阳光油砂
SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2019

Management's Discussion and Analysis

*This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("*Sunshine*" or the "Company") for the three months ended March 31, 2019 is dated May 14, 2019, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months period ended March 31, 2019 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.99 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2018 was approximately 1.78 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the Western Hemisphere and the third largest oil resource in the world. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

The Company's focus is on evaluating and developing its oil sands assets with the completion and operation of the 5,000 bbls/day Phase I commercial West Ells (the "Project"). When financing is available, the Company is planning to add an additional 5,000 barrels per day Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at March 31, 2019, the Company had invested approximately $1.57 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at March 31, 2019, the Company had $0.25 million in cash.

The Company relies on its ability to obtain various forms of financing and cash flow from operations to fund administration expenses and future exploration and development cost of its projects. The Company's ability to continue as a going concern is dependent on continuing operations and development in West Ells, marketing bitumen blends at favorable prices, achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that steps management will take will be successful. As such, there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

Operational Update

West Ells

On March 1, 2017, the Company achieved a key milestone. The Project commenced commercial production. Hence, effective March 1, 2017, the Company started recording revenue, royalties, expenses and depletion of the West Ells Project.

For three months ended March 31, 2019, the Company's average bitumen production was 1,026 bbls/day. Diluent was blended at an 16.9% volumetric rate with the bitumen as part of the production process to create the marketable "Dilbit" blend product, and the average dilbit sales volume was 999 bbls/day in the first quarter of 2019.

During the first quarter of 2019, the temporary widened differential between West Texas Intermediate ("WTI") and Western Canadian Select ("WCS") prices put significant downward pressure on realizable prices for dilbit. Production was therefore reduced in order to minimize operating losses while ensuring the facilities operated efficiently. Since the end of the first quarter of 2019, the differential has narrowed significantly.

Thickwood and Legend

The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2019. Once the Thickwood and Legend Lake's projects are sanctioned for development and construction, additional significant financing will need to be secured to proceed.

Operational Update (continued)

Muskwa and Godin Clastics Operations (Non-Operated 50% working interest)

As at the date of this report, Muskwa has no production. Development of Muskwa area is expected to be reactivated in 2019 under new ownership of Renergy, at no cost to Sunshine.

Summary of Quarterly Results

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

($ thousands except per share & bbl/d)	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Bitumen sales (bbl/d)[1]	999	1,153	1,757	1,540	2,174	2,253	1,781	1,732
Petroleum sales	6,017	4,772	12,286	9,252	11,258	13,209	8,781	8,907
Royalties	68	28	270	149	114	126	36	86
Diluent	1,491	2,016	2,681	2,708	3,896	4,395	2,551	2,723
Transportation	2,321	3,757	4,047	3,086	4,527	4,391	3,272	3,264
Operating costs	4,581	4,609	5,030	5,392	5,671	5,733	5,547	6,360
Finance cost	22,734	9,386	13,824	16,791	15,348	21,095	11,687	13,974
Net loss	25,116	46,731	16,287	31,147	32,831	228,443	12,761	19,479
Per share - basic and diluted	0.00	0.01	0.00	0.01	0.01	0.04	0.00	0.00
Capital expenditures[2]	342	195	521	803	1,381	860	1,815	1,862
Total assets	781,366	769,468	774,885	781,130	781,639	785,356	980,947	991,696
Working capital deficiency[3]	483,933	461,341	423,360	412,067	385,244	368,593	343,136	333,488
Shareholders' equity	227,171	251,953	292,394	307,203	336,858	356,569	581,687	593,820

1. Included payments for exploration and evaluation, property, plant and equipment.
2. The working capital deficiency includes the USD current portion of the Notes converted to CAD at each period end exchange rate.

Results of Operations

Operating Netback

	For the three months ended March 31,			
($ thousands, except $/bbl)		2019		2018
Realized bitumen revenue	$	4,526	$	7,362
Transportation		(2,321)		(4,527)
Royalties		(68)		(114)
Net bitumen revenues		2,137		2,721
Operating costs		(4,581)		(5,671)
Operating cash flow	$	(2,444)	$	(2,950)
Operating netback ($ / bbl)		(27.18)		(15.07)

1. Operating cash flow is a non-GAAP measure which is defined in the Advisory section of the MD&A.

The Operating cash flow for the three months ended March 31, 2019 was a loss of $2.4 million compared to a net loss of $3.0 million for the three months ended March 31, 2018. Operating netback loss per barrel increased $12.11/bbl from a loss of $15.07/bbl to a loss of $27.18/bbl. The increase in the operating cash flow per barrel deficiency was primarily due to 11.6% increase of transportation cost per barrel, and 75.8% increase of operating cost per barrel offset by 33.8% increase of blending sales price per barrel.

