



阳光油砂

SUNSHINE OILSANDS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2018 and 2017



SUNSHINE OILSANDS LTD.

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the Condensed Consolidated Interim Financial Statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

**SUNSHINE OILSANDS LTD.****Condensed Consolidated Interim Statements of Financial Position**
(Unaudited, expressed in thousands of Canadian dollars)

For the three months ended March 31,	Notes	2018		2017	
Assets					
<i>Current assets</i>					
Cash	4	\$	1,518	\$	3,671
Trade and other receivables	5		5,701		4,932
Prepaid expenses and deposits			1,616		1,110
			<u>8,835</u>		<u>9,713</u>
<i>Non-current assets</i>					
Exploration and evaluation	6		268,463		268,227
Property, plant and equipment	7		504,341		507,416
			<u>772,804</u>		<u>775,643</u>
		<u>\$</u>	<u>781,639</u>	<u>\$</u>	<u>785,356</u>
Liabilities and Shareholders' Equity					
<i>Current liabilities</i>					
Trade and accrued liabilities	8	\$	134,415	\$	120,316
Loans	9		3,532		3,452
Shareholders loans	19		-		5,339
Senior notes	9		256,132		249,199
			<u>394,079</u>		<u>378,306</u>
<i>Non-current liabilities</i>					
Provisions	10		50,702		50,481
			<u>444,781</u>		<u>428,787</u>
Shareholders' Equity					
Share capital	12		1,287,760		1,275,008
Reserve for share-based compensation	13		70,890		70,522
Deficit			(1,021,792)		(988,961)
			<u>336,858</u>		<u>356,569</u>
		<u>\$</u>	<u>781,639</u>	<u>\$</u>	<u>785,356</u>

Going concern (Note 2)

Commitments and contingencies (Note 21)
Subsequent events (Note 23)

Approved by the Board

"Joanne Yan"
Independent Non-Executive Director

"Kwok Ping Sun"
Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Unaudited, expressed in thousands of Canadian dollars, except for per share amounts)

For the three months ended March 31,	Notes	2018		2017	
Petroleum sales, net of royalties	14.1	\$	11,144	\$	2,985
Other income	14.2		1		5
			11,145		2,990
<i>Expenses</i>					
Diluent			3,896		1,090
Transportation			4,527		1,153
Operating			5,671		2,216
Depletion and depreciation	6,7		4,171		1,866
General and administrative	15		3,013		4,316
Finance costs	16		15,348		14,467
Stock based compensation	13.2		368		979
Foreign exchange (gains)/losses	18.3		6,982		(1,928)
		\$	43,976	\$	24,159
Loss before income taxes			(32,831)		(21,169)
Income taxes	11		-		-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		\$	(32,831)	\$	(21,169)
Basic and diluted loss per share	17	\$	(0.01)	\$	(0.00)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited, expressed in thousands of Canadian dollars)

	Notes	Share capital	Reserve for share based compensation	Deficit	Total
Balance, December 31, 2017		\$ 1,275,008	\$ 70,522	\$ (988,961)	\$ 356,569
Net loss and comprehensive loss for the period		-	-	(32,831)	(32,831)
Issue of common shares	12.1	12,996	-	-	12,996
Share issue costs, net of deferred tax (\$Nil)	12.1	(244)	-	-	(244)
Recognition of share-based compensation	13.2	-	368	-	368
Balance, March 31, 2018		\$ 1,287,760	\$ 70,890	\$ (1,021,792)	\$ 336,858
Balance, December 31, 2016		\$ 1,247,302	\$ 67,262	\$ (707,109)	\$ 607,455
Net loss and comprehensive loss for the period		-	-	(21,169)	(21,169)
Issue of common shares	12.1	16,741	-	-	16,741
Share issue costs, net of deferred tax (\$Nil)	12.1	(443)	-	-	(443)
Recognition of share-based compensation	13.2	-	996	-	996
Balance, March 31, 2017		\$ 1,263,600	\$ 68,258	\$ (728,278)	\$ 603,580

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



Condensed Consolidated Interim Statements of Cash Flows
(Unaudited, expressed in thousands of Canadian dollars)

For the three months ended March 31,	Notes	2018	2017 Restated
<i>Cash flows used in operating activities</i>			
Net loss for the period		\$ (32,831)	\$ (21,169)
Finance costs		15,348	14,467
Unrealized foreign exchange (gains)/losses	18.3	7,072	(1,938)
Interest income		(1)	(5)
Depletion and depreciation	6,7	4,171	1,866
Share-based compensation	13.2	368	979
Movement in non-cash working capital	22	(2,110)	3,323
Net cash used in operating activities		(7,983)	(2,477)
<i>Cash flows used in investing activities</i>			
Interest received		1	5
Payments for exploration and evaluation assets	6	(233)	(227)
Payments for property, plant and equipment	7	(1,148)	(4,452)
Movement in non-cash working capital	22	(198)	(1,901)
Net cash used in investing activities		(1,578)	(6,575)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares	12.1	12,996	16,741
Interest paid	9	(30)	(7,220)
Payment for share issue costs	12.1	(244)	(443)
Repayment of shareholder loans	19	(5,339)	-
Net cash provided by financing activities		7,383	9,078
Effect of exchange rate changes on cash held in foreign currency	18.3	25	(785)
Net increase / (decrease) in cash		(2,153)	(759)
Cash, beginning of period		3,671	13,635
Cash, end of period		\$ 1,518	\$ 12,876

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise indicated)

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 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 0P7. 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 November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange (“TSX”) and traded under the symbol of “SUO”. On September 30, 2015, the Company completed a voluntary delisting from the TSX. The Company continues to be a reporting issuer in Canada.

