CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2014

(Unaudited)

Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4	$ 13,378	$ 15,854
Trade and other receivables	5	1,186	1,294
Prepaids and deposits	6	3,574	656
		18,138	17,804
Non-current assets			
Exploration and evaluation	7	379,700	376,912
Property, plant and equipment	8	637,868	634,672
		1,017,568	1,011,584
		$ 1,035,706	$ 1,029,388
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables	9	$ 87,245	$ 120,114
Provisions for decommissioning obligations	10	964	872
		88,209	120,986
Non-current liabilities			
Provisions for decommissioning obligations	10	27,476	23,597
Share purchase warrants	12.2	4,856	3,832
		120,541	148,415
Shareholders' Equity			
Share capital	12	1,062,894	1,024,423
Reserve for share-based compensation		57,421	57,447
Deficit		(205,150)	(200,897)
		915,165	880,973
		$ 1,035,706	$ 1,029,388

Going concern (note 2)
Commitments and contingencies (note 20)
Subsequent event (note 22)

Approved by the Board

"Robert J. Herdman"
Director

"Michael J. Hibberd"
Director

See accompanying notes to the condensed interim consolidated financial statements.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in thousands of Canadian dollars, except for per share amounts)
(Unaudited)

	Notes	Three months ended March 31, 2014	2013
Other income			
Foreign exchange gains		$ 50	$ 46
Interest income		57	772
Fair value adjustment on share purchase warrants	12.2	3,727	-
		3,834	818
Expenses			
Salaries, consulting and benefits		1,575	3,052
Rent		305	224
Professional fees		727	177
Depreciation	8	173	104
Share-based payments	13.5	171	2,640
Suspension costs	8	1,769	-
Finance costs	15	1,871	1,741
Other		1,496	1,137
		8,087	9,075
Loss before income taxes		4,253	8,257
Income taxes	11	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 4,253	$ 8,257
Basic and diluted loss per share	16	0.00	0.00

See accompanying notes to the condensed interim consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes	Reserve for share based compensation	Share capital	Deficit	Total
Balance, December 31, 2013		$ 57,447	$ 1,024,423	$ (200,897)	$ 880,973
Net loss and comprehensive loss for the period		-	-	(4,253)	(4,253)
Issue of common shares	12.1	-	39,000	-	39,000
Issue of shares under employee share savings plan	12.1	-	214	-	214
Recognition of share-based payments	13.5	(26)	-	-	(26)
Share issue costs, net of deferred tax ($Nil)	12.1	-	(743)	-	(743)
Balance, March 31, 2014		$ 57,421	$ 1,062,894	$ (205,150)	$ 915,165
Balance, December 31, 2012		$ 47,395	$ 991,798	$ (168,117)	$ 871,076
Net loss and comprehensive loss for the period		-	-	(8,257)	(8,257)
Recognition of share-based payments	13.5	4,039	-	-	4,039
Issue of shares upon exercise of share options		-	6,835	-	6,835
Reserve transferred on exercise of share options		(2,688)	2,688	-	-
Balance, March 31, 2013		$ 48,746	$ 1,001,321	$ (176,374)	$ 873,693

See accompanying notes to the condensed interim consolidated financial statements.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Notes	Three months ended March 31, 2014	2013
Cash flows from operating activities			
Net loss		$ (4,253)	$ (8,257)
Finance costs		1,871	1,741
Unrealized foreign exchange gains		(50)	(46)
Interest received		(57)	(772)
Fair value adjustment on share purchase warrants		(3,727)	-
Depreciation		173	104
Share-based payment expense		171	2,640
Employee share savings plan		106	-
		(5,766)	(4,590)
Movement in non-cash working capital	21		
Increase in trade and other receivables		(1,569)	(474)
Increase in prepaids and deposits		(2,918)	(651)
Increase/(decrease) in trade and other payables		(3,352)	1,818
Net cash used in operating activities		(13,605)	(3,897)
Cash flows from investing activities			
Interest received		57	772
Payments for exploration and evaluation assets	21	(2,790)	(13,500)
Payments for property, plant and equipment	21	(29,414)	(72,392)
Net cash used in investing activities		(32,147)	(85,120)
Cash flows from financing activities			
Proceeds from issue of common shares	12.1	43,858	6,835
Payment for share issue costs	21	(573)	-
Payment for finance costs	21	(59)	(944)
Net cash provided in financing activities		43,226	5,891
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		50	46
Net decrease in cash and cash equivalents		(2,476)	(83,080)
Cash and cash equivalents, beginning of period		15,854	282,231
Cash and cash equivalents, end of period		$ 13,378	$ 199,151

See accompanying notes to the condensed interim consolidated financial statements.

