SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

(a corporation incorporated under the Business Corporations Act of the Province of Alberta, Canada with limited liability)

(HKEX: 2012)

ANNOUNCEMENT OF RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2016, UPDATE ON WEST ELLS PROGRESS AND EXTENSION OF CLOSING OF PRIVATE PLACEMENTS

Sunshine Oilsands Ltd. wishes to announce its financial results for the first quarter ended March 31, 2016, an update on West Ells progress and the extension of closing of private placements. Please see the attached announcement for further information.

By Order of the Board of Sunshine Oilsands Ltd.
Sun Kwok Ping
Executive Chairman

Calgary, May 16, 2016
Hong Kong, May 16, 2016

As at the date of this announcement, the Board consists of Mr. Kwok Ping Sun, Mr. Hong Luo and Dr. Qi Jiang as executive directors; Mr. Michael John Hibberd, Mr. Hok Ming Tseung, Mr. Chen Jianzhong and Mr. Jin Hu as non-executive directors; and Mr. Raymond Shengti Fong, Mr. Robert John Herdman, Mr. Gerald Franklin Stevenson and Mr. Zhefei Song as independent non-executive directors.

**For identification purposes only*

Sunshine Oilsands Ltd.
Announcement of Results for the First Quarter ended March 31, 2016, Update on West Ells Progress and Extension of Closing of Private Placements

CALGARY/HONG KONG – Sunshine Oilsands Ltd. (the "Corporation" or "Sunshine") (HKEX: 2012) today announced its financial results for the first quarter ended March 31, 2016. The Corporation's consolidated financial statements, notes to the consolidated financial statements and Management's Discussion and Analysis have been filed on SEDAR (www.sedar.com) and with The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (www.hkexnews.hk) and are available on the Corporation's website (www.sunshineoilsands.com). Sunshine's annual general meeting of shareholders will be held on June 23, 2016 in Hong Kong. All figures used in this announcement are in Canadian dollars unless otherwise stated.

Summary of Financial Figures

For the first quarter of 2016, the Corporation had a net loss of $2.8 million, compared to $30.8 million for the same period in 2015, representing a net loss per share for each respective quarter of $0.00 and $0.01.

As at March 31, 2016 and December 31, 2015 the Corporation notes the following selected balance sheet figures:

	March 31, 2016 ($000s)	**December 31, 2015 ($000s)**
Cash	1,560	6,545
Restricted cash and cash equivalents	564	14,389
Prepaid expenses and deposits	6,941	8,119
Exploration and evaluation assets	291,647	290,945
Property, plant and equipment	662,444	650,930
Total liabilities	363,174	369,083
Shareholders' equity	601,577	604,098

Update on West Ells Progress

For the quarter ended March 31, 2016, the Corporation made progress in the following areas:

- Completed the commissioning of all systems for the West Ells central processing facility plant and Phase I well pad;
- All eight West Ells Phase I well pairs are on steam injection, with two well pairs converted to production mode;
- Achieved expected reservoir response to injection and production operations; and
- Preparations for initiation of production from multiple well pairs continued as planned.

The Corporation has continued with steaming operations, with only minor slowdowns resulting from the recent Fort McMurray area wildfires.

Extension of Closing of Private Placements

Extension of Closing of Private Placement under the General Mandate

Reference is made to the announcements of the Corporation dated March 16, 2016 (Hong Kong) / March 15, 2016 (Calgary) and April 28, 2016 (Hong Kong) / April 27, 2016 (Calgary) (collectively, the "Announcements") in relation to the proposed issue of a total of 558,823,500 new Class “A” Common Voting Shares (“Common Shares”) to Bright Hope Global Investments Limited ("Bright Hope") under the General Mandate (as defined in the Announcements).

As disclosed in the announcement of the Corporation dated April 28, 2016 (Hong Kong)/ April 27, 2016 (Calgary), the Corporation completed the partial closing of 88,234,000 Common Shares at a price of HK$0.34 (approximately CDN$0.055 per Common Share) per Common Share (the "Partial Closing") pursuant to the subscription agreement with Bright Hope. At the Partial Closing, the Corporation received total gross proceeds of HK$29,999,560 (approximately CDN$4.9 million). Expenses for the Partial Closing are estimated to be approximately HK$700,000 (approximately CDN$0.1 million). In addition, an introduction fee of HK$599,991 (approximately CDN$0.1 million), being 2% of the gross proceeds of the Partial Closing, were incurred in relation to the Partial Closing.

Although the recent Fort McMurray area wildfires only caused Sunshine to temporarily slow down its activities at West Ells, Bright Hope expressed concerns about the potential impact of the wildfires on West Ells operations. After consideration of the matter, the Board of Directors of the Corporation consented to an extension of the closing date for the remaining 470,589,500 Common Shares (HK$160,000,430 or approximately CDN $26.0 million) subscribed for by Bright Hope from May 14, 2016 to June 30, 2016 with the view that such extension is in the best interests of the Corporation and its shareholders. The remaining subscribed Common Shares can be closed in one or more tranches closing no later than June 30, 2016.

An announcement will be issued when the Corporation completes the closing of the remaining 470,589,500 Common Shares (HK$160,000,430) subscribed for by Bright Hope.

Extension of Closing of Private Placement under the Specific Mandate

Reference is made to the announcements of the Corporation dated June 1, 2015 (Hong Kong), July 28, 2015 (Hong Kong), August 21, 2015 (Hong Kong), October 1, 2015 (Hong Kong), November 2, 2015 (Hong Kong), December 6, 2015 (Hong Kong), March 3, 2016 (Hong Kong) and May 3, 2016 (Hong Kong) and the circular of the Corporation dated June 22, 2015 (the "Circular"), in relation to, among other matters, the proposed issue of Common Shares under the Specific Mandate (as defined in the Circular) and the connected transactions involving subscriptions for new Common Shares by connected persons.

As disclosed in the announcement of the Corporation dated May 3, 2016 (Hong Kong)/ May 2, 2016 (Calgary), the Board of Directors of the Corporation, having taken into account the current market conditions, consented to a further extension of the closing date for the remaining 413,520,000 Common Shares (HK$310,140,000 or approximately CDN$53.5 million) subscribed by Prime Union Enterprises Limited ("Prime Union") to August 2, 2016 from May 2, 2016. The remaining subscribed Common Shares can be closed in one or more tranches with the last tranche closing no later than August 2, 2016.

To date, the Corporation has completed the closing of 111,214,210 Common Shares authorized under the Specific Mandate for total gross proceeds of HK$83,410,658 (approximately CDN$14.1 million) and the allotment and issue of 111,214,210 Common Shares at a price of HK$0.75 per Common Share (approximately CDN$0.13 per Common Share). An announcement will be issued when the Corporation completes the closing of the remaining 413,520,000 Common Shares (HK$310,140,000) subscribed for by Prime Union.

Corporate Matters

As at the date of this announcement, construction and commissioning of the West Ells Phase I facilities are complete with first oil production achieved in December 2015. All West Ells Phase I well pairs are now on steam injection or on production. The Corporation is fully committed to advancing its corporate initiatives. Thanks to the commitment and dedication of our operations staff, West Ells continued with steaming operations with only minor slowdowns resulting from the recent Fort McMurray area wildfires.

Hong Luo	**Dr. Qi Jiang**
CEO	*President & COO*

ABOUT SUNSHINE OILSANDS LTD.

The Corporation is a Calgary based public corporation, listed on the Hong Kong Stock Exchange since March 1, 2012. The Corporation was also listed on the Toronto Stock Exchange from November 16, 2012 to September 30, 2015, when it chose to voluntarily delist. The Corporation is focused on the development of its significant holdings of oil sands and heavy oil leases in the Athabasca oil sands region. The Corporation owns interests in oil sands and petroleum and natural gas leases in the Athabasca region of Alberta. The Corporation is currently focused on executing milestone undertakings in the West Ells project area. West Ells Phase I is operational and has an initial production target rate of 5,000 barrels per day.

For further enquiries, please contact:

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FORWARD LOOKING INFORMATION

This announcement contains forward-looking information relating to, among other things, (a) the future financial performance and objectives of Sunshine; (b) the plans and expectations of the Corporation; and (c) the anticipated closings of the current private placements and the timing thereof. Such forward-looking information is subject to various risks, uncertainties and other factors. All statements other than statements and information of historical fact are forward-looking statements. The use of words such as “estimate”, “forecast”, “expect”, “project”, “plan”, “target”, “vision”, “goal”, “outlook”, “may”, “will”, “should”, “believe”, “intend”, “anticipate”, “potential”, and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on Sunshine’s experience, current beliefs, assumptions, information and perception of historical trends available to Sunshine, and are subject to a variety of risks and uncertainties including, but not limited to, those associated with resource definition and expected reserves and contingent and prospective resources estimates, unanticipated costs and expenses, regulatory approval, fluctuating oil and gas prices, expected future production, the ability to access sufficient capital to finance future development and credit risks, changes in Alberta’s regulatory framework, including changes to regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations and the impact thereof and the costs associated with compliance. Although Sunshine believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions and factors discussed in this announcement are not exhaustive and readers are not to place undue reliance on forward-looking statements as the Corporation’s actual results may differ materially from those expressed or implied. Sunshine disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise, subsequent to the date of this announcement, except as required under applicable securities legislation. The forward-looking statements speak only as at the date of this announcement and are expressly qualified by these cautionary statements. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of the Corporation’s material risk factors, see the Corporation’s annual information form for the year ended December 31, 2015 (the “AIF”) and risk factors described in other documents we file from time to time with securities regulatory authorities, all of which are available on the Hong Kong Stock Exchange at www.hkexnews.hk, on the SEDAR website at www.sedar.com or the Corporation’s website at www.sunshineoilsands.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month period ended March 31, 2016

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, 2016 is dated May 16, 2016. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three month period ended March 31, 2016 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2015. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Forward-Looking Information

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

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

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

Overview

Sunshine is a major holder and a developer of Athabasca region oil sands resources with approximately 1.4 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2015 was approximately 2.5 billion barrels, which was unchanged from the December 31, 2014 resource evaluation. The Company also has 422 million barrels of proved plus probable ("2P") reserves and 602 million barrels of proved plus probable plus possible ("3P") in the Cretaceous Sandstone formations as evaluated at December 31, 2015. The Company did not conduct an evaluation of its Carbonate assets given the current commodity price and the introduction of risk factors to the contingent resources, which would deem the Carbonates to be uneconomic. With more than 1 million acres of oil sands and P&NG leases, the Company has significant commercial development potential. Phase 1 (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is on production and is ramping up to meet the designed plant capacity. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere and the third largest oil resource in the world, with an estimated 166 billion barrels of recoverable resource. Canadian oil sands represent the largest single source of supply of oil imported into the United States.