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 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong.

On July 14, 2015, Boxian Investments Limited (“Boxian”) was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Boxian is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. As of March 31, 2018, no activity has occurred in Boxian. The purpose of Boxian is to pursue new investment opportunities.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited (“Sunshine Shanghai”) was incorporated in China and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Sunshine Shanghai is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. The purpose of Shanghai is to pursue new investment opportunities.

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 continued existence of the Company is dependent on its ability to maintain capital funding for 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.

2. Basis of preparation

Going Concern

These Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. The Company has historically met its day to day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt.

There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 9). Management continually monitors the Company’s financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following March 31, 2018.

The timing and extent of forecast capital and operating expenditures is based on the Company’s 2018 budget and on management’s estimate of expenditures expected to be incurred beyond 2018. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at March 31, 2018, the availability of additional financing, and the timing and extent of capital and operating expenditures.



2. Basis of preparation (continued)

The Company's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. These uncertainties may cast significant doubt about the Group's ability to continue as a going concern.

On September 9, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with Wells Fargo Bank N.A., as administrative agent, and certain bondholders (collectively "the Bondholders") in respect of USD \$200 million of notes made under a note agreement dated August 8, 2014. Under the terms of the Forbearance Agreement, the Lenders agreed to, among other things, forbear from exercising the rights and remedies arising from the Company's failure to pay cash interest and principal payments due on August 1, 2016.

On January 31, 2017, the Company updated the Forbearance Agreement and Sunshine was required to make a payment of coupon interest accruing on the Senior Notes and repurchase USD \$25 million in principal amount on February 1, 2017. These payments were not made.

Sunshine was in violation of the Forbearance Agreement including the following financial related termination:

- Sunshine had failed to pay the Yield Maintenance Premium ("YMP") of USD \$14,596,000 payable on October 16, 2016;
- Sunshine failed to repay USD \$25,000,000 of the Senior Notes principal balance payable on February 1, 2017;
- Sunshine failed to pay the 2.50% Forbearance Fees of USD \$2,400,000 payable on February 1, 2017;
- Sunshine failed to pay accrued interest equal in aggregate to USD \$10,000,000 payable on February 1, 2017 as contemplated by the Forbearance Agreement;
- Sunshine did not maintain minimum liquidity levels of USD \$10,000,000 as contemplated in the Forbearance Agreement.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement (the "FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. They agreed to waive the liability of the Company in relation to previous violations listed above and fully reinstate the Forbearance Agreement, provided that Sunshine made the following payments on or before March 27, 2017:

- Payment of USD \$2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of USD \$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment USD \$5.2 million was paid;
- Sunshine agreed to repurchase and the Bondholders agreed to sell up to USD \$8.9 million of Senior Notes in exchange for Common Shares of Sunshine.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which were paid on March 21, 2017;
- 80% of the YMP to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of USD \$9.6 million to be repaid on August 1, 2017 in cash;
- The Company agreed to repay the bond principal in an amount equal up to 80% of the YMP by issuance of shares;
- Make principal repayments to the Bondholders of USD \$5.0 million on April 30, 2017, USD \$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "Amended FA"). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of USD \$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of USD \$1.8 million by October 30, 2017;
- Repayment of USD \$5.0 million and USD \$15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company is to obtain financing of USD \$5.0 million within 45 days after signing the Amended FA; and the Company is to obtain financing of USD \$5.0 million every quarter.



2. Basis of preparation (continued)

Some of the Company's loan agreements are subjected to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfil the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended and Restated Forbearance Agreement. Furthermore, Sunshine did not fulfill repayment requirements of USD \$1.8 million on October 30, 2017, USD \$5.0 million on February 1, 2018 and USD \$15.0 million on May 1, 2018.

As Sunshine did not meet the aforementioned covenants and payment requirements, the senior notes contractually become due. The outstanding balance is presented as a current liability as at March 31, 2018.

The Forbearing Holders have not requested early repayment of the senior notes as of the date when these financial statements were approved by the Board of Directors.

On March 1, 2017, the West Ells Phase I project, located in the Athabasca region of Alberta, commenced commercial production. This marked a key milestone for the Company, following which the Project is treated as a fully operational and commercialized project.

The Condensed Consolidated Interim Financial Statements have been prepared on a basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Company is unable to meet its obligations as they fall due the preparation of these Financial Statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material. Specifically, in the absence of additional financing and the restructuring of current debt (Note 9) the Company would be unlikely to be able to continue the development of the West Ells project and the Company would be required to consider divestiture of the West Ells project and other assets. Such curtailment of activity would likely materially and negatively impact the Company's assessment of the carrying values of assets and liabilities associated with the West Ells project.

These Condensed Consolidated Interim Financial Statements reflect management's best estimates after giving consideration to likely outcomes. The Condensed Consolidated Interim Financial Statements continue to be prepared in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Company's accounting policies as outlined in financial statement Note 3.

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2017. The Condensed Consolidated Interim Financial Statements are in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 19). The Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars ("C\$"), which is the functional currency of the Company.

