



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 year ended December 31, 2013 is dated March 26, 2014. 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, 2013. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.

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.

Overview

Sunshine is a major holder and a developer of oil sands resources with approximately 3.7 billion barrels of best estimate contingent resources and 444 million barrels of proved plus probable ("2P") reserves, the Company has significant commercial development potential. In addition to these reserves and contingent resources, independent resource evaluation indicates 371 MMbbl of best estimate contingent resources for Harper Carbonates. These volumes do not meet the 10% discount rate used by the independent evaluator and have been classified as "sub-economic" at this time. It is anticipated that with improved pricing and/or further project definition the project may reasonably achieve a 10% rate of return and be reclassified as "economic" best estimate contingent resources.

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, with an estimated 169 billion barrels of recoverable resource. The Canadian oil sands represent the largest single source of supply of oil imported into the United States.

Sunshine is focused on evaluating and developing oil sands assets with the first project targeting an initial production rate of 10,000 barrels per day at West Ells (the "Project"). Phase 1 of West Ells is designed for 5,000 barrels per day while Phase 2 will add an additional 5,000 barrels per day. Substantial engineering, procurement and construction activity occurred for West Ells during 2012 and in the first half of 2013; however, due to lack of sufficient funding to complete the Project, construction activities were suspended in August 2013 pending receipt of additional financing. Sunshine is maintaining staff at site to continue with reduced work activities and to ensure safety of the worksite. The effect of the work slow down on West Ells' schedules and costs will be outlined after funding for continued construction is committed.



The Thickwood and Legend projects are each planned for 10,000 barrels per day initially. The regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2014.

On August 6, 2013, the Company announced that the Board of Directors had directed management of the Company to commence a strategic review process to identify, examine and consider a range of strategic alternatives available to Sunshine, in order to progress its oil sands development strategy and to preserve and maximize shareholder value. This process is continuing and could result in one or more strategic transactions being completed by the Company including: debt or equity financing of the Company, or a joint venture or other strategic transaction involving Sunshine, or its assets, and a third party. There can be no assurance any of these alternatives will be completed.

On August 18, 2013, the Company announced that it had entered into a Framework Agreement with an international third party to pursue a joint venture involving its Muskwa and Godin area oil sands leases. The Framework Agreement provides for a 50 – 50 joint venture pursuant to which the third party is responsible for funding 100% of the initial joint operations conducted up to a maximum \$250 million, and will contribute a thermal enhanced recovery technology, to achieve production of 5,000 barrels per day from the oil sands leases. After the initial joint operations threshold is achieved, the joint venture parties will contribute in proportion to their ownership positions. On October 21, 2013, the Company announced it had signed the joint operating agreement for the joint venture.

As at December 31, 2013, the Company had invested approximately \$1.0 billion in oil sands leases, drilling operations, project engineering, procurement and construction, regulatory application processing and other assets. As at December 31, 2013, the Company had \$15.9 million in cash and cash equivalents (high yield savings).

The Company relies on its ability to obtain various forms of financing to fund administration expenses and future exploration and development of its projects. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the successful completion of one or more financings or monetizing assets. There is no certainty that these and other financing activities will be successful.

Operational Update

West Ells

Construction of Phases 1 and 2 of Sunshine's West Ells SAGD 10,000 barrel per day project continues to be suspended as the Company seeks additional funding. Suspension of construction occurred during the third quarter, effective August 18, 2013. Sunshine intends to continue to develop the West Ells project in two phases, Phase 1 (5,000 bbls/d) and Phase 2 (5,000 bbls/d), with Phase 1 providing the supporting infrastructure for Phase 2 major process equipment. To date, Sunshine has completed:

- Phase 1 drilling and completion of eight well pairs;
- Phase 2 drilling of eight well pairs;
- Phase 1 facility is 81% complete, with an estimated 4 months to finish;
- Phase 2 facility is 22% complete, with an estimated 5 months to finish; and,
- Operations staff engaged in preservation and winterization of assets and activities supporting construction commencement.

Following the August 18, 2013 suspension of West Ells construction, Sunshine engaged in an extensive re-examination of capital costs for the West Ells Project, Phases 1 and 2, including costs associated with suspending and then restarting engineering, procurement and construction activities. Costs for recommencing and completing construction, commissioning & start up, operating costs and the date for first steam will be finalized and released once additional funding is secured for a full West Ells development plan.

Thickwood and Legend

The Thickwood and Legend projects are each planned for first phase delivery of 10,000 barrels per day of production. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in the first half of 2014.



Once the Thickwood and Legend projects are sanctioned for development and construction, fieldwork for additional environmental analysis will be completed and regulatory applications will be made for significant commercial expansions in both areas.

Muskwa and Godin Operations

On October 20, 2013, Sunshine signed a joint operating agreement ("JOA") with Renergy Petroleum (Canada) Co., Ltd., ("Renergy") an affiliate of Changjiang Investment Group Co., Ltd. ("Changjiang") with respect to the Company's Muskwa and Godin area oil sands leases ("Leases"). Excluded from the JOA are all of Sunshine's oil sands rights within the carbonate formations contained within the Leases.

