SUNSHINE OILSANDS LTD.

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

(HKEx: 2012; TSX: SUO)

2014 INTERIM REPORT

SUNSHINE OILSANDS LTD.

MESSAGE TO SHAREHOLDERS

On behalf of the directors and management team, we are pleased to report that Sunshine is finally able to move forward with completion of the first 5,000 barrels per day phase of our approved 10,000 barrels per day West Ells project. When Sunshine's strategic review process was initiated last year to identify, examine and consider strategic alternatives, we remained determined to address our accounts payable and capital requirements in a manner that would facilitate recommencement of construction activities in our West Ells project area. This was viewed as achievable. It was also viewed as the best way to substantially enhance value to our shareholders. While this strategic initiatives process has taken more time than we had originally hoped, it has resulted in three significant milestone accomplishments since November of 2013. First, we have successfully closed approximately US$150 million of equity financings. Second, we completed the sale of a non core asset for CAD$20 million. Third, we completed the closing of an offering of US$200 million of senior secured notes.

Our West Ells Asset Team has outlined the following milestones for recommencement of West Ells construction, for initiation of first steam in the first quarter of 2015 and for production in the third quarter of 2015:

1) Approximately eight weeks for completing all preparations for construction recommencement after quality assurance activities are completed;
2) Approximately 16 weeks for completion of construction, assuming no interruptions or delays;
3) Approximately four weeks for site commissioning and startup of steam injection operations; and
4) Approximately 16 weeks of steam injection until first oil production is achieved.

Project staging and quality assurance activities are progressing actively to support preparations for recommencement of West Ells construction. Once this is completed, construction preparations are expected to take approximately eight weeks and actual construction of the first 5,000 barrels per day phase, which is already approximately 81% complete, is expected to take approximately four months, assuming no interruptions or delays. This will be followed by a period of approximately one month for site commissioning and startup of steam injection operations. First oil production is expected in the third quarter of 2015, after approximately four months of steam injection.

Sunshine's corporate direction has now been completely reset through resolution of serious challenges associated with cost overruns, market volatility and changing market sentiment toward oil sands investment. Going forward, we are determined to see our Company perform to, and above, expectations on all levels.

Michael J. Hibberd
Chairman

David Sealock
Interim President & CEO

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 and six month periods ended June 30, 2014 is dated August 12, 2014. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the period ended June 30, 2014 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.

Forward-Looking Information

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

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

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

Overview

Sunshine is a major holder and a developer of oil sands resources with approximately 3.5 billion barrels of best estimate contingent resources and 444 million barrels of proved plus probable ("2P") reserves, the Company has significant commercial development potential. In addition to these reserves and contingent resources, independent resource evaluation indicates 371 MMbbl of best estimate contingent resources for Harper Carbonates. These volumes do not meet the 10% discount rate used by the independent evaluator and have been classified as "sub-economic" at this time. It is anticipated that with improved pricing and/or further project definition the Harper Carbonates may reasonably achieve a 10% rate of return and be reclassified as "economic" best estimate contingent resources.

The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere and the third largest oil resource in the world, with an estimated 169 billion barrels of recoverable resource. The Canadian oil sands represent the largest single source of supply of oil imported into the United States.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As at June 30, 2014, the Company had invested approximately $1.0 billion in oil sands leases, drilling operations, project engineering, procurement and construction, regulatory application processing and other assets. As at June 30, 2014, the Company had $24.4 million in cash.

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

Operational Update

West Ells

Construction of Phases 1 and 2 of Sunshine's West Ells steam assisted gravity drainage ("SAGD") 10,000 barrel per day project was suspended in August 2013. Using proceeds from the US$200 million senior secured notes offering, raised subsequent to the end of the second quarter, Sunshine is planning to complete construction, commissioning and startup of the first 5,000 bbls/d phase of the West Ells project. Sunshine intends to continue to develop the West Ells project in two phases, Phase 1 (5,000 bbls/d) and Phase 2 (5,000 bbls/d), with Phase 1 providing the supporting infrastructure for Phase 2 major process equipment. To date, Sunshine has completed:

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

Following the August 18, 2013 suspension of West Ells construction, Sunshine engaged in an extensive re-examination of capital costs for the West Ells Project, Phases 1 and 2, including costs associated with suspending and then restarting engineering, procurement and construction activities.

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 2014.

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

Muskwa and Godin Operations

On October 20, 2013, Sunshine signed a joint operating agreement ("JOA") with Renergy Petroleum (Canada) Co., Ltd., ("Renergy") an affiliate of Changjiang Investment Group Co., Ltd. ("Changjiang") with respect to the Company's Muskwa and Godin area oil sands leases ("Leases"). Excluded from the JOA are all of Sunshine's oil sands rights within the carbonate formations contained within the Leases, which remain 100% owned by the Company.

Renergy is the operator of the assets under the JOA. In return for a 50% working interest, Renergy has agreed to fund 100% of the initial joint operations conducted on the lands up to a maximum of $250 million (the "Commitment Cap"), which funding shall be deployed at the discretion of Renergy, as Operator, until the earlier of the point when (i) the sum contributed equals the Commitment Cap or (ii) average daily production from the lands over any 20 consecutive day period equals or exceeds 5,000 barrels per day (the "Production Target"). If neither of the spending or production targets are met by three years after project regulatory approval, but in any event no later than October 20, 2019, the new partner's working interest is reduced in proportion to the higher of the percentage of the spending and the production target amounts achieved. The working interest transfer did not result in any accounting gain or loss.

Sunshine continues to work closely with Renergy on short term and long term planning and thermal technology evaluation for potential use in the Muskwa and Godin areas. First thermal pilot project application was submitted in July, 2014.

Non - IFRS Financial Measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry, such as cash flow from operations. These financial measures are not defined by 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 provided by operating activities, as determined in accordance with IFRS. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. 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.

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 June 30, 2014	2013	For the six months ended, June 30 2014	2013
Other income	$ 2,393	$ 622	$ 6,227	$ 1,441
Finance costs	3,279	816	5,150	2,557
Net loss	8,897	8,327	13,149	16,584
Basic and diluted loss per share	0.00	0.00	0.00	0.00
Payments for exploration and evaluation assets	424	3,780	3,214	17,280
Payments for property, plant and equipment	54,085	97,556	83,499	169,949

For the three and six month periods ended June 30, 2014, the Company had a net loss of $8.9 million and $13.1 million compared to $8.3 million and $16.6 million in 2013, respectively. The net loss for the respective three and six month periods ended June 30, 2014 was primarily attributable to general administration costs of $5.0 million and $9.1 million, $0.7 million and $0.8 million for share-based payment expense, finance costs of $3.3 million and $5.2 million, and $2.2 million and $4.0 million of suspension costs, offset by a gain of $2.8 million and $6.6 million on the fair value adjustment on share purchase warrants. For the three and six month periods ended June, 2013, the net loss was primarily attributed to general administration costs of $5.7 and $10.3 million, $2.2 million and $4.9 million for share-based payment expense and finance costs of $0.8 million and $2.6 million, respectively.

		June 30, 2014		December 31, 2013
Cash	$	24,436	$	15,854
Working capital deficiency		(12,429)		(103,182)
Total assets		1,057,161		1,029,388
Total liabilities		74,727		148,415

At June 30, 2014, the Company had a cash balance of $24.4 million compared to $15.9 million at December 31, 2013. The change of $8.6 million in the cash balance can be primarily attributed to payments of $3.2 million in exploration and evaluation assets, payments of $83.5 million for property, plant and equipment and $22.8 million used in corporate operating activities offset by net cash provided from financing activities of $118.5 million. At June 30, 2014, the Company's working capital deficiency was $12.4 million, a significant reduction from $103.2 million at December 31, 2013. Subsequent to June 30, 2014, the Company reached a positive working capital position through a $20 million asset sale and completion of an offering of US$200 million senior secured notes.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Net loss	$ (8,897)	$ (8,327)	$ (13,149)	$ (16,584)
Finance costs	3,279	816	5,150	2,557
Unrealized foreign exchange gain	471	(145)	421	(192)
Interest income	(15)	(477)	(72)	(1,249)
Fair value adjustment on share purchase warrants	(2,849)	-	(6,576)	-
Depreciation	175	107	348	211
Share-based payment expense	674	2,226	845	4,866
Employee share savings plan	96	54	202	54
Cash flow used in operations	(7,066)	(5,746)	(12,831)	(10,337)

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

Cash flow used in operations in the three and six month periods ended June 30, 2014 totalled $7.1 million and $12.8 million compared to $5.7 million and $10.3 million for the same period in 2013. For the three month period ended June 30, 2014, the increase of $1.4 million compared to the same period in 2013, is primarily due to $2.2 million of suspension costs related to the West Ells project, an increase of $1.1 million of professional fees and an increase in other expenses of $0.4 million, partially offset by a decrease in salaries, consulting and benefits of $2.4 million. For the six month period ended June 30, 2014, the increase in cash flow used in operations was $2.5 million is primarily due to $4.0 million of suspension costs related to the West Ells project, an increase of $1.6 million of professional fees and an increase in other expenses of $0.7 million, partially offset by a decrease in salaries, consulting and benefits of $3.9 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Other income	2,393	3,834	661	118	622	818	1,032	1,142
Finance costs	3,279	1,871	743	1,475	816	1,741	2,859	215
Net loss for the period	8,897	4,253	7,515	8,681	8,327	8,257	9,196	15,531
Loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital investments	54,509	32,204	42,701	53,324	101,336	85,892	65,098	32,510

Results of Operations

Finance Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Finance costs on credit facility	$ -	$ 541	$ -	$ 1,036
Financing related costs	3,098	177	4,789	600
Unwinding of discounts on provisions	181	98	361	921
	3,279	816	5,150	2,557

For the three month period ended June 30, 2014, finance expense increased by $2.5 million primarily as a result of a $2.9 million increase in financing related costs offset by a reduction of $0.5 million in standby costs on the Credit Facility cancelled in 2013. Finance expense for the six month period ended June 30, 2014 increased by $2.6 million primarily as a result of a $4.2 million increase in financing related costs offset by a reduction of $1.0 million in standby costs on the Credit Facility cancelled in 2013, and a decrease of $0.6 million on unwinding of discounts on provisions compared to the same period in 2013.