The Company has consistently applied the accounting policies to all periods presented in these financial statements. Certain information and disclosures normally included in the audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted, except for the adoption of IFRS 15 Revenue From Contracts With Customers, IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited annual Consolidated Financial Statements for the year ended December 31, 2017.



2.1 Statement of compliance (continued)

Going concern

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date these Condensed Consolidated Interim Financial Statements, in determining the ability of the Company to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2018. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgment.

3. Significant accounting policies

On June 20, 2016, the IASB issued amendments to IFRS 2, relating to classification and measurement of particular share-based payment transactions. The amendments are effective for periods beginning on or after January 1, 2018. The Company adopted IFRS 2 on January 1, 2018 and did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. The Company requires additional disclosures to disclose disaggregated revenue by product type and is presented in the Condensed Consolidated Interim Financial Statements in Note 14.

Revenue from the sale of crude oil is recognized based on the consideration specified in contracts with customers and when control of the product transfers to the customer and collection is reasonably assured. The crude oil revenue is based on floating prices specified in the contract and the revenue is recognized when it transfers control of the product to a customer. The sales or transaction price of the Company's crude oil to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalization adjustments. The revenue is collected on the 25th day of the month following production.

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. In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments" which details the new general hedge accounting model. 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 adopted IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 has three principal classification categories for financial assets being measured at amortized costs, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

Under IFRS 9, financial assets such as cash and cash equivalents and trade and other receivables are classified and measured at amortized cost; financial assets such as financial instrument commodity contracts and financial instrument contracts are classified and measured at FVOCI as the assets are held with the objective to both collect contractual cash flows and sell the financial instrument; and all other financial assets are classified and measured at FVTPL. Financial liabilities are classified and measured at amortized costs or FVTPL. The Company's trade payables, accrued liabilities, loans and senior notes are classified and measured at amortized costs. There were no adjustments to the carrying values of the Company's financial instruments with the change in classification to IFRS 9. The classification and measurement of financial instruments did not have an impact on the Company's retained earnings as at January 1, 2018.

On December 8, 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration which is a new interpretation and clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The adoption of IFRS 22 did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.



3. Significant accounting policies (continued)

Future accounting policy changes

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 Revenue from Contracts with Customers. IFRS 16 will be applied by the Company on January 1, 2019 and is currently evaluating the impact of the standard on the Company's financial statements.

4. Cash

	March 31, 2018		December 31, 2017	
Cash ¹	\$	1,518	\$	3,671
	\$	1,518	\$	3,671

1. The Company's cash consists of cash held in bank accounts that earn interest at varying interest rates of between 0.1% and 1.55%.

5. Trade and other receivables

	March 31, 2018		December 31, 2017	
Trade	\$	1,995	\$	1,548
Accruals and other receivables		3,634		3,377
Goods and services taxes receivable		72		7
	\$	5,701	\$	4,932

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 period:

	March 31, 2018		December 31, 2017	
0 - 30 days	\$	344	\$	119
31 - 60 days		105		-
61 - 90 days		80		3
>90 days		1,466		1,426
	\$	1,995	\$	1,548

As at March 31, 2018, included in the Company's trade receivables was an aggregate carrying amount of \$2.0 million (December 31, 2017 - \$1.5 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances.

6. Exploration and evaluation

Balance, December 31, 2016	\$	291,716
Capital expenditures		1,562
Non-cash expenditures ¹		(51)
Impairment loss		(25,000)
Balance, December 31, 2017	\$	268,227
Capital expenditures		233
Non-cash expenditures ¹		3
Balance, March 31, 2018	\$	268,463

1. Non-cash expenditures include capitalized share-based compensation and changes in decommissioning obligations.

Exploration and evaluation ("E&E") assets are comprised of undeveloped land and oil sands evaluation projects pending the determination of technical feasibility and commercial viability. As at March 31, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets.



7. Property, plant and equipment

	Crude oil assets		Corporate assets		Total
Cost					
Balance, December 31, 2016	\$	887,821	\$	4,637	\$ 892,458
Capital expenditures		6,984		670	7,654
Non-cash expenditures ¹		(33)		-	(33)
Balance, December 31, 2017	\$	894,772	\$	5,307	\$ 900,079
Capital expenditures		1,144		4	1,148
Non-cash expenditures ¹		(52)		-	(52)
Balance, March 31, 2018	\$	895,864	\$	5,311	\$ 901,175

1. Non-cash expenditures include capitalized share-based compensation and changes in decommissioning obligations.

	Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment					
Balance, December 31, 2016	\$	205,000	\$	2,927	\$ 207,927
Depletion and depreciation expense		14,183		553	14,736
Impairment loss		170,000		-	170,000
Balance, December 31, 2017	\$	389,183	\$	3,480	\$ 392,663
Depletion and depreciation expense		4,037		134	4,171
Impairment loss		-		-	-
Balance, March 31, 2018	\$	393,220	\$	3,614	\$ 396,834
Carrying value, December 31, 2017	\$	505,589	\$	1,827	\$ 507,416
Carrying value, March 31, 2018	\$	502,644	\$	1,697	\$ 504,341

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at the time, the Company ceased capitalization of petroleum revenue, royalties, diluent, transportation, and operating expenses relating to West Ells Project I and has included these amounts in the statement of comprehensive income (loss) for the three months ended March 31, 2018.

The Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. Prior to March 1, 2017, the West Ells Phase I assets of \$687.1 million were not being depleted. In determining the unit-of-production depletion charge on recoverable reserves, future development costs of \$2,400 million (2017 - \$2,702 million) were included in property, plant and equipment.

During the three months ended March 31, 2018, the Company capitalized directly attributable costs of \$Nil for share-based compensation (three months ended March 31, 2017 - \$0.02 million) and \$Nil for general and administrative costs (three months ended March 31, 2017 - \$0.4 million).

As at March 31, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the West Ells Cash Generating Unit (CGU).

8. Trade and accrued liabilities

	March 31, 2018		December 31, 2017	
Trade	\$	23,412	\$	23,506
Accrued liabilities		111,003		96,810
	\$	134,415	\$	120,316

Trade payables and accrued liabilities mainly represent payables to subcontractors for development, engineering, procurement, construction services, and interest and yield maintenance premiums on the senior notes. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting period:



8. Trade and accrued liabilities (continued)

	March 31, 2018		December 31, 2017	
Trade				
0 - 30 days	\$	4,289	\$	2,163
31 - 60 days		1,208		117
61 - 90 days		1,362		222
> 91 days		16,553		21,004
		<u>23,412</u>		<u>23,506</u>
Accrued liabilities		111,003		96,810
	\$	<u>134,415</u>	\$	<u>120,316</u>

9. Senior Notes

	March 31, 2018		December 31, 2017	
Senior secured notes	\$	256,132	\$	249,199
Discount on notes		(16,168)		(16,168)
Financing transaction costs on notes		(11,846)		(11,846)
Amortization of financing transaction costs and discount		<u>28,014</u>		<u>28,014</u>
Balance, end of period	\$	<u>256,132</u>	\$	<u>249,199</u>

On August 8, 2014, the Company completed an offering of USD \$200 million senior secured notes (the “Notes”) at an offering price of USD \$938.01 per USD \$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and had a potential maturity date of August 1, 2017, if certain conditions were met as explained below.

The conditions were if by February 1, 2016, the Company had not: (1) received at least USD \$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the “Forbearing Holders”) entered into a long-term forbearance agreement in respect of the Notes (the “Agreement”). The principal terms of the Agreement included: (a) payment on October 17, 2016 of the yield maintenance premium payment of \$19.1 million due on August 1, 2016; (b) payment of the coupon interest accruing on the Notes and repurchase of USD \$22.5 million in principal amount of the Notes on February 1, 2017; (c) payment of the principal of the Notes and the coupon interest on the Notes on August 1, 2017; (d) payment of forbearance fees accruing at 2.50% on the principal amount of the Notes held by the Forbearing Holders; (e) payment of a fee equal to 7.298% of the outstanding principal amount of the Notes held by the Forbearing Holders on August 1, 2017 and proportionately smaller fees if the Notes are repurchased or redeemed prior to that date; (f) covenants relating to minimum liquidity to be maintained by the Company for specified periods; (g) board of director observation rights for certain significant noteholders; (h) use of proceeds restrictions for the proceeds of any asset sales completed by the Company; (i) budget approval rights; and (j) requirements that the Company raise additional capital and provide additional security for the Notes.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement (“FRA”) and a Note Exchange Agreement (the “NEA”) with the Forebearing Holders. The Forebearing Holders agreed to waive the liability of the Company in relation to previous violations listed above and fully reinstate the Forbearance Agreement, provided that Sunshine made the following payments on or before March 27, 2017:

- Payment of USD \$2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of USD \$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment USD \$5.2 million was paid;
- Sunshine agreed to repurchase and the Forebearing Holders agreed to sell up to USD \$8.9 million of Senior Notes in exchange for Common Shares of Sunshine.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the YMP to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of USD \$9.6 million to be repaid on August 1, 2017 in cash;



9. Senior Notes (continued)

- The Company agreed to repay bond principal of an amount equal to 80% of the YMP by issuance of shares;
- Make principal repayments to the Forebearing Holders of USD \$5.0 million on April 30, 2017, USD \$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forebearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "Amended FA"). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of USD \$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of USD \$1.8 million by October 30, 2017;
- Repayment of USD \$5.0 million and USD \$15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company is to obtain financing of USD \$5.0 million within 45 days after signing the Amended FA;
- The Company is to obtain financing of USD \$5.0 million every quarter.

Some of the Company's loan agreements are subjected to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfil the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended and Restated Forbearance Agreement. Furthermore, Sunshine did not fulfill repayment requirements of USD \$1.8 million on October 30, 2017, USD \$5.0 million on February 1, 2018 and USD \$15.0 million on May 1, 2018.

As Sunshine did not meet the aforementioned covenants and payment requirements, the senior notes contractually become due. The outstanding balance is presented as a current liability as at March 31, 2018.

The Forebearing Holders have not requested early repayment of the senior notes as of the date when these financial statements were approved by the Board of Directors.

The Notes contain various non-financial covenants which, among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires reporting in line with a reporting issuer under Canadian Securities Legislation and includes timely reporting of material changes.

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US\$5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US\$5.0 million to US\$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of March 31, 2018, the Company had incurred unsecured third party debt for a total of US\$2.7 million (CDN\$3.5 million equivalent) which is considered Permitted Debt. As at March 31, 2018, the related party debt of US\$4.3 million (CDN\$5.4 million equivalent) and interest were paid in full.

