阳光油砂

SUNSHINE OILSANDS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

	Notes	September 30, 2017	December 31, 2016
Assets			
Current assets			
Cash	4	$ 1,703	$ 13,635
Trade and other receivables	5	4,637	2,654
Prepaid expenses and deposits	6	1,676	5,054
		8,016	21,343
Non-current assets			
Exploration and evaluation	7	292,700	291,716
Property, plant and equipment	8	680,231	684,531
		972,931	976,247
		$ 980,947	$ 997,590
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and accrued liabilities	9	$ 97,919	$ 71,526
Provisions	11	-	581
Loans	10,24	5,325	-
Senior notes	10	247,908	268,540
		351,152	340,647
Non-current liabilities			
Provisions	11	48,108	49,488
		399,260	390,135
Shareholders' Equity			
Share capital	13	1,272,090	1,247,302
Reserve for share-based compensation		70,115	67,262
Deficit		(760,518)	(707,109)
		581,687	607,455
		$ 980,947	$ 997,590

Going concern (Note 2)
Commitments and contingencies (Note 26)
Subsequent events (Note 28)

Approved by the Board

"Joanne Yan"
Independent Non-Executive Director

"Qiping Men"
Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenues and Other Income					
Petroleum sales, net of royalties	15	$ 8,745	$ -	$ 20,551	$ -
Other income	16	-	12	10	40
		8,745	12	20,561	40
Expenses					
Diluent	17	2,551	-	6,364	-
Transportation	18	3,272	-	7,689	-
Operating	19	5,547	-	14,123	-
General and administrative	20	3,543	2,959	11,699	10,256
Finance costs	21	11,687	18,606	40,128	48,619
Stock based compensation	14.2	628	2,949	2,836	2,792
Foreign exchange (gains)/losses	23.3	(9,762)	1,933	(18,373)	(12,117)
Contract provision expense	11.2	-	-	-	142
Depletion, depreciation and impairment	7, 8	4,040	129	9,504	421
		$ 21,506	$ 26,576	$ 73,970	$ 50,113
Loss before income taxes		12,761	26,564	53,409	50,073
Income taxes	12	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 12,761	$ 26,564	$ 53,409	$ 50,073
Basic and diluted loss per share	22	$ 0.00	$ 0.01	$ 0.01	$ 0.01

See accompanying notes to Condensed Consolidated Interim Financial Statements.

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

	Notes	Reserve for share based compensation	Share capital	Deficit	Total
Balance, December 31, 2016		$ 67,262	$ 1,247,302	$ (707,109)	$ 607,455
Net loss and comprehensive loss for the year		-	-	(53,409)	(53,409)
Issue of common shares	13.1	-	25,315	-	25,315
Recognition of share-based compensation	14.2	2,853	-	-	2,853
Share issue costs, net of deferred tax ($Nil)	13.1	-	(527)	-	(527)
Balance, September 30, 2017		$ 70,115	$ 1,272,090	$ (760,518)	$ 581,687
Balance, December 31, 2015		$ 62,910	$ 1,174,987	$ (633,799)	$ 604,098
Net loss and comprehensive loss for the period		-	-	(50,073)	(50,073)
Issue of common shares	13.1	-	46,136	-	46,136
Recognition of share-based compensation	14.2	3,269	-	-	3,269
Issue of shares upon exercise of share options	13.1	-	15	-	15
Reserve transferred on exercise of stock options	13.1	(10)	10	-	-
Share issue costs, net of deferred tax($Nil)	13.1	-	(97)	-	(97)
Balance, September 30, 2016		$ 66,169	$ 1,221,051	$ (683,872)	$ 603,348