1. Company information

Sunshine Oilsands Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on February 22, 2007. The address of its principal place of business is 1020, 903 - 8 Avenue S.W., Calgary, Alberta, T2P 0P7, Canada. The Company's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on March 1, 2012 pursuant to an initial public offering ("IPO") and trades under the stock code symbol of "2012". On January 26, 2012, shareholders of the Company authorized the Company to complete up to a 25:1 share split. The Board of Directors of the Company concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding amounts. All share and stock option information is therefore presented on a post split basis. On November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange ("TSX") and trades under the symbol of "SUO".

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited ("Sunshine Hong Kong") was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Sunshine Hong Kong is Unit 8504A, 85/F, International Commerce Centre 1 Austin Road West, Kowloon.

The Company is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada. The Company is a development stage company. The continued existence of the Company is dependent on its ability to maintain capital funding to further development and to meet obligations. In the event that such capital is not available to the Company, it will be necessary to prioritize activities, which may result in delaying and potentially losing business opportunities and cause potential impairment to recorded assets. The Company anticipates incurring substantial expenditures to further its capital development programs.

On August 6, 2013, the Company announced the Board of Directors has directed management of the Company to commence a strategic review process to identify, examine and consider a range of strategic alternatives available to Sunshine, with a view to progressing its oilsands development strategy and to preserving and maximizing shareholder value. This process could result in one or more strategic transactions being completed by the Company including: debt or equity financing of the Company, 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.

2. Basis of preparation

Going Concern
These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the three months ended March 31, 2014, the Company reported a net loss of $4.3 million. At March 31, 2014, the Company had negative working capital of $70.1 million and an accumulated deficit of $205.2 million. The Company's recent losses and negative cash flow have resulted in 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 steam assisted gravity drainage ("SAGD") project, pending sourcing of additional financing.

The condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. The appropriateness of the going concern basis is dependent upon, among other things, the ability to obtain debt or equity financing, a joint venture or a sale of assets in order to have sufficient funding to meet its obligations that enables the Company to continue as a going concern, the ability to generate sufficient cash from operations and future profitable operations. There can be no assurance the Company will be able to continue as a going concern.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2013.

2.1 Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 17). The condensed interim consolidated financial statements are presented in Canadian Dollars ("C$"), which is the functional currency of the Company.

3. New accounting pronouncements and changes in accounting policies

3.1 Future accounting changes

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, 2018. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and these standards are not expected to have a material impact on its condensed interim consolidated financial statements.

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments" which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. The Company does not employ hedge accounting for its risk management contracts currently in place. On February 20, 2014 there was an update on the mandatory adoption date for IFRS 9 which changed the effective date from January 1, 2017 to January 1, 2018. The Company is currently assessing and quantifying the effect on its financial statements.

3.2 Changes in accounting policies

As of January 1, 2014, the Company adopted several new IFRS standards and amendments in accordance with the transitional provisions of each standard. A brief description of each new standard and its impact on the Company's financial statements follows below:

• IAS 36 "Impairment of Assets" amendments which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The retrospective adoption of these amendments did not have any impact on the Company's financial statements.

• IFRIC 21 "Levies," clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The prospective adoption of this standard did not have a material impact on the Company's condensed interim financial statements.

4. Cash and cash equivalents

		March 31, 2014		December 31, 2013
Cash	$	13,378	$	15,854

5. Trade and other receivables

		March 31, 2014		December 31, 2013
Trade	$	755	$	558
Accruals and other receivables		131		137
Goods and Services Taxes receivable		300		599
	$	1,186	$	1,294

6. Prepaid expenses and deposits

		March 31, 2014		December 31, 2013
Prepaids	$	221	$	193
Deposits		3,353		463
	$	3,574	$	656

Included in deposits is $2.8 million held with the Alberta Energy Regulator for the License Liability Rating Program.

7. Exploration and evaluation assets

Balance, December 31, 2012	$	366,668
Capital expenditures		17,313
Disposal		(4,568)
Non-cash expenditures[1]		(2,501)
Balance, December 31, 2013	$	376,912
Capital expenditures		2,790
Non-cash expenditures[1]		(2)
Balance, March 31, 2014	$	379,700

1. Non-cash expenditures include capitalized share-based payments/(recovery), financing costs and decommissioning obligations.