Bitumen Production

	For the three months ended March 31,	
(Barrels/day)	2019	2018
Bitumen production	1,026	2,036

Bitumen production at West Ells for the three months ended March 31, 2019 averaged 1,026 Bbls/day compared to 2,036 Bbls/day for the three ended March 31, 2018. Bitumen production decreased by 1,010 Bbls/day for the three ended March 31, 2019 compared the same periods in 2018. The decrease was due to bitumen production reductions due to the low WCS price and lower nominations resulting from constrained pipeline capacity.

Bitumen Sales

	For the three months ended March 31,	
(Barrels/day)	2019	2018
Bitumen sales	999	2,174

Bitumen sales at West Ells for the three months ended March 31, 2019 averaged 999 Bbls/day compared to 2,174 Bbls/day for the three months ended March 31, 2018. Bitumen sales decreased 1,175 Bbls/day for the three months ended March 31, 2019 compared to the same period of 2018, and it was due to bitumen production reductions related to the low WCS price and lower nominations resulting from constrained pipeline capacity.

Petroleum Sales, net of royalties

	For the three months ended March 31,	
($ thousands, except $/bbl)	2019	2018
Petroleum sales	$ 6,017	$ 11,258
Royalties	(68)	(114)
Petroleum sales, net of royalties	$ 5,949	$ 11,144
$ / bbl	66.15	56.95

Petroleum sales are from the sales of dilbit. Petroleum sales, net of royalties for the three months ended March 31, 2019 was $5.95 million compared to $11.1 million for the three month ended March 31, 2018. Petroleum sales per barrel increased $9.20/bbl to $66.15 compared to $56.95/bbl for the same period of 2018. The $5.15 million sales, net of royalties, decrease is mainly due to the 54% decrease in the Bitumen sales volume, partially offset by a 16.3% increase of realized Dilbit price.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently in pre-payout. Royalties for the three months ended March 31, 2019 decreased $0.05 million compared to the same period of 2018. The decrease was mainly due to production reductions and lower WTI crude oil prices.

Bitumen Realization

	For the three months ended March 31,	
($ thousands, except $/bbl)	2019	2018
Dilbit revenue	$ 6,017	$ 11,258
Diluent blended[1]	(1,491)	(3,896)
Realized bitumen revenue[2]	$ 4,526	$ 7,362
$ / bbl	50.33	37.62

1. Realized bitumen revenue is used to calculate operating netbacks.

Bitumen realization represents the Company's realized petroleum revenue ("Dilbit revenue"), net of diluent expenses. Dilbit revenue represents the Company's revenue from its bitumen produced at West Ells project blended with purchased diluent. The cost of blending is impacted by the amount of diluent required and the Company's cost of

Bitumen Realization (continued)

purchasing and transporting the diluent. A portion of the diluent expense is effectively recovered in the sales price of the blended product.

During the three months ended March 31, 2019, the Company's bitumen realization revenue was $4.5 million compared to $7.4 million for the three months ended March 31, 2018. Bitumen realization decreased by $2.9 million for the three months ended March 31, 2019 mainly due to the production reductions with the severe widening of the differential between WTI and WCS prices. For the three months ended March 31, 2019, the bitumen realized price per barrel increased $12.71/bbl to $50.33/bbl compared to $37.62/bbl for the three months ended March 31, 2018 mainly due to lower diluent blending ratio, lower diluent costs, and lower bitumen production.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended March 31, 2019		2018	
Diluent	$	1,491	$	3,896
$ / bbl		16.58		19.91
Blend ratio		16.9%		18.2%

At West Ells, diluent is blended with the bitumen as part of the production process to create a marketable dilbit blend product at the West Ells. Diluent expense is mainly impacted by the required amount, cost of purchasing and transporting diluent, Canadian and U.S. benchmark pricing, the timing of diluent inventory purchases and changes in value of the Canadian dollar relative to the U.S. dollar.

