and 2020. Short-term key management compensation consists of the following:

	2021	2020
	\$	\$
Salaries	-	87,674

Fourth Quarter

Results for the three months ended December 31, 2021 and 2020 are as follows:

For the three-month period ended December 31, 2021, net loss from continuing operation was \$12,935 compared to \$52,505 for the corresponding period of 2020. The net loss decreased for the Q4 2021 was mainly a result of the decrease in professional fees.

There is no discontinued operation transaction incurred in year 2021. The sale of Health HK represents a discontinued operation. Therefore, the operating results of Health HK and its subsidiaries have been presented as discontinued operations in Q4 2020.

Transactions incurred in fiscal year 2021

None.

Critical Accounting Estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience, current and future economic conditions and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods if the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

i. Expected credit loss

Trade and other receivables are assessed for impairment at each reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

ii. Reserve for inventory obsolescence

In determining the lower of cost or net realizable value of inventory, the provision for inventory obsolescence is estimated based upon a consideration of quantities on hand, actual and projected sales

volume, anticipated product selling prices and product lines planned to be discontinued. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, be required.

iii. Assets useful life and residual values

Property, plant and equipment are depreciated based on the estimated useful life and their estimated residual value. Actual useful life and residual values may vary depending on a number of factors including internal technical evaluation, physical condition of the assets and experience with similar assets.

iv. Current and deferred taxes

Estimations of the tax asset or liability require assessments to be made based on the potential tax treatment of certain items that will only be resolved once finally agreed with the relevant tax authorities.

Critical accounting judgments

i. the determination of functional currency of the Company

The functional currency for the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency, the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in both Canada and China, and sources of financing.

ii. the evaluation of the Company's ability to continue as a going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended December 31, 2021. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

iii. other judgements

Management has exercised judgment in concluding that the Company has control over its investees. Specifically, judgments have been used in determining whether the Company has power over the investee, subject to exposure, or rights, to variable returns from its involvement, and its ability to use its power over the investee to affect the amount of the Company's return.

Changes in Accounting Policies

This MD&A should be read in conjunction with the audited Consolidated Financial Statements and related notes as at and for the year ended December 31, 2021 and the notes thereto. Those Consolidated Financial Statements outline the accounting principles and policies used to prepare the Company's financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position.

New accounting standards adopted

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2) In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2

amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company has concluded that no significant impact results from the application of the Phase 2 amendments.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment)

In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect these amendments to have material impact on its consolidated financial statements.

Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, trade and other receivables (excluding GST and VAT), due from Changchun Grain, accounts payable and accrued liabilities and due to related parties approximates their carrying values as at the reporting date due to the short-term maturities of these instruments. The fair value of the loans payable approximates its carrying value as the interest rates applied to the loans are not considered to be materially different from market rates. The non-current portion of due from Changchun Grain has been discounted.

The Company has the following financial instruments as of December 31, 2021 and December 31, 2020:

		2021	2020
Financial assets	Categories	\$	\$
Cash	Amortized cost	11,453	49,413
Trade and other receivables (exclude GST and VAT)	Amortized cost	-	1,100,000
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	52,859	1,706,608
Due to related parties	Amortized cost	63,110	93,923

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Foreign currency risk

Foreign currency exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's business is transacted outside of Canada through subsidiaries operating in China. However, most of the transactions occurred are denominated in the functional currency of the subsidiaries and the Company is not significantly exposed to foreign currency exchange risk.

b) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term. The Company is not exposed to significant interest rate risk in respect of its bank loan which is subject to a fixed rate of interest. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in a bank account in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a bank that is a high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low.

The Company's receivables consist of trade and other receivables. Based on the evaluation of receivables at December 31, 2021, the Company believes that its receivables are collectable and management has determined credit risk to be low.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. As of December 31, 2021, the Company has a working capital deficiency of \$88,602. At present, the Company's operations do not generate positive cash flow and the Company relies on loans from third-parties to settle financial obligations as they fall due. Despite previous success in securing the loan financing, there is no guarantee of obtaining future financings. The Company continues to focus on collecting its trade receivables in a timely manner and by maintaining sufficient cash on hand through potential equity financing and loans.

Company Risk Factors

Execution of the Business Plan

Although management of the Company has developed a business plan, there can be no assurance that the business plan will succeed in whole or in part. The Company continues to plan to undertake expansion of its business. There can be no assurance that the Company will be able to complete the planned expansion within the expected timeframe or for the estimated costs set out in the Feasibility Study. Further, there can be no assurance that the Company will be able to successfully construct the new production facility on terms acceptable to the Company.

In order to implement its expansion plans, the Company will likely require additional funds and, accordingly, will require additional financing. There can be no assurance that the Company will be able to secure financing.

Future Capital Requirements

The development of the business of the Company will require substantial additional financing. The Company's future capital requirements will depend upon many factors, including maintenance, plant and product expansion and expansion of its sales and marketing efforts. Failure to obtain sufficient financing may result in delay, scale back, elimination, or indefinite postponement of, future programs. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. Lending may be obtained from major shareholders or other debt markets; however, there can be no assurance such loans will be obtained. In addition, there can be no assurance that the Company's business will generate sufficient cash flow from operations in the future to make necessary capital expenditures, in which case the Company may seek additional financing.

Operating risk

We are still on the process of looking for business investment opportunity for the Company. There is no assurance that suitable business will be located for the Company in the near future. Therefore, the Company will remain its current status as an inactive company with no business.

We are dependent on our key personnel. Our success depends on our key executives and the loss of the service of one or more of such key management personnel could have a material adverse effect on the Company.

Outlook

Annual purchases by farmers usually start to occur in the second quarters of each fiscal year, and feed and feed additives consumption in China and Southeast Asia is expected to continue to increase. With highly favourable government policies, including significant government support for green technologies, the opportunities for Sunshine to grow market share in China and Southeast Asia is considerable.

Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.