The Company's focus is on evaluating and developing its oil sands assets with the first significant project targeting an initial production rate of 10,000 barrels per day at West Ells after completion of Phase 1 and Phase 2. Phase 1 is designed for 5,000 barrels per day while Phase 2 will add an additional 5,000 barrels per day.

As at March 31, 2016, the Company had invested approximately $1.2 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, 2016, the Company had $1.6 million in cash and $0.6 million in restricted 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 achieving profitable operations and the ability to refinance current debt and access

Overview (continued)

immediate additional financing. There can be no assurance that the 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.

On September 30, 2015, the Company completed a voluntary delisting from the Toronto Stock Exchange. The Company's shares continue to be listed for trading on the Stock Exchange of Hong Kong Limited ("SEHK").

Operational Update

West Ells

For the quarter ended March 31, 2016, the Company made progress in the following areas:

- All eight West Ells Phase I well pairs are on steam injection, with two well pairs converted to production mode;
- Completed the commissioning of all systems for the West Ells central processing facility plant and Phase I well pad;
- Achieved expected reservoir response to injection and production operations; and
- Preparations for initiation of production from multiple well pairs continued as planned.

The Company has continued with steaming operations, with only minor slowdowns resulting from the Fort McMurray area wildfire.

Thickwood and Legend

The Thickwood and Legend projects are each planned for first phase delivery of 10,000 barrels per day of production. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2016. Once the Thickwood and Legend projects are sanctioned for development and construction, additional financing will need to be secured to proceed.

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

A thermal single well pilot project application was submitted in July, 2014, and approved on January 26, 2015. During the final quarter of 2014, Muskwa cold production wells were suspended due to low oil prices.

Non-IFRS Financial Measures

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

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash used in operating activities, as determined in accordance with IFRS. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The non-IFRS measure of cash flow from operations can be reconciled to net cash used in operating activities, as determined in accordance with IFRS. Cash flow used in operations is a non-GAAP measure that adjusts a GAAP measure (net cash used in operating activities) for changes in non-cash working capital (deficiency).

Operational and Financial Highlights

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

Financial Highlights	For the three months ended March 31, 2016	2015
Other income	$ 18	$ 686
Finance costs	14,598	9,154
Net loss	2,773	30,839
Basic and diluted loss per share	0.00	0.01
Payments for exploration and evaluation assets	307	200
Payments for property, plant and equipment	862	43,818

For the three month period ended March 31, 2016, the Company had a net loss of $2.8 million compared to $30.8 million in the same period in 2015. The net loss for the three months ended March 31, 2016 was primarily attributable to finance costs of $14.6 million, general and administration costs of $3.8 million, share-based compensation of $0.2 million, depreciation expense of $0.2 million, and contract provision expense of $0.2 million. These amounts were offset by a gain of $16.1 million in foreign exchange and other income of less than $0.1 million.

	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 1,560	$ 6,545
Current restricted cash and cash equivalents	564	14,389
Working capital deficiency	298,144	286,121
Total assets	964,751	973,181
Total liabilities	363,174	369,083

At March 31, 2016, the Company had a cash balance of $2.1 million, including restricted cash, compared to $20.9 million at December 31, 2015. The decrease of $5.0 million in the cash balance (excluding restricted cash), was primarily attributed to payments of $0.9 million for property, plant and equipment, $0.3 million for exploration and evaluation assets, $6.1 million used in corporate operating activities and $17.4 million for finance costs. These amounts are offset by $5.8 million in proceeds from a loan from a shareholder and the release of $13.8 million in restricted cash to fund long-term debt interest payments.

At March 31, 2016, the Company’s working capital deficiency was $298.1 million including the $253.7 million current portion of senior secured notes (the “Notes”), compared to a working capital deficiency of $286.1 million at December 31, 2015. The Notes bear interest at a rate of 10% and have a potential maturity date of August 1, 2017, if certain conditions are met.

If by February 1, 2016, the Company has not: (1) received at least US$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 maintenance premium, then the final maturity date of the Notes shall be August 1, 2016. The Company did not meet the requirements listed above by February 1, 2016, and as a result, the final maturity date of the Notes will be August 1, 2016. The Company has presented the Notes as a current liability in the Condensed Interim Consolidated Statements of Financial Position as at March 31, 2016.

The Company is required to pay to the holders of any Notes outstanding on August 1, 2016 a yield maintenance premium of 7.298% of the aggregate principal amount of Notes. The Company may redeem the Notes at any time before August 1, 2016, under the optional redemption section of the Note Indenture. The optional redemption schedule requires the Company to pay a percentage of the principal amount of the Note. The percentage ranges from 100.000% at August 31, 2015 and increases monthly to July 31, 2016, at which point the percentage is 106.615%. If the Company does not redeem before the maturity date of August 1, 2016, the Company upon maturity will only pay the 7.298% yield maintenance premium. At March 31, 2016, the optional redemption percentage, which is effectively an accrued yield maintenance premium, was 104.083 % and accordingly the Company has recorded a yield maintenance premium based on this percentage. The total accrued liability for this premium is $10.6 million as at March 31, 2016 and $4.3

Operational and Financial Highlights (continued)

million is recorded in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss for the three month period ended March 31, 2016 (year ended December 31, 2015 - $6.2 million).

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

	For the three months ended March 31,			
		2016		2015
Net loss	$	(2,773)	$	(30,839)
Finance costs		14,598		9,154
Unrealized foreign exchange (gains)/losses		(16,651)		15,327
Contract provision expense		75		-
Interest income		(13)		(310)
Fair value adjustment on share purchase warrants gain		(3)		(376)
Gain on sale		(2)		-
Depreciation		151		141
Share-based compensation		161		426
Employee share savings plan		-		132
Cash flow used in operations	$	(4,457)	$	(6,345)

Non-IFRS measurements are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The above table reconciles the non-IFRS measurements "Cash flow used in operations" from "Net loss", the nearest IFRS measure. Cash flow used in operations is defined as net loss as reported, add back or deduct non-cash items including finance costs, share-based compensation, unrealized portion of foreign exchange adjustments, depreciation and impairment, interest income, fair value adjustment on share purchase warrants and employee share savings plan. Cash flow used in operations reconciles to "Net cash used in operating activities" from the Condensed Interim Consolidated Statements of Cash Flows after taking into account movements in non-cash working capital.

Cash flow used in operations in the three month period ended March 31, 2016, totalled $4.5 million compared to $6.3 million for the same period in 2015. The decrease in cash flow used in operations of $1.9 million is due to a decrease of $0.7 million in salaries, consulting and benefits, a $0.6 million decrease in the realized foreign exchange loss and a $1.0 million decrease in other general and administrative costs offset by an increase in legal and audit expense of $0.4 million.

Summary of Quarterly Results

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

('000s except for per share amounts)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Other income	18	155	1,023	(840)	686	5,464	10,143	2,864
Finance costs	14,598	17,857	10,641	9,891	9,154	8,735	2,031	3,279
Net loss for the period	2,773	325,761	30,413	19,122	30,839	12,280	1,338	8,897
Loss per share	0.00	0.08	0.01	0.00	0.01	0.00	0.00	0.00
Capital investments	1,169	19,051	31,100	51,422	44,018	27,510	31,987	54,509

Results of Operations

Finance Costs

	For the three months ended March 31, 2016	2015
Interest expense on senior secured notes	$ 6,240	$ 6,205
Interest expense on shareholder loan	37	-
Amortization of financing transaction costs and discount	3,665	2,676
Redemption/yield maintenance premium	4,347	-
Financing related costs	46	3
Other interest expense	3	-
Unwinding of discounts on provisions	260	270
	$ 14,598	$ 9,154

For the three month period ended March 31, 2016, finance costs increased by $5.4 million compared to the same period in 2015, due to an increase in the amortization of financing transaction costs on the Notes of $1.0 million, combined with $4.3 million attributable to the Notes requiring a premium payment upon redemption at any time after August 31, 2015.

General and Administrative Costs

	For the three months ended March 31, 2016			2015		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	$ 2,710	776	1,934	$ 4,146	1,396	2,750
Rent	551	202	349	584	238	346
Legal and audit	716	-	716	358	-	358
Other	846	18	828	1,879	36	1,843
	$ 4,823	996	3,827	$ 6,967	1,670	5,297

General and administrative expenses, which include salaries, consulting and benefits, rent, and other general and administrative costs, for the three month period ended March 31, 2016 decreased by $1.5 million to $3.8 million compared to $5.3 million for the same period in 2015. The decrease is primarily the result of a decrease in salaries, consulting and benefits of $0.8 million, a decrease in other costs of $1.0 million, offset by an increase in legal and audit costs of $0.3 million.

Contract Provision

As at March 31, 2016, the Company had fully recognized a liability provision related to obligations under a drilling rig contract of $6.8 million (December 31, 2015 - $6.6 million). The $6.8 million represents the maximum obligation required if the drilling rig is not utilized over the remaining term of the contract, which ends in the fourth quarter of 2016. At March 31, 2016, this obligation is broken into a $3.2 million payable and a $3.6 million provision (December 31, 2015 - $3.1 million payable and $3.5 million provision). Based on current market conditions and low utilization rates for drilling rigs, management concluded the future benefits of the contract are not currently quantifiable to offset its obligations under the contract. In future periods, if the drilling rig is utilized the provision will be adjusted accordingly.

Share-based Compensation

	For the three months ended March 31, 2016			2015		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based compensation	252	91	161	689	263	426

Share-based compensation for the three month period ended March 31, 2016 was $0.3 million compared to $0.7 million for the same period in 2015. The fair value of share-based compensation associated with the granting of stock options, is recognized by the Company in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

Share-based Compensation (continued)

The Company capitalizes a portion of the share-based compensation using the same methodology associated with capitalized salaries and benefits. For the three month period ended March 31, 2016, the Company capitalized $0.1 million compared to $0.3 million of share-based compensation for the same period in 2015.