Diluent costs for the three months ended March 31, 2019 and March 31, 2018 were $1.5 million and $3.9 million, respectively. Diluent costs decreased by $2.4 million for the three months ended March 31, 2019 mainly due to lower diluent blending ratio plus lower bitumen production. For the three months ended March 31, 2019, the diluent cost per barrel was reduced by $3.33 to $16.58 from $19.91 for the same period ended 2018. This was mainly due to a lower diluent blending ratio plus lower bitumen production.

Transportation

($ thousands, except $/bbl)	For the three months ended March 31, 2019		2018	
Transportation	$	2,321	$	4,527
$ / bbl		25.81		23.13

Transportation cost includes trucking costs for dilbit from 3rd parties and Sunshine fleets and pipeline terminals fees. The transportation expense in the three months ended March 31, 2019 and March 31, 2018 was $2.3 million and $4.5 million, respectively. Transportation costs decreased by $2.2 million for the three months ended March 31, 2019 mainly due to the production reduction associated with the severe widening of the differential between WTI and WCS prices, and lower trucking cost from Sunshine fleets. For the three months ended March 31, 2019, transportation cost per barrel increased $2.68/bbl to $25.81/bbl due to lower bitumen production compared to $23.13/bbl for the three months ended March 31, 2018.

Operating Costs

($ thousands, except $/bbl)	For the three months ended March 31, 2019		2018	
Energy operating costs	$	1,351	$	1,374
Non-energy operating costs		3,230		4,297
Operating costs	$	4,581	$	5,671
$ / bbl		50.94		28.98

Operating costs are comprised of the sum of non-energy operating costs and energy cost. Non-energy operating cost represents production-related operating activities, excluding energy operating costs. Energy operating costs represent the cost of natural gas for the production of steam and power at the West Ells facilities.

Operating Costs (continued)

The operating expense per barrel for the three months ended March 31, 2019 was $50.94/bbl compared to $28.98/bbl for the three months ended March 31, 2018. The operating costs increase per barrel from the prior periods is primarily due to the lower bitumen production. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production ramps up at West Ells.

General and Administrative Costs

	For the three months ended March 31,							
		2019				2018		
($ thousands)		Total	Capitalized	Expensed		Total	Capitalized	Expensed
Salaries, consulting and benefits	$	1,536	-	1,536	$	1,617	-	1,617
Rent		251	-	251		553	-	553
Legal and audit		296	-	296		130	-	130
Other		539	-	539		713	-	713
Total	$	2,622	-	2,622	$	3,013	-	3,013

Effective March 1, 2017, the Company ceased the capitalization of portions of general and administrative costs. The Company capitalized a portion of general and administrative costs related to capital investment for the first two months of 2017. For the three months ended March 31, 2019, the amount of $Nil was capitalized compared to $Nil for the same period in 2018.

The Company's general and administrative costs were $2.6 million and $3.0 million for the three months ended March 31, 2019 and March 31, 3018, respectively. General and administrative costs decreased by $0.4 million for the three months ended March 31, 2019 primarily due to workforce reductions and the Company's continued focus on cost management.

Finance Costs

	For the three months ended March 31,			
($ thousands)		2019		2018
Interest expense on senior notes	$	18,887	$	8,943
Interest expense on other loans		446		101
Redemption/yield maintenance premium		2,190		4,647
Financing related costs		4		-
Other Interest expenses		867		1,387
Other interest expenses-leases		56		-
Unwinding of discounts on provisions		284		270
Finance costs	$	22,734	$	15,348

The Company's finance costs were $22.7 million for the three months ended March 31, 2019 compared to $15.3 million for the three months ended March 31, 2018. Finance cost increased $7.4 million for the three months ended March 31, 2019 compared to the same periods in 2018. The increases are mainly due to the recapture of the interests and Yield Maintenance Premium for previous years.

Share-based Compensation

	For the three months ended March 31, 2019				For the three months ended March 31, 2018		
($ thousands)		Total	Capitalized	Expensed	Total	Capitalized	Expensed
Share-based compensation	$	334	-	334	$ 368	-	368

Share-based compensation expense for the three months ended March 31, 2019 was $0.3 million compared to $0.4 million for the same period in 2018. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Effective March 1, 2017, the Company ceased the capitalization of portions of the share-based compensation costs. The Company capitalized a portion of the share-based compensation using the same methodology associated with capitalized salaries and benefits. For the three months ended March 31, 2019, the Company capitalized $Nil compared to $Nil share-based compensation for the same period in 2018.