From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At March 31, 2018, the Company had incurred \$14.0 million (USD \$10.8 million equivalent using the period end exchange rate) in liens during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of \$1USD = \$1.2894 CAD.

10. Provisions

	March 31, 2018		December 31, 2017	
Decommissioning obligations (Note 10.1)	\$	50,702	\$	50,481
	\$	50,702	\$	50,481
Presented as:				
Provisions (current)	\$	-	\$	-
Provisions (non-current)	\$	50,702	\$	50,481



10.1 Decommissioning obligations

As at March 31, 2018, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was \$77.0 million (December 31, 2017 - \$78.6 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 from 1.79% to 2.22% per annum and inflated using an inflation rate of 2.0% per annum.

	March 31, 2018		December 31, 2017	
Balance, beginning of year	\$	50,481	\$	49,488
Effect of changes in discount rate		(49)		(102)
Unwinding of discount rate		270		1,095
Balance, end of period	\$	50,702	\$	50,481

11. Income taxes

11.1 Deferred tax balances

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three months ended March 31, 2018 and 2017. The components of the net deferred income tax asset are as follows:

	March 31, 2018		December 31, 2017	
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	\$	(73,182)	\$	(109,512)
Decommissioning liabilities		13,690		13,630
Share issue costs		1,525		1,705
Non-capital losses		269,294		258,818
Total Debt		(452)		2,945
Deferred tax benefits not recognized		(210,875)		(167,586)
	\$	-	\$	-

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;
- 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, 2018		December 31, 2017	
Common shares	\$	1,287,760	\$	1,275,008

12.1 Common shares

	March 31, 2018		December 31, 2017	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	5,627,877,613	1,275,008	5,002,601,358	1,247,302
Private placements – general mandate	320,515,559	12,996	625,276,255	28,311
Share issue costs, net of deferred tax (\$Nil)	-	(244)	-	(605)
Balance, end of period	5,948,393,172	1,287,760	5,627,877,613	1,275,008

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



12.1 Common shares (continued)

General mandate

On January 16, 2018 the Company entered into a subscription agreement for a total of 80,882,500 class “A” common shares at a price of HKD \$0.272 per share (approximately CAD \$0.043 per common share), for gross proceeds of HKD \$22.0 million (approximately CAD \$3.5 million). On January 22, 2018 the Company completed the closing of this subscription agreement. In addition, a placing commission of HKD \$0.7 million (approximately CAD \$0.1 million), was incurred in relation to the Closing.

On February 5, 2018 the Company entered into a subscription agreement for a total of 122,951,000 class “A” common shares at a price of HKD \$0.244 per share (approximately CAD \$0.039 per common share), for gross proceeds of HKD \$30.0 million (approximately CAD \$4.75 million). On February 13, 2018 the Company completed the closing of 116,803,500 class “A” common shares at a price of HKD \$0.244 per share for gross proceeds of HKD \$28.3 million (approximately CAD \$4.6 million) of this subscription agreement. In addition, a placing commission of HKD \$0.9 million (approximately CAD \$0.14 million), was incurred in relation to the Closing. The subscription agreement expired on February 13, 2018 and hence the time to close the remaining 6,147,500 class “A” common shares lapsed.

On February 28, 2018 the Company entered into a subscription agreement for a total of 102,436,500 class “A” common shares at a price of HKD \$0.245 per share (approximately CAD \$0.040 per common share), for gross proceeds of HKD \$25.1 million (approximately CAD \$4.1 million). A payment of CAD \$455,005 cash is to be made. On March 14, 2018 the Company completed the closing of this subscription agreement and a payment of \$227,502 was made with the remaining balance due within 45 days after signing the agreement. This subscription agreement was entered into for settlement of indebtedness with two independent third parties.

On March 2, 2018 the Company entered into a subscription agreement for a total of 20,393,059 class “A” common shares at a price of HKD \$0.245 per share (approximately CAD \$0.040 per common share), for gross proceeds of HKD \$5.0 million (approximately CAD \$0.8 million). On March 14, 2018 the Company completed the closing of this subscription agreement. This subscription agreement was entered into for settlement of indebtedness with independent third parties.

13. Share-based compensation

13.1 Movements in stock options

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

	March 31, 2018		December 31, 2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	195,435,525	0.09	258,740,469	0.13
Granted	-	-	14,069,058	0.05
Forfeited	(1,916,179)	0.06	(62,604,342)	0.10
Expired	-	-	(14,769,660)	0.35
Balance, end of period	193,519,346	0.09	195,435,525	0.09
Exercisable, end of period	130,675,485	0.10	131,483,485	0.10

As at March 31, 2018, stock options outstanding had a weighted average remaining contractual life of 3.4 years (December 31, 2017 – 3.6 years). The Company granted Nil stock options during the three months ended March 31, 2018.

13.2 Share-based compensation

Share-based compensation has been recorded in the Condensed Consolidated Interim Financial Statements for the periods presented as follows:

	March 31, 2018			March 31, 2017		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ 368	\$ -	\$ 368	\$ 979	\$ 17	\$ 996



14. Revenue

Revenues by classification

	March 31, 2018		March 31, 2017	
Petroleum sales	\$	11,258	\$	3,005
		11,258		3,005
Other revenue		1		5
Balance, end of period	\$	11,259	\$	3,010

14.1 Petroleum revenue, net of royalties

	March 31, 2018		March 31, 2017	
Petroleum sales	\$	11,258	\$	3,005
Royalties		(114)		(20)
Balance, end of period	\$	11,144	\$	2,985

1. Petroleum revenue, net of royalties for three month ended March 31, 2017 only includes one month from March 1, 2017 to March 31, 2017.