The Company is a development stage entity and, as a result, no depletion expense has been recorded for exploration and evaluation assets for any period. During the three months ending March 31, 2014, the Company capitalized directly attributable costs/(recovery) including $(0.2) million for share-based payment expense (three months ended March 31, 2013 - $0.2 million), $Nil of pre-production operating loss/(income) (three months ended March 31, 2013 - $0.6 million), $Nil of finance costs (three months ended March 31, 2013 - $Nil) and $2.2 million of general and administrative costs (three months ended March 31, 2013 - $0.3 million), respectively.

During the year ended December 31, 2013, the Government of Alberta approved the Lower Athabasca Regional Plan ("LARP") to set aside land for conservation, tourism and recreation. The implementation of, and compliance with the terms of LARP impacted the Company's properties in northern Alberta, specifically the Harper cash generating unit ("CGU"). The Company was reimbursed for the oil sands leases cancelled in the amount of $4.9 million, which included $0.7 million of interest. Legal costs of $0.4 million that were previously capitalized were not reimbursed by the Government of Alberta. The legal costs of $0.4 million were expensed to professional fees and credited to capital costs and presented as a disposal. The proceeds, excluding the interest, was credited to capitalized costs and presented as a disposal.

On October 20, 2013, the Company signed a joint operating agreement ("JOA") for the Muskwa and Godin properties. Under the terms of the JOA, the new partner acquired a 50% working interest in the properties in return for spending up to $250 million, or achieving production of 5,000 barrels per day, whichever comes first. If neither of the spending or production targets are met by three years after project regulatory approval, but in any event no later than October 20, 2019, the new partner's working interest is reduced in proportion to the higher of the percentage of the spending and the production target amounts achieved. The deal excludes the carbonate oil sands rights, which remain 100% owned by the Company. This JOA was accounted for as a joint arrangement and the working interest transfer did not result in any accounting gain or loss.

Exploration and evaluation costs are comprised of the following:

		March 31, 2014		December 31, 2013
Intangibles	$	272,766	$	269,992
Tangibles		19,580		19,553
Land and lease costs		87,354		87,367
	$	379,700	$	376,912

8. Property, plant and equipment

	Crude oil assets	Corporate assets	Total
Cost			
Balance, December 31, 2012	$ 326,802	$ 1,948	$ 328,750
Capital expenditures	314,945	1,737	316,682
Non-cash expenditures[1]	(9,498)	-	(9,498)
Balance, December 31, 2013	$ 632,249	$ 3,685	$ 635,934
Capital expenditures	-	(228)	(228)
Non-cash expenditures[1]	3,597	-	3,597
Balance, March 31, 2014	$ 635,846	$ 3,457	$ 639,303

1. Non-cash expenditures include capitalized share-based payments/(recovery), financing costs and decommissioning obligations.

	Crude oil assets	Corporate assets	Total
Accumulated depreciation			
Balance, December 31, 2012	$ -	$ 779	$ 779
Depreciation expense	-	483	483
Balance, December 31, 2013	$ -	$ 1,262	$ 1,262
Depreciation expense	-	173	173
Balance, March 31, 2014	$ -	$ 1,435	$ 1,435
Carrying value, March 31, 2014	$ 635,846	$ 2,022	$ 637,868
Carrying value, December 31, 2013	$ 632,249	$ 2,423	$ 634,672

At March 31, 2014, the crude oil assets included in the above property, plant and equipment were not subject to depletion since they are not ready for use in the manner intended by management.

During the three months ended March 31, 2014, the Company capitalized directly attributable costs including $Nil for general and administrative costs (three months ended March 31, 2013 - $2.7 million), and $Nil for share-based payment expense (three months ended March 31, 2013 - $1.2 million).

The Company was focused on evaluating and developing these assets with the first project being an initial 10,000 barrels per day plant located at West Ells. 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 the first half of 2013; however, due to lack of sufficient funding to complete the Project, these activities were suspended in August 2013 pending additional financing. Sunshine is maintaining 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, which totalled $1.8 million for the three months ended March 31, 2014, are recognised as suspension costs in the consolidated statements of operations and comprehensive loss.