Depletion and Depreciation

	For the three months ended March 31,			
($ thousands, except $/bbl)		2019		2018
Depletion	$	2,117	$	4,037
Depreciation		349		134
Depletion and depreciation	$	2,466	$	4,171
Depletion ($ / bbl)		27.42		20.63

The Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. The depletion rate is based on unit-of-production. Depletion and depreciation expense was $2.5 million and $4.2 million for each of the three months period ended March 31, 2019 and 2018. Depletion and depreciation expense decreased by $1.7 million for the three months ended March 31, 2019 mainly due to lower bitumen production, and lower depletion ratio, offset by higher Assets Retirement Obligation. For the three months ended March 31, 2019, depletion per barrel increased $6.79/bbl to $27.42/bbl mainly due to lower bitumen production recorded in the first quarter of 2019 compared to $20.63/bbl for the three months ended March 31, 2018.

Starting January 1, 2019 the Company started to record depreciation for long-term leases that are calculated on a straight-line basis over the lease term, so depreciation for the three months ended March 31, 2019 has increased $0.2 million compared to the same period in 2018.

As at March 31, 2019, 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 or the West Ells CGU.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three months ended March 31, 2019 and 2018. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At March 31, 2019, the Company had total available tax deductions of approximately $1.14 billion, with unrecognized tax losses that expire between 2029 and 2038.

Liquidity and Capital Resources

		March 31, 2019		December 31, 2018
Working capital deficiency	$	483,933	$	461,341
Shareholders' equity		227,171		251,953
	$	711,104	$	713,294

1. Senior secured notes in the amount of $265.4 million, plus accrued interest and unpaid amounts are considered current as at March 31, 2019 and have been included in the working capital deficit based on the October 31, 2018 conditions to extend the maturity date to August 1, 2019.

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.

Liquidity and Capital Resources (continued)

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 Forbearing Holders. The Forbearing 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 Forbearing Holders agreed to sell up to USD $11.2 million of Senior Notes in exchange for Common Shares of Sunshine, pending on conditions.

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;
- Make principal repayments to the Forbearing 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 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 was to obtain financing of USD $5.0 million within 45 days after signing the Amended FA;
- The Company was 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.

On August 1, 2018, the Company was required, amongst other matters, repay notes principal, and any previous outstanding payment commitments. Sunshine did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the Noteholders signed a Reinstatement and Amending Agreement (the “FRAA”). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);

Liquidity and Capital Resources (continued)

- The Company was to obtain financing of at least US $5 million from the date of signing until April 30, 2019 to maintain sufficient liquidity.

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, 2019, the Company had incurred unsecured Permitted Debt for a total of US$14.7 million (CAD$19.7 million equivalent).

For the three months ended March 31, 2019, the Company issued various unsecured bonds for a total proceeds of $ 0.7 million (2018: $21.0 million). These amounts were mainly received in RMB/HKD. The instruments bear interest of 10% to 20% per annum and have a potential maturity date of December 31, 2019. These bonds and loan balances are not subject to any financial covenants. For the three months ended March 31, 2019, the Company had repaid bonds principal of $1.0 million plus interests.

On June 19, 2018, the Company received a notice from the Alberta Court of Queen’s Bench. As a result of such notice, CAD$2.1 million of cash was put aside for creditor repayment. The notice was lifted in September 2018. As at year ended December 31, 2018, there was nil balance in relation to such Court Notice. On February 27, 2019 the Company received another notice from the Alberta Court of Queen’s Bench. As a result, CAD$0.7 million of cash was to be put aside for creditor repayment subsequent to the year end. The Company is planning to file an appeal against such notice and will be contesting this notice in Court.

The Company received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016 and 2017 municipal property taxes of $6.1 million. The Company was also charged with overdue penalties of $1.3 million. Since then the Company was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, negotiations are still ongoing and the Company remains positive in the discussion with RMWB. The Company believes that it has made adequate provision in the financial statements against this demand notice including the outstanding balance for 2018.

The Company is involved in various claims. including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company’s consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company’s view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims, as noted in note 10. At March 31, 2019, the Company had incurred $14.7 million (US $10.8 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.3363 CAD.

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

Liquidity and Capital Resources (continued)

For the three months ended March 31, 2019, the Company reported a net loss of $25.1 million. At March 31, 2019, the Company had a working capital deficiency of $483.9 million including senior notes of $265.4 million.

The Company's debt-to-asset ratio, measured based on total liabilities divided by total assets was 71% as at March 31, 2019, compared to 67% as at December 31, 2018.