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

	Notes	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Cash flows from operating activities					
Net loss		$ (12,761)	$ (26,564)	$ (53,409)	$ (50,073)
Finance costs	21	11,687	18,606	40,128	48,619
Unrealized foreign exchange losses/(gains)	23.3	(9,755)	2,200	(18,377)	(12,407)
Contract provision expense	11.2	-	-	(581)	75
Interest income	16	-	(12)	(10)	(35)
Gain on sale of assets	8, 16	-	-	-	(2)
Fair value adjustment on share purchase warrants	13.2	-	-	-	(3)
Depletion and depreciation	7, 8	4,040	129	9,504	421
Share-based payment expense	14.2	628	2,949	2,836	2,792
Movement in non-cash working capital	27	7,645	4,302	23,567	7,735
Net cash provided by (used in) operating activities		1,484	1,610	3,658	(2,878)
Cash flows from investing activities					
Interest received		-	12	10	35
Payments for exploration and evaluation assets	7	(549)	(348)	(1,377)	(1,157)
Proceeds from sale of assets		-	-	-	2
Payments for property, plant and equipment	8	(1,266)	(11,690)	(6,979)	(27,642)
Release of restricted cash to fund long-term debt interest payments	4	-	-	-	14,389
Movement in non-cash working capital	27	1,383	(2,153)	(12,880)	2,411
Net cash used in investing activities		(432)	(14,179)	(21,226)	(11,962)
Cash flows from financing activities					
Proceeds from issue of common shares	13.1	-	31,333	25,315	46,151
Payment for share issue costs	13.1	-	-	(527)	(97)
Payment for finance costs	21	(11,427)	(15,281)	(39,323)	(37,700)
Payment for the notes principal	10	(25)	-	(1,857)	-
Proceeds from loans	10,24	3,721	(6,941)	5,454	-
Movement in non-cash working capital	27	8,422	872	22,162	1,962
Net cash provided by financing activities		691	9,983	11,224	10,316
Effect of exchange rate changes on cash held in foreign currency	23.3	(4,584)	(1,305)	(5,588)	(1,406)
Net (decrease) / increase in cash		(2,841)	(3,891)	(11,932)	(5,930)
Cash and cash equivalents, beginning of period		4,544	4,506	13,635	6,545
Cash and cash equivalents , end of period		$ 1,703	$ 615	$ 1,703	$ 615

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

1. Company information

Sunshine Oilsands Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on February 22, 2007. The address of its principal place of business is 1020, 903 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 0P7. The Company's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on March 1, 2012 pursuant to an initial public offering ("IPO") and trades under the stock code symbol of "2012". On November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange ("TSX") and traded under the symbol of "SUO". On September 30, 2015, the Company completed a voluntary delisting from the TSX. The Company continues to be a reporting issuer in Canada.

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited ("Sunshine Hong Kong") was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Sunshine Hong Kong is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong.

On July 14, 2015, Boxian Investments Limited ("Boxian") was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Boxian is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. As of September 30, 2017, no activity has occurred in Boxian. The purpose of Boxian is to pursue new investment opportunities.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited ("Sunshine Shanghai") was incorporated in China and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Sunshine Shanghai is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. As of September 30, 2017, no activity has occurred in Sunshine Shanghai.

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

2. Basis of preparation

Going concern

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

There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 10). Management continually monitors the Company's financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following September 30, 2017.

The timing and extent of forecast capital and operating expenditures is based on the Company's 2017 budget and on management's estimate of expenditures expected to be incurred beyond 2017. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at September 30, 2017, the availability of additional financing, and the timing and extent of capital and operating expenditures.

2. Basis of preparation (Continued)

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

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

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

Sunshine was in violation of the Forbearance Agreement including the following financial related termination events that have not been rectified or cured by the Company:

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

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

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

Other payments contemplated in the FRA included:

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

On July 28, 2017, the Company engaged in discussions with the bondholders to re-enter forbearance with respect to the senior notes.

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

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

2. Basis of preparation (Continued)

- The Company is to obtain financing of USD $5.0 million within 45 days after signing the Amended FA; and
- The Company is to obtain financing of USD $5.0 million every quarter.

As of November 6, 2017, only USD $1.4 million was applied to the principal repayment, and the repayment of USD $1.8 million by October 30, 2017 is yet to be paid.

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

The Condensed Consolidated Interim Financial Statements have been prepared on a basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Company is unable to meet its obligations as they fall due the preparation of these Financial Statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material. Specifically, in the absence of additional financing and the restructuring of current debt (Note 10) the Company would be unlikely to be able to continue the development of the West Ells project and the Company would be required to consider divestiture of the West Ells project and other exploration assets. Such curtailment of activity would likely materially and negatively impact the Company's assessment of the carrying values of assets and liabilities associated with the West Ells project.

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

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 23). The Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

3. Significant accounting policies

For the three and nine months ended September 30, 2017 there has been no change in accounting policy from the policies adopted by the Company in the Consolidated Financial Statements for year ended December 31, 2016.

4. Cash and cash equivalents

		September 30, 2017		December 31, 2016
Current asset				
Cash[1]	$	1,703	$	13,635
	$	1,703	$	13,635

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

5. Trade and other receivables

		September 30, 2017		December 31, 2016
Petroleum receivable	$	3,070	$	1,048
Trade receivable		1,534		1,434
Other		33		172
	$	4,637	$	2,654

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

5. Trade and other receivables (Continued)

		September 30, 2017		December 31, 2016
0 - 30 days	$	3,215	$	1,205
31 - 60 days		138		1
61 - 90 days		3		11
>90 days		1,281		1,437
	$	4,637	$	2,654

6. Prepaid expenses and deposits

		September 30, 2017		December 31, 2016
Prepaid expenses	$	634	$	1,067
Deposits		1,042		3,987
	$	1,676	$	5,054

As at September 30, 2017, the deposits include Nil held with the Alberta Energy Regulator for the Licensee Liability Rating Program (on February 22, 2017, $3.2 million was refunded in total). The remaining deposits include ordinary business deposits of $0.8 million.