9. Trade and other payables

	March 31, 2014	December 31, 2013
Trade	$ 71,529	$ 103,006
Accrued liabilities	15,716	17,108
	$ 87,245	$ 120,114

10. Provisions for decommissioning obligations

At March 31, 2014 , the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $45.0 million (December 31, 2013 - $45.1 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate between 1.06% to 2.82% per annum and inflated using an inflation rate of 2.0% per annum.

		March 31, 2014		December 31, 2013
Balance, beginning of period	$	24,469	$	39,829
Additional provision recognized		-		2,905
Effect of changes in discount rate		3,791		(18,902)
Unwinding of discount rate and effect		180		637
	$	28,440	$	24,469
Current portion		(964)		(872)
Balance, end of period	$	27,476	$	23,597

11. Income taxes

11.1 Deferred tax balances

The components of the net deferred income tax asset are as follows:

		March 31, 2014		December 31, 2013
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment		(99,228)		(92,947)
Decommissioning liabilities		7,110		6,117
Share issue costs		12,904		14,146
Non-capital losses		102,697		93,937
Deferred tax benefits not recognized		(23,483)		(21,253)
	$	-	$	-

11.2 Tax pools

The following is a summary of the Company's estimated tax pools:

		March 31, 2014		December 31, 2013
Canadian development expense		50,074		47,674
Canadian exploration expense		256,730		276,605
Undepreciated capital cost		313,847		335,396
Non-capital losses		410,789		375,750
Other		51,618		56,583
	$	1,083,058	$	1,092,008

The Company's non-capital losses of $410,789 (December 31, 2013 - $375,750), expire between 2028 and 2034.

12. Share capital

The Company's authorized share capital is as follows:

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

Issued Capital

		March 31, 2014		December 31, 2013
Common shares	$	1,062,894	$	1,024,423

12.1 Common shares

	March 31, 2014		December 31, 2013	
	Number of shares	$	Number of shares	$
Balance, beginning of period	3,067,167,791	1,024,423	2,831,713,161	991,758
Private placement (Note 12.2)	181,242,193	43,751	106,800,000	24,918
Issue of shares under employee share savings plan (Note 13.2)	1,035,944	214	3,014,630	721
Reclassification of share purchase warrants (Note 12.2)	-	(4,751)	-	(3,832)
Conversion of preferred shares exercised[1]	-	-	78,945,000	40
Issue of shares under share option plan (Note 13)	-	-	46,695,000	8,390
Share option reserve transferred on exercise of stock options	-	-	-	3,251
Share issue costs, net of tax	-	(743)	-	(823)
Balance, end of period	3,249,445,928	1,062,894	3,067,167,791	1,024,423

[1] Relates to conversion of 82,390,000 Class "G" and Class "H" preferred shares (Note 12.3,12.4)

Common shares

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

12.2 Share purchase warrants

	March 31, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	78,320,000	0.26	-	-
Issued under private placement	132,910,941	0.27	78,320,000	0.26
Balance, end of period	211,230,941	0.26	78,320,000	0.26
Exercisable, end of period	211,230,941	0.26	78,320,000	0.26

The table below details the fair value of warrants granted in the period:

	March 31, 2014	December 31, 2013
Balance, beginning of period	$ 3,832	$ -
Issued under private placement	4,751	3,832
Fair value adjustment	(3,727)	-
Balance, end of period	$ 4,856	$ 3,832

During the three months ended March 31, 2014, the Company completed closings of equity private placements 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$43.8 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$0.27 per common share) for a period of 24 months following the closing date. These warrants were valued at C$0.04 per warrant for a total of C$2.16 million. As part of a finder's fee, the Company issued two-fifths of a warrant for each purchased Unit. These warrants were valued at C$0.04 per warrant for a total of C$2.59 million. Total value of warrants granted during the period ended March 31, 2014, was $4.8 million. The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 0.98%-1.05%, expected volatility of 43.01% and an expected life of two years. The total cost to complete the private placements was C$0.743 which includes a 3% finders' fee of HK$4,620,000 (approximately C$0.651 million) to the finder of 90,588,235 Units.

As the exercise price of the share purchase warrants is fixed in Hong Kong dollars and the functional currency of the Company is in the Canadian dollar, the warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. The fair value of share purchase warrants is reclassified to equity upon exercise. The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in the consolidated statements of operations and comprehensive loss. At March 31, 2014, the Company recognized a gain of C$3.7 million related to the re-measurement of the fair value of share purchase warrants in the consolidated statements of operations and comprehensive loss.