Other Income

	For the three months ended March 31,			
		2016		2015
Interest income	$	13	$	310
Gain on sale of assets		2		-
Fair value adjustment on share purchase warrants		3		376
	$	18	$	686

Other income for the three month period ended March 31, 2016 decreased by $0.7 million to $Nil from $0.7 million in 2015. The change was due to a decrease in interest income of $0.3 million and a decrease in the fair value gain on share purchase warrants of $0.4 million. The change in the fair value gain on share purchase warrants for the three month period ended March 31, 2016 versus the same period in 2015 is due to the decrease in the Company's stock price and the expiry of the warrants during the three month period ended March 31, 2016.

Depreciation and Impairment

Depreciation expense on corporate assets was $0.2 million for three month period ended March 31, 2016 and $0.1 million for the three month period ended March 31, 2015. Since the Company is currently a development stage company, its oil assets are not yet ready for use and therefore, not subject to depletion and depreciation.

As at March 31, 2016, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at December 31, 2015) 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 month periods ended March 31, 2016 and 2015. 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, 2016, the Company had total available tax deductions of approximately $1.4 billion, with unrecognized tax losses that expire between 2028 and 2036.

Liquidity and Capital Resources

		March 31, 2016		December 31, 2015
Working capital deficit[1, 2]	$	298,144	$	286,121
Shareholders' equity		601,577		604,098
	$	899,721	$	890,219

1. Included in working capital deficit at March 31, 2016, is restricted cash of $0.6 million (December 31, 2015, $14.4 million). Refer to Note 4 "cash and cash equivalents" in the condensed interim consolidated financial statements for additional disclosure on restricted cash.
2. Senior secured notes are considered current as at March 31, 2016 and have been included in the working capital deficit as the conditions to extend the maturity date to August 1, 2017 were not met by February 1, 2016.

On August 8, 2014, the Company completed an offering of US$200 million Notes at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and have a potential maturity date of August 1, 2017, if certain conditions were met by February 1, 2016.

If by February 1, 2016, the Company had not: (1) received at least US$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 maintenance premium, then the final maturity date of the Notes would be August 1, 2016. The Company did not meet the requirements listed above by February 1, 2016, and as a result the final maturity date of the Notes will be August 1, 2016. The Company has presented the Notes as a current liability in the Condensed Interim Consolidated Statements of Financial Position as at March 31, 2016.

Liquidity and Capital Resources (continued)

The Company is required to pay to the holders of any Notes outstanding on August 1, 2016 a yield maintenance premium of 7.298% of the aggregate principal amount of Notes. The Company may redeem the Notes at any time before August 1, 2016, under the optional redemption section of the Note Indenture. The optional redemption schedule requires the Company to pay a percentage of the principal amount of the Note. The percentage ranges from 100.000% at August 31, 2015 and increases monthly to July 31, 2016, at which point the percentage is 106.615%. If the Company does not redeem before the maturity date of August 1, 2016, the Company upon maturity will only pay the 7.298% yield maintenance premium. At March 31, 2016, the optional redemption percentage, which is effectively an accrued yield maintenance premium, was 104.083% and accordingly the Company has recorded a yield maintenance premium based on this percentage. The total accrued liability for this premium is $10.6 million as at March 31, 2016 (December 31, 2015 - $6.2 million) and $4.3 million is recorded in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss for the three month period ended March 31, 2016 (year ended December 31, 2015 - $6.2 million).

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 preferred stock, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires standard reporting in line with a reporting issuer under Canadian Securities Legislation and includes timely reporting of material changes.

At March 31, 2016, the Company had incurred $7.8 million (US$6.0 million equivalent using the period end exchange rate) in liens during the ordinary course of business. There is a basket for permitted liens not to exceed US$5.0 million, but the Company was in excess of this US$5.0 million limit as at March 31, 2016. The Note Indenture also permits liens incurred in the ordinary course of business that are imposed by law. It is possible that the US$6.0 million in liens existing as at March 31, 2016 may be sheltered by one or both of these exceptions, but there is also a possibility that the Company is not in compliance with these exceptions as at March 31, 2016. In any event, no Event of Default (as defined in the Note Indenture) has occurred. From time to time, the Company receives liens or claims on accounts payable balances. The Company continues to work toward resolution of any liens or claims.

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 has 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 April 19, 2016, the Company had incurred unsecured debt for a total of US$5.3 million (CDN$7.2 million equivalent) which will be considered Permitted Debt upon completion of the amendment.

As at March 31, 2016, US$0.4 million of proceeds from the Notes are held in a separate escrow account with a trustee. Interest payments are payable semi-annually on February 1 and August 1 of each year.

The Notes are translated into Canadian dollars at the period end exchange rate of $1US = 1.2971CDN.

The Company had a one year Irrevocable Standby Letter of Credit ("Letter") of $1.6 million issued on July 31, 2015. The Letter is due to mature on July 31, 2016 and is secured by a deposit held with a financial institution. The Company agreed with the vendor to draw on the Letter in order to settle past due amounts. Total amounts drawn in 2016 totalled $1.2 million.

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

For the three month period ended March 31, 2016, the Company reported a net loss of $2.8 million. At March 31, 2016, the Company had a working capital deficiency of $298.1 million including the $253.7 million current portion of the senior secured notes and an accumulated shareholders' deficit of $636.6 million. The Company's trade payables total $26.4 million at March 31, 2016. Included in trade payables are $21.4 million payable that are greater than 60 days. Subsequent to March 31, 2016, the Company raised gross equity proceeds of $4.9 million and the Company has drawn $1.5 million on its shareholder loan.

Liquidity and Capital Resources (continued)

The Company's ability to continue as a going concern is dependent on achieving profitable operations and the ability to refinance current debt and access immediate additional financing. As such there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

The Company's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 38% as at March 31, 2016 and December 31, 2015, respectively.

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 is denominated in US dollars.

For the three month period ended March 31, 2016, the Company had a foreign exchange gain of $16.1 million compared to a $16.5 million loss in the same period in 2015. The change in foreign exchange for the three month period ended March 31, 2016, was due to a $16.7 million unrealized gain (primarily on the translation of the US denominated Notes) offset by a realized loss of $0.6 million.

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 month period ended March 31, 2016. 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, 2016 would have been impacted by $Nil. At March 31, 2016, the Company held approximately US$0.4 million of restricted cash and US$0.3 million of cash (or $0.6 million of restricted cash and $0.3 million of cash respectively), using the March 31, 2016 exchange rate of 1.2971 as cash, restricted cash and cash equivalents in the Company's US bank account.

The Company also owes US$200.0 million or $259.4 million in Notes using the exchange rate of 1.2971 at March 31, 2016. If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, the carrying value of the current portion of the long-term debt at March 31, 2016, would have been impacted by approximately $2.6 million.

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, 2016 would have been impacted by $Nil. At March 31, 2016, the Company held approximately HK$1.5 million or $0.2 million using the March 31, 2016 exchange rate of 5.9801 as cash, restricted cash and cash equivalents in the Company's HK$ bank account.

The Company's $1.6 million in unrestricted cash as at March 31, 2016, is held in accounts with third party financial institutions consisting of cash in the Company's operating accounts. Cash is also held by the Company's legal counsel, within a trust account established by the Company for general corporate matters. To date, the Company has experienced no loss or lack of access to its cash in operating accounts. However, the Company can provide no assurance that access to its invested cash will not be affected by adverse conditions in the financial markets or actions of creditors. While the Company monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be affected if the underlying financial institutions or law partnership fail or are subject to other adverse conditions in the financial markets. The Company had $0.6 million in restricted cash as at March 31, 2016. The Company also had $5.1 million classified as a deposit, with the Alberta Energy Regulator for the Licensee Liability Rating Program.

Cash Flows Summary

	For the three months ended March 31,	
	2016	**2015**
Cash used in operating activities	$ (6,056)	$ (5,531)
Cash provided by/(used in) investing activities	12,669	(34,633)
Cash used in financing activities	(11,635)	(11,086)
Effect of exchange rate changes on cash held in foreign currency	37	5,012
Decrease in cash	(4,985)	(46,238)
Cash and cash equivalents, beginning of period	6,545	136,097
Cash and cash equivalents, end of period	$ 1,560	$ 89,859

Operating Activities

Net cash used for operating activities for the three month period ended March 31, 2016 was $6.1 million compared to cash used of $5.5 million in 2015, an increase of $0.6 million. Net cash used for operating activities includes a decrease in working capital deficiency of $1.6 million for the three month period ended March 31, 2016 compared to an increase in working capital of $0.8 million for the same period in 2015, respectively.

Investing Activities

Net cash provided by investing activities for the three month period ended March 31, 2016 of $12.7 million was primarily due to the release of restricted cash of $13.8 million offset by payments for property, plant and equipment of $0.9 million and exploration and evaluation assets of $0.3 million. Net cash used for investing activities for the three month period ended March 31, 2015 was $34.6 million, which was due primarily to payments for property, plant and equipment of $43.8 million, exploration and evaluation assets of $0.2 million, net of the release of restricted cash of $9.1 million and interest income of $0.3 million.

Financing Activities

Net cash used in financing activities for the three month period ended March 31, 2016 totalled $11.6 million, which consisted of proceeds from a loan from a shareholder of $5.8 million less finance costs of $17.4 million. Net cash used in financing activities for the three month period ended March 31, 2015 totaled $11.1 million, which consisted of payment for finance costs of $11.2 million, offset by proceeds from the issue of common shares of $0.1 million.

Commitments and Contingencies

Information presented in the table below reflects management's estimate of the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. As at March 31, 2016, the Company's estimated commitments are as follows:

		Total	2016	2017	2018	2019	Thereafter
Repayment of long-term debt[1]	$	259,420	259,420	-	-	-	-
Interest payments on long-term debt[2]		12,971	12,971	-	-	-	-
Redemption premium[3]		18,932	18,932	-	-	-	-
Shareholder loan		5,418	5,418	-	-	-	-
Drilling, other equipment and contracts		6,645	6,340	223	82	-	-
Lease rentals[4]		9,378	1,280	1,250	1,250	1,243	4,355
Office leases		8,392	2,274	2,893	2,580	645	-
	$	321,156	306,635	4,366	3,912	1,888	4,355

1. Principal amount of Notes based on the period end exchange rate of $1US = 1.2971CDN and a maturity date of August 1, 2016, as the conditions to extend to August 1, 2017, have not been satisfied.
2. Based on 10% per annum and a maturity date of August 1, 2016, at the period end exchange rate of $1US = 1.2971CDN.
3. The redemption premium is based on the maximum premium paid if the Notes mature on August 1, 2016. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2016. Using the period end exchange rate of $1US=1.2971CDN this premium amounts to $20,201. At March 31, 2016, the Company had the option to redeem the Notes at 4.083% of the aggregate principal amount of the Notes outstanding which amounts to $10,592 using the period end exchange rate. The Company can redeem the Notes at any time up to the August 1, 2016 maturity date, following the optional redemption schedule set out in the Notes indenture.
4. 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 Sunshine 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 consolidated financial statements for the three month period ended March 31, 2016 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.

