



阳光油砂

SUNSHINE OILSANDS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018 and 2017



SUNSHINE OILSANDS LTD.

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

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



SUNSHINE OILSANDS LTD.

Condensed Consolidated Interim Statements of Financial Position (Unaudited, expressed in thousands of Canadian dollars)

	Notes	September 30, 2018	December 31, 2017
Assets			
<i>Current assets</i>			
Cash		\$ 2,323	\$ 3,671
Trade and other receivables		5,000	4,932
Prepaid expenses and deposits		2,971	1,110
		<u>10,294</u>	<u>9,713</u>
<i>Non-current assets</i>			
Exploration and evaluation	4	269,067	268,227
Property, plant and equipment	5	495,524	507,416
		<u>764,591</u>	<u>775,643</u>
		<u>\$ 774,885</u>	<u>\$ 785,356</u>
Liabilities and Shareholders' Equity			
<i>Current liabilities</i>			
Trade and accrued liabilities	6	\$ 166,405	\$ 120,316
Loans	7	5,083	3,452
Bonds	7	3,482	-
Shareholders loans	17	1,513	5,339
Senior notes	7	257,171	249,199
		<u>433,654</u>	<u>378,306</u>
<i>Non-current liabilities</i>			
Provisions	8	48,837	50,481
		<u>482,491</u>	<u>428,787</u>
Shareholders' Equity			
Share capital	10	1,289,829	1,275,008
Reserve for share-based compensation	11	71,791	70,522
Deficit		(1,069,226)	(988,961)
		<u>292,394</u>	<u>356,569</u>
		<u>\$ 774,885</u>	<u>\$ 785,356</u>

Going concern (Note 2)

Commitments and contingencies (Note 19)
Subsequent events (Note 21)

Approved by the Board

"Joanne Yan"
Independent Non-Executive Director

"Kwok Ping Sun"
Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



SUNSHINE OILSANDS LTD.

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

		Three months ended September 30,			Nine months ended September 30,		
	Notes	2018	2017	2018	2017		
Revenues and Other Income							
Petroleum sales, net of royalties	12.1	\$ 12,016	\$ 8,745	\$ 32,263	\$ 20,551		
Other income	12.2	1	-	4	10		
		12,017	8,745	32,267	20,561		
Expenses							
Diluent		2,681	2,551	9,285	6,364		
Transportation		4,047	3,272	11,660	7,689		
Operating		5,030	5,547	16,093	14,123		
Depletion and depreciation	4,5	3,764	4,040	11,289	9,504		
General and administrative	13	2,803	3,543	8,806	11,699		
Finance costs	14	13,824	11,687	45,963	40,128		
Stock based compensation	11.2	497	628	1,269	2,836		
Foreign exchange (gains)/losses	16.3	(4,342)	(9,762)	8,167	(18,373)		
		\$ 28,304	\$ 21,506	\$ 112,532	\$ 73,970		
Loss before income taxes		(16,287)	(12,761)	(80,265)	(53,409)		
Income taxes	9	-	-	-	-		
Net loss and comprehensive loss for the period attributable to equity holders of the Company		\$ (16,287)	\$ (12,761)	\$ (80,265)	\$ (53,409)		
Basic and diluted loss per share	15	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.01)		

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



SUNSHINE OILSANDS LTD.

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

	Notes	Share capital	Reserve for share based compensation	Deficit	Total
Balance, December 31, 2017		\$ 1,275,008	\$ 70,522	\$ (988,961)	\$ 356,569
Net loss and comprehensive loss for the period		-	-	(80,265)	(80,265)
Issue of common shares	10.1	15,081	-	-	15,081
Share issue costs, net of deferred tax (\$Nil)	10.1	(260)	-	-	(260)
Recognition of share-based compensation	11.2	-	1,269	-	1,269
Balance, September 30, 2018		\$ 1,289,829	\$ 71,791	\$ (1,069,226)	\$ 292,394
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	10.1	-	25,315	-	25,315
Share issue costs, net of deferred tax (\$Nil)	10.1	-	(527)	-	(527)
Recognition of share-based compensation	11.2	2,853	-	-	2,853
Balance, September 30, 2017		\$ 70,115	\$ 1,272,090	\$ (760,518)	\$ 581,687

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



SUNSHINE OILSANDS LTD.