Renergy will operate the assets under the JOA as the Operator. In return for a 50% working interest, Renergy has agreed to fund 100% of the initial joint operations conducted on the lands up to a maximum of CAD \$250 million (the "Commitment Cap"), which funding shall be deployed at the discretion of Renergy, as Operator, until the earlier of the point when (i) the sum contributed equals the Commitment Cap or (ii) average daily production from the lands over any 20 consecutive day period equals or exceeds 5,000 barrels per day (the "Production Target"). The working interest transfer has not resulted in any accounting gain or loss.

The transition of the operatorship to Renergy is well underway. Sunshine continues to work closely with Renergy on short term and long term planning and thermal technology evaluation for potential use in the Muskwa and Godin areas. First thermal pilot project application is currently expected to be submitted in the in the first half of 2014.

Pre-JOA operation in 2013, Muskwa remained in the resource definition stage. As such, the Company capitalized all costs incurred, including operating costs net of revenues, for financial reporting purposes.

Alberta Government Initiatives

On August 22, 2012, the Government of Alberta approved the Lower Athabasca Regional Plan ("LARP") to set aside land for conservation, tourism and recreation. Implementation of LARP was initiated on December 6, 2013. This did impact Sunshine's properties in the Harper area, where 24 agreements were affected with cancellation of oil sands leases resulting in a loss of 102,365 hectares of land. Compensation for the oil sands leases cancelled by the government was received on December 13, 2014 in the amount of \$4.9 million. The resource impact assessment indicates a loss of recoverable resource, however, this loss was offset by the addition of recoverable resources resulting from the direct posting acquisition of 5,088 hectares in the Harper Birch River area in March of 2013.

Non-IFRS Financial Measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry, such as cash flow from operations. These financial measures are not defined by IFRS as issued by the International Accounting Standards Board and, therefore, are referred to as non-IFRS measures. The non-IFRS measures used by the Company may not be comparable to similar measures presented by other companies. The Company uses these non-IFRS measures to help evaluate its performance. Management uses cash flow from operations to measure the Company's ability to generate funds to finance capital expenditures and repay debt.

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The non-IFRS measure of cash flow from operations can be reconciled to net cash provided by operating activities, as determined in accordance with IFRS.

**Operational and Financial Highlights**

The following table summarizes selected financial information of the Company for the periods presented:

Financial Highlights	For the three months ended		For the year ended		
	December 31,		December 31,		2011
	2013	2012	2013	2012	
Other income	\$ 661	\$ 1,033	\$ 2,219	\$ 12,228	\$ 1,625
Expensed portion of IPO costs	-	-	-	16,258	3,547
Finance costs	743	2,858	4,775	20,237	25,470
Net loss	7,515	9,193	32,780	61,728	67,392
Basic and diluted loss per share	0.00	0.00	0.01	0.02	0.05
Payments for exploration and evaluation assets	(3,943)	64,831	12,745	229,382	155,561
Payments for property, plant and equipment	46,644	267	270,508	740	-

For the three months and year ended December 31, 2013, the Company had a net loss of \$7.5 million and \$32.8 million compared to \$9.2 million and \$61.7 million in 2012, respectively. The net loss for the three months and year ended December 31, 2013 was primarily attributable to general administration costs of \$1.6 million and \$17.8 million, \$2.1 million and \$9.3 million for share-based payment expense, finance costs of \$0.7 million and \$4.8 million respectively, and \$2.7 million of suspension costs incurred in Q4. For the three months and year ended December 31, 2012, the net loss was due primarily to finance costs of \$2.9 million and \$20.2 million, \$Nil and \$16.3 million of expensed IPO costs, general administration costs of \$4.6 million and \$23.8 million, and \$2.7 million and \$13.4 million for share-based payment expense.

	2013	2012	2011
Cash and cash equivalents	\$ 15,854	\$ 282,231	\$ 84,957
Working capital (deficiency)/surplus	(103,182)	215,471	(7,095)
Total assets	1,029,388	979,726	475,714
Total liabilities	148,415	108,650	327,127

At December 31, 2013, the Company had a combined cash and short-term investment balance of \$15.9 million compared to \$282.2 million at December 31, 2012. The change of \$266.4 million in the cash and cash equivalents balance can be attributed to investment in development of \$283.3 million, primarily at Sunshine's West Ells project area, and \$15.4 million used in corporate operating activities offset by net cash provided from financing activities of \$30.0 million. At December 31, 2013, the Company's working capital deficiency was \$103.2 million.



The following table summarizes the Company's cash flow used in operations:

	For the three months ended December 31,		For the year ended December 31,	
	2013	2012	2013	2012
Net loss	\$ (7,515)	(9,196)	(32,780)	(61,728)
Finance costs	743	2,859	4,775	20,237
Expense portion of IPO costs	-	-	-	10,863
Unrealized foreign exchange loss/(gain)	101	45	(49)	21
Interest income	(761)	(987)	(2,170)	(3,229)
Depreciation	153	91	483	290
Share-based payment expense	2,075	2,705	9,298	13,384
Employee share savings plan	139	-	365	-
Cash flow used in operations	(5,065)	(4,483)	(20,078)	(20,162)

This non-IFRS measurement is intended to provide additional information and should not be considered in isolation or as substitute for measures of performances prepared in accordance with IFRS. The above table reconciles the non-IFRS measurements "Cash flow used in operations" from "Net loss for the period", the nearest IFRS measure. Cash flow used in operations is defined as net loss as reported, addback or deduct non-cash items including expensed portion of IPO costs, finance costs, share-based payments, unrealized portion of foreign exchange adjustments, depreciation and interest income.