Transactions with Related Parties

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

The Company's Executive Chairman, Mr. Kwok Ping Sun, has purchased securities of the Company, and he has also loaned the Company funds on an unsecured basis.

On January 19, 2016 the Company signed an unsecured loan agreement (the "Loan") with Tai Feng Investments Limited ("Tai Feng"). Tai Feng is 100% owned by Mr. Kwok Ping Sun, the Company's Executive Chairman. The Loan is considered Permitted Debt under the Company's Notes as long as it does not exceed US$5.0 million. The Loan has an interest rate of 6.0% per annum, can be drawn up to HK$38.0 million and requires repayment in full within six months from the date of the receipt of the Loan. The Company made several advances on the Loan from January 27, 2016 to March 23, 2016 and the loan balance at March 31, 2016 is HK$32.4 million (approximately CDN$5.4 million).

A second loan agreement ("Second Loan") was signed effective April 14, 2016 with Tai Feng. This Second Loan has the same interest rate and repayment terms as the Loan, except it requires repayment in full within three months from the date of the receipt of the Loan. The Second Loan can be drawn up to HK$3.4 million.

The Company has made additional advances of HK$9.0 million (approximately CDN$1.5 million) against these loans since March 31, 2016*.* As a result, the Loan has been fully drawn to HK$38.0 million and the Second Loan is also fully drawn to HK$3.4 million. The entire HK$41.4 million drawn equates to US$5.3 million which is less than the amended Permitted Debt of US$15.0 million for unsecured loans under the Notes effective April 14, 2016.

There were no other related party transactions between the Company and related parties for the period ended March 31, 2016.

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, 2016, the Company did not have any other off-balance sheet arrangements.

Subsequent Events

A second loan agreement ("Second Loan") was signed effective April 14, 2016 with Tai Feng. This Second Loan has the same interest rate and repayment terms as the Loan, except it requires repayment in full within three months from the date of the receipt of the Loan. The Second Loan can be drawn up to HK$3.4 million.

The Company has made additional advances of HK$9.0 million (approximately CDN$1.5 million) against the Loan and Second Loan since March 31, 2016**.** As a result, the Loan has been fully drawn to HK$38.0 million and the Second Loan is also fully drawn to HK$3.4 million.

The Company asked for consent from a majority of the note holders, effective as of April 14, 2016, to amend 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 April 19, 2016, the Company had incurred unsecured debt for a total of HK$41.4 million which equates to US$5.3 million (CDN$7.2 million equivalent) which will be considered Permitted Debt upon completion of the amendment.

On April 27, 2016, the Company completed the closing of 88,234,000 Class "A" Common Voting Shares of the Company ("Common Shares") (the "Partial Closing") at a price of HK$0.34 per Common Share (approximately CDN$0.055 per Common Share at current exchange rates). Upon the Partial Closing, the Company has received total gross proceeds of HK$29,999,560 (approximately CDN$4.9 million). Placement expenses are estimated to be approximately HK$700,000 (approximately CDN$0.1 million). In addition, an introduction fee of HK$599,991.20 (approximately CDN$0.1 million) being 2% of the gross proceeds of the Partial Closing has been incurred in relation to the Partial Closing.

The remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited will be closed in one or more remaining tranches, with the last tranche closing no later than May 14, 2016.

Subsequent Events (continued)

On May 16, 2016, the Company announced an extension of the remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than June 30, 2016.

On April 28, 2016, the Board of Directors, having taken into account the current market conditions, consented to a further extension of the closing date for the remaining 413,520,000 Common Shares (HK$310,140,000 or approximately CDN$53.5 million) subscribed by Prime Union to August 2, 2016 from May 2, 2016. The remaining subscribed Common Shares can be closed in one or more tranches with the last tranche closing no later than August 2, 2016. Prime Union is a company directly wholly owned by Mr. Kwok Ping Sun who is a substantial shareholder and the Executive Chairman of the Company.

Changes in Accounting Policies

For the three month period ended March 31, 2016 there has been no change in accounting policy from the policies adopted by the Company in the Consolidated Financial Statements for the year ended December 31, 2015.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

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

Going Concern

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

Joint Control

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

Oil and Gas Reserves

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

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found proved and probable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production forecasts, prices and other economic conditions;
- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and

Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Company's development and production assets are determined using proved plus probable reserves.

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

Impairment of Non-financial Assets

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

Recoverability of Exploration and Evaluation costs

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

Decommissioning Costs

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

Share Purchase Warrants

The Company recognises a liability for share purchase warrants with an exercise price in a currency other than the functional currency of the Company, which is remeasured at each reporting date. The initial recognition and subsequent remeasurement of the share purchase warrants is based on the estimated fair value of each share purchase at its grant date and each reporting date, the estimation of which requires management to make assumptions about future volatility of the Company's stock price, future interest rates and the timing with respect to exercise of the instruments. The effects of a change in one or more of these variables could result in a materially different fair value.

Share-based Compensation

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

Fair Value Measurement

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Deferred Income Taxes

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

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2015, which is available at www.sedar.com. The 2015 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 2015 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures

Hong Luo, Executive Director of the Board and Chief Executive Officer, and Qiping Men, 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

Hong Luo, Executive Director of the Board and Chief Executive Officer, and Qiping Men, 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 month period ended March 31, 2016 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.

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.

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

On April 28, 2016, the Board of Directors, having taken into account the current market conditions, consented to a further extension of the closing date for the remaining 413,520,000 Common Shares (HK$310,140,000 or approximately CDN$53.5 million) subscribed by Prime Union to August 2, 2016 from May 2, 2016. The remaining subscribed Common Shares can be closed in one or more tranches with the last tranche closing no later than August 2, 2016. Prime Union is a company directly wholly owned by Mr. Kwok Ping Sun who is a substantial shareholder and the Executive Chairman of the Company.

On March 15, 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with Bright Hope Global Investments Limited ("Bright Hope Global") under which Bright Hope Global agreed to subscribe for a total of 558,823,500 Common Shares at a price of HK$0.34 per Common Share or approximately CDN$0.055 per Common Share at current exchange rates, which in the aggregate amounts to gross proceeds of HK$189,999,990 (approximately CDN$30,902,347 at current exchange rates) (the "Placement"). Completion of the Placement is subject to the fulfillment (or waiver) of certain regulatory conditions, which have been met.

Completion of the Placement will take place on or before May 14, 2016 (or such other date as the Company may choose) (the "Closing Date"). In the event that (i) the Company suffers a material adverse change in the management, business, properties, financial condition, prospects, shareholders' equity or results of operation of the Company shall have occurred or been announced since the date of the Subscription Agreement; or (ii) any adverse change in the oil price and/or general market conditions and/or the share price of the Company takes place after the date of the Subscription Agreement, the Subscription Agreement may be terminated by the Subscriber by written notice, and in which case, the obligations of the Company and the Subscriber under the Subscription Agreement shall immediately and unconditionally cease and be null and void. There can be no assurance that the Placement will close as described.

On April 27, 2016, the Company completed the closing of 88,234,000 Common Shares (the "Partial Closing") at a price of HK$0.34 per Common Share (approximately CDN$0.055 per Common Share at current exchange rates). Upon the Partial Closing, the Company has received total gross proceeds of HK$29,999,560 (approximately CDN$4.9 million). Placement expenses are estimated to be approximately HK$700,000 (approximately CDN$0.1 million). In addition, an introduction fee of HK$599,991 (approximately CDN$0.1 million) being 2% of the gross proceeds of the Partial Closing, has been incurred in relation to the Partial Closing.

The remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited will be closed in one or more remaining tranches, with the last tranche closing no later than May 14, 2016.

On May 16, 2016, the Company announced an extension of the remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than June 30, 2016.

During the three month period ended March 31, 2016, neither the Company, nor any of its subsidiaries re-purchased, sold or redeemed any of the listed shares of the Company.

Post-IPO Stock Option Plan

For the three month period ended March 31, 2016, the Company granted no Post-IPO stock options. During the three month period ended March 31, 2016, there were 346,444 forfeitures of stock options. During the three month period ended March 31, 2016, there were no stock options exercised.

Shares Outstanding

As at May 16, 2016, the Company had 4,318,498,104 Common Shares issued and outstanding.

Summary of Financial Statements and Notes

The Board of Directors of the Company announces the results of the Company and its wholly owned subsidiaries, for the three month period ended March 31, 2016, together with comparative figures for the appropriate period in 2015 as follows:

Consolidated Statements of Financial Position

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash	$ 1,560	$ 6,545
Restricted cash and cash equivalents	564	14,389
Trade and other receivables	1,595	2,253
Prepaid expenses and deposits	6,941	8,119
	10,660	31,306
Non-current assets		
Exploration and evaluation	291,647	290,945
Property, plant and equipment	662,444	650,930
	954,091	941,875
	$ 964,751	$ 973,181
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and accrued liabilities	$ 46,135	$ 47,611
Provisions	3,567	3,492
Share purchase warrants	-	3
Current portion of long-term debt	253,684	266,321
Shareholder loan	5,418	-
	308,804	317,427
Non-current liabilities		
Provisions	54,370	51,656
	363,174	369,083
Net current assets	(298,144)	(286,121)
Total assets less current liabilities	655,947	655,754
Shareholders' Equity		
Share capital	1,174,987	1,174,987
Reserve for share-based compensation	63,162	62,910
Deficit	(636,572)	(633,799)
	601,577	604,098
	$ 964,751	$ 973,181

Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended March 31,			
		2016		2015
Other income				
Interest income	$	13	$	310
Gain on sale of assets		2		-
Fair value adjustment on share purchase warrants		3		376
		18		686
Expenses				
Salaries, consulting and benefits		1,934		2,750
Rent		349		346
Legal and audit		716		358
Depreciation and impairment		151		141
Share-based compensation		161		426
Finance costs		14,598		9,154
Foreign exchange (gains)/losses		(16,088)		16,507
Contract provision expense		142		-
Other		828		1,843
	$	2,791	$	31,525
Loss before income taxes		2,773		30,839
Income taxes		-		-
Net loss and comprehensive loss for the period attributable to equity holders of the Company	$	2,773	$	30,839
Basic and diluted loss per share	$	0.00	$	0.01

Notes

1. Basis of Preparation

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The condensed interim consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Hong Kong Listing Rules.