General and Administrative Costs

	For the three months ended June 30, 2014			2013		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	2,850	1,132	1,718	6,347	2,252	4,095
Rent	566	249	317	533	309	224
Other	1,652	60	1,592	1,369	138	1,231
	5,068	1,441	3,627	8,249	2,699	5,550

	For the six months ended June 30, 2014			2013		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	6,305	3,012	3,293	11,851	4,704	7,147
Rent	1,135	513	622	1,088	640	448
Other	3,197	109	3,088	2,706	338	2,368
	10,637	3,634	7,003	15,645	5,682	9,963

General and administrative costs, which include salaries, consulting and benefits, rent, and other general administrative costs, for the three month period ended June 30, 2014 decreased by $1.9 million to $3.6 million compared to $5.6 million for the same period in 2013. For the six month period ended June 30, 2014, general and administrative expense decreased by $3.0 million to $7.0 million compared to $10.0 million for the same period in 2013 respectively. The decrease in expense was primarily attributed to reduced salaries and benefits as a result of the suspension of the West Ells project offset by higher other general administrative costs. During the three and six month periods ended June 30, 2014, the Company capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of $1.4 million and $3.6 million compared to $2.7 million and $5.7 million for the same period in 2013 respectively.

Share-based payments

	For the three months ended June 30, 2014			2013		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	729	55	674	3,331	1,105	2,226

	For the six months ended June 30, 2014			2013		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	702	(142) [1]	844	7,370	2,504	4,866

1. Reflects a reversal of share based payment expense previously recognized prior to the vesting date due to forfeitures of stock options in the period

Share-based compensation expense for the three and six month periods ended June 30, 2014 was $0.7 million and $0.8 million compared to $2.2 million and $4.9 million for the same period in 2013, respectively. The fair value of share-based payments associated with the granting of stock options and preferred shares is recognized by the Company in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

The Company capitalizes a portion of the share-based compensation expense using the same methodology associated with capitalized salaries and benefits. For the three and six month periods ended June 30, 2014, the Company capitalized $0.1 million and $(0.1) million, compared to $1.1 million and $2.5 million of share-based payments for the same period in 2013.

Other Income

	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Foreign exchange (loss)/gain	(471)	145	(421)	192
Interest income	15	477	72	1,249
Fair value adjustment on share purchase warrants	2,849	-	6,576	-
	2,393	622	6,227	1,441

Other income for the three month period ended June 30, 2014 increased by $1.8 million to $2.4 million from $0.6 million and for six month period ended June 30, 2014 increased by $4.8 million to $6.2 million from $1.4 million for the same period in 2013. The change was primarily due to the revaluation of share purchase warrants liability which resulted in a gain of $2.8 million and $6.6 million during the three and six month periods ended June 30, 2014, as a result of lower share prices, partially offset by a decrease of $0.5 million and $1.2 million related to interest income for the three and six month periods ended June 30, 2014 as cash balances were invested in capital projects and operations.

Depreciation

Depreciation expense was $0.2 million for the three month period ended June 30, 2014 compared to $0.1 million for the same period in 2013. For the six month period ended June 30, 2014, depreciation expense was $0.3 million compared to $0.2 million for the same period in 2013. Since the Company is a development stage company, its oil assets are not yet ready for use and therefore, not subject to depletion and depreciation.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, as at June 30, 2014 and December 31, 2013. 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 June 30, 2014, the Company had total available tax deductions of approximately $1.1 billion, with unrecognized tax losses that expire between 2028 and 2034.

Liquidity and Capital Resources

		June 30, 2014		December 31, 2013
Working capital deficiency	$	12,429	$	103,182
Shareholders' equity		982,434		880,973
	$	994,863	$	984,155

Working capital deficiency as at June 30, 2014 of $12.4 million is comprised of $24.4 million of cash, offset by a non- cash working capital deficiency of $36.9 million. The Company's strategy is to access sufficient capital, through equity issuances, monetization, joint ventures and the utilization of debt, in order to maintain a capital base that properly supports the objectives of maintaining financial flexibility and of sustaining future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company's liquidity may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of financial market conditions generally or as a result of conditions specific to the Company. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or monetizing assets. There is no certainty that these and other strategies will be successful. For further discussion, refer to 'Commitments and contingencies'.

For the three and six month periods ended June 30, 2014, the Company reported a net loss of $8.9 million and $13.1 million, respectively. At June 30, 2014, the Company had negative working capital of $12.4 million and an accumulated deficit of $214.0 million. Subsequent to June 30, 2014, the Company reached a positive working capital position through a $20 million asset sale and completion of an offering of US$200 million senior secured notes. Effective August 18, 2013, the Company suspended construction of its West Ells SAGD project, pending sourcing of additional financing. Using proceeds from the US$200 million senior secured notes offering, raised subsequent to the end of the second quarter, Sunshine is planning to complete construction, commissioning and startup of the first 5,000 bbls/d phase of the West Ells project.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. Thus, exchange rate fluctuations can affect the fair value of future cash flows.

The Company had no forward exchange rate contracts in place as at or during the three and six month periods ended June 30, 2014. If exchange rates to convert from HK dollars to Canadian dollars had been 1% higher or lower with all other variables held constant, foreign cash held at June 30, 2014 would have been impacted by approximately $1 thousand. At June 30, 2014, the Company held approximately HK$0.6 million or $0.08 million using the June 30, 2014 exchange rate of 7.2595, as cash in the Company's Hong Kong bank account.

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 June 30, 2014 would have been impacted by approximately $0.1 million. At June 30, 2014, the Company held approximately US$11.7 million or $12.5 million using the June 30, 2014 exchange rate of 1.068, as cash in the Company's US bank account.

The Company's $24.4 million in cash as at June 30, 2014 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 council, within a trust account established by the Company. 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 corporations fail or are subject to other adverse conditions in the financial markets.

Cash Flows Summary

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Cash used in operating activities	$ (9,225)	$ (5,088)	$ (22,830)	$ (8,985)
Cash used in investing activities	(54,494)	(100,859)	(86,641)	(185,980)
Cash generated by financing activities	75,248	980	118,474	6,871
Effect of exchange rate changes on cash and cash held in foreign currency	(471)	145	(421)	192
Increase/(decrease) in cash	11,058	(104,822)	8,582	(187,902)
Cash, beginning of period	13,378	199,151	15,854	282,231
Cash, end of period	$ 24,436	$ 94,329	$ 24,436	$ 94,329

Operating Activities

Net cash used for operating activities for the three and six month periods ended June 30, 2014 was $9.2 million and $22.8 million compared to cash used of $5.1 million and $9.0 million in 2013, a change of $4.1 million and $13.8 million, respectively. Net cash used for operating activities includes movement in working capital of $(2.2) million and $(10.0) million for the three and six month periods ended June 30, 2014 compared to movement of $0.7 million and $1.4 million for the same period in 2013.

Investing Activities

Net cash used for investing activities for the three month period ended June 30, 2014 decreased by $46.4 million to $54.5 million compared to an increase in usage of $11.7 million in the second quarter of 2013. For the six month period ended June 30, 2014 net cash used for investing activities decreased by $99.3 million to $86.6 million compared to an increase of $54.5 million for the six month period in 2013. The decrease was due to lower investment primarily due to the suspended construction of its West Ells SAGD project discussed below, partially offset by a decrease of $0.5 million and $1.2 million of interest income for the three and six month periods ended June 30, 2014, respectively.

Capital investment for the 2013 development program focused on SAGD wellpair drilling and completion, construction, procurement of major equipment and related capital costs for Phase 1 and 2 of the West Ells project, the maintenance of the West Ells access road, and resource delineation and expenditures related to regulatory advancement of projects at Thickwood and Legend. Substantial engineering, procurement and construction activity occurred for West Ells during 2012 and during the first half of 2013; however, due to lack of sufficient funding to complete the Project, these activities were suspended on August 18, 2013 pending receipt of additional financing. Sunshine continues to maintain staff at site to continue with reduced work activities and to ensure safety of the worksite and preservation of the West Ells asset. Salary costs related to staff at site are capitalized. Remaining costs directly related to the suspension, which totalled $2.2 million and $4.0 million for the three and six month periods ended June 30, 2014 respectively, are recognised as suspension and preservation costs in the Consolidated Statements of Operations and Comprehensive Loss.

Financing Activities

Financing activities for the three and six month periods ended June 30, 2014 generated cash of $75.2 million and $118.5 million, which consisted of proceeds received from private placements completed of $75.4 million and $119.1 million and proceeds received from shares issued under the employee share savings plan of $0.2 million and $0.4 million, offset by $0.2 million and $0.9 million of share issue and finance related costs paid in the period.

Financing activities for the three and six month periods ended June 30, 2013 generated $1.0 million and $6.9 million, which consisted of proceeds received from stock option exercises of $1.6 million and $8.5 million, offset by $0.6 million and $1.6 million of finance related costs, respectively.