7. Exploration and evaluation

Balance, December 31, 2015	$	290,945
Capital expenditures		1,344
Non-cash expenditures[1]		(573)
Balance, December 31, 2016	$	291,716
Capital expenditures		1,377
Non-cash expenditures[1]		(393)
Balance, September 30, 2017	$	292,700

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

Exploration and evaluation assets are comprised of undeveloped land and oil sands evaluation projects pending the determination of technical feasibility and commercial viability. As at September 30, 2017, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at previous year) of the E&E Assets.

8. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2015	$	853,848	$	4,462	$	858,310
Capital expenditures		35,970		175		36,145
Non-cash expenditures[1]		(1,997)		-		(1,997)
Balance, December 31, 2016	$	887,821	$	4,637	$	892,458
Capital expenditures		6,577		402		6,979
Non-cash expenditures[1]		(1,775)		-		(1,775)
Balance, September 30, 2017	$	892,623	$	5,039	$	897,662

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

		Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment						
Balance, December 31, 2015	$	205,000	$	2,380	$	207,380
Depletion and depreciation expense		-		547		547
Balance, December 31, 2016	$	205,000	$	2,927	$	207,927
Depletion and depreciation expense		9,133		371		9,504
Balance, September 30, 2017	$	214,133	$	3,298	$	217,431
Carrying value, December 31, 2016	$	682,821	$	1,710	$	684,531
Carrying value, September 30, 2017	**$**	**678,490**	**$**	**1,741**	**$**	**680,231**

8. Property, plant and equipment (Continued)

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at the time, the Company ceased capitalization of petroleum revenue, royalties, diluent, transportation, and operating expenses relating to West Ells Project I and has included these amounts in the statement of comprehensive income (loss) for the three and nine months ended September 30, 2017.

The Company also commenced recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three and nine months ended September 30, 2017. Prior to March 1, 2017, the West Ells Phase I assets of $687.1 million were not being depleted. In determining the unit-of-production depletion charge on recoverable reserves, future development costs of $2,702 million were included in property, plant and equipment.

During the nine months ended September 30, 2017, the Company capitalized directly attributable costs of $0.02 million for share-based compensation (nine months ended September 30, 2016 - $0.5 million) and $0.4 million for general and administrative costs (nine months ended September 30, 2016 - $2.5 million).

As at September 30, 2017, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at the previous year end) of the West Ells Cash Generating Unit (CGU).

9. Trade and accrued liabilities

		September 30, 2017		December 31, 2016
Trade	$	20,829	$	27,341
Accrued liabilities		77,090		44,185
	$	97,919	$	71,526

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

		September 30, 2017		December 31, 2016
Trade				
0 - 30 days	$	1,914	$	4,514
31 - 60 days		572		1,343
61 - 90 days		330		750
> 91 days		18,013		20,734
		20,829		27,341
Accrued liabilities		77,090		44,185
	$	97,919	$	71,526

10. Senior notes

		September 30, 2017		December 31, 2016
Senior secured notes	$	247,908	$	268,540
Discount on notes		(16,168)		(16,168)
Financing transaction costs on notes		(11,846)		(11,846)
Amortization of financing transaction costs and discount		28,014		28,014
Balance, end of period	$	247,908	$	268,540

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

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

10. Senior notes (Continued)

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

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

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

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

Other payments contemplated in the FRA included:

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

On July 28, 2017, the Company engaged in discussions with the bondholders to re-enter forbearance with respect to the senior notes.

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

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

As of November 6, 2017, only USD $1.4 million was applied to the principal repayment and the repayment of USD $1.8 million by October 30, 2017 is yet to be paid.

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

10. Senior notes (Continued)

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US$5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US$5.0 million to US$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of September 30, 2017, the Company had incurred unsecured third party debt for a total of US$2.5 million (CDN$3.1 million equivalent) and incurred related party debt for a total of US$1.8 million (CDN$2.2 million equivalent) which is considered Permitted Debt.

From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At September 30, 2017, the Company had incurred $8.1 million (USD $6.5 million equivalent using the period end exchange rate) in liens during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.2480 CAD.