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, measured at fair value. The consolidated financial statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

The condensed interim consolidated financial statements incorporate the financial statements of the Company and the Company's wholly owned subsidiary, Sunshine Oilsands (Hong Kong) Ltd. ("Sunshine Hong Kong"). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements when control is achieved and until control is lost. All inter-company transactions, balances, revenues and expenses are eliminated in full on consolidation. On July 14, 2015, Boxian was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. No activity has yet occurred in Boxian as at the date of this MD&A.

Notes (continued)

2. Segment Information

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

3. Trade Receivables

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

	March 31, 2016	December 31, 2015
Trade	$ 1,254	$ 1,184
Accruals and other receivables	5	56
Goods and services taxes receivable	336	1,013
	$ 1,595	$ 2,253

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, 2016	December 31, 2015
0 - 30 days	$ 69	$ 66
31 - 60 days	63	(2)
61 - 90 days	-	2
>90 days	1,122	1,118
	$ 1,254	$ 1,184

As at March 31, 2016, included in the Company's trade receivables were debtors with an aggregate carrying amount of $1.2 million (December 31, 2015 - $1.1 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances. Management believes the past due amounts will be collected.

4. Trade Payables

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

	March 31, 2016	December 31, 2015
Trade		
0 - 30 days	$ 2,509	$ 11,093
31 - 60 days	2,568	6,284
61 - 90 days	7,676	3,131
> 91 days	13,689	2,210
	26,442	22,718
Accrued liabilities	19,693	24,893
	$ 46,135	$ 47,611

5. Dividends

The Company has not declared or paid any dividends in respect of the three month period ended March 31, 2016 (three month period ended March 31, 2015 - $Nil).

Notes (continued)

6. Income Taxes

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

		March 31, 2016		December 31, 2015
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(102,982)	$	(94,478)
Decommissioning liabilities		14,680		13,947
Share issue costs		5,535		6,790
Non-capital losses		207,370		194,902
Deferred tax benefits not recognized		(124,693)		(121,161)
	$	-	$	-

The Company's non-capital losses of $768,038 (December 31, 2015 - $721,858), expire between 2028 and 2036.

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 27.0%. The Company had no assessable profit in Canada for the three month period ended March 31, 2016. The Company files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authorities. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable. The estimated tax deductions available to the Company in Canada are approximately $1.4 billion. The Company's tax losses will begin expiring in 2028.

The Company's subsidiary, Sunshine Hong Kong, is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Company had no assessable profit arising in or derived from Hong Kong for the three month period ended March 31, 2016.

Review of interim results

The condensed interim consolidated financial statements for the Company for the three month period ended March 31, 2016, were reviewed by the Audit Committee of the Company, the Company's external auditor and approved by the Board.

Publication of Information

This annual 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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2016

(Unaudited)

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

	Notes		March 31, 2016		December 31, 2015
Assets	**Notes**				
Current assets					
Cash	4	$	1,560	$	6,545
Restricted cash and cash equivalents	4		564		14,389
Trade and other receivables	5		1,595		2,253
Prepaid expenses and deposits	6		6,941		8,119
			10,660		31,306
Non-current assets					
Exploration and evaluation	7		291,647		290,945
Property, plant and equipment	8		662,444		650,930
			954,091		941,875
		$	964,751	$	973,181
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and accrued liabilities	9	$	46,135	$	47,611
Provisions	11		3,567		3,492
Share purchase warrants	13.2		-		3
Current portion of long-term debt	10		253,684		266,321
Shareholder loan	18.1		5,418		-
			308,804		317,427
Non-current liabilities					
Provisions	11		54,370		51,656
			363,174		369,083
Shareholders' Equity					
Share capital	13		1,174,987		1,174,987
Reserve for share-based compensation			63,162		62,910
Deficit			(636,572)		(633,799)
			601,577		604,098
		$	964,751	$	973,181

Going concern (Note 2)
Commitments and contingencies (Note 20)
Subsequent events (Note 22)

Approved by the Board

"Robert J. Herdman"
Director

"Kwok Ping Sun"
Executive Chairman

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	For the three months ended March 31, 2016	2015
Other income			
Interest income		$ 13	$ 310
Gain on sale of assets		2	-
Fair value adjustment on share purchase warrants	13.2	3	376
		18	686
Expenses			
Salaries, consulting and benefits		1,934	2,750
Rent		349	346
Legal and audit		716	358
Depreciation	8	151	141
Share-based compensation	14.2	161	426
Finance costs	15	14,598	9,154
Foreign exchange (gains)/losses	17.6	(16,088)	16,507
Contract provision expense	11.2	142	-
Other		828	1,843
		$ 2,791	$ 31,525
Loss before income taxes		2,773	30,839
Income taxes	12	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 2,773	$ 30,839
Basic and diluted loss per share	16	$ 0.00	$ 0.01

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	Reserve for share based compensation	Share capital	Deficit	Total
Balance, December 31, 2015		$ 62,910	$ 1,174,987	$ (633,799)	$ 604,098
Net loss and comprehensive loss for the period		-	-	(2,773)	(2,773)
Recognition of share-based compensation	14.2	252	-	-	252
Balance, March 31, 2016		$ 63,162	$ 1,174,987	$ (636,572)	$ 601,577
Balance, December 31, 2014		$ 60,658	$ 1,139,022	$ (227,664)	$ 972,016
Net loss and comprehensive loss for the period		-	-	(30,839)	(30,839)
Issue of shares under employee share savings plan		-	264	-	264
Recognition of share-based compensation		689	-	-	689
Balance, March 31, 2015		$ 61,347	1,139,286	(258,503)	942,130

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	For the three months ended March 31, 2016	2015
Cash flows used in operating activities			
Net loss		$ (2,773)	$ (30,839)
Finance costs		14,598	9,154
Unrealized foreign exchange (gains)/losses	17.6	(16,651)	15,327
Contract provision expense	11	75	-
Interest income		(13)	(310)
Fair value adjustment on share purchase warrants	13.2	(3)	(376)
Gain on sale		(2)	-
Depreciation	8	151	141
Share-based compensation	14.2	161	426
Employee share savings plan		-	132
Movement in non-cash working capital	21	(1,599)	814
Net cash used in operating activities		(6,056)	(5,531)
Cash flows provided by/(used in) investing activities			
Interest received		13	310
Payments for exploration and evaluation assets	21	(307)	(200)
Payments for property, plant and equipment	21	(862)	(43,818)
Movement in restricted cash	4	13,825	9,075
Net cash provided by/(used in) investing activities		12,669	(34,633)
Cash flows used in financing activities			
Proceeds from issue of common shares	13.1	-	132
Proceeds from sale of assets		2	-
Proceeds from shareholder loan	18.1	5,791	-
Payment for finance costs	21	(17,428)	(11,218)
Net cash used in financing activities		(11,635)	(11,086)
Effect of exchange rate changes on cash held in foreign currency	17.6	37	5,012
Net decrease in cash		(4,985)	(46,238)
Cash, beginning of period		6,545	136,097
Cash, end of period		$ 1,560	$ 89,859

See accompanying notes to the condensed interim consolidated financial statements.

1. Company information

Sunshine Oilsands Ltd. (the “Company”) was incorporated under the laws of the Province of Alberta on February 22, 2007. The address of its principal place of business is 1020, 903 – 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 Unit 8504A, 85/F, International Commerce Centre 1 Austin Road West, Kowloon.

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, 2016, no activity has occurred in Boxian. The purpose of Boxian 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 Company is a development stage company. 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. The Company anticipates incurring substantial expenditures to further its capital development programs.

2. Basis of preparation

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the three month period ended March 31, 2016, the Company reported a net loss of $2.8 million. At March 31, 2016, the Company had negative working capital of $298.1 million including the $253.7 million current portion of the senior secured notes (Note 10) and an accumulated shareholders’ deficit of $636.6 million. The Company’s trade payables total $26.4 million at March 31, 2016. Included in trade payables are $21.4 million of payables that are greater than 60 days. Subsequent to March 31, 2016, the Company raised gross equity proceeds of $4.9 million and the Company has drawn $1.5 million on its shareholder loan (Note 22).

The Company’s ability to continue as a going concern is dependent on achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that the 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.

2.1 Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 17). The condensed interim consolidated financial statements are presented in Canadian Dollars (“$”), which is the functional currency of the Company.

3. Changes in accounting policies

For the three month period ended March 31, 2016 there has been no change in accounting policy from the policies adopted by the Company in the Consolidated Financial Statements for the year ended December 31, 2015.

4. Cash and cash equivalents

		March 31, 2016		December 31, 2015
Current asset				
Cash[1]	$	1,560	$	6,545
Current restricted cash and cash equivalents[2]		564		14,389
	$	2,124	$	20,934

1. The Company's cash consists of cash held in bank accounts that earn interest at varying interest rates of between 0.01% and 1.30%.
2. The US$200 million senior secured notes issued in August 2014 required US$30 million of proceeds to be held in a restricted escrow account to cover the first three semi-annual interest payments on the senior secured notes. On February 1, 2016, the third interest payment of US$10 million was paid from the restricted escrow account. There is US$0.4 million remaining in the restricted escrow account.

5. Trade and other receivables

		March 31, 2016		December 31, 2015
Trade	$	1,254	$	1,184
Accruals and other receivables		5		56
Goods and Services Taxes receivable		336		1,013
	$	1,595	$	2,253

As at March 31, 2016, included in the Company's trade receivables was an aggregate carrying amount of $1.2 million (December 31, 2015 - $1.2 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances.

6. Prepaid expenses and deposits

		March 31, 2016		December 31, 2015
Prepaid expenses	$	506	$	518
Deposits		6,435		7,601
	$	6,941	$	8,119

As at March 31, 2016, the deposits include $5.1 million held with the Alberta Energy Regulator for the Licensee Liability Rating Program. The remaining deposits include ordinary business deposits of $0.5 million and an amount relating to a one year Irrevocable Standby Letter of Credit ("Letter") of $1.6 million issued on July 31, 2015. The Letter is due to mature on July 31, 2016 and is secured by a deposit held with a financial institution. The Company agreed with the vendor to draw on the Letter in order to settle past due amounts. Total amounts drawn in 2016 totalled $1.2 million.