Cash flow used in operations in the three months and year ended December 31, 2013 totalled \$5.1 million and \$20.1 million compared to \$4.5 million and \$20.2 million for the same periods in 2012. The decrease of \$0.6 million for the fourth quarter of 2013 compared to the same period in 2012, is primarily due to a decrease in net loss of \$1.7 million, and a decrease in finance costs of \$2.1 million. For the year ended December 31, 2013, the decrease in cash flow used in operations was \$0.1 million due to lower finance costs of \$15.5 million and \$10.9 million of expensed IPO costs, offset by \$28.9 million for the change in net loss and a reduction in interest income of \$1.0 million compared to the same period in 2012. Given the nature of its business and stage of development, cash flow used in operations is a small portion of the Company's total cash needs and expenditures.

Summary of Quarterly Results

The following table summarizes selected unaudited financial information for the Company for the last eight quarters:

('000s except for per share amounts)	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Other income	661	118	622	818	1,032	1,142	2,992	7,061
Expense portion of IPO costs	-	-	-	-	-	-	44	16,213
Finance costs	743	1,475	816	1,741	2,859	215	66	17,098
Net loss for the period	7,515	8,681	8,327	8,257	9,196	15,531	4,673	32,331
Loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Capital investments	42,701	53,324	101,336	85,892	65,098	32,510	90,035	42,477



Results of Operations

Finance Expense

	For the three months ended December 31,		For the year ended December 31,	
	2013	2012	2013	2012
Finance cost on share repurchase obligation	\$ -	\$ -	\$ -	\$ 5,864
Expensed portion of share issue costs	-	-	-	13,012
Finance cost on related party loan	-	-	-	266
Finance cost on credit facility	-	2,449	1,541	2,449
Financing related costs	1,126	-	2,597	-
Unwinding of discounts on provisions	(383)	410	637	761
Less: amounts capitalized in exploration and evaluation assets	-	-	-	(2,115)
	743	2,859	4,775	20,237

In October 2012, the Company signed a Credit Facility for availability of up to \$200 million with a syndicate of financial institutions. Undrawn amounts were subject to a standby fee of 100 basis points per annum. The Credit Facility was secured by all assets of the Company. The amount available for draw under the facility depended on the value attributed to the Company's Proved reserves by its independent engineers, while drawdown was subject to, among other things, demonstrating sufficient funding (including draws under the Credit Facility) to complete the West Ells project to a defined stage. The Credit Facility matured on October 10, 2013 and was cancelled by the Company. During the year ended December 31, 2013, the Company incurred \$1.5 million for standby fees.

For the three month period ended December 31, 2013, finance expense decreased by \$2.1 million primarily as a result of a reduction of \$2.4 million in standby costs, compared to the same period in 2012, on the Credit Facility cancelled in Q4, partially offset by an increase in other financing related costs of \$1.1 million. Finance expense for the twelve month period ended December 31, 2013 decreased by \$15.5 million to \$4.8 million from \$20.2 million during the same period in 2012, primarily due to \$13.0 million of share issue costs expensed in the prior period, the extinguishment of the share repurchase obligation for \$5.9 million and a reduction in standby fees on the credit facility cancelled on October 10, 2013, offset by \$2.6 million of other financing related costs (legal, other professional expenses and interest expenses).

In the second quarter of 2012, the Company drew and repaid \$30.0 million under a previously available \$100.0 million credit facility agreement (the "Loan Agreement") with a significant shareholder of the Company. Since the loan was classified as a financial liability and accounted for as other liabilities at amortized cost, the Company recorded non-cash finance costs of \$0.3 million. Refer to Section: "Transactions with related parties" for terms and conditions of the Loan Agreement.



General and Administrative Costs

	For the three months ended December 31,					
	2013			2012		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	1,594	1,761	(167)	3,825	1,875	1,950
Rent	771	426	345	529	318	211
Other	1,085	97	988	1,750	285	1,465
	3,450	2,284	1,166	6,104	2,478	3,626

	For the year ended December 31,					
	2013			2012		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	18,645	8,725	9,920	24,290	7,951	16,339
Rent	2,414	1,346	1,068	2,108	1,164	944
Other	5,011	512	4,499	5,981	1,046	4,935
	26,070	10,583	15,487	32,379	10,161	22,218

General and administrative costs, which include salaries, consulting and benefits, rent, and other general administrative costs, for the three month period ended December 31, 2013 decreased by \$2.5 million to \$1.2 million compared to \$3.6 million for the same period in 2012. For the year ended December 31, 2013, general and administrative costs decreased by \$6.7 million to \$15.5 million compared to \$22.2 million for the same period in 2012. The decrease in expense was primarily attributed to reduced bonus payments offset by higher compensation costs in 2013 as the Company continued to hire staff for its ongoing development. During the three months and year ended December 31, 2013, the Company capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of \$2.3 million and \$10.6 million compared to \$2.5 million and \$10.2 million for the same periods in 2012, respectively.