11. Provisions

		September 30, 2017		December 31, 2016
Decommissioning obligations (Note 11.1)	$	48,108	$	49,488
Contract provision (Note 11.2)		-		581
	$	48,108	$	50,069
Presented as:				
Provisions (current)	$	-	$	581
Provisions (non-current)	$	48,108	$	49,488

11.1 Decommissioning obligations

As at September 30, 2017, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $78.6 million (December 31, 2016 - $80.1 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 of 0.73% to 2.42% per annum and inflated using an inflation rate of 2.0% per annum.

		September 30, 2017		December 31, 2016
Balance, beginning of year	$	49,488	$	51,656
Effect of changes in discount rate		(2,185)		(3,128)
Unwinding of discount rate		805		960
	$	48,108	$	49,488
Current portion		-		-
Balance, end of year	$	48,108	$	49,488

11.2 Contract provision

As at September 30, 2017, the Company had fully recognized a liability provision related to obligations under a drilling rig contract of Nil (December 31, 2016 - $0.6 million). On April 5, 2017 the Company entered into debt settlement agreement with the Creditor, the Company agreed to allot and issue the Relevant Shares to the creditor as full and final settlement of the liability provision and Partial debt. On April 13, 2017, all the conditions of the placing were fulfilled and all the provision and partial debt with the creditor was settled.

12. Income taxes

12.1 Deferred tax balances

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

		September 30, 2017		December 31, 2016
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(112,710)	$	(119,980)
Decommissioning liabilities		12,989		13,362
Share issue costs		2,174		1,754
Non-capital losses		210,816		193,894
Deferred tax benefits not recognized		(113,269)		(89,030)
	$	-	$	-

12.2 Tax pools

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

		September 30, 2017		December 31, 2016
Canadian development expense	$	45,924	$	36,163
Canadian exploration expense		230,947		230,926
Undepreciated capital cost		278,616		264,788
Non-capital losses		780,797		718,126
Share issue costs		8,052		6,497
	$	1,344,336	$	1,256,500

The Company's non-capital losses of $780,797 (December 31, 2016 - $718,126), expire between 2028 and 2035.

13. Share capital

The Company's authorized share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value;
- 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

		September 30, 2017		December 31, 2016
Common shares	$	1,272,090	$	1,247,302

13.1 Common shares

	September 30, 2017		December 31, 2016	
	Number of shares	$	Number of shares	$
Balance, beginning of year	5,002,601,358	1,247,302	4,230,264,104	1,174,987
Private placements – specific mandate	-		413,520,000	52,350
Private placements – general mandate	555,735,000	25,315	358,575,588	20,345
Issue of shares under share option plan	-	-	241,666	15
Share option reserve transferred on exercise of stock options	-	-	-	10
Share issue costs, net of deferred tax ($Nil)	-	(527)	-	(405)
Balance, end of year	5,558,336,358	1,272,090	5,002,601,358	1,247,302

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.

13.1 Common shares (continued)

General mandate

On January 17, 2017 the Company entered into a subscription agreement for a total of 60,000,000 class “A” common shares at a price of HKD $0.262 per share (approximately CAD $0.045 per common share), for gross proceeds of HKD $15.7 million (approximately CAD $2.7 million). On January 24, 2017 the Company completed the closing of this subscription agreement. In addition, a placing commission of HKD $117,900 (approximately CAD $0.02 million), was incurred in relation to the Closing.

On March 16, 2017 the Company entered into a subscription agreement for a total of 247,350,000 class “A” common shares at a price of HKD $0.283 per share (approximately CAD $0.050 per common share), for gross proceeds of HKD $70 million (approximately CAD $12.1 million). On March 24, 2017 the Company completed the closing of this subscription agreement. In addition, a placing commission of HKD $525,000 (approximately CAD $0.09 million), was incurred in relation to the Closing.

On December 28, 2016, the Company entered into a subscription agreement with Zhengwei International Investment and Management Co., Limited (“Zhengwei”) under which Zhengwei agreed to subscribe for a total of up to 150,000,000 Class “A” Common Voting Shares of the Company (“Common Shares”) at a price of HKD $0.29 per Common Share or approximately CAD $0.048 per Common Share, which in the aggregate amounts to gross proceeds of HKD $43.5 million (approximately CAD $7.6 million). On March 28, 2017, the Company completed the closing of 40,000,000 Common Shares HKD $0.29 (approximately CAD $0.050 per Common Share). The Company received total gross proceeds of HKD $11.6 million (approximately CAD $2.0 million). The subscription agreement expired on the date of this announcement and hence the time to close the remaining 110,000,000 Common Shares has lapsed.