7. Exploration and evaluation

Balance, December 31, 2014	$	379,403
Capital expenditures		1,375
Non-cash expenditures[1]		167
Impairment		(90,000)
Balance, December 31, 2015	$	290,945
Capital expenditures		307
Non-cash expenditures[1]		395
Impairment		-
Balance, March 31, 2016	$	291,647

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

The Company is a development stage entity and, as a result, no depletion expense has been recorded for E&E Assets for any period. As at March 31, 2016, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at December 31, 2015) of the E&E Assets.

7. Exploration and evaluation (continued)

Exploration and evaluation costs (net of impairment) are comprised of the following:

		March 31, 2016		December 31, 2015
Intangibles	$	181,794	$	182,278
Tangibles		19,584		18,683
Land and lease costs		90,269		89,984
	$	291,647	$	290,945

8. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2014	$	699,948	$	3,748	$	703,696
Capital expenditures		152,207		1,160		153,367
Disposal of asset		-		(446)		(446)
Non-cash expenditures[1]		1,693		-		1,693
Balance, December 31, 2015	$	853,848	$	4,462	$	858,310
Capital expenditures		9,530		(15)		9,515
Non-cash expenditures[1]		2,150		-		2,150
Balance, March 31, 2016	$	865,528	$	4,447	$	869,975

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

		Crude oil assets		Corporate assets		Total
Accumulated depreciation and impairment						
Balance, December 31, 2014	$	-	$	1,960	$	1,960
Disposal		-		(173)		(173)
Depreciation expense		-		593		593
Impairment		205,000		-		205,000
Balance, December 31, 2015	$	205,000	$	2,380	$	207,380
Depreciation expense		-		151		151
Impairment		-		-		-
Balance, March 31, 2016	$	205,000	$	2,531	$	207,531
Carrying value, March 31, 2016	$	660,258	$	1,916	$	662,444
Carrying value, December 31, 2015	$	648,848	$	2,082	$	650,930

At March 31, 2016, the crude oil assets included in the above property, plant and equipment were not subject to depletion since they are not ready for use in the manner intended by management. As at March 31, 2016, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at December 31, 2015) of the West Ells CGU.

During the three month period ended March 31, 2016, the Company capitalized directly attributable costs including $0.1 million for share-based compensation (three month period ended March 31, 2015 - $0.3 million) and $1.0 million for general and administrative costs (three month period ended March 31, 2015 – $1.7 million).

9. Trade and accrued liabilities

		March 31, 2016		December 31, 2015
Trade	$	26,442	$	22,718
Accrued liabilities		19,693		24,893
	$	46,135	$	47,611

10. Long-term debt

		March 31, 2016		December 31, 2015
Senior secured notes (US$200,000,000)	$	259,420	$	276,800
Discount on notes		(16,081)		(17,159)
Financing transaction costs on notes		(11,846)		(11,846)
Amortization of financing transaction costs and discount		22,191		18,526
Balance, end of period	$	253,684	$	266,321

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the "Notes") at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and have a potential maturity date of August 1, 2017, if certain conditions are met.

If by February 1, 2016, the Company has not: (1) received at least US$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 maintenance premium, then the final maturity date of the Notes shall be August 1, 2016. The Company did not meet the requirements listed above by February 1, 2016, and as a result the final maturity date of the Notes will be August 1, 2016. The Company has presented the Notes as a current liability on the Condensed Interim Consolidated Statements of Financial Position as at March 31, 2016.

The Company is required to pay to the holders of any Notes outstanding on August 1, 2016, a yield maintenance premium of 7.298% of the aggregate principal amount of Notes. The Company may redeem the Notes at any time before August 1, 2016, under the optional redemption section of the Note Indenture. The optional redemption schedule requires the Company to pay a percentage of the principal amount of the Note. The percentage ranges from 100.000% at August 31, 2015 and increases monthly to July 31, 2016, at which point the percentage is 106.615%. If the Company does not redeem before the maturity date of August 1, 2016, the Company upon maturity will only pay the 7.298% yield maintenance premium. At March 31, 2016, the optional redemption percentage, which is effectively an accrued yield maintenance premium, was 104.083% and accordingly the Company has recorded a yield maintenance premium based on this percentage. The total accrued liability for this premium is $10.6 million as at March 31, 2016 (December 31, 2015 - $6.2 million) and $4.3 million is recorded in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss for the three month period ended March 31, 2016 (year ended December 31, 2015 - $6.2 million).

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 standard reporting in line with a reporting issuer under Canadian Securities Legislation and includes timely reporting of material changes.

At March 31, 2016, the Company had incurred $7.8 million (US$6.0 million equivalent using the period end exchange rate) in liens during the ordinary course of business. There is a basket for permitted liens not to exceed US$5.0 million, but the Company was in excess of this US$5.0 million limit as at March 31, 2016. The Note Indenture also permits liens incurred in the ordinary course of business that are imposed by law. It is possible that the US$6.0 million in liens existing as at March 31, 2016 may be sheltered by one or both of these exceptions, but there is also a possibility that the Company is not in compliance with these exceptions as at March 31, 2016. In any event, no Event of Default (as defined in the Note Indenture) has occurred. From time to time, the Company receives liens or claims on accounts payable balances. The Company continues to work toward resolution of any liens or claims.

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 has 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 April 19, 2016, the Company had incurred unsecured debt for a total of US$5.3 million (CDN$7.2 million equivalent) which will be considered Permitted Debt upon completion of the amendment.

As at March 31, 2016, US$0.4 million of proceeds from the Notes are held in a separate escrow account with a trustee. Interest payments are payable semi-annually on February 1 and August 1 of each year.

The Notes are translated into Canadian dollars at the period end exchange rate of $1US = 1.2971CDN.

11. Provisions

		March 31, 2016		December 31, 2015
Decommissioning obligations (Note 11.1)	$	54,370	$	51,656
Contract provision (Note 11.2)		3,567		3,492
	$	57,937	$	55,148
Presented as:				
Provisions (current)	$	3,567	$	3,492
Provisions (non-current)	$	54,370	$	51,656

11.1 Decommissioning obligations

As at March 31, 2016, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $80.1 million (December 31, 2015 - $81.8 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate between 0.53% to 1.86% per annum and inflated using an inflation rate of 2.0% per annum.

		March 31, 2016		December 31, 2015
Balance, beginning of period	$	51,656	$	49,484
Effect of changes in discount rate		2,454		1,117
Unwinding of discount rate		260		1,055
	$	54,370	$	51,656
Current portion		-		-
Balance, end of period	$	54,370	$	51,656

11.2 Contract provision

As at March 31, 2016, the Company had fully recognized a liability provision related to obligations under a drilling rig contract of $6.8 million (December 31, 2015 - $6.6 million). The $6.8 million represents the maximum obligation required if the drilling rig is not utilized over the remaining term of the contract, which ends in the fourth quarter of 2016. At March 31, 2016, this obligation is broken into a $3.2 million payable and a $3.6 million provision (December 31, 2015 - $3.1 million payable and $3.5 million provision). Based on current market conditions and low utilization rates for drilling rigs, management concluded the future benefits of the contract are not currently quantifiable to offset its obligations under the contract. In future periods, if the drilling rig is utilized the provision will be adjusted accordingly.

12. Income taxes

12.1 Deferred tax balances

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

		March 31, 2016		December 31, 2015
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(102,892)	$	(94,478)
Decommissioning liabilities		14,680		13,947
Share issue costs		5,535		6,790
Non-capital losses		207,370		194,902
Deferred tax benefits not recognized		(124,693)		(121,161)
	$	-	$	-

12.2 Tax pools

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

	March 31, 2016	December 31, 2015
Canadian development expense	$ 41,172	$ 42,888
Canadian exploration expense	230,905	230,899
Undepreciated capital cost	300,931	318,168
Non-capital losses	768,038	721,858
Share issue costs	20,500	25,149
	$ 1,361,546	$ 1,338,962

The Company's non-capital losses of $768,038 (December 31, 2015 - $721,858), expire between 2028 and 2036.

13. Share capital

The Company's authorized share capital is as follows:

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

Issued Capital

	March 31, 2016	December 31, 2015
Common shares	$ 1,174,987	$ 1,174,987

13.1 Common shares

	March 31, 2016		December 31, 2015	
	Number of shares	$	Number of shares	$
Balance, beginning of period	4,230,264,104	1,174,987	3,896,103,191	1,139,022
Private placements – specific mandate	-	-	111,214,210	14,073
Private placements – general mandate	-	-	215,037,000	21,214
Issue of shares under employee share savings plan	-	-	6,834,537	711
Issue of shares under share option plan	-	-	1,075,166	108
Share option reserve transferred on exercise of stock options	-	-	-	55
Share issue costs, net of deferred tax ($Nil)	-	-	-	(196)
Balance, end of period	4,230,264,104	1,174,987	4,230,264,104	1,174,987

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

On April 28, 2016, the Board of Directors, having taken into account the current market conditions, consented to a further extension of the closing date for the remaining 413,520,000 Class "A" Common Voting Shares of the Company ("Common Shares") (HK$310,140,000 or approximately CDN$53.5 million) subscribed by Prime Union to August 2, 2016 from May 2, 2016. The remaining subscribed Common Shares can be closed in one or more tranches with the last tranche closing no later than August 2, 2016.

Prime Union is a company directly wholly owned by Mr. Kwok Ping Sun who is a substantial shareholder and the Executive Chairman of the Company.

On March 15, 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with Bright Hope Global Investments Limited ("Bright Hope Global") under which Bright Hope Global agreed to subscribe for a total of 558,823,500 Common Shares at a price of HK$0.34 per Common Share or approximately CDN$0.055 per Common Share at current exchange rates, which in the aggregate amounts to gross proceeds of HK$189,999,990 (approximately CDN$30,902,347 at current exchange rates) (the "Placement").

Completion of the Placement is subject to the fulfillment (or waiver) of certain regulatory conditions, which have been met.

13.1 Common shares (continued)

Completion of the Placement will take place on or before May 14, 2016 (or such other date as the Company may choose) (the “Closing Date”). In the event that (i) the Company suffers a material adverse change in the management, business, properties, financial condition, prospects, shareholders' equity or results of operation of the Company shall have occurred or been announced since the date of the Subscription Agreement; or (ii) any adverse change in the oil price and/or general market conditions and/or the share price of the Company takes place after the date of the Subscription Agreement, the Subscription Agreement may be terminated by the Subscriber by written notice, and in which case, the obligations of the Company and the Subscriber under the Subscription Agreement shall immediately and unconditionally cease and be null and void. There can be no assurance that the Placement will close as described.