Share-based payments

	For the three months ended December 31,					
	2013			2012		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	2,717	642	2,075	4,275	1,570	2,705

	For the year ended December 31,					
	2013			2012		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	13,303	4,005	9,298	20,445	7,061	13,384

Share-based compensation expense for the three months and year ended December 31, 2013 was \$2.7 million and \$13.3 million compared to \$4.3 million and \$20.4 million for the same period in 2012, respectively. The fair value of share-based payments associated with the granting of stock options and preferred shares is recognized by the Company in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

The Company capitalizes a portion of the share-based compensation expense using the same methodology associated with capitalized salaries and benefits. For each of the three months and year ended December 31, 2013 and 2012, the Company capitalized \$0.6 million and \$4.0 million, compared to \$1.6 million and \$7.1 million of share-based payments for the same periods in 2012, respectively.

**Other Income**

	For the three months ended December 31,		For the year ended December 31,	
	2013	2012	2013	2012
Foreign exchange gain – realized	-	118	-	9,020
Foreign exchange gain/(loss) - unrealized	(101)	(72)	49	(21)
Interest income from term deposits	761	986	2,170	3,229
	660	1,032	2,219	12,228

Other income for the three months ended December 31, 2013 decreased by \$0.3 million to \$0.7 million from \$1.0 million in 2012 and for the year ended December 31, 2013 decreased by \$10.0 million to \$2.2 million from \$12.2 million for the year ended December 31, 2012, respectively. The change was primarily due to a net realized foreign exchange gain of \$9.0 million for the year ended December 31, 2012. For the decrease related to interest income of \$1.06 million for the year ended December 31, 2013, interest income declined as cash balances were invested in capital projects.

Expensed portion of IPO costs

In the first quarter of 2012, the Company completed a public listing and initial public offering (“IPO”) on the HKEX. The IPO raised approximately \$569.9 million (HK\$4.5 billion) gross proceeds for the Company. In conjunction with this financing, \$Nil was recognized during the year ended December 31, 2013 while \$16.3 million of the IPO costs were expensed in the year ended December 31, 2012. Of this amount, \$5.3 million related to bonus payments and \$11.0 million for IPO related costs such as legal and audit fees.

Depreciation

Depreciation expense was \$0.2 million for the three month period ended December 31, 2013 compared to \$0.09 million for the same period in 2012. For the year ended December 31, 2013, depreciation expense was \$0.5 million compared to \$0.3 million for the same period in 2012. Since the Company is a development stage company, its oil assets are not yet ready for use and therefore, not subject to depletion and depreciation.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three months and year ended December 31, 2013 and 2012. 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, 2013, the Company had total available tax deductions of approximately \$1.1 billion, with unrecognized tax losses that expire between 2028 and 2033.

Liquidity and Capital Resources

December 31,	2013		2012	
Working capital deficiency/(surplus)	\$	103,182	\$	(215,471)
Shareholders’ equity		880,973		871,076
	\$	984,155	\$	655,605

Working capital deficiency as at December 31, 2013 of \$103.2 million is comprised of \$15.9 million of cash and cash equivalents, offset by a non cash working capital deficiency of \$119.1 million. 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 levels. The Company’s liquidity may be adversely affected if the Company’s access to the capital



markets is hindered, whether as a result of financial market conditions generally or as a result of conditions specific to the Company. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or monetizing assets. There is no certainty that these and other strategies will be successful.

For the year ended December 31, 2013, the Company reported a net loss of \$32.8 million. At December 31, 2013, the Company had negative working capital of \$103.2 million and an accumulated deficit of \$200.9 million. Although the Company has raised additional equity capital since December 31, 2013, the Company's recent losses and negative cash flow continue to create a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern without additional financing. Effective August 18, 2013, the Company suspended construction of its West Ells SAGD project, pending sourcing of additional financing.

In October 2012, the Company negotiated and signed a \$200 million Credit Facility with a syndicate of financial institutions. The amount available for draw under the facility depended on the value attributed to the Company's Proved reserves by its independent engineers, while drawdown was subject to, among other things, demonstrating sufficient funding (including draws under the Credit Facility) to complete the West Ells project to a defined stage. The Credit Facility matured on October 10, 2013 and was cancelled by the Company.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. 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. Thus, exchange rate fluctuations can affect the fair value of future cash flows.

The Company had no forward exchange rate contracts in place as at or during the three months and year ended December 31, 2013. If exchange rates to convert from HK dollars to Canadian dollars had been 1% higher or lower with all other variables held constant, foreign cash held at December 31, 2013 would have been impacted by approximately \$4 thousand. At December 31, 2013, the Company held approximately HK\$3.1 million or \$0.4 million using the December 31, 2013 exchange rate of 7.2901, as cash in the Company's Hong Kong bank account.

The Company's \$15.9 million in cash and cash equivalents as at December 31, 2013 are held in accounts with third party financial institutions and consist of invested cash and cash in the Company's operating accounts. The cash equivalents portion is invested in high yield savings and high grade liquid term deposits. To date, the Company has experienced no loss or lack of access to its cash in operating accounts, invested cash or cash equivalents. However, the Company can provide no assurance that access to its invested cash and cash equivalents will not be affected by adverse conditions in the financial markets. While the Company monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be affected if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets.