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 Renmibi. For the three months ended March 31, 2019, the Company has a gain of $5.5 million compared to a $7.0 million loss in the same periods in 2018. The changes in foreign exchange for the three months ended March 31, 2019 are primarily due to the unrealized gain or loss on the translation of the US denominated Notes.

The Company manages foreign exchange 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, 2019. 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, 2019 would have been impacted by Nil and the carrying value of the debt at March 31, 2019 would have been impacted by $2.7 million. At March 31, 2019, the Company held approximately US $0.01 million or $0.015 million of cash, using the March 31, 2019 exchange rate of 1.3363, as cash in the Company's USD 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, 2019 would have been impacted by Nil and the carrying value of the debt at March 31, 2019 would have been impacted by $0.11 million. At March 31, 2019, the Company held, after recent equity and bond closings, approximately HKD $0.4 million or $0.06 million using the March 31, 2019 exchange rate of 5.8743, as cash in the Company's HKD bank accounts.

For Chinese renminbi ("CNY") 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, 2019 would have been impacted by approximately $0.09 million. At March 31, 2019, the Company held approximately CNY $0.12 million or $0.02 million using the March 31, 2019 exchange rate of 5.0226, as cash in the Company's CNY bank accounts.

Commitments and Contingencies

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company's commitments and contingencies, please refer the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months period ended March 31, 2019 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018.

Transactions with Related Parties

For the three months ended March 31, 2019, a consulting company, to which a director of Sunshine is related, charged the Company $0.15 million (March 31, 2018 – $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 1,682,407,000 common shares of the Company, which represents approximately 27.98% 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, 2019, all the Loan and interests were paid in full.

On June 1, 2018, the Company signed a loan agreement with Prime Union with the loan interest rate being 10.0% per annum and required repayment in full within three months from the date of the receipt of the loan. The total loan amount was HKD $14.2 million (approximately CAD $2.4 million). As at March 31, 2019, the loan and interests were paid in full.

Transactions with Related Parties (continued)

On August 11, 2018, the Company signed a loan agreement with Prime Union with the loan interest rate being 10.0% per annum and required repayment in full within three months from the date of the receipt of the loan. The total loan amount was about HKD $9.0 million (approximately CAD $1.5 million). As at March 31, 2019, the loan and interests were paid in full.

On March 25, 2019, The company signed a supplementary agreement with Renergy Petroleum (Canada) Co., Ltd, owed by Mr. Kwok Ping Sun, regarding the proposed Amendment of the Joint Operating Agreements on Muskwa and Godin area oil sands leases.

For the three months ended March 31, 2019, the Company had obtained the loans from shareholders for HKD $31.1 million (approximately CAD $5.3 million) with the loan interest rate of 10% per annum, and required repayment in full by the end of the year of 2019.

Off-balance Sheet Arrangements

The Company has certain lease agreements which are reflected in the table above under the heading "Commitments and Contingences". No asset or liability value was assigned to these agreements on the Company's balance sheet. As at March 31, 2019, the Company did not have any other off-balance sheet arrangements.

Changes in Accounting Policies

These Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2018, with the exception of the adoption of IFRS 16 described below. These Condensed Consolidated Interim Financial Statements do not include all of the information and disclosures required in the Corporation's annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

IFRS 16 -Leases

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which replaces the existing IFRS guidance on leases: IAS 17 Leases ("IAS 17"). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases are recognized on the balance sheet while operating leases are recognized in the Consolidated Statements of Income when the expense is incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease contracts. The recognition of the present value of minimum lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, depreciation and amortization, and interest expense.

The Company has adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's financial statements are not restated.

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability. For leases previously classified as operating leases, the Company applied the exemption not to recognize right-of-use assets and liabilities for leases with a lease term of less than 12 months, excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and applied a single discount rate to a portfolio of leases with similar characteristics.

Financial Statement Impact

The recognition of the present value of minimum lease payments resulted in an additional $2.3 million of right-of-use assets and associated lease liabilities. The Company has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon recognition, the Company's discounted rates used in measuring lease liabilities was 7.9% for trucks and trailers and 10% for the offices. The nature of the Company's leasing activities includes trucks, trailers and the offices in Calgary, Shanghai and Hong Kong.

Critical Accounting Policies and Estimates

The Company's critical accounting estimates are those estimates having a significant impact on the Company's financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgements, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgements, assumptions and estimates may be subject to change.