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

For the nine months ended September 30,	Notes	2018	2017 Restated
<i>Cash flows used in operating activities</i>			
Net loss for the period		\$ (80,265)	\$ (53,409)
Finance costs		45,963	40,128
Unrealized foreign exchange (gains)/losses	16.3	8,349	(18,377)
Interest income	12.2	(4)	(10)
Depletion and depreciation	4.5	11,289	9,504
Share-based compensation	11.2	1,269	2,836
Movement in non-cash working capital	20	(428)	3,488
Net cash used in operating activities		(13,827)	(15,840)
<i>Cash flows used in investing activities</i>			
Interest received		4	10
Payments for exploration and evaluation assets	4	(1,279)	(1,377)
Payments for property, plant and equipment	5	(1,426)	(6,979)
Movement in non-cash working capital	20	(352)	(7,894)
Net cash used in investing activities		(3,053)	(16,240)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares	10.1	15,081	25,315
Interest and premiums paid	7	(311)	(7,710)
Payment for the notes principal	7	-	(1,857)
Proceeds from issue of bonds	7	3,482	-
Payment for share issue costs	10.1	(260)	(527)
(Payments to)/Proceeds from Shareholder's loan		(3,826)	2,273
Proceeds of loans	17	1,380	3,181
Net cash provided by financing activities		15,546	20,675
Effect of exchange rate changes on cash held in foreign currency	16.3	(14)	(527)
Net increase / (decrease) in cash		(1,348)	(11,932)
Cash, beginning of period		3,671	13,635
Cash, end of period		\$ 2,323	\$ 1,703

See accompanying notes to the Condensed Consolidated Interim Financial Statements.



SUNSHINE OILSANDS LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

1. Company information

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

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

On July 14, 2015, Boxian Investments Limited (“Boxian”) was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Boxian is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. As of September 30, 2018, no activity has occurred in Boxian. The purpose of Boxian is to pursue new investment opportunities.

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

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

2. Basis of preparation

Going Concern

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

There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 7). Management continually monitors the Company’s financing requirements and is continually examining alternatives to 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, 2018.

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

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at September 30, 2018, the availability of additional financing, and the timing and extent of capital and operating expenditures.



2. Basis of preparation (continued)

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

On September 9, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with Wells Fargo Bank N.A., as administrative agent, and certain noteholders (collectively "the Noteholders") in respect of US \$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 March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement (the "FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. They agreed to waive the liability of the Company in relation to previous violations listed above and fully reinstate the Forbearance Agreement, provided that Sunshine made the following payments on or before March 27, 2017:

- Payment of US \$2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of US \$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 US \$5.2 million was paid;
- Sunshine agreed to repurchase and the Forbearing Holders agreed to sell up to approximately USD \$11.2 million Senior Notes principal in exchange for Common Shares of Sunshine, pending on conditions.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which were paid on March 21, 2017;
- 80% of the YMP to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of US \$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Noteholders of US \$5.0 million on April 30, 2017, US \$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the note on August 1, 2017.

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

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of US \$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of US \$1.8 million by October 30, 2017;
- Repayment of US \$5.0 million and US \$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 US \$5.0 million within 45 days after signing the Amended FA; and the Company is to obtain financing of US \$5.0 million every quarter.

Some of the Company's loan agreements are subjected to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfil the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended and Restated Forbearance Agreement. Furthermore, Sunshine did not fulfill the repayment requirements of US \$1.8 million on October 30, 2017, US \$5.0 million on February 1, 2018 and US \$15.0 million on May 1, 2018. As Sunshine did not meet the aforementioned covenants and payment requirements, the senior notes contractually become due on demand. The outstanding balance is presented as a current liability as at September 30, 2018.

On October 31, 2018 (Calgary time), the Company and the Noteholders signed a Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company is to obtain financing of at least US\$5.0 million from the date of signing until April 30, 2019 to maintain sufficient liquidity.

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.



2. Basis of preparation (continued)

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 7) the Company would be unlikely to be able to continue the development of the West Ells project and the Company would be required to consider divestiture of the West Ells project and other assets. Such curtailment of activity would likely materially and negatively impact the Company's assessment of the carrying values of assets and liabilities associated with the West Ells project.

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

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2017. The Condensed Consolidated Interim Financial Statements are in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 16). The Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars ("C\$"), which is the functional currency of the Company.

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

Going concern

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date these Condensed Consolidated Interim Financial Statements, in determining the ability of the Company to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2018. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgment.

3. Significant accounting policies

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

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. The Company requires additional disclosures to disclose disaggregated revenue by product type and is presented in the Condensed Consolidated Interim Financial Statements in Note 12.



3. Significant accounting policies (continued)

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

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments" which details the new general hedge accounting model. On February 20, 2014 there was an update on the mandatory adoption date for IFRS 9 which changed the effective date from January 1, 2017 to January 1, 2018. The Company adopted IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 has three principal classification categories for financial assets being measured at amortized costs, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

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

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

Future accounting policy changes

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

4. Exploration and evaluation

Balance, December 31, 2016	\$	291,716
Capital expenditures		1,562
Non-cash expenditures ¹		(51)
Impairment loss		(25,000)
Balance, December 31, 2017	\$	268,227
Capital expenditures		1,279
Non-cash expenditures ¹		(439)
Balance, September 30, 2018	\$	269,067

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

Exploration and evaluation ("E&E") assets are comprised of undeveloped land and oil sands evaluation projects pending the determination of technical feasibility and commercial viability. As at September 30, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets.