Cash Flows Summary

	For the three months ended December 31,		For the year ended December 31	
	2013	2012	2013	2012
Cash (used in)/generated by operating activities	\$ (126)	\$ (3,570)	\$ (15,372)	\$ (18,581)
Cash used in investing activities	(41,938)	(64,113)	(281,083)	(226,893)
Cash generated/(used in) by financing activities	23,832	(5,659)	30,029	442,769
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(101)	(72)	49	(21)
(Decrease)/increase in cash and cash equivalents	(18,333)	(73,414)	(266,377)	197,274
Cash and cash equivalents, beginning of period	34,187	355,645	282,231	84,957
Cash and cash equivalents, end of period	\$ 15,854	\$ 282,231	\$ 15,854	\$ 282,231



Operating Activities

Net cash used for operating activities for the three months and year ended December 31, 2013 was \$0.1 million and \$15.4 million compared to cash used of \$3.6 million and \$18.6 million in 2012, a change of \$3.5 million and \$3.2 million, respectively. Net cash used for operating activities includes movements in working capital of \$4.9 million and \$4.7 million for the three months and year ended December 31, 2013 compared to \$0.9 million and \$1.6 million for the same periods in 2012, respectively.

Investing Activities

Net cash used for investing activities for the year ended December 31, 2013 grew by \$54.2 million to \$281.1 million compared to \$226.9 million for the year ended December 31, 2012. The increase was due to higher investment primarily in West Ells development, of \$283.3 million, offset by \$2.2 million of interest income for the year ended December 31, 2013.

Capital investment for the 2013 development program focused on SAGD wellpair drilling and completion, construction, procurement of major equipment and related capital costs for Phase 1 and 2 of the West Ells project, the maintenance of the West Ells access road, and resource delineation and expenditures related to regulatory advancement for projects at Thickwood and Legend. Substantial engineering, procurement and construction activity occurred for West Ells during 2012 and during the first half of 2013; however, due to lack of sufficient funding to complete the Project, these activities were suspended on August 2013 pending receipt of additional financing. Sunshine continues to maintain staff at site to continue with reduced work activities and to ensure safety of the worksite and preservation of the West Ells asset and the costs incurred after the August 18, 2013 suspension, which totalled \$2.7 million for the year, are recognised as suspension costs in the consolidated statements of operations and comprehensive loss.

Financing Activities

Financing activities for the three months and year ended December 31, 2013 generated \$23.8 million and \$30.0 million, which consisted of proceeds received from a private placement completed of \$Nil and \$24.9 million, stock option exercises of \$Nil and \$8.4 million, offset by \$0.4 million and \$2.8 million of finance related costs in the respective periods. For the year ended December 31, 2012, financing activities were comprised of gross proceeds received in connection with Sunshine's IPO on the HKEX for \$569.9 million, offset by \$68.9 million used to repurchase all warrants issued and outstanding before the IPO, \$14.7 million for common share repurchases and \$25.6 million of share issue costs and an IPO advisory fee. For the three months ended December 31, 2012, financing activities included the \$7.1 million for common share repurchases and \$0.2 million of share issue costs, offset by \$3.6 million of proceeds received from stock option exercises.

Commitments and contingencies

Information presented in the table below reflects management's estimate of the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. As at December 31, 2013, the Company's estimated commitments are as follows:

	Due within the next 12 months	Due in the next 2 to 5 years	Over 5 years
Drilling, other equipment and contracts	\$ 4,875	3,145	-
Lease rentals ¹	185	4,826	5,956
Office leases	2,698	10,476	595
	\$ 7,758	18,447	9,401

¹ The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.



Following suspension of construction at the Company's West Ells SAGD project, many suppliers have placed builders' liens on the West Ells property to secure past due and unpaid invoices. The Company has been served with 71 lawsuits claiming payment for unpaid invoices for a total aggregate value of \$94.0 million. Through the normal course of business, the Company has recorded the unpaid invoices in trade and other payables. The Company has raised equity funds as discussed in Financing Activities and continues to pursue additional financing to enable it to meet these obligations and clear up these issues and continue developing its business. The Company, with unanimous agreement from current lien holders and litigants, reached a collective forbearance agreement with all lien holders and litigants until February 28, 2014. Subsequent to December 31, 2013, the Company reached a collective agreement with all lien holders and litigants to extend the forbearance period to May 31, 2014. The Company paid 25% of all past due and unpaid invoices in December, and another 20% payment of all past due and unpaid invoices in early March, 2014 in exchange for these two forbearance agreements. This Collective and continuous forbearance from suppliers, and their support of financing endeavours, has allowed the Company to continue with efforts to secure the required financing to complete the West Ells project.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a Share Subscription Agreement entered into in January 2011, it is entitled to require Sunshine to repurchase four million one hundred thirty-two thousand two hundred thirty-two (4,132,232) shares of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for CDN \$40 million plus interest at 15% per annum since the date of the Share Subscription Agreement. The Company's Statement of Defence is due to be filed on April 2, 2014. Management considers the Action to be unfounded. No amounts have been accrued in the consolidated financial statements for the year ended December 31, 2013 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

Transactions with related parties

Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation. The Company had related party transactions with the following companies related by way of directors or shareholders in common:

- Orient International Resources Group Limited and its affiliated companies ("Orient Group") is a private group of companies controlled by Mr. Hok Ming Tseung, a significant shareholder and director of the Company. At December 31, 2013, Orient Group owned approximately 10% of the outstanding shares of the Company. In 2010 through to 2012, Orient Group provided advisory services with respect to various IPO related matters and other strategic topics. Orient Group provided a credit facility agreement to the Company in 2011 through 2012.
- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. MJH Services provides overall operational services to the Company.
- 1226591 Alberta Inc. ("1226591 Inc.") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. 1226591 Inc. provides overall operational services to the Company.
- McCarthy Tetrault LLP is a law firm in which a director of the Company is a partner. McCarthy's provides legal counsel to the Company.