On December 10, 2013, the Company completed the first closing of its private placement of 106,800,000 Units at a price of HK $1.70 per Unit (approximately C$0.23 per Unit). 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. These warrants were valued at C$0.04 per warrant for a total of C$1.74 million. As part of a finder's fee, the Company issued two-fifths of a warrant for each purchased Unit. These warrants were valued at C$0.04 per warrant for a total of C$2.09 million. Total value of all warrants at December 31, 2013, was $3.8 million. The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.13%, expected volatility of 43.01% and an expected life of two years. The total costs to complete the private placement were C$0.745 million which included a 3% finders' fee on gross proceeds.

12.3 Class "G" preferred shares

The Company's Board of Directors authorized for issuance a maximum of 65,000,000 Class "G" preferred shares. The Class "G" preferred shares were issued at $0.0005 per Class "G" preferred share and were convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	March 31, 2014			December 31, 2013		
	Number of shares	$	Weighted average price $	Number of shares	$	Weighted average price $
Balance, beginning of period	-	-	-	60,440,000	29	0.33
Issued	-	-	-	-	-	-
Converted	-	-	-	(60,190,000)	(29)	0.33
Cancelled	-	-	-	(250,000)	-	-
Balance, end of period	-	-	-	-	-	-
Convertible, end of period	-	-	-	-	-	-

12.4 Class "H" preferred shares

The Company's Board of Directors authorized for issuance a maximum of 25,000,000 Class "H" preferred shares. The Class "H" preferred shares were issued at $0.0005 per Class "H" preferred share and were convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	March 31, 2014			December 31, 2013		
	Number of shares	$	Weighted average price $	Number of shares	$	Weighted average price $
Balance, beginning of period	-	-	-	22,200,000	11	0.42
Converted	-	-	-	(22,200,000)	(11)	0.42
Balance, end of period	-	-	-	-	-	-
Convertible, end of period	-	-	-	-	-	-

13. Share-based payments

13.1 Employee stock option plan

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Company's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the last Annual and Special Meeting of Shareholders on May 7, 2013. As a result of the amendment, Options granted under the Post-IPO Stock

Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date.

13.2 Employee share savings plan

The Company's Board of Directors approved the establishment of an employee share savings plan ("ESSP") on May 7, 2013. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the ESSP is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the ESSP and the shares issuable on the exercise of options granted under the Post IPO Share Option Plan and the Pre IPO Plan. Under the terms of the ESSP, the Company matches 100% of a participating employee's contributions to the ESSP up to a set maximum. Contributions made by the Company and employees are used to purchase Company shares. Compensation expense is recognized based on the fair value of the award on the ESSP contribution date.

13.3 Fair value of share options granted in the period

There were no share options granted during the three months ended March 31, 2014.

13.4 Movements in stock options during the period

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

	March 31, 2014		December 31, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	135,145,593	0.43	192,505,688	0.37
Granted	-	-	6,850,368	0.25
Exercised	-	-	(46,695,000)	0.18
Forfeited	(7,695,370)	0.41	(17,515,463)	0.39
Balance, end of period	127,450,223	0.43	135,145,593	0.43
Exercisable, end of period	102,710,488	0.39	102,500,487	0.39

As at March 31, 2014, the stock options outstanding had a weighted average remaining contractual life of 1.7 years (December 31, 2013 – 2.4 years).

13.5 Share-based compensation

Share-based compensation has been recorded in the condensed interim consolidated financial statements for the periods presented as follows:

	Three months ended March 31,					
			2014			2013
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 171	$ (197)	$ (26)	$ 1,042	$ 529	$ 1,571
Preferred shares	-	-	-	1,598	870	2,468
	$ 171	$ (197)	$ (26)	$ 2,640	$ 1,399	$ 4,039

14. Credit facility

In October 2012, the Company signed a Credit Facility 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.

15. Finance costs

		Three months ended March 31, 2014		2013
Finance cost on credit facility[1]	$	-	$	496
Financing related costs[2]		1,691		422
Unwinding of discounts on provisions		180		823
	$	1,871	$	1,741

1. For the three months ended March 31, 2014, finance costs on Credit Facility (Note 14) of $Nil were incurred for standby fees (March 31, 2013 - $0.5 million).
2. For the three months ended March 31, 2014, financing related costs of $Nil are for legal and other professional expenses incurred (March 31, 2013 - $0.4 million), and $1.7 million for interest expenses (March 31, 2013 - $Nil).