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to the Company's 2018 annual MD&A.

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2018, which is available at www.sedar.com. The 2018 annual report of the Company is available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Company's 2018 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

Kwok Ping Sun, Executive Director of the Board, and Gloria Ho, Executive Director of the Board and Chief Financial Officer, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Company used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

No material changes in the Company's ICFR were identified during the three months period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

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

Cash Flow Used in Operations

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

	Three Month Ended March 31	
($ thousands)	2019	2018
Net cash used in operating activities	$ (5,187)	$ (7,983)
Add (deduct)		
Net change in non-cash operating working capital items	(109)	(2,110)
Cash flow used in operations	$ (5,078)	$ (5,873)

Forward-Looking Information

Certain statements in this MD&A are forward-looking statements that are, by their nature, subject to significant risks and uncertainties and the Company hereby cautions investors about important factors that could cause the Company's actual results to differ materially from those projected in a forward-looking statement. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this MD&A), uncertainties and other factors some of which are beyond the Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, the Company strongly cautions investors against placing undue reliance on any such forward-looking statements. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the resources and reserves described can be profitably produced in the future. Further, any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement.

Additional Stock Exchange Information

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

Code of Corporate Governance Practice (the "Code")

The Company is committed to maintaining high standards of corporate governance. The Company recognizes that corporate governance practices are fundamental to the effective and transparent operation of a company and its ability to protect the rights of its shareholders and enhance shareholder value.

The Company confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Hong Kong Listing Rules"), has been complied with following its public listing, save that the Company has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis by the shareholders of the Company at each annual general meeting, which is consistent with the market practice in Canada.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")

The Company confirms that it has adopted the Model Code, as set out in Appendix 10 to the Hong Kong Listing Rules, following its public listing. Having made specific enquiry with all directors, the directors have confirmed and compiled with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Company during the period ended March 31, 2019.

Name	December 31, 2018	Granted	Exercised	Forfeited	Expired	March 31, 2019
Kwok Ping Sun	346,679,000	-	-	-	-	346,679,000
Michael Hibberd	46,679,000	-	-	-	-	46,679,000
Hong Luo	23,000,000	-	-	-	-	23,000,000
Gloria Ho	20,000,000	-	-	-	-	20,000,000
Raymond Fong	2,500,000	-	-	-	-	2,500,000
Yi He	2,500,000	-	-	-	-	2,500,000
Joanne Yan	2,500,000	-	-	-	-	2,500,000
Linna Liu	-	-	-	-	-	-
Jingfeng Liu[(2)]	-	-	-	-	-	-
Xijuan Jiang	1,000,000	-	-	-	-	1,000,000
Qiping Men[(1)]	22,555,556	-	-	-	-	22,555,556
Sub-total for Directors	467,413,556	-	-	-	-	467,413,556
Sub-total for other share option holders	23,592,325	-	-	- -	-	23,592,325
Total	491,005,881	-	-	-	-	491,005,881

Note 1: Mr. Men resigned as CEO and Executive Director of the Company on May 7, 2018.
Note 2: Mr. Jingfeng Liu ceased as the non-executive Director of the Company on March 7, 2019.

Please refer to our consolidated financial statements included in the 2018 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2018.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended March 31, 2019 was Nil (year ended December 31, 2018 - $0.04). Options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non- transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2018 and 2017.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the three months ended March 31, 2019 and year ended December 31, 2018.

Input Variables	Three month period ended March 31, 2019	Year ended December 31, 2018
Grant date share price ($)	-	0.04-0.04
Exercise Price ($)	-	0.04-0.04
Expected volatility (%)	-	61.87-61.87
Option life (years)	-	2.88-2.88
Risk-free interest rate (%)	-	1.95-1.95
Expected forfeitures (%)	-	15.39-15.39

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

During the three months ended March 31, 2019, the Company issued no new Common Shares.

2018 Activities

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 $4.79 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 $28.5 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 consequently the time to close the remaining 6,147,500 class "A" common shares lapsed.

On February 28, 2018 the Company entered into a settlement 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). On March 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with two independent third parties.

On March 2, 2018 the Company entered into a settlement 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 settlement agreement. This agreement was entered into for settlement of indebtedness with independent third parties.