The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above \$55 per barrel, to a maximum of 9% when the WTI crude oil price is \$120 per barrel or higher. All of the Company's projects are currently pre-payout.

The average royalty rate for West Ells was 1% for three months ended March 31, 2018 and March 31, 2017, respectively as noted above.

Petroleum sales by Product

	March 31, 2018		March 31, 2017	
Crude oil sales	\$	11,258	\$	3,005
Balance, end of period	\$	11,258	\$	3,005

The Company has no natural gas or natural gas liquid sales. The Company's petroleum sales is determined pursuant to the terms of the marketing agreements and spot sale agreements. The transaction price for crude oil is based on the commodity price in the month of production and adjusted for premiums, quality adjustments and equalization adjustments. Commodity prices are based on market indices that are determined on a daily or monthly basis. Petroleum sales are received one month after the crude oil is produced and shipped and typically collected on the 25th day of the month following production.

14.2. Other income

	March 31, 2018		March 31, 2017	
Interest income	\$	1	\$	5
Balance, end of period	\$	1	\$	5

15. General and administrative costs

	March 31, 2018		March 31, 2017	
Salaries, consultants and benefits	\$	1,617	\$	2,386
Rent		553		464
Legal and audit		130		564
Other		713		902
Balance, end of period	\$	3,013	\$	4,316

Effective March 1, 2017, the Company ceased the capitalization of portions of the general and administrative costs. For the three months ended March 31, 2018, the Company did not capitalize any general and administrative costs. For the three months ended March 31, 2017, the Company capitalized a portion of the general and administrative cost for the first two months of the year.



16. Finance costs

	March 31, 2018		March 31, 2017	
Interest expense on senior secured notes	\$	8,943	\$	8,960
Interest expense on other loans		101		-
Redemption/yield maintenance premium		4,647		4,722
Financing related costs		-		505
Other interest expense/(recovery)		1,387		6
Unwinding of discounts on provisions		270		274
Balance, end of period	\$	15,348	\$	14,467

17. 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.

	March 31, 2018		March 31, 2017	
Basic and diluted – Class “A” common shares		5,771,889,541		5,067,173,025
Loss per share	\$	(0.01)	\$	(0.00)

18. Financial instruments

18.1 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 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 the next twelve months 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 dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. These uncertainties may cast significant doubt about the Group’s ability to continue as a going concern.

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

	March 31, 2018		December 31, 2017	
Working capital deficiency	\$	385,244	\$	368,593
Shareholders’ equity		336,858		356,569
	\$	722,102	\$	725,162

1. Senior secured notes in the amount of \$256.1 million, plus accrued and unpaid amounts are considered current as at March 31, 2018 and have been included in the working capital deficit based on the Sep. 27, 2017 conditions to extend the maturity date to August 1, 2018.

The working capital deficiency of \$385.2 million at March 31, 2018, includes the \$256.1 million current portion of the Notes. There is no change in the Company’s objectives and strategies of capital management for the three months ended March 31, 2018.



18.2 Categories of financial instruments

The Company's financial assets and liabilities comprise of cash, prepaid expenses, deposits, trade and other receivables, trade and accrued liabilities and loans and senior notes (debt). The carrying value or fair value of the Company's financial instruments carried on the Condensed Consolidated Interim Statements of Financial Position are classified in the following categories:

	March 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Cash, prepaid expenses, deposits and trade and other receivables	\$ 8,835	\$ 8,835	\$ 9,713	\$ 9,713
	\$ 8,835	\$ 8,835	\$ 9,713	\$ 9,713
Financial liabilities at amortized cost				
Trade and accrued liabilities	134,415	134,415	120,316	120,316
Debt	259,664	259,664	257,990	257,990
	\$ 394,079	\$ 394,079	\$ 378,306	\$ 378,306

18.3 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars, HK dollars and/or Chinese renminbi. 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, 2018.

If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2018 would have been impacted by Nil and the carrying value of the debt at March 31, 2018 would have been impacted by \$2.6 million. At March 31, 2018, the Company held approximately USD \$0.01 million or \$0.013 million of cash, using the March 31, 2018 exchange rate of 1.2894, as cash and cash equivalents in the Company's US bank accounts.

For Hong Kong dollar amounts, 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, 2018 would have been impacted by approximately Nil and the carrying value of the debt at March 31, 2018 would have been impacted by \$0.03 million. At March 31, 2018, the Company held, after recent equity closings, approximately HKD \$0.4 million or \$0.07 million using the March 31, 2018 exchange rate of 6.0865, as cash in the Company's HKD bank accounts.

For Chinese renminbi amounts, exchange rates to convert from Chinese renminbi to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at March 31, 2018 would have been impacted by approximately Nil. At March 31, 2018, the Company held approximately CNY \$1.9 million or \$0.4 million using the March 31, 2018 exchange rate of 4.8780, as cash in the Company's CNY bank accounts.