On April 5, 2017 the Company entered into a subscription agreement for a total of 140,874,000 class “A” common shares at a price of HKD $0.241 per share (approximately CAD $0.041 per common share), for gross proceeds of HKD $33.95 million (approximately CAD $5.8 million). On April 13, 2017 the Company completed the closing of this subscription agreement.

On May 31, 2017 the Company entered into a subscription agreement for a total of 67,511,000 class “A” common shares at a price of HKD $0.237 per share (approximately CAD $0.041 per common share), for gross proceeds of HKD $15.88 million (approximately CAD $2.74 million). On June 7, 2017 the Company completed the closing of this subscription agreement. In addition, a placing commission of HKD $122,314 (approximately CAD $0.02 million), was incurred in relation to the Closing.

On June 5, 2017, the Company entered into a Subscription Agreement with Prime Union at the issue price of HKD $0.234 per Common Shares (approximately CAD $0.041 per Common Share) for an aggregate cash consideration of HK $106.5 million (approximately CAD $18.5 million). Prime Union is a company directly wholly owned by Mr. Kwok Ping Sun who is a substantial shareholder and the Executive Chairman of the Company. The subscription would be issued pursuant to the Special mandate to be sought from the Independent Shareholders at Special General Meeting (“SGM”). On August 4, the SGM was held in Sunshine Hong Kong office, and the subscription agreement resolution was duly passed as an ordinary resolution. The subscription agreement lapsed on August 28, 2017.

13.2 Share purchase warrants

	September 30, 2017		**December 31, 2016**	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	-	-	132,910,941	0.34
Expired	-	-	(132,910,941)	0.34
Balance, end of period	-	-	-	-
Exercisable, end of period	-	-	-	-

During the year ended December 31, 2016, all outstanding share purchase warrants expired.

14. Share-based compensation

14.1 Movements in stock options

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

	Period ended September 30, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	258,740,469	0.13	95,554,786	0.31
Granted	14,069,058	0.05	215,539,909	0.09
Exercised	-	-	(241,666)	0.06
Forfeited	(55,733,676)	0.10	(45,542,821)	0.29
Expired	(8,780,888)	0.34	(6,569,739)	0.44
Balance, end of period	208,294,963	0.11	258,740,469	0.13
Exercisable, end of period	141,790,304	0.12	122,243,920	0.17

As at September 30, 2017, stock options outstanding had a weighted average remaining contractual life of 3.7 years (December 31, 2016 – 4.4 years).

14.2 Share-based compensation

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

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 628	$ -	$ 628	$ 2,949	$ 344	$ 3,293

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 2,836	$ 17	$ 2,853	$ 2,792	$ 477	$ 3,269

15. Petroleum revenue, net of royalties

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Petroleum sales	$ 8,781	$ -	$ 20,693	$ -
Royalties	(36)	-	(142)	-
Balance, end of period	$ 8,745	$ -	$ 20,551	$ -

1. Petroleum revenue, net of royalties for nine month ended September 30, 2017 only includes seven months from March 1, 2017 to September 30, 2017.

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

The average royalty rate for West Ells was 1% for three and nine month noted above.

16. Other income

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest income	$ -	$ 12	$ 10	$ 35
Gain on sale of assets	-	-	-	2
Fair value adjustment on share purchase warrants	-	-	-	3
Total	$ -	$ 12	$ 10	$ 40

17. Diluent costs

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Diluent	$ 2,551	$ -	$ 6,364	$ -
Blend Ratio	18.9%	-	19.1%	-

1. Diluent purchased for nine month ended September 30, 2017 only includes seven months from March 1, 2017 to September 30, 2017.

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

18. Transportation

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Transportation	$ 3,272	$ -	$ 7,689	$ -

1. Transportation costs for nine month ended September 30, 2017 only includes seven months from March 1, 2017 to September 30, 2017.

The Company's transportation expense in the three and nine months ended September 30, 2017 was $3.3 million and $7.7 million respectively. Transportation cost includes trucking costs for dilbit and pipeline terminals fees.

19. Operating costs

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Energy operating costs	$ 1,011	$ -	$ 4,375	$ -
Non-energy operating costs	4,536	-	9,748	-
Total	$ 5,547	$ -	$ 14,123	$ -

1. Operating costs for nine month ended September 30, 2017 only includes seven months from March 1, 2017 to September 30, 2017.

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

The Company incurred total operating costs of $5.5 million and $14.1 million for the three and nine months ended September 30, 2017 respectively.