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 June 30, 2014, the Company's estimated commitments are as follows:

		Due within the next 12 months	Due in the next 2 to 5 years	Over 5 years
Drilling, other equipment and contracts	$	4,922	1,396	-
Lease rentals[1]		1,230	4,837	5,217
Office leases		2,712	10,389	-
	$	8,864	16,622	5,217

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

Following suspension of construction at the Company's West Ells SAGD project, many suppliers, following normal practice in Canada have placed builders' liens on the West Ells property to secure past due and unpaid invoices. Seventy six suppliers have filed such liens and/or lawsuits claiming payment for unpaid invoices for a total remaining aggregate value of $21.0 million. Through the normal course of business, the Company has recorded the unpaid invoices in trade and other payables. On December 5, 2013, the Company reached forbearance agreements with all then current lien holders and litigants until February 28, 2014. On February 15, 2014, the Company reached a further forbearance agreement with all then current lien holders and litigants to extend the forbearance period to May 31, 2014. On June 27, 2014, the Company reached a further forbearance agreement with all then current lien holders and litigants to extend the forbearance period to July 31, 2014. The Company paid 25% of all past due and unpaid invoices in December, 2013, 20% payment of all past due and unpaid invoices in early March, 2014, 40% payment of all past due and unpaid invoices in late June to early July, 2014, in exchange for these three forbearance agreements. Pursuant to Alberta builders' lien legislation, lien claimants must file a lawsuit to enforce their claim within a set period, failing which they lose the right to maintain their lien, but not their claim in debt. It is the Company's understanding that the vast majority of the lawsuits filed by its suppliers are likely to have been filed for this purpose, and indeed the forbearance agreement expressly permitted that.The Company has raised equity funds, disclosed in Investing Activities above, and subsequent to June 30, 2014 the Company completed additional financing to enable it to meet these obligations and clear up these issues and continue developing its business as disclosed in Subsequent Events.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require Sunshine to repurchase four million one hundred thirty-two thousand two hundred thirty-two (4,132,232) shares (pre 20:1 share split) 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. Management considers the Action to be unfounded. No amounts have been accrued in the consolidated financial statements for the three and six month periods ended June 30, 2014 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

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

Transactions with related parties

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

- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. MJH Services provides overall operational services to the Company.
- 1226591 Alberta Inc. ("1226591 Inc.") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. 1226591 Inc. provides overall operational services to the Company.
- McCarthy Tetrault LLP is a law firm in which a director of the Company is a partner. McCarthy's provides legal counsel to the Company.

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

The Company incurred consulting compensation payments to MJH Services Ltd. totalling $0.1 million and $0.2 million for the three and six month periods ended June 30, 2014 compared to $0.1 million and $0.2 million for the same period in 2013. The Company incurred consulting compensation payments to 1226591 Alberta Inc. totalling $0.1 million and $0.2 million for the three and six month periods ended June 30, 2014 compared to $0.1 million and $0.2 million for the same period in 2013. The 1226591 Alberta Inc. consulting contract expired on June 25, 2014 and was not renewed.

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

	For the three months ended June 30,		**For the six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
Legal expense	598	69	1,003	116
Finance fees	-	-	-	165
	598	69	1,003	281

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

	June 30, 2014	**December 31, 2013**
Legal	318	887

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

Off-balance sheet arrangements

At June 30, 2014, the Company did not have any off-balance sheet arrangements.

Subsequent events

Mr. Songning Shen and Mr. Wazir Chand Seth resigned as directors of the Company with effect from July 7, 2014. The resignations were to implement a collective decision of the Board to reduce the large size of the Board in keeping with good corporate governance practices.

Mr. Hu Jin has been appointed as an executive director of the Company with effect from July 14, 2014. Mr. Hu will have executive responsibility as Senior Vice President, Corporate Strategies. Mr. Hu had originally been appointed as a non-executive director of the Company in June, 2014.

On July 17, 2014, the Company entered into a petroleum, natural gas and general conveyance agreement for the sale of certain non-core oilsands assets which relate to, among other things, lands and petroleum and natural gas rights (collectively the "Assets") to a third party industry partner for a total consideration of $20.0 million (the "Disposal"). The Disposal was conducted between the parties on an arm's length basis. The Assets have approximately 225 million barrels of contingent resource associated with them according to the Company's most recently completed independent reserves and resource evaluation effective as at December 31, 2013. Prior to the sale, the disposal represented 6% of the Company's total best estimate contingency resources. The Disposal was completed on July 21, 2014 and proceeds from the disposal were added to the Company's general working capital.

The Company appointed Mr. Men Qiping as Interim Chief Financial Officer of the Company with effect July 21, 2014.

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the "Notes") issuing 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 final maturity date of August 1, 2017. The Notes are senior secured obligations over the Company's assets. If by February 1, 2016, the Company has not: (1) received at least US$50,000,000 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: (x) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (y) the yield maintenance premium, then the final maturity date of the notes shall be August 1, 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. If the Notes are outstanding after August 1, 2016, there will be an exit premium paid of 7.298% on the aggregate principal amount of the Notes outstanding. The Notes are redeemable by the Company at any time prior to maturity subject to the payment of the applicable call premiums to the holders of the Notes.

New accounting pronouncements and changes in accounting policies

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Company's financial period beginning on or after January 1, 2014. The Company has reviewed new and revised accounting pronouncements that have been issued. The impact of these standards are disclosed in Note 3, "new accounting pronouncements and changes in accounting policies" in the condensed interim consolidated financial statements.

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Going concern

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

Joint Control

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

Oil and gas reserves

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

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

Reserve estimates are critical to many accounting estimates including:

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

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

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

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

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

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

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

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

Risk Factors
The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2013, which is available at www.sedar.com. The 2013 annual report of the Company is available at the Company's website, www.sunshineoilsands.com, and the website of the HKEX, www.hkexnews.hk. The Company's 2013 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures
David Sealock, the Company's Interim President and Interim Chief Executive Officer ("CEO") and Michael Hibberd, Executive Chairman of the Board performing functions of a Chief Financial Officer, for the three and six month periods ended June 30, 2014, have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls Over Financial Reporting
The CEO and Michael Hibberd, Executive Co-Chairman of the Board performing functions of a Chief Financial Officer, for the three and six month periods ended June 30, 2014, have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal controls over financial reporting during the three and six month periods ended June 30, 2014 and at the financial year end of the Company and concluded that the Company's internal controls over financial reporting were effective during the three and six month periods ended June 30, 2014 and at the financial year end of the Company for the foregoing purpose.

No material changes in the Company's internal controls over financial reporting were identified during the three and six month periods ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Company confirms that it has adopted the Model Code following its public listing. Having made specific enquiry of all directors, the directors have 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

During the six month period ended June 30, 2014, the Company issued 640,000,000 Class "A" common shares in private placements at a price of HK $0.85 per share (approximately C$0.12 per share) for gross proceeds of HK$544,000,000 or approximately C$75.4 million.

During the six month period ended June 30, 2014, the Company also completed closings of equity private placements, totalling 181,242,193 Units at a price of HK$1.70 per Unit (approximately C$0.24 per Unit) for gross proceeds of HK$308,111,728 or approximately C$43.8 million. Each Unit is comprised of one Class "A" common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK $1.88 per common share (approximately C$0.26 per common share) for a period of 24 months following the closing date. These warrants were valued at an average C$0.04 per warrant for a total of C$2.2 million. As part of a finder's fee, the Company issued two-fifths of a warrant for each purchased Unit. These finder's fee warrants were valued at C$0.04 per warrant for a total of C$2.59 million. Total value of warrants granted during the period ended June 30, 2014, was C$4.8 million.

During the three and six month periods ended June 30, 2014, the Company issued 1,404,067 and 2,440,011 Class "A" common shares respectively, from the Company's employee share savings plan for gross proceeds of $0.2 million and $0.4 million respectively.

Neither the Company, nor its subsidiary re-purchased, sold or redeemed any of the listed shares of the Company during the three and six month periods ended June 30, 2014. During the three and six month periods ended June 30, 2013 neither the Company, nor any of its subsidiaries re-purchased, sold or redeemed any of the listed shares of the Company.

Pre-IPO Stock Option Plan

The Company no longer grants stock options under the Pre-IPO Plan. During the three and six month periods ended June 30, 2014, there were Nil Pre-IPO stock options exercised. There were also Nil forfeitures of Pre-IPO stock options during the three and six month periods ended June 30, 2014.

Post-IPO Stock Option Plan

For the three and six month periods ended June 30, 2014, the Company granted Nil Post-IPO stock options. During the three and six month periods ended June 30, 2014, there were 885,069 and 8,580,439 forfeitures of unvested Post-IPO stock options.