Details of transactions between the Company and its related parties are disclosed below.

Credit Facility Agreement (the "Credit Facility Agreement")

The Company had a Credit Facility Agreement with a non-arm's length lender in which a credit facility for general working capital purposes was available of up to a maximum of \$100 million. During the year ended December 31, 2012, the Company drew \$30.0 million on the credit facility and subsequently repaid the balance prior to period end. The loan was a financial liability and was classified as other liabilities and recorded at amortised cost, using the effective interest method. For the year ended December 31, 2012, total finance costs were \$0.3 million, of which \$0.1 million was expensed and \$0.2 million was capitalized as the funds are directly attributable to the development of the Company's qualifying assets, respectively. Upon repayment of the outstanding balance owing on this credit facility,



\$0.3 million was recorded to Other Reserve due to the related party nature of this transaction. In the fourth quarter of 2012, this Credit Facility Agreement was terminated.

Employee Share Purchase Loan

The Company loaned \$50,000 to a senior employee to facilitate the exercise of stock options to purchase 250,000 Class “A” common shares. The loan bore interest at 3.0% per annum, secured by the common shares and was repaid in full on December 10, 2013. The Company classified the loan as “other receivable” under financial assets.

The Company incurred consulting compensation payments and performance related incentive payments to MJH Services totalling \$0.45 million for the year ended December 31, 2013 compared to \$3.95 million for the same period in 2012. The Company incurred consulting and performance related incentive payments to 1226591 Inc. totalling \$0.45 million for the year ended December 31, 2013 compared to \$3.95 million for the same period in 2012.

The Company classified legal costs with McCarthy Tetrault LLP as follows:

	For the three months ended December 31,		For the year ended December 31,	
	2013	2012	2013	2012
Share issue costs	-	-	-	271
Legal expense	286	270	926	398
Finance fees	-	-	235	-
Expensed portion of IPO costs	-	-	-	551
Capitalized to E&E	(107)		272	
	179	270	1,433	949

The following balances were outstanding and included in trade and other payables for McCarthy Tetrault LLP at the end of the reporting period:

	2013	2012
Legal	887	136

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Off-balance sheet arrangements

At December 31, 2013, the Company did not have any off-balance sheet arrangements.

Subsequent event

Subsequent to December 31, 2013, the Company completed additional closings of its private placement totalling 181,242,193 Units at a price of HK \$1.70 per Unit (approximately C\$0.24 per Unit) for gross proceeds of HK\$ 308,111,728 or approximately C\$43.7 million. Each Unit is comprised of one Class “A” common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK \$1.88 per common share (approximately C\$0.26 per common share) for a period of 24 months following the closing date. Total subscriber’s warrants issued in the additional closings were 60,414,064. After payment of a 3% cash fee of HK\$ 4,620,000 (approximately C\$0.651 million) to the finder of 90,588,235 Units, the total net proceeds from the additional closings since December 31, 2013, were HK\$303,491,728 or approximately C\$ 43.1 million. In addition, 72,496,877 warrants were issued to finders in relation to these closings. A total of 132,910,941 warrants were issued as part of these closings.

Subsequent to December 31, 2013, the Company issued a notice of special general meeting to the shareholders to be held on April 15, 2014, in Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments, as an ordinary resolution giving the Board a general and unconditional mandate to allot, issue or otherwise deal with unissued Shares up to a maximum of twenty percent (20%) of the aggregate issued and outstanding share capital of the Corporation until the next annual meeting. Additional



information can be found on the websites of SEDAR (www.sedar.com), the HKEX (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.

Recent accounting pronouncements issued but not yet adopted

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Company's financial period beginning on January 1, 2013. The Company has reviewed new and revised accounting pronouncements that have been issued. The impact of these standards are disclosed in Note 3.17, "Changes in Accounting Policies" in the consolidated financial statements.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Going concern

The financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the existence of conditions that cast doubt upon the going concern assumption.

Joint Control

Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the capital and operating activities of the projects it undertakes with partners and when the decisions in relation to those activities require unanimous consent.

Oil and gas reserves

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

Reserve estimates are based on, among other things, forecasts of production, prices, cost estimates and economic conditions.

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production forecasts, prices and other economic conditions;
- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and
- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Company's development and production assets are determined using proved plus probable reserves.



Independent qualified reserves evaluators prepare reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by the Company's engineers and operational management familiar with the property. Judgment is used in order to determine if a project classified as E&E is technically feasible and commercially viable and should be transferred from E&E to property, plant and equipment.

Impairment of non-financial assets

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. Oil and gas development and production properties are evaluated for impairment by reference to proved and probable reserves determined in accordance with the Society of Petroleum Engineers rules. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

Recoverability of exploration and evaluation costs

Exploration and Evaluation costs ("E&E") are capitalized as exploration and evaluation assets by cash generating unit ("CGU") and are assessed for impairment when circumstances suggest that the carrying amount may exceed recoverable value. This assessment involves judgment as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues based on forecasted oil and gas prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value; and (v) potential value to future E&E activities of any geological and geophysical data acquired.

Decommissioning costs

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

Share-based payments

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

Fair Value Measurement

The estimated fair value of financial instruments is reliant upon a number of estimated variables including foreign exchange rates and interest rates, volatility curves and risk of non-performance. A change in any one of these factors could result in a change to the overall estimated valuation of the instrument.