20. General and administrative costs

	Three months ended September 30, 2017			2016		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	$ 2,144	$ -	$ 2,144	$ 2,017	$ 516	$ 1,501
Rent	547	-	547	479	164	315
Legal and audit	79	-	79	620	-	620
Other	773	-	773	542	19	523
Total	$ 3,543	$ -	$ 3,543	$ 3,658	$ 699	$ 2,959

	Nine months ended September 30, 2017			2016		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	$ 6,572	$ 232	$ 6,340	$ 7,306	$ 1,918	$ 5,388
Rent	1,733	151	1,582	1,550	542	1,008
Legal and audit	936	-	936	1,755	-	1,755
Other	2,858	17	2,841	2,164	59	2,105
Total	$ 12,099	$ 400	$ 11,699	$ 12,775	$ 2,519	$ 10,256

Effective March 1, 2017, the Company ceased the capitalization of portions of the general and administrative costs. For the nine months ended September 30, the Company capitalized a portion of the general and administrative cost for the first two months of the year.

21. Finance costs

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Interest expense on senior notes	$ 8,899	$ 7,788	$ 26,493	$ 20,402
Interest expense on the loan	4	-	8	136
Amortization of financing transaction costs and discount	-	2,962	-	10,046
Redemption/yield maintenance premium	2,181	5,078	11,882	14,319
Financing related costs	344	2,415	940	2,843
Unwinding of discounts on provisions	259	363	805	873
Total	$ 11,687	$ 18,606	$ 40,128	$ 48,619

22. Loss per share

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

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Basic and Diluted – Class “A” common shares	5,558,336,358	4,684,808,125	5,372,890,168	4,383,034,931
Loss per share	$ 0.00	$ 0.01	$ 0.01	$ 0.01

23. Financial instruments

23.1 Capital risk management

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

The Company's strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company expects its current capital resources will not be sufficient to complete its development plans through the next twelve months and will be required to raise additional funds through future equity or debt financings, a joint venture or a sale of assets. The Company's ability to continue as a going concern is dependent on completion of the West Ells development, achieving profitable operations and the ability to refinance current debt and access additional financing.

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

		September 30, 2017		December 31, 2016
Working capital deficiency	$	343,136	$	319,304
Shareholders' equity		581,687		607,455
	$	924,823	$	926,759

The Company's working capital deficiency of $343.1 million at September 30, 2017, includes the $247.9 million current portion of the Notes. There is no change in the Company's objectives and strategies of capital management for the three and nine months ended September 30, 2017.

23.2 Categories of financial instruments

	September 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash, restricted cash and cash equivalents, prepaid expenses, deposits and trade and other receivables	$ 8,016	$ 8,016	$ 21,343	$ 21,343
Financial liabilities				
Trade and accrued liabilities	97,919	97,919	71,526	71,526
Debt	253,233	253,233	268,540	268,540

23.3 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars 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 period ended September 30, 2017.

If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash and restricted cash held at September 30, 2017 would have been impacted by Nil and the carrying value of the senior notes and loans at September 30, 2017 would have been impacted by $2.5 million. At September 30, 2017 the Company held approximately USD $0.01 million or $0.02 million of cash, using the September 30, 2017 exchange rate of $1USD = $1.2480 CAD, as cash and cash equivalents in the Company's US bank accounts.

23.3 Currency risk (continued)

For Hong Kong dollar amounts, exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2017 would have been impacted by approximately $0.01 million and the carrying value of the loans at September 30, 2017 would have been impacted by $0.04 million. At September 30, 2017, the Company held, after recent equity closings, approximately HKD $8.3 million or $1.3 million using the September 30, 2017 exchange rate of $1CAD = $6.2593 HKD, as cash in the Company's HKD bank accounts.

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

	Three months ended September 30,				Nine months ended September 30,			
		2017		**2016**		**2017**		**2016**
Unrealized foreign exchange loss/(gain) on translation of:								
U.S. denominated senior secured notes	$	(9,874)	$	544	$	(18,777)	$	(14,025)
H.K. denominated loan		(57)		335		(127)		-
Foreign currency denominated cash balances		4,584		1,305		5,588		1,406
Foreign currency denominated accounts payable balances		(4,408)		16		(5,061)		212
		(9,755)		2,200		(18,377)		(12,407)
Realized foreign exchange loss		(7)		(267)		4		290
Total foreign exchange loss/(gain)	$	(9,762)	$	1,933	$	(18,373)	$	(12,117)

23.4 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. At September 30, 2017, the Company had negative working capital of $343.1 million and an accumulated deficit of $760.5 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development, achieving profitable operations and the ability to refinance current debt and access additional financing.