On April 27, 2016, the Company completed the closing of 88,234,000 Common Shares (the "Partial Closing") at a price of HK$0.34 per Common Share (approximately CDN$0.055 per Common Share at current exchange rates). Upon the Partial Closing, the Company has received total gross proceeds of HK$29,999,560 (approximately CDN$4.9 million). Placement expenses are estimated to be approximately HK$700,000 (approximately CDN$0.1 million). In addition, an introduction fee of HK$599,991 (approximately CDN$0.1 million) being 2% of the gross proceeds of the Partial Closing, has been incurred in relation to the Partial Closing.

The remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than May 14, 2016.

On May 16, 2016, the Company announced an extension of the remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than June 30, 2016.

Post-IPO stock option plan

The Company did not have any stock options exercised for the three month period ended March 31, 2016. During the year ended December 31, 2015, the Company issued 1,075,166 Class “A” common shares, from the exercise of 1,075,166 stock options at a weighted average price of $0.10 per share for cash proceeds of $0.1 million.

13.2 Share purchase warrants

	March 31, 2016		**December 31, 2015**	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	132,910,941	0.34	211,230,941	0.28
Expired	(132,910,941)	0.34	(78,320,000)	0.34
Balance, end of period	-	-	132,910,941	0.34
Exercisable, end of period	-	-	132,910,941	0.34

During the three month period ended March 31, 2016, 132,910,941 remaining share purchase warrants expired.

As at March 31, 2016, the share purchase warrants outstanding had a weighted average remaining contractual life of Nil years (December 31, 2015 – 0.12 years).

The table below details the fair value of warrants during the periods noted:

	March 31, 2016	**December 31, 2015**
Balance, beginning of period	$ 3	$ 382
Fair value adjustment	(3)	(379)
Balance, end of period	$ -	$ 3

14. Share-based compensation

14.1 Movements in stock options

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

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	95,554,786	0.31	135,727,289	0.30
Granted	-	-	9,065,387	0.12
Exercised	-	-	(1,075,166)	0.10
Forfeited	(346,444)	0.14	(20,121,953)	0.20
Expired	-	-	(28,040,771)	0.28
Balance, end of period	95,208,342	0.31	95,554,786	0.31
Exercisable, end of period	72,106,190	0.35	71,686,715	0.35

As at March 31, 2016, stock options outstanding had a weighted average remaining contractual life of 2.7 years (December 31, 2015 – 2.9 years).

The Company granted no stock options during the three month period ended March 31, 2016.

14.2 Share-based compensation

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

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 161	$ 91	$ 252	$ 426	$ 263	$ 689

15. Finance costs

	For the three months ended March 31, 2016	2015
Interest expense on senior secured notes	$ 6,240	$ 6,205
Interest expense on shareholder loan	37	-
Amortization of financing transaction costs and discount	3,665	2,676
Redemption/yield maintenance premium	4,347	-
Financing related costs	46	3
Other interest expense	3	-
Unwinding of discounts on provisions	260	270
	$ 14,598	$ 9,154

16. Loss per share

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

	For the three months ended March 31, 2016	2015
Basic and Diluted – Class “A” common shares	4,230,264,104	3,897,026,124

17. Financial instruments

17.1 Capital risk management

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

The Company's strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a 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 achieving profitable operations and the ability to refinance current debt and access immediate additional financing.

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

		March 31, 2016		December 31, 2015
Working capital deficiency	$	298,144	$	286,121
Shareholders' equity		601,577		604,098
	$	899,721	$	890,219

The working capital deficiency of $298.1 million at March 31, 2016 (December 31, 2015 – $286.1 million), includes the $253.7 million (December 31, 2015 - $266.3 million) current portion of the Notes. There is no change in the Company's objectives and strategies of capital management for the three month period ended March 31, 2016.

17.2 Categories of financial instruments

		March 31, 2016				December 31, 2015		
		Carrying amount		Fair value		Carrying amount		Fair value
Financial assets								
Cash, restricted cash and cash equivalents, deposits and other receivables	$	10,154	$	10,154	$	30,788	$	30,788
Financial liabilities								
Other liabilities		46,135		46,135		47,611		47,611
Share purchase warrants (Note 13.2)		-		-		3		3
Long-term debt (current portion)		253,684		232,687		266,321		228,025
Shareholder Loan (Note 18.1)		5,418		5,418		-		-

17.3 Fair value of financial instruments

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

The fair value of cash, restricted cash and cash equivalents, deposits, trade and other receivables, trade and accrued liabilities and the shareholder loan approximate their carrying values due to their short term maturity and were assessed on a level 1 fair value measurement.

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

17.4 Financial risk management

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

17.5 Market risk

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

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

17.6 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 and/or HK dollars. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three month period ended March 31, 2016.

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 and restricted cash held at March 31, 2016 would have been impacted by $Nil and the carrying value of the long term debt at March 31, 2016 would have been impacted by approximately $2.6 million. At March 31, 2016, the Company held approximately US$0.4 million of restricted cash and US$0.3 million of cash (or $0.6 million of restricted cash and $0.3 million of cash, respectively), using the March 31, 2016 exchange rate of 1.2971, as cash, restricted cash and cash equivalents in the Company's US bank account.

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, 2016 would have been impacted by $Nil. At March 31, 2016, the Company held approximately HK$1.5 million or $0.2 million using the March 31, 2016 exchange rate of 5.9801, as cash in the Company's HK$ bank account.

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

		For the three months ended March 31, 2016	2015
Unrealized foreign exchange on translation of:			
U.S. denominated senior secured notes	$	(16,302)	20,298
H.K. denominated shareholder loan		(373)	-
Foreign currency denominated cash balances		(37)	(5,012)
Foreign currency denominated accounts payable balances		61	41
		(16,651)	15,327
Realized foreign exchange loss		563	1,180
Total foreign exchange (gains)/losses	$	(16,088)	16,507

17.7 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2016, the Company does not have any floating rate debt.

The Company's cash consists of cash held in bank accounts that earn interest at varying interest rates. The Company's restricted cash and cash equivalents consists of cash held in a treasury note within a restricted escrow account. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. For the three month period ended March 31, 2016, the interest rate earned on cash was between 0.01% and 1.30%.

17.8 Credit risk management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, deposits and receivables and GST receivables. As at March

17.8 Credit risk management (continued)

31, 2016, the Company's receivables consisted of 21% from Goods and Services Tax receivable, 60% joint interest billing receivable and 19% from other receivables (December 31, 2015 – 45% from Goods and Services Tax receivable, 39% from joint interest billing receivable and 16% from other receivables).

The Company's unrestricted cash as at March 31, 2016, is held in accounts with third party financial institutions and consists of invested cash and cash in the Company's operating accounts.

At March 31, 2016, there was no allowance for doubtful accounts receivable and the Company did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered impaired (December 31, 2015 - $Nil). The Company considers any amounts outstanding in excess of 30 days past due.

17.9 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, 2016, the Company had negative working capital of $298.1 million and an accumulated deficit of $636.6 million. The Company's ability to continue as a going concern is dependent on achieving profitable operations and the ability to refinance current debt and access additional financing.

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

The timing of cash outflows (excluding interest) relating to financial liabilities as at March 31, 2016, are as follows:

	Total	Less than 90 days	Less than 1 year
Trade and accrued liabilities	$ 46,135	$ 46,135	$ -
Shareholder Loan	5,418	-	5,418
Debt[1]	259,420	-	259,420
	$ 310,973	$ 46,135	$ 264,838

1. Principal amount of Notes based on the period end exchange rate of $1 US = 1.2971CDN

18. Related party transactions

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

18.1 Trading transactions

The Company's Executive Chairman, Mr. Kwok Ping Sun, has purchased securities of the Company (Note 13.1), and he has also loaned the Company funds on an unsecured basis.

On January 19, 2016 the Company signed an unsecured loan agreement (the "Loan") with Tai Feng Investments Limited ("Tai Feng"). Tai Feng is 100% owned by Mr. Kwok Ping Sun, the Company's Executive Chairman. The Loan is considered Permitted Debt under the Company's Notes as long as it does not exceed US$5.0 million. The Loan has an interest rate of 6.0% per annum, can be drawn up to HK$38.0 million and requires repayment in full within six months from the date of the receipt of the Loan. The Company made several advances on the Loan from January 27, 2016 to March 23, 2016 and the loan balance at March 31, 2016 is HK$32.4 million (approximately $5.4 million).

A second loan agreement ("Second Loan") was signed effective April 14, 2016 with Tai Feng. This Second Loan has the same interest rate and repayment terms as the Loan, except it requires repayment in full within three months from the date of the receipt of the Loan. The Second Loan can be drawn up to HK$3.4 million.

The Company has made additional advances of HK$9.0 million (approximately $1.5 million) against these loans since March 31, 2016. As a result, the Loan has been fully drawn to HK$38.0 million and the Second Loan is also fully drawn to HK$3.4 million. The entire HK$41.4 million drawn equates to US$5.3 million which is less than the amended Permitted Debt of US$15.0 million for unsecured loans under the Notes effective April 14, 2016.

18.2 Compensation of key management personnel and directors

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

	For the three months ended March 31,			
		2016		**2015**
Directors' fees[1]	$	175	$	180
Salaries and allowances		1,138		882
Share-based compensation		79		235
Consulting fees		-		-
	$	1,392	$	1,297

1. Refer to appendix A2 for additional director fees disclosure.

19. Operating lease arrangements

Payments recognised as an expense

	For the three months ended March 31,			
		2016		**2015**
Minimum lease payments	$	536	$	567

20. Commitments and contingencies

As at March 31, 2016, the Company's commitments are as follows:

		Total	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Repayment of long-term debt[1]	$	259,420	259,420	-	-	-	-
Interest payments on long-term debt[2]		12,971	12,971	-	-	-	-
Redemption premium[3]		18,932	18,932	-	-	-	-
Shareholder loan		5,418	5,418	-	-	-	-
Drilling, other equipment and contracts		6,645	6,340	223	82	-	-
Lease rentals[4]		9,378	1,280	1,250	1,250	1,243	4,355
Office leases		8,392	2,274	2,893	2,580	645	-
	$	321,156	306,635	4,366	3,912	1,888	4,355

1. Principal amount of Notes based on the period end exchange rate of $1US=1.2971CDN and a maturity date of August 1, 2016, as the conditions to extend to August 1, 2017, have not been satisfied.
2. Based on 10% per annum and a maturity date of August, 2016, at the period end exchange rate of $1US=1.2971CDN.
3. The redemption premium is based on the maximum premium paid if the Notes mature on August 1, 2016. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2016. Using the period end exchange rate of $1US=1.2971CDN this premium amounts to $20,201. At March 31, 2016, the Company had the option to redeem the Notes at 4.083% of the aggregate principal amount of the Notes outstanding which amounts to $10,592 using the period end exchange rate. The Company can redeem the Notes at any time up to the August 1, 2016 maturity date, following the optional redemption schedule set out in the Notes indenture.
4. 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 consolidated financial statements for the three month period ended March 31, 2016 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.