Shares Outstanding

As at August 12, 2014, the Company had the following shares issued and outstanding:

Class "A" common shares	3,891,198,365

Directors' and Chief Executive's Interest in Shares and Share Options as at June 30, 2014

Common shares

Name	Company	Nature of Interest	Number of common shares held	Approximate % interest in Common shares
Michael Hibberd	Sunshine Oilsands Ltd.	Direct/indirect	83,270,000	2.14%
Songning Shen	Sunshine Oilsands Ltd.	Direct/indirect	82,927,660	2.13%
Hok Ming Tseung	Sunshine Oilsands Ltd.	Direct/indirect	295,233,035	7.59%
Tingan Liu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Haotian Li	Sunshine Oilsands Ltd.	Personal	-	0.00%
Raymond Fong	Sunshine Oilsands Ltd.	Personal	8,100,000	0.21%
Wazir (Mike) Seth	Sunshine Oilsands Ltd.	Personal	1,300,000	0.03%
Greg Turnbull	Sunshine Oilsands Ltd.	Direct/indirect	12,800,000	0.33%
Robert Herdman	Sunshine Oilsands Ltd.	Personal	-	0.00%
Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	34,000	0.00%
Jin Hu[1]	Sunshine Oilsands Ltd.	Personal	-	0.00%
Zhefei Song[1]	Sunshine Oilsands Ltd.	Personal	-	0.00%
David Sealock	Sunshine Oilsands Ltd.	Personal	2,735,753	0.07%

1. Commenced as director in June, 2014

Stock Options

Name	Company	Nature of Interest	Number of Stock options held	Approximate % interest in Stock options
Michael Hibberd	Sunshine Oilsands Ltd.	Direct/indirect	16,140,000	12.75%
Songning Shen	Sunshine Oilsands Ltd.	Direct/indirect	16,140,000	12.75%
Hok Ming Tseung	Sunshine Oilsands Ltd.	Direct/indirect	1,510,000	1.19%
Tingan Liu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Haotian Li	Sunshine Oilsands Ltd.	Personal	1,510,000	1.19%
Raymond Fong	Sunshine Oilsands Ltd.	Personal	910,000	0.72%
Wazir (Mike) Seth	Sunshine Oilsands Ltd.	Personal	910,000	0.72%
Greg Turnbull	Sunshine Oilsands Ltd.	Direct/indirect	1,010,000	0.80%
Robert Herdman	Sunshine Oilsands Ltd.	Personal	1,510,000	1.19%
Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	1,510,000	1.19%
Jin Hu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Zhefei Song	Sunshine Oilsands Ltd.	Personal	-	0.00%
David Sealock	Sunshine Oilsands Ltd.	Personal	4,900,000	3.87%

Movement in stock options

Name	Opening balance	Granted	Exercised	Forfeited	Expired	Ending balance
Michael Hibberd	16,140,000	-	-	-	-	16,140,000
Songning Shen	16,140,000	-	-	-	-	16,140,000
Hok Ming Tseung	1,510,000	-	-	-	-	1,510,000
Tingan Liu	-	-	-	-	-	-
Haotian Li	1,510,000	-	-	-	-	1,510,000
Raymond Fong	910,000	-	-	-	-	910,000
Wazir (Mike) Seth	910,000	-	-	-	-	910,000
Greg Turnbull	1,010,000	-	-	-	-	1,010,000
Robert Herdman	1,510,000	-	-	-	-	1,510,000
Gerald Stevenson	1,510,000	-	-	-	-	1,510,000
Jin Hu	-	-	-	-	-	-
Zhefei Song	-	-	-	-	-	-
David Sealock	4,900,000	-	-	-	-	4,900,000
Total	46,050,000	-	-	-	-	46,050,000

As at period end, the shareholding of the substantial shareholders were as follows:

Name of shareholder	Nature of Interest	Number of Common shares held	Approximate % interest in Common shares
Mr. Xie Bing[1]	Beneficial	460,000,000	11.82%
China Life Insurance	Beneficial	386,802,600	9.94%
Mr. Tseung Hok Ming	Beneficial	295,233,035	7.59%
Sinopec Century Bright Capital Investment Limited[2]	Beneficial	239,197,500	6.15%
China Investment Corporation	Beneficial	228,197,500	5.86%
Charter Globe Limited	Beneficial	206,611,560	5.31%

1. Mr Xie Bing holds 100% and 40% interest in Immediate Focus and Pyramid Valley Limited, respectively. Accordingly, Mr. Xie Bing is deemed to be interested in the aggregate number of Common Shares held by both Immediate Focus and Pyramid Valley Limited which represents approximately 11.82% of total issued Common Shares making Mr. Xie Bing a substantial shareholder of the Corporation at June 30, 2014.
2. Subsidiary of Sinopec Group

As at this MD&A date, the shareholding of the substantial shareholders were as follows:

Name of shareholder	Nature of Interest	Number of Common shares held	Approximate % interest in Common shares
Mr. Xie Bing	Beneficial	460,000,000	11.82%
China Life Insurance	Beneficial	386,802,600	9.94%
Mr. Tseung Hok Ming	Beneficial	295,233,035	7.59%
Sinopec Century Bright Capital Investment Limited	Beneficial	239,197,500	6.15%
China Investment Corporation	Beneficial	228,197,500	5.86%
Charter Globe Limited	Beneficial	206,611,560	5.31%

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and six month periods ended June 30, 2014 together with comparative figures for the corresponding periods in 2013 as follows:

Consolidated Statements of Financial Position

		June 30, 2014		December 31, 2013
Assets				
Current assets				
Cash	$	24,436	$	15,854
Trade and other receivables		1,127		1,294
Prepaid expenses and deposits		5,444		656
		31,007		17,804
Non-current assets				
Exploration and evaluation		380,205		376,912
Property, plant and equipment		645,949		634,672
		1,026,154		1,011,584
	$	1,057,161	$	1,029,388
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and other payables	$	42,449	$	120,114
Provisions for decommissioning obligations		987		872
		43,436		120,986
Non-current liabilities				
Provisions for decommissioning obligations		29,284		23,597
Share purchase warrants		2,007		3,832
		74,727		148,415
Net current (liabilities)/assets		(12,429)		(103,182)
Total assets less current liabilities		1,013,725		908,402
Shareholders' Equity				
Share capital		1,138,331		1,024,423
Reserve for share-based compensation		58,149		57,447
Deficit		(214,046)		(200,897)
		982,434		880,973
	$	1,057,161	$	1,029,388

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Other income				
Foreign exchange (losses)/gains	$ (471)	$ 145	$ (421)	$ 192
Interest income	15	477	72	1,249
Fair value adjustment on share purchase warrants	2,849	-	6,576	-
	2,393	622	6,227	1,441
Expenses				
Salaries, consulting and benefits	1,718	4,095	3,293	7,147
Rent	317	224	622	448
Legal and audit	1,333	250	2,060	428
Depreciation	175	107	348	211
Share-based payments	674	2,226	845	4,866
Suspension costs	2,202	-	3,970	-
Finance costs	3,279	816	5,150	2,557
Other	1,592	1,231	3,088	2,368
	11,290	8,949	19,376	18,025
Loss before income taxes	8,897	8,327	13,149	16,584
Income taxes	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company	8,897	8,327	13,149	16,584
Basic and diluted loss per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00

Notes

1. Basis of preparation

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Segment Information

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

3. Trade Receivables

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

	June 30, 2014	December 31, 2013
Trade	$ 839	$ 558
Accruals and other receivables	33	137
Goods and Services Taxes receivable	255	599
	$ 1,127	$ 1,294

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

	June 30, 2014	December 31, 2013
0 - 30 days	$ 193	$ 408
31 - 60 days	42	21
61 - 90 days	68	11
>90 days	536	118
	$ 839	$ 558

As at June 30, 2014, included in the Company's trade receivables were debtors with an aggregate carrying amount of $646 (December 31, 2013 - $150), which was past due as at the reporting date and for which the Company had not provided for impairment loss. The Company does not hold any collateral over these balances.

4. Trade Payables

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

	June 30, 2014	December 31, 2013
Trade		
0 - 30 days	$ 1,238	$ 1,326
31 - 60 days	2,999	-
61 - 90 days	644	12,263
> 91 days	21,874	89,417
	26,755	103,006
Accrued liabilities	15,694	17,108
	$ 42,449	$ 120,114

5. Dividends

The Company has not declared or paid any dividends in respect of the three and six month periods ended June 30, 2014 (three and six month periods ended June 30, 2013 - $Nil).

6. Income Taxes

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

	June 30, 2014	December 31, 2013
Deferred tax assets (liabilities)		
Exploration and evaluation assets and property, plant and equipment	(106,810)	(92,947)
Decommissioning liabilities	7,568	6,117
Share issue costs	11,547	14,146
Non-capital losses	112,242	93,937
Deferred tax benefits not recognized	(24,547)	(21,253)
	$ -	$ -

The Company's non-capital losses of $448,968 (December 31, 2013 - $375,750), expire between 2028 and 2034.

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 25.0%. The Company had no assessable profit in Canada for the three and six month periods ended June 30, 2014. The Company files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authorities. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable. The estimated tax deductions available to the Company in Canada are approximately $1.1 billion. The Company's tax losses will begin expiring in 2028.

The Company's subsidiary, Sunshine Hong Kong, is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Company had no assessable profit arising in or derived from Hong Kong for the three and six month periods ended June 30, 2014.

Review of interim results

The condensed interim consolidated financial statements for the Company for the three and six month periods ended June 30, 2014, were reviewed by the Audit Committee of the Company, the Company's external auditor and approved by the Board.

Publication of information

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes		June 30, 2014		December 31, 2013
Assets					
Current assets					
Cash	4	$	24,436	$	15,854
Trade and other receivables	5		1,127		1,294
Prepaid expenses and deposits	6		5,444		656
			31,007		17,804
Non-current assets					
Exploration and evaluation	7		380,205		376,912
Property, plant and equipment	8		645,949		634,672
			1,026,154		1,011,584
		$	1,057,161	$	1,029,388
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and other payables	9	$	42,449	$	120,114
Provisions for decommissioning obligations	10		987		872
			43,436		120,986
Non-current liabilities					
Provisions for decommissioning obligations	10		29,284		23,597
Share purchase warrants	12.2		2,007		3,832
			74,727		148,415
Shareholders' Equity					
Share capital	12		1,138,331		1,024,423
Reserve for share-based compensation			58,149		57,447
Deficit			(214,046)		(200,897)
			982,434		880,973
		$	1,057,161	$	1,029,388

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

Approved by the Board

"Robert J. Herdman"
Director

"Michael J. Hibberd"
Director

See accompanying notes to the condensed interim consolidated financial statements.