16. Loss per share

The weighted average number for basic Class “A” common shares for the periods presented is in the following table. Other than Class “A” common shares, all equity instruments have been excluded in calculating the diluted loss per share as they were anti-dilutive, considering the Company was in a loss position for the periods presented.

	Three months ended March 31, 2014	2013
Basic and Diluted – Class “A” common shares	3,182,226,278	2,859,711,450
Class “G” preferred shares (Note 12.3)	-	58,890,000
Class “H” preferred shares (Note 12.4)	-	22,200,000
Stock options (Note 13.4)	127,450,223	151,759,461

17. Financial instruments

17.1 Capital risk management

The Company can be exposed to financial risks on its financial instruments and in the way that it finances its capital requirements. The Company manages these financial and capital structure risks by operating in a manner that minimizes its exposure to volatility.

The Company’s strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the 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 expects its current capital resources will not be sufficient to complete its development plans through its current operating period and will be required to raise additional funds through future equity or debt financings, a joint venture or a sale of assets. The Company’s ability to continue as a going concern is therefore dependent on its ability to raise additional funds.

The Company’s capital structure currently includes shareholders’ equity and working capital deficiency as follows:

		March 31, 2014		December 31, 2013
Working capital deficiency	$	70,071	$	103,182
Shareholders’ equity		915,165		880,973
	$	985,236	$	984,155

There is no change in the Company’s objectives and strategies of capital management for the three months ended March 31, 2014.

17.2 Categories of financial instruments

	March 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
Cash, deposits and other receivables	17,917	17,917	17,611	17,611
Financial liabilities				
Other liabilities	87,245	87, 245	120,114	120,114
Share purchase warrants	4,856	4,856	3,832	3,832

17.3 Fair value of financial instruments

The fair value of cash, term deposits, trade and other receivables and trade and other payables approximate their carrying values due to their short term maturity. These financial instruments have been assessed on a Level 1 fair value measurement.

The fair value of share purchase warrants have been assessed on a level 2 fair value measurement.

Level 1 fair value measurements are based on quoted prices in active markets. Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices. Level 3 fair value measurements are based on unobservable information.

17.4 Financial risk management

Financial risks include market risk (including currency risk, interest rate risk, and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company does not use any derivative financial instruments to mitigate these risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

17.5 Market risk

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

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, 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. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2014. If exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2014 would have been impacted by approximately $4 thousand. At March 31, 2014, the Company held approximately HK$2.9 million or $0.4 million using the March 31, 2014 exchange rate of 7.0178, as cash in the Company's Hong Kong bank account.

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

17.6 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2014, the Company does not have any floating rate debt.

The Company's cash and cash equivalents consists of cash held in bank accounts that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. For the three months ended March 31, 2014, the interest rate earned on cash was between 0.5% and 1.30%.

17.7 Credit risk management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, deposits and receivables and GST receivables. As at March 31, 2014, the Company's receivables consisted of 25% from Goods and Services Tax receivable, 13% joint interest billing receivable and 62% from other receivables (December 31, 2013 – 46% from Goods and Services Tax receivable, 51% from joint interest billing receivable and 3% from other receivables).

The Company's cash as at March 31, 2014, is held in accounts with third party financial institutions and consists of invested cash and cash in the Company's operating accounts.

The Company is exposed to credit risk from the purchasers of its crude oil. At March 31, 2014, there was no allowance for doubtful accounts receivable and the Company did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered impaired (December 31, 2013 - $Nil). The Company considers any amounts outstanding in excess of 30 days past due.

17.8 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. Although additional equity has been raised since December 31, 2013, the Company had negative working capital of $70.1 million and an accumulated deficit of $205.2 million. The Company's recent losses and negative cash flow have resulted in a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern without additional financing.

The Company utilizes authorizations for expenditures to manage its planned capital expenditures and actual expenditures are regularly monitored and modified as considered necessary.

18. Related party transactions

Balances and transactions between the Company and its subsidiary, who are related parties, have been eliminated on consolidation.

18.1 Trading transactions

The Company had transactions with a law firm in which a director of the Company is a partner. The Company also paid consulting fees to two directors of the Company (Note 18.2).

During the period, the Company recorded the following trading transactions with related parties[1]:

	Three months ended March 31, 2014	2013
Legal expense	$ 405	$ 47
Finance fees	-	165
	$ 405	$ 212

1. Excluded from the transactions above are consulting fees paid to two directors of the Company, which are disclosed in Note 18.2.