The following table summarizes the components of the Company's foreign exchange (gains)/ losses:

	March 31, 2018		March 31, 2017	
Unrealized foreign exchange loss /(gain) on translation of:				
U.S. denominated senior secured notes	\$	6,933	\$	(2,101)
H.K. denominated loan		80		-
Foreign currency denominated cash balances		(25)		785
Foreign currency denominated accounts payable balances		84		(622)
		7,072		(1,938)
Realized foreign exchange loss		(90)		10
Total foreign exchange loss/(gain)	\$	6,982	\$	(1,928)



18.4 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. At March 31, 2018, the Company had negative working capital of \$385.2 million and an accumulated deficit of \$1,021.8 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development, achieving profitable operations and the ability to refinance current debt and access additional financing.

The timing of cash outflows relating to financial liabilities as at March 31, 2018, are as follows:

	Total		Less than 1 year		1-2 years
Trade and accrued liabilities	\$	134,415	\$	134,415	\$ -
Debt ¹		259,664		259,664	-
	\$	394,079	\$	394,079	\$ -

1. Principal amount of Notes and loans based on the year end exchange rate of \$1 US = 1.2894 CAD and \$1HKD = \$0.1643 CAD. Debt is due on demand.

19. Related party transactions

19.1 Trading transactions

For the three months ended March 31, 2018, a consulting company, to which a director of Sunshine is related, charged the Company \$0.14 million (March 31, 2017 – \$0.14 million) for management and advisory services.

Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 1,660,897,000 common shares of the Company which represents approximately 27.9% of the Company's outstanding common shares.

On August 24, 2017, November 16, 2017 and November 28, 2017, the Company signed loan agreements with Prime Union. The Loan interest rate was 6.0% per annum and required repayment in full within three months from the date of the receipt of the loan, the total loans amount were HKD \$33.3 million (approximately CAD \$5.4 million). As at March 31, 2018, all the loans and interests were paid in full.

19.2 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:

	March 31, 2018		March 31, 2017	
Directors' fees ¹	\$	168	\$	171
Salaries and allowances		543		1,409
Share-based compensation		336		919
	\$	1,047	\$	2,499

1. For the period ended March 31, 2018, this number reflects accrued fees of \$0.2 million (2017 - \$0.1 million). Refer to the appendix A2 for additional director fees disclosure.

20. Operating lease arrangements

Payments recognised as an expense

	March 31, 2018		March 31, 2017	
Minimum lease payments	\$	547	\$	615



21. Commitments and contingencies

As at March 31, 2018, the Company's commitments are as follows:

	Total	2018	2019	2020	2021	2022	Thereafter
Repayment of debt ¹	\$ 256,132	256,132	-	-	-	-	-
Interest payments on debt ²	10,587	10,587	-	-	-	-	-
Redemption premium ³	8,232	8,232	-	-	-	-	-
Loans ⁴	3,532	3,532	-	-	-	-	-
Equipment and contracts	1,631	628	247	247	247	132	130
Lease rentals ⁵	7,655	1,201	1,395	1,395	1,395	1,253	1,016
Office leases	3,641	2,264	1,084	293	-	-	-
	\$ 291,410	282,576	2,726	1,935	1,642	1,385	1,146

1. Principal amount of Notes based on the period end exchange rate of \$1US=\$1.2894 CAD and a maturity date of August 1, 2018.
2. Based on 10% on principal amount and 2.5% on the principal amount of the notes held by the Forbearing Holders per annum and a maturity date of August 1, 2018 less the interest accrued to March 31, 2018, at the period end exchange rate of \$1USD = \$1.2894 CAD.
3. The redemption premium is based on the maximum premium paid if the Notes mature on August 1, 2018 less the 4.084% premium accrued to March 31, 2018. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2018. Using the period end exchange rate of \$1USD = \$1.2894 CAD this premium amounts to \$18,692. At March 31, 2018, the Company had the option to redeem the Notes at 4.084% of the aggregate principal amount of the Notes outstanding which amounts to \$10,460 using the period end exchange rate. The Company can redeem the Notes at any time up to the August 1, 2018 maturity date, following the optional redemption schedule set out in the Notes indenture.
4. Principal of loans and its interest (3% and 6% on principal amount of the debt) based on the period exchange rate of \$1 HKD = \$0.1643 CAD.
5. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

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 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for \$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. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. No amounts have been accrued in the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2018 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.



22. Supplemental cash flow disclosures

Supplemental cash flow disclosures

	March 31, 2018	March 31, 2017
Cash provided by (used in):		
Trade and other receivables	\$ (769)	\$ (1,970)
Prepaid expenses and deposits	(506)	2,795
Trade and other payables	(1,033)	597
	<u>\$ (2,308)</u>	<u>\$ 1,422</u>
Changes in non-cash working capital relating to:		
<i>Operating activities</i>		
Trade and other receivables	\$ (769)	\$ (1,970)
Prepaid expenses and deposits	(506)	2,795
Trade and other payables	(835)	2,498
	<u>\$ (2,110)</u>	<u>\$ 3,323</u>
<i>Investing activities</i>		
Property, plant and equipment	(198)	(1,901)
	<u>\$ (2,308)</u>	<u>\$ 1,422</u>

The following table reconciles liabilities to cash flows arising from financing activities:

	2018
Balance, December 31, 2017	\$ 257,990
Changes in cash items -	
Payment of shareholder loans	(5,339)
Changes in non-cash items -	
Unrealized loss / (gain) on senior notes foreign exchange	6,933
Unrealized loss / (gain) on other loans foreign exchange	80
Balance, March 31, 2018	<u>\$ 259,664</u>

23. Subsequent events

On February 28, 2018 and March 2, 2018, the Company entered into two subscription agreements for a total of 122,829,559 class "A" common shares at a price of HKD \$0.245 per share (approximately CAD \$0.040 per common share), for gross proceeds of HKD \$30.1 million (approximately CAD \$4.9 million). A payment of CAD \$455,005 cash was to be made. On March 14, 2018, the Company completed the closing of these subscription agreements and a payment of \$227,502 was made with the remaining balance due within 45 days after signing the agreement. On April 10, 2018, the remaining payment of \$227,502 was paid and the settlement of indebtedness with the independent third parties is paid in full. These subscription agreements were entered into for settlement of indebtedness with independent third parties.