On June 7, 2018 the Company entered into a settlement agreement for a total of 30,765,000 class "A" common shares at a price of HKD $0.214 per share (approximately CAD $0.035 per common share), for gross proceeds of HKD $6.6 million (approximately CAD $1.1 million). On June 15, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class "A" common shares at a price of HKD $0.192 per share (approximately CAD $0.032 per common share), for gross proceeds of HKD $2.75 million (approximately CAD $0.46 million). A payment of CAD $51,117 cash is to be made. This agreement was entered into for settlement of indebtedness with an independent third party. The entire gross proceeds were used to set off the indebtedness.

On September 11, 2018, the Company entered into a settlement agreement for a total of 11,868,000 class "A" common shares at a price of HKD $0.159 per share (approximately CAD $0.026 per common share), for gross proceeds of HKD $1.89 million (approximately CAD $0.31 million). On September 20, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On September 17, 2018, the Company entered into a settlement agreement for a total of 8,247,500 class "A" common shares at a price of HKD $0.166 per share (approximately CAD $0.028 per common share), for gross proceeds of HKD $1.37 million (approximately CAD $0.23 million). On September 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class "A" common shares were to be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest

Purchase, Sale or Redemption of Sunshine's Listed Securities (continued)

rate was 5.0% per annum and required repayment in full within three months from the maturity date. On July 5, 2018, the Company completed the placing of convertible bonds. The Conversion Period expired on September 30, 2018 and no conversion right attached to the Placing CB was exercised. As such, all Placing CBs were redeemed by the Company and were cancelled.

On September 28, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.81 million) with independent third parties. With an initial conversion price of HKD $0.210 per share (approximately CAD $0.036 per share), a maximum of 52,380,952 Class "A" common shares were to be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 13.7% per annum and required repayment in full within two months from the maturity date. On October 5, 2018, the Company completed the placing of convertible bonds. On November 30, 2018, the Company received conversion notices from all Placees and they exercised all the Conversion Rights attached to the Placing CB to convert the whole principal amount of the Placing CB into Shares at the Conversion Price of HK$0.210 per share(approximately CAD $0.036 per share). Accordingly, 52,380,952 Class "A" common shares were allotted and issued to the Placees pursuant to the terms and conditions of the Placing CB.

On November 2, 2018, the Company entered into a settlement agreement for a total of 32,832,000 class "A" common shares at a price of HKD $0.146 per share (approximately CAD $0.0246 per common share), for gross proceeds of HKD $4.79 million (approximately CAD $0.81 million). On November 16, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 14, 2018, the Company entered into a settlement agreement for a total of 2,199,500 class "A" common shares at a price of HKD $0.152 per share (approximately CAD $0.0257 per common share), for gross proceeds of HKD $0.33 million (approximately CAD $0.06 million). On November 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 23, 2018, the Company entered into a settlement agreement for a total of 1,000,500 class "A" common shares at a price of HKD $0.144 per share (approximately CAD $0.0245 per common share), for gross proceeds of HKD $0.14 million (approximately CAD $0.02 million). On November 29, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On December 5, 2018, the Company entered into a settlement agreement for a total of 27,983,000 class "A" common shares at a price of HKD $0.137 per share (approximately CAD $0.0234 per common share), for gross proceeds of HKD $3.83 million (approximately CAD $0.66 million). On December 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On December 20, 2018, the Company entered into a settlement agreement for a total of 5,854,500 class "A" common shares at a price of HKD $0.133 per share (approximately CAD $0.0232 per common share), for gross proceeds of HKD $0.78 million (approximately CAD $0.14 million). On December 28, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

Shares Outstanding

As at March 31, 2019, the Company had 6,135,846,624 Class "A" common shares issued and outstanding.

Employees

As at March 31, 2019, the Company has 60 full-time employees. For the three months ended March 31, 2019, total staff costs amounted to $1.5 million.

Dividends

The Company has not declared or paid any dividends in respect of the three months period ended March 31, 2019 (three months period ended March 31, 2018 - $Nil).

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three months ended March 31, 2019, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

This Quarterly results announcement is published on the websites of SEDAR (www.sedar.com), the SEHK (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.

This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

Outlook

Sunshine intends to continue to focus on cost controls and on carefully improving production at West Ells. The Company intends to ramp up production when the heavy oil pricing environment improves from currently high differentials from WTI oil prices. In addition, with the receipt of Shareholder's approval for changes to the joint venture agreement and supporting agreements for the Muskwa and Godin area, the Company sees potential significant benefits resulting from re-activation of the Muskwa and Godin Area activities.