Deferred income taxes

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

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, 2013, which is available at www.sedar.com. The 2013 annual report of the Company is available at the Company's website, www.sunshineoilsands.com, and the website of the HKEX, www.hkexnews.hk. The Company's 2013 Annual Information Form is available at www.sedar.com.



Disclosure Controls and Procedures

The Company's Interim President and Chief Executive Officer ("CEO") and Executive Co-Chairman of the Board have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and Executive Co-Chairman of the Board by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls Over Financial Reporting

The CEO and Executive Co-Chairman of the Board have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal controls over financial reporting at the financial year end of the company and concluded that the Company's internal controls over financial reporting are effective at the financial year end of the company for the foregoing purpose.

No material changes in the Company's internal controls over financial reporting were identified during the three months and year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. 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.

Additional Stock Exchange Information

Additional information required by the HKEX and not shown elsewhere in this announcement is as follows:

Code of Corporate Governance Practice (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 was complied with following its public listing, save that the Company has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis at each annual general meeting, which is consistent with market practice in Canada.

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 following its public listing. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Purchase, sale or redemption of Sunshine's listed securities

Class "A" Common Shares

During the three months and year ended December 31, 2013, the Company issued 182,118,924 Class "A" common shares and 235,454,630 Class "A" common shares for \$25.2 million and \$34.1 million, respectively. The Class "A" common shares issuances included a private placement, Class "G" and "H" Preferred Share conversions, stock option exercises and issuances from the Company's employee share savings plan.



During the three months and year ended December 31, 2013, the Company issued 106,800,000 Class “A” common shares in a private placement at a price of HK \$1.70 per Unit (approximately C\$0.24 per Unit) for gross proceeds of HK\$181.6 million or approximately C\$24.9 million.

During the three months and year ended December 31, 2013, the Company issued 74,205,000 and 78,945,000 Class “A” common shares respectively, from the conversion of Class “G” and “H” Preferred Shares for gross proceeds of \$36 thousand and \$40 thousand, respectively.

During the three months and year ended December 31, 2013, the Company issued Nil and 46,695,000 Class “A” common shares respectively, from Pre-IPO stock option exercises for gross proceeds of Nil and \$8.4 million, respectively.

During the three months and year ended December 31, 2013, the Company issued 1,113,924 and 3,014,630 Class “A” common shares respectively, from the Company’s employee share savings plan for gross proceeds of \$0.3 million and \$0.7 million, respectively.

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the year ended December 31, 2013.

Class “G” Preferred Shares

During the three months and year ended December 31, 2013, 52,390,000 and 60,190,000 Class “G” Preferred Shares were converted to 52,005,000 and 56,745,000 Class “A” common shares for \$25 thousand and \$29 thousand. There were Nil and 250,000 Class “G” Preferred Shares cancelled during the three months and year ended December 31, 2013, respectively.

Class “H” Preferred Shares

For the three months and year ended December 31, 2013, there were 22,200,000 Class “H” preferred shares converted to 22,200,000 Class “A” common shares for \$11 thousand.

Pre-IPO Stock Option Plan

The Company no longer grants stock options under the Pre-IPO Plan. During the three months and year ended December 31, 2013, there were Nil and 46,695,000 Pre-IPO stock options exercised at a weighted average exercise price of \$Nil and \$0.18 per stock option. There were also Nil and 5,440,914 forfeitures of Pre-IPO stock options during the three months and year ended December 31, 2013.

Post-IPO Stock Option Plan

For the three months and year ended December 31, 2013, the Company granted Nil and 6,850,368 Post-IPO stock options. During the three months and year ended December 31, 2013, there were Nil Post-IPO stock options exercised. There were also 4,757,044 and 12,074,549 forfeitures of Post-IPO stock options during the three months and year ended December 31, 2013.

Shares Outstanding

As at March 26, 2014, the Company had the following shares issued and outstanding:

Class “A” common shares	3,249,089,233
Class “G” preferred shares	
Class “H” preferred shares	

**Summary of Financial Statements and Notes**

The Board of Directors of the Company announces the results of the Company and its wholly owned subsidiary, for the three months and year ended December 31, 2013 together with comparative figures for the corresponding periods in 2012 as follows:

Consolidated Statements of Financial Position

	December 31, 2013		December 31, 2012	
Assets				
<i>Current assets</i>				
Cash and cash equivalents	\$	15,854	\$	282,231
Trade and other receivables		1,294		2,155
Prepays and deposits		656		701
		17,804		285,087
<i>Non-current assets</i>				
Exploration and evaluation		376,912		366,668
Property, plant and equipment		634,672		327,971
		1,011,584		694,639
	\$	1,029,388	\$	979,726
Liabilities and Shareholders' Equity				
<i>Current liabilities</i>				
Trade and other payables	\$	120,114	\$	68,821
Provisions for decommissioning obligations		872		795
		120,986		69,616
<i>Non-current liabilities</i>				
Provisions for decommissioning obligations		23,597		39,034
Share purchase warrants		3,832		-
		148,415		108,650
Net current (liabilities)/assets		(103,182)		215,471
Total assets less current liabilities		908,402		910,110
Shareholders' Equity				
Share capital		1,024,423		991,798
Reserve for share-based compensation		57,447		47,395
Deficit		(200,897)		(168,117)
		880,973		871,076
	\$	1,029,388	\$	979,726



Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended December 31,		For the year ended December 31,	
	2013	2012	2013	2012
<i>Other income</i>				
Foreign exchange gains	\$ (101)	\$ 45	\$ 49	\$ 8,999
Interest income	761	987	2,170	3,229
	660	1,032	2,219	12,228
<i>Expenses</i>				
Salaries, consulting and benefits	(167)	1,950	9,920	16,339
Rent	346	211	1,068	944
Professional fees	1,385	947	2,304	1,569
Depreciation	153	91	483	290
Share-based payments	2,075	2,705	9,298	13,384
Suspension costs	2,652	-	2,652	-
Expensed portion of IPO costs	-	-	-	16,258
Finance costs	743	2,859	4,775	20,237
Other	988	1,465	4,499	4,935
	8,175	10,228	34,999	73,956
Loss before income taxes	7,515	9,196	32,780	61,728
Income taxes	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company	7,515	9,196	32,780	61,728
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.02

Notes

1. Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Board. The condensed consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKEX.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, measured at fair value.

The consolidated financial statements are presented in Canadian Dollars (“\$”), which is the functional currency of the Company.

The consolidated financial statements incorporate the financial statements of the Company and the Company’s wholly owned subsidiary, Sunshine Oilsands (Hong Kong) Ltd. (“Sunshine Hong Kong”). The Company’s wholly owned subsidiary, Fern Energy Ltd., was wound up during the year ended December 31, 2013. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements when control is achieved and until control is lost. All inter-company transactions, balances, revenues and expenses are eliminated in full on consolidation.



2. Segment Information

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

3. Trade Receivables

The Company's trade and accruals and other receivables mainly arise from oil sales and goods and services tax receivables due from government taxation authorities. These are summarized as follows:

	2013	2012
Trade	\$ 558	\$ 297
Accruals and other	137	387
Goods and Services Taxes receivable	599	1,471
	\$ 1,294	\$ 2,155

The Company allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting periods:

	2013	2012
0 - 30 days	\$ 408	\$ 46
31 - 60 days	21	250
61 - 90 days	11	1
>90 days	118	-
	\$ 558	\$ 297

As at December 31, 2013, included in the Company's trade receivables were debtors with an aggregate carrying amount of \$150 (December 31, 2012 - \$251), which was past due as at the reporting date and for which the Company had not provided for impairment loss. The Company does not hold any collateral over these balances.

4. Trade Payables

Trade payables and accrued liabilities mainly represent payables to subcontractors for development, engineering, procurement and construction services. While the Company has financial risk management policies in place to ensure that payables are generally paid within pre-agreed credit terms, the recent funding shortfalls which caused the Company to suspend construction at its West Ells project also caused it to defer payments to essentially all of its vendors for amounts owed prior to the August 18, 2013 suspension date. Services performed after the suspension date are being paid fully in a timely manner. Numerous vendors have filed liens against the Company's lands at West Ells and these liens will need to be cleared up once additional funding is achieved to allow the Company to restart construction. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting periods:

	2013	2012
Trade		
0 - 30 days	\$ 1,326	1,170
31 - 60 days	-	3,378
61 - 90 days	12,263	1,005
> 91 days	89,417	1,262
	103,006	6,815
Accrued liabilities	17,108	62,006
	\$ 120,114	68,821

5. Dividends

The Company has not declared or paid any dividends in respect of the three months and year ended December 31, 2013 (2012 - \$Nil).

**6. Income Taxes**

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rate of 25.0% (2012 – 25.0%) to earnings before income taxes for the following reasons:

For the years ended December 31,	2013	2012
Net loss before taxes	\$ (32,780)	\$ (61,728)
Tax rate (%)	25.0%	25.0%
Expected income tax recovery	(8,195)	(15,432)
Effect of expenses that are not deductible in determining taxable profit:		
Share based payment expense	2,324	3,346
Non-deductible interest	-	1,004
Capital portion of foreign exchange gain	(6)	(1,125)
Unrecognized tax assets	-	12,033
Changes to opening tax pools	(15,376)	174
Change in deferred tax benefits not recognized	21,253	-
Income tax recovery	\$ -	\$ -

The components of the net deferred income tax asset as at December 31, 2013 are as follows:

For the years ended December 31,	2013	2012
Deferred tax assets (liabilities)		
Exploration and evaluation assets and property, plant and equipment	(92,947)	(55,958)
Decommissioning liabilities	6,117	9,961
Share issue costs	14,146	22,059
Non-capital losses	93,937	23,938
Deferred tax benefits not recognized	(21,253)	-
	\$ -	\$ -

The Company's non-capital losses of \$375,750 (2012 - \$229,304), expire between 2028 and 2033.

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 25.0%. The Company had no assessable profit in Canada for the three months and year ended December 31, 2013. The Company files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authorities. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable. The estimated tax deductions available to the Company in Canada are approximately \$1.1 billion. The Company's tax losses will begin expiring in 2028.

The Company's subsidiary, Sunshine Hong Kong, is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Company had no assessable profit arising in or derived from Hong Kong for the three months and year ended December 31, 2013.

Review of annual results

The consolidated financial statements for the Company for the year ended December 31, 2013, were reviewed by the Audit Committee of the Company.

Publication of information

This annual results announcement is published on the websites of SEDAR (www.sedar.com), the HKEX (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.