21. Supplemental cash flow disclosures

Non-cash transactions

For the three month periods ended March 31, 2016 and March 31, 2015, the Company had the following non-cash transactions:

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

Supplemental cash flow disclosures

	For the three months ended March 31, 2016	2015
Cash provided by (used in):		
Trade and other receivables	$ 658	$ (934)
Prepaid expenses and deposits	1,178	(73)
Trade and other payables	(1,537)	2,276
	$ 299	$ 1,269
Changes in non-cash working capital relating to:		
Operating activities		
Trade and other receivables	$ 116	$ (221)
Prepaid expenses and deposits	1,178	(73)
Trade and other payables	(2,893)	1,108
	$ (1,599)	$ 814
Investing activities		
Property, plant and equipment	8,653	5,465
	$ 8,653	$ 5,465
Financing activities		
Share issue costs and finance costs	$ (6,755)	$ (5,010)
	$ 299	$ 1,269

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

	For the three months ended March 31, 2016	2015
Reconciliation of:		
Exploration and evaluation assets	$ 307	$ 200
Changes in non-cash working capital	-	-
Payments for exploration and evaluation assets	$ 307	$ 200
Reconciliation of:		
Property, plant and equipment	$ 9,515	$ 49,283
Changes in non-cash working capital	(8,653)	(5,465)
Payments for property, plant and equipment	$ 862	$ 43,818
Reconciliation of:		
Share issue costs and finance costs	$ 10,673	$ 6,208
Changes in non-cash working capital	6,755	5,010
Payments for share issue costs and finance costs	$ 17,428	$ 11,218

22. Subsequent events

A second loan agreement ("Second Loan") was signed effective April 14, 2016 with Tai Feng. This Second Loan has the same interest rate and repayment terms as the Loan, except it requires repayment in full within three months from the date of the receipt of the Loan. The Second Loan can be drawn up to HK$3.4 million.

The Company has made additional advances of HK$9.0 million (approximately $1.5 million) against the Loan and Second Loan since March 31, 2016. As a result, the Loan has been fully drawn to HK$38.0 million and the Second Loan is also fully drawn to HK$3.4 million.

The Company asked for consent from a majority of the note holders, effective as of April 14, 2016, to amend 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 April 19, 2016, the Company had incurred unsecured debt for a total of HK$41.4 million which equates to US$5.3 million (CDN$7.2 million equivalent) which will be considered Permitted Debt upon completion of the amendment.

On April 27, 2016, the Company completed the closing of 88,234,000 Common Shares (the "Partial Closing") at a price of HK$0.34 per Common Share (approximately CDN$0.055 per Common Share at current exchange rates). Upon the Partial Closing, the Company has received total gross proceeds of HK$29,999,560 (approximately CDN$4.9 million). Placement expenses are estimated to be approximately HK$700,000 (approximately CDN$0.1 million). In addition, an introduction fee of HK$599,991.20 (approximately CDN$0.1 million) being 2% of the gross proceeds of the Partial Closing, has been incurred in relation to the Partial Closing.

The remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited will be closed in one or more remaining tranches, with the last tranche closing no later than May 14, 2016.

On May 16, 2016, the Company announced an extension of the remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million at current exchange rates) subscribed for by Bright Hope Global Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than June 30, 2016.

On April 28, 2016, the Board of Directors, having taken into account the current market conditions, consented to a further extension of the closing date for the remaining 413,520,000 Common Shares (HK$310,140,000 or approximately CDN$53.5 million) subscribed by Prime Union to August 2, 2016 from May 2, 2016. The remaining subscribed Common Shares can be closed in one or more tranches with the last tranche closing no later than August 2, 2016.

Prime Union is a company directly wholly owned by Mr. Kwok Ping Sun who is a substantial shareholder and the Executive Chairman of the Company.

23. Approval of consolidated financial statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 16, 2016.

Appendix to the condensed interim consolidated financial statements (Unaudited)

Additional Stock Exchange Information

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

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

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

	March 31, 2016	December 31, 2015
Non-current assets		
Property, plant and equipment	$ 662,443	$ 650,929
Exploration and evaluation assets	291,647	290,945
Amounts due from subsidiary	3,578	3,650
	957,668	945,524
Current assets		
Trade and other receivables	1,595	2,253
Prepaid expenses and deposits	6,941	8,119
Cash	1,250	5,559
Restricted cash and cash equivalents	564	14,389
	10,350	30,320
Current liabilities		
Trade and other payables	46,113	47,575
Provisions	3,567	3,492
Share purchase warrants	-	3
Amount due to subsidiary	3,022	2,692
Debt	253,684	266,321
Shareholder loan	5,418	-
	311,804	320,083
Net current assets	(301,454)	(289,763)
Total assets less current liabilities	656,214	655,761
Non-current liabilities		
Provisions	54,370	51,656
	54,370	51,656
Net assets	$ 601,844	$ 604,105
Capital and reserves		
Share capital	$ 1,174,987	$ 1,174,987
Reserve for share-based compensation	63,162	62,910
Deficit	(636,305)	(633,792)
	$ 601,844	$ 604,105

A2. Directors' emoluments and other staff costs

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

	For the three months ended March 31, 2016	2015
Directors' emoluments		
Directors' fees	$ 175	$ 180
Salaries and allowances	915	639
Share-based compensation	64	170
	1,154	989
Other staff costs		
Salaries and other benefits	1,462	3,136
Contribution to retirement benefit scheme	158	192
Share-based compensation	188	519
	1,808	3,847
Total staff costs, including directors' emoluments	2,962	4,836
Less: staff costs capitalized to qualifying assets	867	1,659
	$ 2,095	$ 3,177

Details of the Directors' emoluments are as follows:

A3. Directors' emoluments

For the three months ended March 31, 2016						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[8]	Performance related incentive payments	Total
Michael Hibberd	$ 20	$ -	$ -	$ 29	$ -	$ 49
Tseung Hok Ming	12	-	-	2	-	14
Raymond Fong	19	-	-	2	-	21
Robert Herdman	19	-	-	2	-	21
Gerald Stevenson	20	-	-	2	-	22
Jimmy Hu	11	-	-	-	-	11
Zhefei Song	15	-	-	-	-	15
Hong Luo	13	136	-	7	-	156
Qi Jiang	18	779	-	20	-	817
Kwok Ping Sun	18	-	-	-	-	18
Jianzong Chen	10	-	-	-	-	10
	$ 175	$ 915	$ -	$ 64	$ -	$ 1,154

1. For the period ended March 31, 2016, no options have been granted to Directors.

A3. Directors' emoluments (continued)

	For the three months ended March 31, 2015					
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 20	$ 113	$ -	$ 75	$ -	$ 208
Tseung Hok Ming	15	-	-	6	-	21
Tingan Liu	19	-	-	-	-	19
Hoatian Li	12	-	-	6	-	18
Raymond Fong	19	-	-	6	-	25
Robert Herdman	20	-	-	6	-	26
Gerald Stevenson	19	-	-	6	-	25
Jin Hu	13	-	-	-	-	13
Zhefei Song	14	-	-	-	-	14
Hong Luo	13	-	-	15	-	28
Qi Jiang	16	526	-	50	-	592
	$ 180	$ 639	$ -	$ 170	$ -	$ 989

A4. Five highest paid individuals

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

	For the three months ended March 31, 2016	2015
HK$ nil to HK$1,000,000	4	3
HK$1,000,001 to HK$1,500,000	-	1
HK$1,500,001 to HK$2,000,000	-	-
HK$2,000,001 to HK$2,500,000	-	-
HK$2,500,001 to HK$3,000,000	-	-
HK$3,000,001 to HK$3,500,000	-	-
HK$3,500,001 to HK$4,000,000	-	1
HK$4,000,001 to HK$4,500,000	-	-
HK$4,500,001 to HK$5,000,000	1	-
HK$5,000,001 to HK$5,500,000	-	-
HK$5,500,001 to HK$6,000,000	-	-
HK$6,000,001 to HK$6,500,000	-	-
HK$6,500,001 to HK$7,000,000	-	-
>HK$7,000,000	-	-

For the three month period ended March 31, 2016, the conversion factor used in the above table is 1C$ = 5.66HK$ (three month period ended March 31, 2015, 1C$ = 6.25HK$)

The five highest paid individuals includes three directors of the Company and two key management executives of the Company for the three month period ended March 31, 2016 (three month period ended March 31, 2015 – two directors and three key management executives). Since the directors' emoluments are disclosed above, the compensation of the three key management executives for the Company is as follows:

A4. Five highest paid individuals (continued)

		For the three months ended March 31, 2016		2015
Salaries and other benefits	$	220	$	238
Contributions to retirement benefits scheme		3		5
Share-based compensation		15		65
	$	238	$	308

A5. Senior management remuneration by band

The emoluments fell within the following bands:

	For the three months ended March 31, 2016	2015
HK$ nil to HK$1,000,000	4	5
HK$1,000,001 to HK$1,500,000	-	1
HK$1,500,001 to HK$2,000,000	-	-
HK$2,000,001 to HK$2,500,000	-	-
HK$2,500,001 to HK$3,000,000	-	-
HK$3,000,001 to HK$3,500,000	-	-
HK$3,500,001 to HK$4,000,000	-	1
HK$4,000,001 to HK$4,500,000	-	-
HK$4,500,001 to HK$5,000,000	1	-
HK$5,000,001 to HK$5,500,000	-	-
HK$5,500,001 to HK$6,000,000	-	-
HK$6,000,001 to HK$6,500,000	-	-
HK$6,500,001 to HK$7,000,000	-	-
>HK$7,000,000	-	-

For the three month period ended March 31, 2016, the conversion factor used in the above table is 1C$ = 5.66HK$ (for the three month period ended March 31, 2015, 1C$ = 6.25HK$)