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

	March 31, 2014	December 31, 2013
Legal	$ 1,233	$ 887

18.2 Compensation of key management personnel and directors

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

	Three months ended March 31, 2014	2013
Directors' fees	$ 198	$ 166
Salaries and allowances	204	380
Share-based payments	58	2,256
Consulting fees[1]	226	226
	$ 686	$ 3,028

1. Details disclosed in Appendix A3 of these Condensed interim consolidated financial statements.

19. Operating lease arrangements

Payments recognised as an expense

	Three months ended March 31, 2014	2013
Minimum lease payments	$ 553	$ 537

20. Commitments and contingencies

As at March 31, 2014, the Company's 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	$ 5,163	$ 2,306	$ -
Lease rentals[1]	1,230	4,837	5,980
Office leases	2,725	10,389	-
	$ 9,118	$ 17,532	$ 5,980

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, following normal practice in Canada, have placed builders' liens on the West Ells property to secure past due and unpaid invoices. Seventy three suppliers have filed such liens and/or lawsuits claiming payment for unpaid invoices for a total remaining aggregate value of $66 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 disclosed in Note 12 and continues to pursue additional financing to enable it to meet these obligations and clear up these issues and continue developing its business (Note 2). On December 5, 2013, the Company reached forbearance agreements with all then current lien holders and litigants until February 28, 2014. On February 15, 2014, the Company reached a further forbearance agreement with all then current 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, 2013, and another 20% payment of all past due and unpaid invoices in early March, 2014, in exchange for these two forbearance agreements.

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 the Company to repurchase four million one hundred thirty-two thousand two hundred thirty-two (4,132,232) shares (pre 20:1 share split) 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 was filed on April 2, 2014. Management considers the Action to be unfounded. No amounts have been accrued in the condensed interim consolidated financial statements for the three month period ended March 31, 2014 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.

21. Supplemental cash flow disclosures

Non-cash transactions

For the three months ended March 31, 2014, the Company had the following non-cash transactions:

- capitalized general and administrative costs including share-based payments and finance costs (Notes 7 and 8).

For the three months ended March 31, 2013, the Company had the following non-cash transactions:

- capitalized general and administrative costs including share-based payments and finance costs (Notes 7 and 8).

Supplemental cash flow disclosures

		Three months ended March 31, 2014		2013
Cash provided by (used in):				
Trade and other receivables	$	108	$	(2,463)
Prepaids and deposits		(2,918)		(651)
Trade and other payables		(32,869)		39,450
	$	(35,679)	$	36,336
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$	(1,569)	$	(474)
Prepaid expenses and deposits		(2,918)		(651)
Trade and other payables		(3,352)		1,818
		(7,839)		693
Investing activities				
Exploration and evaluation		-		-
Property, plant and equipment		(29,642)		35,669
		(29,642)		35,669
Financing activities				
Share issue costs, IPO costs and finance costs		1,802		(26)
	$	(35,679)	$	36,336

Reconciliation of certain amounts disclosed in the Condensed Interim Consolidated Statements of Cash Flows:

		2014		2013
Reconciliation of:				
Exploration and evaluation assets	$	2,790	$	13,500
Changes in non-cash working capital		-		-
Payments for exploration and evaluation assets		2,790		13,500
Reconciliation of:				
Property, plant and equipment	$	(228)	$	108,061
Changes in non-cash working capital		29,642		(35,669)
Payments for property, plant and equipment		29,414		72,392
Reconciliation of:				
Share issue costs, IPO costs and finance costs		2,434		918
Changes in non-cash working capital		(1,802)		26
Payments for share issue costs, IPO costs and finance costs	$	632	$	944

22. Subsequent event

An ordinary resolution to approve a proposal for the Company to grant to the Board a general mandate to allot, issue and otherwise deal with unissued shares up to a maximum of twenty percent (20%) of its issued share capital, was duly passed by the shareholders of the Company at a Special Meeting of Shareholders held on April 15, 2014.

23. Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 6, 2014.

Appendix to the Condensed interim consolidated financial statements

Additional Stock Exchange Information

Additional information required by the SEHK and not shown elsewhere in these condensed interim consolidated financial statements is as follows:

A1. Sunshine Oilsands Ltd. Non-Consolidated Statement of Financial Position

The Company's statement of financial position is on a non-consolidated basis which excludes the Company's wholly owned subsidiaries, Fern and Sunshine Hong Kong.