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 June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Other income					
Foreign exchange (losses)/gains		$ (471)	$ 145	$ (421)	$ 192
Interest income		15	477	72	1,249
Fair value adjustment on share purchase warrants	12.2	2,849	-	6,576	-
		2,393	622	6,227	1,441
Expenses					
Salaries, consulting and benefits		1,718	4,095	3,293	7,147
Rent		317	224	622	448
Legal and audit		1,333	250	2,060	428
Depreciation	8	175	107	348	211
Share-based payments	13.5	674	2,226	845	4,866
Suspension and preservation costs	8	2,202	-	3,970	-
Finance costs	15	3,279	816	5,150	2,557
Other		1,592	1,231	3,088	2,368
		11,290	8,949	19,376	18,025
Loss before income taxes		8,897	8,327	13,149	16,584
Income taxes	11	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 8,897	$ 8,327	$ 13,149	$ 16,584
Basic and diluted loss per share	16	0.00	0.00	0.00	0.00

See accompanying notes to the condensed interim consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	Reserve for share based compensation	Share capital	Deficit	Total
Balance, December 31, 2013		$ 57,447	$ 1,024,423	$ (200,897)	$ 880,973
Net loss and comprehensive loss for the period		-	-	(13,149)	(13,149)
Issue of common shares	12.1	-	114,372	-	114,372
Issue of shares under employee share savings plan	12.1	-	405	-	405
Recognition of share-based payments	13.5	702	-	-	702
Share issue costs, net of deferred tax ($Nil)	12.1	-	(869)	-	(869)
Balance, June 30, 2014		$ 58,149	$ 1,138,331	$ (214,046)	$ 982,434
Balance, December 31, 2012		$ 47,395	$ 991,798	$ (168,117)	$ 871,076
Net loss and comprehensive loss for the period		-	-	(16,584)	(16,584)
Employee share savings plan		-	110	-	110
Recognition of share-based payments	13.5	7,370	-	-	7,370
Issue of shares upon exercise of share options		-	8,390	-	8,390
Reserve transferred on exercise of share options		(3,251)	3,251	-	-
Balance, June 30, 2013		$ 51,514	$ 1,003,549	$ (184,701)	$ 870,362

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Cash flows from operating activities					
Net loss		$ (8,897)	$ (8,327)	$ (13,149)	$ (16,584)
Finance costs		3,279	816	5,150	2,557
Unrealized foreign exchange losses/(gains)		471	(145)	421	(192)
Interest received		(15)	(477)	(72)	(1,249)
Fair value adjustment on share purchase warrants		(2,849)	-	(6,576)	-
Depreciation		175	107	348	211
Share-based payment expense		674	2,226	845	4,866
Employee share savings plan		96	54	202	54
		(7,066)	(5,746)	(12,831)	(10,337)
Movement in non-cash working capital	21	(2,159)	658	(9,999)	1,352
Net cash used in operating activities		(9,225)	(5,088)	(22,830)	(8,985)
Cash flows from investing activities					
Interest received		15	477	72	1,249
Payments for exploration and evaluation assets	21	(424)	(3,780)	(3,214)	(17,280)
Payments for property, plant and equipment	21	(54,085)	(97,556)	(83,499)	(169,949)
Net cash used in investing activities		(54,494)	(100,859)	(86,641)	(185,980)
Cash flows from financing activities					
Proceeds from issue of common shares	12.1	75,468	1,615	119,326	8,450
Payment for share issue costs	21	(1)	-	(574)	-
Payment for finance costs	21	(219)	(635)	(278)	(1,579)
Net cash provided in financing activities		75,248	980	118,474	6,871
Effect of exchange rate changes on cash held in foreign currency		(471)	145	(421)	192
Net (decrease) / increase in cash		11,058	(104,822)	8,582	(187,902)
Cash, beginning of period		13,378	199,151	15,854	282,231
Cash, end of period		$ 24,436	$ 94,329	$ 24,436	$ 94,329

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2014
(Expressed in thousands of Canadian dollars, unless otherwise indicated)
(Unaudited)

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

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

The Company is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada. The Company is a development stage company. The continued existence of the Company is dependent on its ability to maintain capital funding 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.

On August 6, 2013, the Company announced the Board of Directors had directed management of the Company to commence a strategic review process to identify, examine and consider a range of strategic alternatives available to Sunshine, with a view to progressing its oilsands development strategy and to preserving and maximizing shareholder value. This process is continuing and could result in strategic transactions being completed by the Company including: debt or equity financing of the Company, joint ventures or other strategic transactions involving Sunshine, or its assets, and a third party. There can be no assurance any alternatives being considered will be completed.

2. Basis of preparation
Going Concern
These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the three and six month periods ended June 30, 2014, the Company reported a net loss of $8.9 million and $13.1 million respectively. At June 30, 2014, the Company had negative working capital of $12.4 million and an accumulated deficit of $214.0 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development and the ability to access additional financing. Effective August 18, 2013, the Company suspended construction of its West Ells steam assisted gravity drainage ("SAGD") project, pending sourcing of additional financing.

Subsequent to June 30, 2014, the Company reached a positive working capital position through a $20 million asset sale and completion of an offering of US$200 million senior secured notes. The details of the transactions are summarized in Note 22 Subsequent Events.

The appropriateness of the going concern basis is dependent upon, among other things, the completion of the West Ells development, the ability to obtain debt or equity financing, joint ventures or sales of assets and as such there is significant doubt. There can be no assurance the Company will be able to continue as a going concern.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and have been prepared following the same accounting policies and methods of computation as the annual Consolidated Financial Statements for the year ended December 31, 2013, other than what is discussed in Note 3 in these financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2013.

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

3. New accounting pronouncements and changes in accounting policies
3.1 Future accounting changes
In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The standard may be applied retrospectively or applying a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the Consolidated Financial Statements.

The IASB issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Company's financial period beginning on January 1, 2018. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and these standards are not expected to have a material impact on its condensed interim consolidated financial statements.

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Cash

		June 30, 2014		December 31, 2013
Cash[1]	$	24,436	$	15,854

1. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates.

5. Trade and other receivables

		June 30, 2014		December 31, 2013
Trade	$	839	$	558
Accruals and other receivables		33		137
Goods and Services Taxes receivable		255		599
	$	1,127	$	1,294

6. Prepaid expenses and deposits

		June 30, 2014		December 31, 2013
Prepaid expenses	$	827	$	193
Deposits		4,617		463
	$	5,444	$	656

Included in deposits at June 30, 2014 is $3.9 million held with the Alberta Energy Regulator for the License Liability Rating Program.

7. Exploration and evaluation

Balance, December 31, 2012	$	366,668
Capital expenditures		17,313
Disposal		(4,568)
Non-cash expenditures[1]		(2,501)
Balance, December 31, 2013	$	376,912
Capital expenditures		3,214
Non-cash expenditures[1]		79
Balance, June 30, 2014	$	380,205

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

The Company is a development stage entity and, as a result, no depletion expense has been recorded for exploration and evaluation assets for any period. During the three and six month periods ended June 30, 2014, the Company capitalized directly attributable costs/(recovery) including $Nil and $(0.2) million for share-based payment expense (three and six month periods ended June 30, 2013 - $(0.2) million and $(0.1) million) and $0.1 million and $2.3 million of general and administrative costs (three and six month periods ended June 30, 2013 - $0.1 million and $0.4 million), respectively. During the three and six month periods ended June 30, 2013, the Company capitalized directly attributable costs/(recovery) including $(0.1) and $0.5 of pre-production operating (income)/loss.

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

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

7. Exploration and evaluation (continued)

Exploration and evaluation costs are comprised of the following:

		June 30, 2014		December 31, 2013
Intangibles	$	269,363	$	269,992
Tangibles		19,584		19,553
Land and lease costs		91,258		87,367
	$	380,205	$	376,912

8. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2012	$	326,802	$	1,948	$	328,750
Capital expenditures		314,945		1,737		316,682
Non-cash expenditures[1]		(9,498)		-		(9,498)
Balance, December 31, 2013	$	632,249	$	3,685	$	635,934
Capital expenditures		6,588		(183)		6,405
Non-cash expenditures[1]		5,220		-		5,220
Balance, June 30, 2014	$	644,057	$	3,502	$	647,559

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

		Crude oil assets		Corporate assets		Total
Accumulated depreciation						
Balance, December 31, 2012	$	-	$	779	$	779
Depreciation expense		-		483		483
Balance, December 31, 2013	$	-	$	1,262	$	1,262
Depreciation expense		-		348		348
Balance, June 30, 2014	$	-	$	1,610	$	1,610
Carrying value, June 30, 2014	$	644,057	$	1,892	$	645,949
Carrying value, December 31, 2013	$	632,249	$	2,423	$	634,672

At June 30, 2014, the crude oil assets included in the above property, plant and equipment were not subject to depletion since they are not ready for use in the manner intended by management.

During the three and six month periods ended June 30, 2014, the Company capitalized directly attributable costs including $1.4 million and $1.4 million for general and administrative costs (three and six month periods ended June 30, 2013 - $2.6 million and $5.3 million), and $0.1 million and $0.1 million for share-based payment expense (three and six month periods ended June 30, 2013 - $1.3 million and $2.6 million) respectively.