On May 6, 2018, the Company accepted the resignation of Mr. Qiping Men as the Chief Executive Officer ("CEO") and Executive Director, effective immediately. As Executive Chairman, Mr. Kwok Ping Sun has assumed direct responsibilities for all CEO tasks and functions.



24. Comparative figures

For the three months ended March 31, 2017 statement of cash flows, the payment for finance costs included amounts which were accrued but not paid in 2017 and movement in non-cash working capital items were reclassified between operating, investing and financing activities. These adjustments do not impact the cash balance as at March 31, 2017. Such adjustments had no impact on the previously reported Consolidated Statement of Financial Position and Consolidated Statement of Operations and Comprehensive Loss. The changes to the Statement of Cash Flows for the period ended March 31, 2017 are summarized in the following table:

	March 31, 2017 as Previously Reported	Adjustments	March 31, 2017 Restated
<i>Cash flows provided by / (used in) operating activities</i>			
Net loss	\$ (21,169)	-	\$ (21,169)
Finance Costs	14,467	-	14,467
Unrealized foreign exchange (gains)/losses	(1,938)	-	(1,938)
Interest income	(5)	-	(5)
Depletion and depreciation	1,866	-	1,866
Share based compensation	979	-	979
Movement in non-cash working capital	14,260	(10,937)	3,323
Net cash provided by / (used in) operating activities	8,460	(10,937)	(2,477)
<i>Cash flows used in investing activities</i>			
Interest received	5	-	5
Payments for exploration and evaluation assets	(227)	-	(227)
Payments for property, plant and equipment	(4,452)	-	(4,452)
Movement in non-cash working capital	(10,481)	8,580	(1,901)
Net cash used in investing activities	(15,155)	8,580	(6,575)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares	16,741	-	16,741
Interest and premiums paid	-	(7,220)	(7,220)
Payment for share issue costs	(443)	-	(443)
Payment for finance costs	(14,193)	14,193	-
Movement in non-cash working capital	4,616	(4,616)	-
Net cash provided by financing activities	6,721	2,357	9,078
Effect of exchange rate changes on cash held in foreign currency	(785)	-	(785)
Net increase / (decrease) in cash	(759)	-	(759)
Cash, beginning of period	13,635	-	13,635
Cash, end of period	\$ 12,876	-	\$ 12,876

25. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on May 10, 2018.



Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

Additional Stock Exchange Information

Additional information required by the SEHK and not shown elsewhere in these Condensed Consolidated Interim 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 Sunshine Hong Kong, Boxian and Sunshine Shanghai.

	March 31, 2018	December 31, 2017
<i>Non-current assets</i>		
Property, plant and equipment	\$ 503,713	\$ 506,741
Exploration and evaluation assets	268,463	268,227
Amounts due from subsidiary	7,789	8,967
	<u>779,965</u>	<u>783,935</u>
<i>Current assets</i>		
Trade and other receivables	5,701	4,932
Prepaid expenses and deposits	1,331	813
Cash	1,092	1,404
	<u>8,124</u>	<u>7,149</u>
<i>Current liabilities</i>		
Trade and other payables	134,414	120,315
Amount due to subsidiary	2,604	2,544
Loans	3,532	3,452
Shareholder loans	-	5,339
Senior notes	256,132	249,199
	<u>396,682</u>	<u>380,849</u>
Net current assets	<u>(388,558)</u>	<u>(373,700)</u>
Total assets less current liabilities	<u>391,407</u>	<u>410,235</u>
<i>Non-current liabilities</i>		
Provisions	50,702	50,481
	<u>50,702</u>	<u>50,481</u>
Net assets	<u>\$ 340,705</u>	<u>\$ 359,754</u>
<i>Capital and reserves</i>		
Share capital	\$ 1,287,760	\$ 1,275,008
Reserve for share-based compensation	70,890	70,522
Deficit	(1,017,945)	(985,776)
	<u>\$ 340,705</u>	<u>\$ 359,754</u>



Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	March 31, 2018	March 31, 2017
<i>Directors' emoluments</i>		
Directors' fees	\$ 168	\$ 171
Salaries and allowances	543	1,231
Share-based compensation	336	900
	<u>1,047</u>	<u>2,302</u>
<i>Other staff costs</i>		
Salaries and other benefits	819	1,101
Contribution to retirement benefit scheme	87	115
Share-based compensation	32	96
	<u>938</u>	<u>1,312</u>
Total staff costs, including directors' emoluments	<u>1,985</u>	<u>3,614</u>
Less: staff costs capitalized to qualifying assets	-	249
	<u>\$ 1,985</u>	<u>\$ 3,365</u>