		March 31, 2014		December 31, 2013
Non-current assets				
Property, plant and equipment	$	637,866	$	634,670
Exploration and evaluation assets		379,700		376,912
Amounts due from subsidiary		967		825
		1,018,533		1,012,407
Current assets				
Other receivables		1,186		1,295
Prepaids and deposits		3,574		656
Cash and cash equivalents		13,372		15,847
		18,132		17,798
Current liabilities				
Trade and other payables		87,224		120,095
Provisions for decommissioning obligations		964		872
Amount due to subsidiary		894		339
		89,082		121,306
Net current liabilities		(70,950)		(103,508)
Total assets less current liabilities		947,583		908,899
Non-current liabilities				
Share purchase warrants		4,856		3,832
Provisions for decommissioning obligations		27,476		23,597
Net assets	$	915,251	$	881,470
Capital and reserves				
Share capital	$	1,062,894	$	1,024,423
Reserve for share-based compensation		57,421		57,447
Deficit		(205,064)		(200,400)
	$	915,251	$	881,470

A2. Directors' emoluments and other staff costs

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

	Three months ended March 31, 2014	2013
Directors' emoluments		
Directors' fees	$ 198	$ 166
Salaries and allowances	226	226
Share-based payments	575	1,532
	999	1,924
Other staff costs		
Salaries and other benefits	2,839	4,951
Contribution to retirement benefit scheme	192	161
Share-based payments	(601)	2,507
	2,430	7,619
Total staff costs, including directors' emoluments	3,429	9,543
Less: staff costs capitalized to qualifying assets	1,683	3,851
	$ 1,746	$ 5,692

Details of the Directors' emoluments are as follows:

For the three months ended March 31, 2014

Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[1]	Performance related incentive payments	Total
Michael Hibberd	$ 21	$ 113	$ -	$ 242	$ -	$ 376
Songning Shen	21	113	-	242	-	376
Tseung Hok Ming	15	-	-	13	-	28
Tingan Liu	12	-	-	-	-	12
Hoatian Li	14	-	-	13	-	27
Raymond Fong	17	-	-	13	-	30
Wazir (Mike) Seth	27	-	-	13	-	40
Greg Turnbull	15	-	-	13	-	28
Robert Herdman	28	-	-	13	-	41
Gerald Stevenson	28	-	-	13	-	41
	$ 198	$ 226	$ -	$ 575	$ -	$ 999

1. Relates to expensing of options granted in prior periods.

For the three months ended March 31, 2013						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 20	$ 113	$ -	$ 435	$ -	$ 568
Songning Shen	21	113	-	435	-	569
Tseung Hok Ming	14	-	-	586	-	600
Tingan Liu	14	-	-	-	-	14
Hoatian Li	13	-	-	13	-	26
Raymond Fong	16	-	-	7	-	23
Wazir (Mike) Seth	17	-	-	7	-	24
Greg Turnbull	15	-	-	19	-	34
Robert Herdman	19	-	-	15	-	34
Gerald Stevenson	17	-	-	15	-	32
	$ 166	$ 226	$ -	$ 1,532	$ -	$ 1,924

A3. Five highest paid individuals

The five highest paid individuals were within the following emolument bands:

	For the three months ended March 31, 2014	2013
HK$ nil to HK$1,000,000	3	-
HK$1,000,001 to HK$1,500,000	-	1
HK$1,500,001 to HK$2,000,000	-	-
HK$2,000,001 to HK$2,500,000	-	-
HK$2,500,001 to HK$3,000,000	2	-
HK$3,000,001 to HK$3,500,000	-	-
HK$3,500,001 to HK$4,000,000	-	-
HK$4,000,001 to HK$4,500,000	-	3
> HK$4,500,000	-	1

For the three months ended March 31, 2014, the conversion factor used in the above table is 1C$ = 7.032HK$ (three months ended March 31, 2013 – 1C$ = 7.771HK$)

The five highest paid individuals includes three directors of the Company and two key management executives of the Company for the three months ended March 31, 2014 (three months ended March 31, 2013 – three directors and two officers). Since the directors' emoluments are disclosed above, the compensation of the remaining officers for the Company is as follows:

	For the three months ended March 31, 2014	2013
Salaries and other benefits	$ 127	$ 176
Contributions to retirement benefits scheme	2	7
Share-based payments	59	543
	$ 188	$ 726