The Company's focus is on evaluating and developing its oilsands assets with the first significant project being an initial 10,000 barrels per day plant located at West Ells. Phase 1 of West Ells is designed for 5,000 barrels per day while Phase 2 will add an additional 5,000 barrels per day. Substantial engineering, procurement and construction activity occurred for West Ells during 2012 and the first half of 2013; however, due to lack of sufficient funding to complete the Project, these activities were suspended in August 2013 pending receipt of additional financing. Sunshine has maintained staff at site to continue with reduced work activities and to ensure safety of the worksite and preservation of the West Ells asset. Salary costs related to staff at site are capitalized as per above. Remaining costs directly related to the suspension, which totalled $2.2 million and $4.0 million for the three and six month periods ended June 30, 2014, respectively (three and six month periods ended June 30, 2013 - $Nil million and $Nil million), are recognised as suspension and preservation costs in the Consolidated Statements of Operations and Comprehensive Loss.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Trade and other payables

		June 30, 2014		December 31, 2013
Trade	$	26,755	$	103,006
Accrued liabilities		15,694		17,108
	$	42,449	$	120,114

10. Provisions for decommissioning obligations

As at June 30, 2014, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $45.0 million (December 31, 2013 - $45.1 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate between 1.10% to 2.72% per annum and inflated using an inflation rate of 2.0% per annum.

		June 30, 2014		December 31, 2013
Balance, beginning of period	$	24,469	$	39,829
Additional provision recognized		-		2,905
Effect of changes in discount rate		5,441		(18,902)
Unwinding of discount rate and effect		361		637
	$	30,271	$	24,469
Current portion		(987)		(872)
Balance, end of period	$	29,284	$	23,597

11. Income taxes

11.1 Deferred tax balances

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

		June 30, 2014		December 31, 2013
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment		(106,810)		(92,947)
Decommissioning liabilities		7,568		6,117
Share issue costs		11,547		14,146
Non-capital losses		112,242		93,937
Deferred tax benefits not recognized		(24,547)		(21,253)
	$	-	$	-

11.2 Tax pools

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

		June 30, 2014		December 31, 2013
Canadian development expense		46,315		47,674
Canadian exploration expense		256,754		276,605
Undepreciated capital cost		295,844		335,396
Non-capital losses		448,968		375,750
Other		46,188		56,583
	$	1,094,069	$	1,092,008

The Company's non-capital losses of $448,968 (December 31, 2013 - $375,750), expire between 2028 and 2034.

12. Share capital

The Company's authorized share capital is as follows:

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

Issued Capital

		June 30, 2014		December 31, 2013
Common shares	$	1,138,331	$	1,024,423

12.1 Common shares

	June 30, 2014		December 31, 2013	
	Number of shares	$	Number of shares	$
Balance, beginning of period	3,067,167,791	1,024,423	2,831,713,161	991,758
Private placement	821,242,193	119,123	106,800,000	24,918
Issue of shares under employee share savings plan (Note 13.2)	2,440,011	405	3,014,630	721
Reclassification of share purchase warrants (Note 12.2)	-	(4,751)	-	(3,832)
Conversion of preferred shares exercised[1]	-	-	78,945,000	40
Issue of shares under share option plan (Note 13)	-	-	46,695,000	8,390
Share option reserve transferred on exercise of stock options	-	-	-	3,251
Share issue costs, net of deferred tax ($Nil)	-	(869)	-	(823)
Balance, end of period	3,890,849,995	1,138,331	3,067,167,791	1,024,423

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

During the six month period ended June 30, 2014, the Company issued 640,000,000 Class "A" common shares in private placements at a price of HK $0.85 per share (approximately C$0.12 per share) for gross proceeds of HK$544,000,000 or approximately C$75.4 million.

During the six month period ended June 30, 2014, the Company also completed closings of equity private placements, totaling 181,242,193 Units at a price of HK$1.70 per Unit (approximately C$0.24 per Unit) for gross proceeds of HK$308,111,728 or approximately C$43.8 million. Each Unit is comprised of one Class "A" common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK $1.88 per common share (approximately C$0.26 per common share) for a period of 24 months following the closing date. These warrants were valued at an average of C$0.04 per warrant for a total of C$2.2 million. As part of a finder's fee, the Company issued two-fifths of a warrant for each purchased Unit. These finder's fee warrants were valued at C$0.04 per warrant for a total of C$2.59 million. Total value of warrants granted during the period ended June 30, 2014, was C$4.8 million (refer Note 12.2). The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.10%, expected volatility of 57.41% and an expected life of two years. The total cost to complete the private placements was C$0.743 million which includes a 3% finders' fee of HK$4,620,000 (approximately C$0.651 million) to the finder of 90,588,235 Units.

In December, 2013, the Company completed the closing of its private placement of 106,800,000 Units at a price of HK $1.70 per Unit (approximately C$0.23 per Unit). Each Unit is comprised of one Class "A" common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK $1.88 per common share (approximately C$0.26 per common share) for a period of 24 months following the closing date. These warrants were valued at C$0.04 per warrant for a total of C$1.74 million. As part of a finder's fee, the Company issued two-fifths of a warrant for each purchased Unit. These finder's fee warrants were valued at C$0.04 per warrant for a total of C$2.09 million. Total value of all warrants at December 31, 2013, was $3.83 million (refer Note 12.2). The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.13%, expected volatility of 43.01% and an expected life of two years. The total costs to complete the private placement were C$0.745 million which included a 3% finders' fee on gross proceeds (refer Note 12.2).

12.1 Common shares (continued)

As the exercise price of the share purchase warrants is fixed in Hong Kong dollars and the functional currency of the Company is in the Canadian dollar, the warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. The fair value of share purchase warrants is reclassified to equity upon exercise. The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in the consolidated statements of operations and comprehensive loss. At June 30, 2014, the Company recognized a gain of C$6.6 million related to the re-measurement of the fair value of share purchase warrants in the consolidated statements of operations and comprehensive loss (refer Note 12.2).

During the three and six month periods ended June 30, 2014, the Company issued 1,404,067 and 2,440,011 Class "A" common shares respectively, from the Company's employee share savings plan for gross proceeds of $0.2 million and $0.4 million respectively.

At the Annual and Special Meeting of Shareholders of the Company held on June 25, 2014 shareholders approved the option of payment of 50% of the directors' base retainer fees to the directors in shares in lieu of cash in respect of the period from October 1, 2013 to June 30, 2014 and future base retainer fees. Shareholders also approved the option of payment of 50% of the base co-chairman fees to the co-chairmen in shares in lieu of cash in respect of the period from April 1, 2014 to June 30, 2014 and future base co-chairman fees.

Upon approval, at the discretion of the Board, the option of payment of shares in lieu of cash will result in an expense to share based payments and reversal of directors and/or consulting fees as applicable.

Common shares

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

12.2 Share purchase warrants

	June 30, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	78,320,000	0.26	-	-
Issued under private placement	132,910,941	0.26	78,320,000	0.26
Balance, end of period	211,230,941	0.26	78,320,000	0.26
Exercisable, end of period	211,230,941	0.26	78,320,000	0.26

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

		June 30, 2014		December 31, 2013
Balance, beginning of period	$	3,832	$	-
Issued under private placement		4,751		3,832
Fair value adjustment		(6,576)		-
Balance, end of period	$	2,007	$	3,832

12.3 Class "G" preferred shares

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

12.3 Class "G" preferred shares (continued)

	June 30, 2014			December 31, 2013		
	Number of shares	$	Weighted average price $	Number of shares	$	Weighted average price $
Balance, beginning of period	-	-	-	60,440,000	29	0.33
Issued	-	-	-	-	-	-
Converted	-	-	-	(60,190,000)	(29)	0.33
Cancelled	-	-	-	(250,000)	-	-
Balance, end of period	-	-	-	-	-	-
Convertible, end of period	-	-	-	-	-	-

12.4 Class "H" preferred shares

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

	June 30, 2014			December 31, 2013		
	Number of shares	$	Weighted average price $	Number of shares	$	Weighted average price $
Balance, beginning of period	-	-	-	22,200,000	11	0.42
Converted	-	-	-	(22,200,000)	(11)	0.42
Balance, end of period	-	-	-	-	-	-
Convertible, end of period	-	-	-	-	-	-

13. Share-based payments

13.1 Employee stock option plan

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Company's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the last Annual and Special Meeting of Shareholders on June 24, 2014. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date.

13.2 Employee share savings plan

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

13.3 Fair value of share options granted in the period

There were no share options granted during the three and six month periods ended June 30, 2014.

13.4 Movements in stock options during the period

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

	Three months ended June 30, 2014		Six months ended June 30, 2014		Year Ended December 31, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	127,450,223	0.43	135,145,593	0.43	192,505,688	0.37
Granted	-	-	-	-	6,850,368	0.25
Exercised	-	-	-	-	(46,695,000)	0.18
Forfeited	(885,069)	0.29	(8,580,439)	0.39	(17,515,463)	0.39
Balance, end of period	126,565,154	0.43	126,565,154	0.43	135,145,593	0.43
Exercisable, end of period	104,089,084	0.39	104,089,084	0.39	102,500,487	0.39

As at June 30, 2014, stock options outstanding had a weighted average remaining contractual life of 1.6 years (December 31, 2013 – 2.4 years).

13.5 Share-based compensation

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

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 674	$ 55	$ 729	$ 2,179	$ 1,291	$ 3,470
Preferred shares	-	-	-	47	(186) [1]	(139)
	$ 674	$ 55	$ 729	$ 2,226	$ 1,105	$ 3,331

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 845	$ (143) [1]	$ 702	$ 3,221	$ 1,820	$ 5,041
Preferred shares	-	-	-	1,645	684	2,329
	$ 845	$ (143)	$ 702	$ 4,866	$ 2,504	$ 7,370

1. Reflects a reversal of share based payment expense previously recognized prior to the vesting date due to forfeitures of stock options in the period.