The timing of cash outflows relating to financial liabilities as at September 30, 2017, are as follows:

		Total		**Less than 1 year**		**1-2 years**
Trade and accrued liabilities	$	97,919	$	97,919	$	-
Debt[1]		253,233		253,233		-
	$	351,152	$	351,152	$	-

1. Principal amount of Notes based on the period end exchange rate of $1USD = $1.2480CAD and $1HKD=$0.1598CAD.

24. Related party transactions

24.1 Trading transactions

For the nine months ended September 30, 2017, a consulting company, to which a director of Sunshine is related, charged the Company $0.4 million (the nine months ended September 30, 2016 – Nil) for management and advisory services**.**

During the nine months ended September 30, 2017 and year 2016, the Company's Executive Chairman, Mr. Kwok Ping Sun, has purchased securities of the Company and he has also loaned the Company funds on an unsecured basis.

On August 24, 2017 the Company signed an unsecured loan agreement (the "Loan") with Prime Union Enterprises Limited ("Prime Union"). Prime Union is 100% owned by Mr. Kwok Ping Sun, the Company's Executive Chairman. The Loan amount is HKD $ 14,058,885 (approximately CAD $2.27 million), and the loan had an interest rate of 6.0% per annum and required repayment in full within three months from the date of the receipt of the Loan.

24.1 Trading transactions (Continued)

On January 19, 2016 the Company signed an unsecured loan agreement (the "Loan") with Tai Feng Investments Limited ("Tai Feng"). Tai Feng is 100% owned by Mr. Kwok Ping Sun, the Company's Executive Chairman. The Loan was considered Permitted Debt under the Company's Notes as long as it did not exceed USD $5.0 million. The Loan had an interest rate of 6.0% per annum, could be drawn up to HKD $38.0 million and required repayment in full within nine months from the date of the receipt of the Loan.

A second loan agreement ("Second Loan") was signed effective April 14, 2016 with Tai Feng. This Second Loan had the same interest rate and repayment terms as the Loan, except it required repayment in full within three months from the date of the receipt of the Loan.

On July 31, 2016, the Loan and Second loan, (principle and interest) were converted into the equity through private placements (Note 13).

24.2 Compensation of key management personnel and directors

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

		Three months ended September 30,				Nine months ended September 30,		
		2017		2016		2017		2016
Directors' fees[1]	$	150	$	172	$	540	$	513
Salaries and allowances		777		428		2,849		2,048
Share-based compensation		568		2,772		2,536		2,872
	$	1,495	$	3,372	$	5,925	$	5,433

1. For the period ended September 30, 2017, this number reflects accrued fees of $0.2 million (2016 - $0.2 million). Refer to the appendix A2 for additional director fees disclosure.

25. Operating lease arrangements

Payments recognised as an expense

		Three months ended September 30,				Nine months ended September 30,		
		2017		2016		2017		2016
Minimum lease payments	$	546	$	467	$	1,720	$	1,507

26. Commitments and contingencies

As at September 30, 2017, the Company's commitments are as follows:

		Total	2017	2018	2019	2020	2021	Thereafter
Repayment of debt[1]	$	247,908	2,246	245,662	-	-	-	-
Interest payments on debt[2]		30,741	-	30,741	-	-	-	-
Redemption premium[3]		18,092	-	18,092	-	-	-	-
Loans[4]		5,325	2,246	3,079	-	-	-	-
Drilling, other equipment and contracts		2,346	2,264	82	-	-	-	-
Lease rentals		8,210	377	1,402	1,414	1,414	1,414	2,189
Office leases		5,145	781	3,007	1,072	285	-	-
	$	317,767	7,914	302,065	2,486	1,699	1,414	2,189

1. Principal amount of Notes based on the period end exchange rate of $1US=$1.2480 CAD and a maturity date of August 1, 2018.
2. Based on 10% on principal amount and 2.5% on the principal amount of the notes held by the Forbearing Holders per annum and a maturity date of August 1, 2018, at the period end exchange rate of $1USD = $1.2480 CAD.
3. The redemption premium is based on the maximum premium paid if the Notes mature on August 1, 2018. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2018. Using the period end exchange rate of $1USD = $1.2480 CAD this premium amounts to $18,092. At September 30, 2017, the Company had the option to redeem the Notes at 0.583% of the aggregate principal amount of the Notes outstanding which amounts to $15,963 using the period end exchange rate. The Company can redeem the Notes at any time up to the August 1, 2018 maturity date, following the optional redemption schedule set out in the Notes indenture.

26. Commitments and contingencies (Continued)

4. Principal of loans and its interest (3% and 6% on principal amount of the debt) based on the period exchange rate of $1 HKD = $0.1598 CAD and $1USD = $1.2480 CAD.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. No amounts have been accrued in the Condensed Consolidated Interim Financial Statements for the period ended September 30, 2017 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.