14. Credit facility

In October 2012, the Company signed a Credit Facility of up to $200 million with a syndicate of financial institutions. Undrawn amounts were subject to a standby fee of 100 basis points per annum. The Credit Facility was secured by all assets of the Company.

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

15. Finance costs

	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Finance cost on credit facility	$ -	$ 541	-	$ 1,036
Financing related costs[1]	3,098	177	4,789	600
Unwinding of discounts on provisions	181	98	361	921
	$ 3,279	$ 816	5,150	$ 2,557

1. For the three and six month periods ended June 30, 2014, financing related costs of $1.6 million and $1.6 million are for legal and other professional expenses incurred (June 30, 2013 - $0.2 million and $0.6 million), and $1.5 million and $3.2 million for interest expenses (June 30, 2013 - $Nil and $Nil).

16. Loss per share

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

	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Basic and Diluted – Class "A" common shares	3,292,100,210	2,929,701,816	3,237,466,763	2,897,575,212
Class "G" preferred shares (Note 12.3)	-	52,490,000	-	52,490,000
Class "H" preferred shares (Note 12.4)	-	22,200,000	-	22,200,000
Stock options (Note 13.4)	126,565,154	142,214,064	126,565,154	142,214,064

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, asset sales and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company's current capital resources at June 30, 2014 are not sufficient to complete its development plans. Additional funds were raised through a $20 million asset sale and through the closing of an offering of US$200 million of senior secured notes summarized in Note 22 Subsequent Events. The Company's ability to continue as a going concern is dependent on its ability to successfully complete development of West Ells and on its ability to raise additional funds.

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

	June 30, 2014	December 31, 2013
Working capital deficiency	$ 12,429	$ 103,182
Shareholders' equity	982,434	880,973
	$ 994,863	$ 984,155

There is no change in the Company's objectives and strategies of capital management for the three and six month periods ended June 30, 2014.

17.2 Categories of financial instruments

	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
Cash, deposits and other receivables	30,180	30,180	17,611	17,611
Financial liabilities				
Other liabilities	42,449	42,449	120,114	120,114
Share purchase warrants (Note 12.2)	2,007	2,007	3,832	3,832

17.3 Fair value of financial instruments

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

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

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

17.4 Financial risk management

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

17.5 Market risk

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

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, and accounts payable which are denominated in US dollars and/or HK dollars. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three and six month periods ended June 30, 2014.

If exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2014 would have been impacted by approximately $1 thousand. At June 30, 2014, the Company held approximately HK$0.6 million or $0.08 million using the June 30, 2014 exchange rate of 7.2595, as cash in the Company's Hong Kong bank account.

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 June 30, 2014 would have been impacted by approximately $0.1 million. At June 30, 2014, the Company held approximately US$11.7 million or $12.5 million using the June 30, 2014 exchange rate of 1.068, as cash in the Company's US bank account.

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

17.6 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at June 30, 2014, the Company does not have any floating rate debt.

The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. For the three and six month periods ended June 30, 2014, the interest rate earned on cash was between 0.5% and 1.30%.

17.7 Credit risk management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, deposits and receivables and GST receivables. As at June 30, 2014, the Company's receivables consisted of 23% from Goods and Services Tax receivable, 49% joint interest billing receivable and 28% from other receivables (December 31, 2013 – 46% from Goods and Services Tax receivable, 51% from joint interest billing receivable and 3% from other receivables).

The Company's cash as at June 30, 2014, is held in accounts with third party financial institutions and consists of invested cash and cash in the Company's operating accounts.

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

17.8 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. Although additional equity has been raised since December 31, 2013, the Company had negative working capital of $12.4 million and an accumulated deficit of $214.0 million. The Company's ability to continue as a going concern is dependent on completion of West Ells development and the ability to access additional financing (refer to Note 22 Subsequent Events).

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

18. Related party transactions

Balances and transactions between the Company and its subsidiary, who is a related party, have been eliminated on consolidation.

18.1 Trading transactions

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

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

	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Legal expense	$ 418	$ 69	$ 823	$ 116
Finance fees	180	-	180	165
	$ 598	$ 69	$ 1,003	$ 281

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

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

		June 30, 2014		December 31, 2013
Legal	$	318	$	887

18.2 Compensation of key management personnel and directors

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

	For the three months ended June 30,				For the six months ended June 30,			
		2014		2013		2014		2013
Directors' fees	$	182	$	161	$	380	$	327
Salaries and allowances		127		377		331		757
Share-based payments		644		2,255		702		4,511
Consulting fees[1]		212		225		438		450
	$	1,165	$	3,018	$	1,851	$	6,045

1. Details disclosed in Appendix A2 and A3 of these Condensed interim consolidated financial statements.

19. Operating lease arrangements

Payments recognised as an expense

	For the three months ended June 30,				For the six months ended June 30,			
		2014		2013		2014		2013
Minimum lease payments	$	548	$	515	$	1,101	$	1,052

20. Commitments and contingencies

As at June 30, 2014, the Company's commitments are as follows:

		Due within the next 12 months		Due in the next 2 to 5 years		Over 5 years
Drilling, other equipment and contracts	$	4,922	$	1,396	$	-
Lease rentals[1]		1,230		4,837		5,217
Office leases		2,712		10,389		-
	$	8,864	$	16,622	$	5,217

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

Following suspension of construction at the Company's West Ells SAGD project, many suppliers, following normal practice in Canada, have placed builders' liens on the West Ells property to secure past due and unpaid invoices. Seventy six suppliers have filed such liens and/or lawsuits claiming payment for unpaid invoices for a total remaining aggregate value of $21.0 million. Through the normal course of business, the Company has recorded the unpaid invoices in trade and other payables. On December 5, 2013, the Company reached forbearance agreements with all then current lien holders and litigants until February 28, 2014. On February 15, 2014, the Company reached a further forbearance agreement with all then current lien holders and litigants to extend the forbearance period to May 31, 2014. On June 27, 2014, the Company reached a further forbearance agreement with all then current lien holders and litigants to extend the forbearance period to July 31, 2014. The Company paid 25% of all past due and unpaid invoices in December, 2013, 20% payment of all past due and unpaid invoices in early March, 2014, 40% payment of all past due and unpaid invoices in late June to early July, 2014, in exchange for these three forbearance agreements. The Company has raised equity funds disclosed in Note 12 and subsequent to June 30, 2014 the Company completed additional financing, through the sale of assets and a debt offering, to enable it to meet these obligations and clear up these issues and continue developing its business (see Note 22 Subsequent events).

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase four million one hundred thirty-two thousand two hundred thirty-two (4,132,232) shares (pre 20:1 share split) of the Company that the Claimant acquired pursuant to the share subscription agreement. This constitutes a claim for CDN $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. Management considers the Action to be unfounded. No amounts have been accrued in the condensed interim consolidated financial statements for the three and six month periods ended June 30, 2014 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

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

21. Supplemental cash flow disclosures

Non-cash transactions

For the three and six month periods ended June 30, 2014, the Company had the following non-cash transactions:

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

For the three and six month periods ended June 30, 2013, the Company had the following non-cash transactions:

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

Supplemental cash flow disclosures

	For the three months ended June 30,		For the six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Cash provided by (used in):				
Trade and other receivables	$ 59	$ (553)	$ 167	$ (3,016)
Prepaid expenses and deposits	(1,870)	91	(4,788)	(560)
Trade and other payables	(44,793)	26,753	(77,663)	66,203
	(46,604)	26,291	(82,284)	62,627
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ 198	$ 279	$ (1,370)	$ (195)
Prepaid expenses and deposits	(1,870)	91	(4,788)	(560)
Trade and other payables	(487)	288	(3,841)	2,107
	(2,159)	658	(9,999)	1,352
Investing activities				
Exploration and evaluation	$ -	$ 25,550	$ -	$ 61,219
Property, plant and equipment	(47,452)	-	(77,094)	-
	(47,452)	25,550	(77,094)	61,219
Financing activities				
Share issue costs, IPO costs and finance costs	$ 3,007	$ 83	$ 4,809	$ 56
	$ (46,604)	$ 26,291	$ (82,284)	$ 62,627

21. Supplemental cash flow disclosures (continued)

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

Reconciliation of:								
Exploration and evaluation assets	$	424	$	3,780	$	3,214	$	17,280
Changes in non-cash working capital		-		-		-		-
Payments for exploration and evaluation assets		424		3,780		3,214		17,280
Reconciliation of:								
Property, plant and equipment	$	6,633	$	123,106	$	6,405	$	231,168
Changes in non-cash working capital		47,452		(25,550)		77,094		(61,219)
Payments for property, plant and equipment		54,085		97,556		83,499		169,949
Reconciliation of:								
Share issue costs, IPO costs and finance costs	$	3,227	$	718	$	5,661	$	1,635
Changes in non-cash working capital		(3,007)		(83)		(4,809)		(56)
Payments for share issue costs, IPO costs and finance costs	$	220	$	635	$	852	$	1,579

22. Subsequent events

On July 17, 2014, the Company entered into a petroleum, natural gas and general conveyance agreement for the sale of certain non-core oilsands assets which relate to, among other things, lands and petroleum and natural gas rights (collectively the “Assets”) to a third party industry partner for a total consideration of $20.0 million (the “Disposal”). The Disposal was conducted between the parties on an arm’s length basis. The Disposal was completed on July 21, 2014.

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the “Notes”) issuing 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 final maturity date of August 1, 2017. The Notes are senior secured obligations over the Company’s assets. If by February 1, 2016, the Company has not: (1) received at least US$50,000,000 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: (x) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (y) the yield maintenance premium, then the final maturity date of the notes shall be August 1, 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. If the Notes are outstanding after August 1, 2016, there will be an exit premium paid of 7.298% on the aggregate principal amount of the Notes outstanding. The Notes are redeemable by the Company at any time prior to maturity subject to the payment of the applicable call premiums to the holders of the Notes.

23. Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 12, 2014.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Appendix to the Condensed interim consolidated financial statements

Additional Stock Exchange Information
(Unaudited)

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 subsidiary Sunshine Hong Kong. The Company's wholly owned subsidiary, Fern Energy Ltd., was wound up during the year ended December 31, 2013.

		June 30, 2014		December 31, 2013
Non-current assets				
Property, plant and equipment		645,948		634,670
Exploration and evaluation assets		380,205		376,912
Amounts due from subsidiary		1,059		825
		1,027,212		1,012,407
Current assets				
Trade and other receivables	$	1,127	$	1,295
Prepaid expenses and deposits		5,444		656
Cash and cash equivalents		24,432		15,847
		31,003		17,798
Current liabilities				
Trade and other payables		42,426		120,095
Provisions for decommissioning obligations		987		872
Amount due to subsidiary		835		339
		44,248		121,306
Net current liabilities		(13,245)		(103,508)
Total assets less current liabilities		1,013,967		908,899
Non-current liabilities				
Share purchase warrants		2,007		3,832
Provisions for decommissioning obligations		29,284		23,597
Net assets	$	982,676	$	881,470
Capital and reserves				
Share capital	$	1,138,331	$	1,024,423
Reserve for share-based compensation		58,149		57,447
Deficit		(213,804)		(200,400)
	$	982,676	$	881,470

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A2. Directors' emoluments and other staff costs

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

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Directors' emoluments				
Directors' fees	$ 182	$ 160	$ 380	$ 327
Salaries and allowances	212	224	438	450
Share-based payments	589	1,526	1,164	3,058
	983	1,910	1,982	3,835
Other staff costs				
Salaries and other benefits	$ 2,407	$ 5,765	$ 5,246	$ 10,716
Contribution to retirement benefit scheme	49	143	241	304
Share-based payments	282	1,805	(319)	4,312
	2,738	7,713	5,168	15,332
Total staff costs, including directors' emoluments	3,721	9,623	7,150	19,167
Less: staff costs capitalized to qualifying assets	1,329	3,357	3,012	7,208
	$ 2,392	$ 6,266	$ 4,138	$ 11,959

Details of the Directors' emoluments are as follows:

For the three months ended June 30, 2014						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[1]	Performance related incentive payments	Total
Michael Hibberd	$ 22	$ 106	$ -	$ 249	$ -	$ 377
Songning Shen	22	106	-	249	-	377
Tseung Hok Ming	16	-	-	13	-	29
Tingan Liu	15	-	-	-	-	15
Haotian Li	11	-	-	13	-	24
Raymond Fong	18	-	-	13	-	31
Wazir (Mike) Seth	18	-	-	13	-	31
Greg Turnbull	18	-	-	13	-	31
Robert Herdman	22	-	-	13	-	35
Gerald Stevenson	19	-	-	13	-	32
Jin Hu[2]	1	-	-	-	-	1
Zhefei Song[2]	-	-	-	-	-	-
	$ 182	$ 212	$ -	$ 589	$ -	$ 983

1. Relates to expensing of options granted in prior periods.
2. Commenced as director in June, 2014.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2013						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 20	$ 112	$ -	$ 435	$ -	$ 567
Songning Shen	20	112	-	435	-	567
Tseung Hok Ming	12	-	-	587	-	599
Tingan Liu	12	-	-	-	-	12
Haotian Li	15	-	-	6	-	21
Raymond Fong	15	-	-	7	-	22
Wazir (Mike) Seth	16	-	-	7	-	23
Greg Turnbull	15	-	-	19	-	34
Robert Herdman	19	-	-	15	-	34
Gerald Stevenson	16	-	-	15	-	31
	$ 160	$ 224	$ -	$ 1,526	$ -	$ 1,910

For the six months ended June 30, 2014						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 43	$ 219	$ -	$ 491	$ -	$ 753
Songning Shen	43	219	-	491	-	753
Tseung Hok Ming	31	-	-	26	-	57
Tingan Liu	27	-	-	-	-	27
Haotian Li	25	-	-	26	-	51
Raymond Fong	35	-	-	26	-	61
Wazir (Mike) Seth	45	-	-	26	-	71
Greg Turnbull	33	-	-	26	-	59
Robert Herdman	50	-	-	26	-	76
Gerald Stevenson	47	-	-	26	-	73
Jimmy Hu	1	-	-	-	-	1
Zhefei Song	-	-	-	-	-	-
	$ 380	$ 438	$ -	$ 1,164	$ -	$ 1,982

For the six months ended June 30, 2013						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 40	$ 225	$ -	$ 870	$ -	$ 1,135
Songning Shen	41	225	-	870	-	1,136
Tseung Hok Ming	26	-	-	1,173	-	1,199
Tingan Liu	26	-	-	-	-	26
Haotian Li	28	-	-	19	-	47
Raymond Fong	31	-	-	14	-	45
Wazir (Mike) Seth	34	-	-	14	-	48
Greg Turnbull	30	-	-	38	-	68
Robert Herdman	38	-	-	30	-	68
Gerald Stevenson	33	-	-	30	-	63
	$ 327	$ 450	$ -	$ 3,058	$ -	$ 3,835

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A3. Five highest paid individuals

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

	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
HK$ nil to HK$1,000,000	3	-	1	-
HK$1,000,001 to HK$1,500,000	-	-	1	-
HK$1,500,001 to HK$2,000,000	-	1	1	-
HK$2,000,001 to HK$2,500,000	-	-	-	1
HK$2,500,001 to HK$3,000,000	2	-	-	-
HK$3,000,001 to HK$3,500,000	-	-	-	-
HK$3,500,001 to HK$4,000,000	-	-	-	-
HK$4,000,001 to HK$4,500,000	-	4	-	-
HK$4,500,001 to HK$5,000,000	-	-	-	-
HK$5,000,001 to HK$5,500,000	-	-	2	-
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	-	-	-	4

For the three and six month periods ended June 30, 2014, respectively, the conversion factor used in the above table is 1C$ = 7.11 HK$ and 1C$ = 7.07 HK$ (three and six month periods ended June 30, 2013 – 1C$ = 7.49 HK$ and 1C$ = 7.58 HK$, respectively)

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 June 30, 2014 (three month period ended June 30, 2013 – three directors and two officers). Since the directors' emoluments are disclosed above, the compensation of the two key management executives for the Company is as follows:

	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Salaries and other benefits	$ 126	$ 181	$ 253	$ 357
Contributions to retirement benefits scheme	-	(3)	2	4
Share-based payments	55	561	114	1,104
	$ 181	$ 739	$ 369	$ 1,465

Corporate Information

BOARD OF DIRECTORS:
Executive Directors:
Mr. Michael J. Hibberd
Mr. Jin Hu

Non-Executive Directors:
Mr. Hok Ming Tseung
Mr. Tingan Liu
Mr. Haotian Li
Mr. Gregory G. Turnbull

Independent Non-Executive Directors:
Mr. Raymond S. Fong
Mr. Robert J. Herdman
Mr. Zhefei Song
Mr. Gerald F. Stevenson

AUTHORIZED REPRESENTATIVES:
Mr. Tingan Liu
Mr. Haotian Li

AUDITORS:
Deloitte LLP

LEGAL ADVISERS:
McCarthy Tétrault LLP
Freshfields Bruckhaus Deringer

COMPETENT PERSONS:
DeGolyer and MacNaughton Canada Limited
GLJ Petroleum Consultants Limited

PRINCIPAL BANKERS:
Bank of China (Hong Kong) Limited
Bank of China (Canada)
Royal Bank of Canada
ATB Financial

PLACE OF SHARE LISTING AND STOCK CODE:
The Stock Exchange of Hong Kong Limited: 2012
Toronto Stock Exchange: SUO

AUDIT COMMITTEE:
Mr. Robert J. Herdman (Chairman)
Mr. Gerald F. Stevenson
Mr. Zhefei Song
Mr. Raymond S. Fong

COMPENSATION COMMITTEE*:
Mr. Jin Hu
Mr. Robert J. Herdman
Mr. Hok Ming Tseung
Mr. Raymond S. Fong

RESERVES COMMITTEE*:
Mr. Gerald F. Stevenson
Mr. Raymond S.Fong

CORPORATE GOVERNANCE COMMITTEE*:
Mr. Michael J. Hibberd
Mr. Haotian Li
Mr. Tingan Liu
Mr. Gregory G. Turnbull

CORPORATE HEADQUARTERS:
Suite 1020, 903 Eighth Avenue SW
Calgary, Alberta
T2P 0P7 Canada

REGISTERED OFFICE IN ALBERTA:
Suite 4000, 421 Seventh Avenue SW
Calgary, Alberta
T2P 4K9 Canada

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:
8504A, 85/F, International Commerce Centre,
1 Austin Road West, Kowloon
Hong Kong

SHARE REGISTRAR IN ALBERTA:
Alliance Trust Company

SHARE REGISTRAR IN HONG KONG:
Computershare Hong Kong Investor Services Limited

WEBSITE:
www.sunshineoilsands.com

*Subject to the final resolution approved by the board