27. Supplemental cash flow disclosures

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash provided by (used in):				
Trade and other receivables	$ (10)	$ (428)	$ (1,983)	$ 407
Prepaid expenses and deposits	880	(398)	3,378	1,369
Trade and other payables	16,580	3,847	31,454	10,332
	$ 17,450	$ 3,021	$ 32,849	$ 12,108
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (13)	$ (212)	$ (2,089)	$ (142)
Prepaid expenses and deposits	880	(398)	3,378	1,369
Trade and other payables	6,778	4,912	22,278	6,508
	$ 7,645	$ 4,302	$ 23,567	$ 7,735
Investing activities				
Exploration and evaluation	$ -	$ -	$ -	$ -
Property, plant and equipment	1,383	(2,153)	(12,880)	2,411
	$ 1,383	$ (2,153)	$ (12,880)	$ 2,411
Financing activities				
Share issue costs and finance costs	$ 8,422	$ 872	$ 22,162	$ 1,962
	$ 17,450	$ 3,021	$ 32,849	$ 12,108

28. Subsequent events

On October 18, 2017, the Company entered into a Debt Settlement Agreement with a creditor for CAD $405,530 of which CAD $369,032, being partial debt, would be settled by the issuance and the remaining balance would be settled by cash. On October 18, 2017 the Company completed the closing a total of 8,934,755 shares to the Creditor at the issue price of HKD $0.255 per Common Shares (approximately CAD $0.041 per Common Share) pursuant to the terms and conditions of the Debt Settlement Agreement. The Common Shares are subject to a four-month holding period.

On October 18, 2017, the Company gave the notice to Deloitte LLP to terminate their appointment as auditor of the Company for the purpose of maintaining good corporate governance. The Board of Directors (the "Board") was resolved, with the recommendation from audit committee of the Board, to appoint Pricewaterhouse Coopers LLP as the new auditor of the Company with effect from October 18, 2017 and to hold office until the conclusion of the next annual general meeting of the Company. On October 20, 2017, Deloitte LLP confirmed that there are no circumstances connected with its resignation that need to be brought to the attention of Shareholders and creditors of the Company. The board and audit committee of the Company have confirmed that there are no disagreement or unresolved matters between the Company and Deloitte LLP, and that they are not aware of any matter in connection with the resignation of Deloitte LLP that needs to be brought to the attention of the Shareholders or creditors of the Company.

29. Approval of interim consolidated financial statements

The Condensed Interim Consolidated Financial Statements were approved by the Board of Directors and authorized for issue on November 6, 2017.

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

Additional Stock Exchange Information

Additional information required by the SEHK and not shown elsewhere in these Condensed Interim Consolidated Financial Statements is as follows:

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

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

	September 30, 2017	December 31, 2016
Non-current assets		
Property, plant and equipment	$ 679,762	$ 684,410
Exploration and evaluation assets	292,700	291,716
Amounts due from subsidiary	6,638	4,657
	979,100	980,783
Current assets		
Trade and other receivables	4,637	2,654
Prepaid expenses and deposits	1,410	4,956
Cash	890	13,066
Restricted cash and cash equivalents	-	-
	6,937	20,676
Current liabilities		
Trade and other payables	97,919	71,509
Provisions	-	581
Share purchase warrants	-	-
Amount due to subsidiary	2,533	2,611
Loans	5,325	-
Senior Notes	247,908	268,540
	353,685	343,241
Net current assets (liabilities)	(346,748)	(322,565)
Total assets less current liabilities	632,352	658,218
Non-current liabilities		
Provisions	48,108	49,488
Net assets	$ 584,244	$ 608,730
Capital and reserves		
Share capital	$ 1,272,090	$ 1,247,302
Reserve for share-based compensation	70,115	67,262
Deficit	(757,961)	(705,834)
	$ 584,244	$ 608,730

A2. Directors' emoluments and other staff costs

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Directors' emoluments				
Directors' fees	$ 150	$ 172	$ 540	$ 513
Salaries and allowances	777	388	2,849	1,843
Share-based payments	568	2,787	2,536	2,872
	1,495	3,347	5,925	5,228
Other staff costs				
Salaries and other benefits	1,196	1,431	3,022	4,731
Contribution to retirement benefit scheme	21	26	161	219
Share-based payments	60	507	317	397
	1,277	1,964	3,500	5,347
Total staff costs, including directors' emoluments	2,772	5,311	9,425	10,575
Less: staff costs capitalized to qualifying assets	-	(861)	(249)	(2,395)
	$ 2,772	$ 4,450	$ 9,176	$ 8,180