5. Property, plant and equipment

	Crude oil assets		Corporate assets		Total
Cost					
Balance, December 31, 2016	\$	887,821	\$	4,637	\$ 892,458
Capital expenditures		6,984		670	7,654
Non-cash expenditures ¹		(33)		-	(33)
Balance, December 31, 2017	\$	894,772	\$	5,307	\$ 900,079
Capital expenditures		1,371		55	1,426
Non-cash expenditures ¹		(2,029)		-	(2,029)
Balance, September 30, 2018	\$	894,114	\$	5,362	\$ 899,476

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

	Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment					
Balance, December 31, 2016	\$	205,000	\$	2,927	\$ 207,927
Depletion and depreciation expense		14,183		553	14,736
Impairment loss		170,000		-	170,000
Balance, December 31, 2017	\$	389,183	\$	3,480	\$ 392,663
Depletion and depreciation expense		10,900		389	11,289
Balance, September 30, 2018	\$	400,083	\$	3,869	\$ 403,952
Carrying value, December 31, 2017	\$	505,589	\$	1,827	\$ 507,416
Carrying value, September 30, 2018	\$	494,031	\$	1,493	\$ 495,524

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at that 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, 2018.

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

During the nine months ended September 30, 2018, the Company capitalized directly attributable costs of \$Nil for share-based compensation (nine months ended September 30, 2017 - \$0.02 million) and \$Nil for general and administrative costs (nine months ended September 30, 2017 - \$0.4 million).

As at September 30, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the West Ells Cash Generating Unit (CGU).

6. Trade and accrued liabilities

	September 30, 2018		December 31, 2017	
Trade	\$	27,911	\$	23,506
Accrued liabilities		138,494		96,810
	\$	166,405	\$	120,316

Trade payables mainly represent payables for development, engineering, procurement, construction services, and operating cost for West Ells project. For the nine months ended September 30, 2018, accrued liabilities include \$132.2 million (2017-\$90.6 million) of the 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:



6. Trade and accrued liabilities (continued)

	September 30, 2018	December 31, 2017
Trade		
0 - 30 days	\$ 1,971	\$ 2,163
31 - 60 days	1,152	117
61 - 90 days	778	222
> 90 days	24,010	21,004
	27,911	23,506
Accrued liabilities	138,494	96,810
	\$ 166,405	\$ 120,316

7. Senior Notes

	September 30, 2018	December 31, 2017
Senior secured notes	\$ 257,171	\$ 249,199
Discount on notes	(16,168)	(16,168)
Financing transaction costs on notes	(11,846)	(11,846)
Amortization of financing transaction costs and discount	28,014	28,014
Balance, end of period	\$ 257,171	\$ 249,199

On August 8, 2014, the Company completed an offering of US \$200 million senior secured notes (the "Notes") at an offering price of US \$938.01 per US \$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and 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 US \$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

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

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

- Payment of US \$2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of US \$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 US \$5.2 million was paid;
- Sunshine agreed to repurchase and the Forbearing Holders agreed to sell up to approximately USD \$11.2 million Senior Notes principal in exchange for Common Shares of Sunshine, pending on conditions.



7. Senior Notes (continued)

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 US \$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Forbearing Holders of US \$5.0 million on April 30, 2017, US \$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the note on August 1, 2017.

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

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of US \$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of US \$1.8 million by October 30, 2017;
- Repayment of US \$5.0 million and US \$15.0 million on February 1, 2018 and May 1, 2018 respectively, and 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 US \$5.0 million within 45 days after signing the Amended FA;
- The Company is to obtain financing of US \$5.0 million every quarter.

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

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

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company is to obtain financing of at least USD5 million from the date hereof until April 30, 2019 to maintain sufficient liquidity.

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

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US\$5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US\$5.0 million to US\$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of September 30, 2018, the Company had incurred unsecured Permitted Debt for a total of US\$7.8 million (CAD\$10.1 million equivalent). As at September 30, 2018, a related party debt of US\$5.5 million (CAD\$7.7million equivalent) and interest and a loan of US\$2.8 million (CAD\$3.6 million) and interest were paid in full.

From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At September 30, 2018, the Company had incurred \$13.6 million (US \$10.5 million equivalent using the period end exchange rate) in liens during the ordinary course of business.

The Notes and Permitted Debt are translated into Canadian dollars at the period end exchange rate of \$1USD = \$1.2945 CAD.



8. Provisions

	September 30, 2018		December 31, 2017	
Decommissioning obligations (Note 8.1)	\$	48,837	\$	50,481
	\$	48,837	\$	50,481
Presented as:				
Provisions (non-current)	\$	48,837	\$	50,481

8.1 Decommissioning obligations

As at September 30, 2018, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was \$77.0 million (December 31, 2017 - \$78.6 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 1.77% to 2.36% per annum and inflated using an inflation rate of 2.0% per annum.

	September 30, 2018		December 31, 2017	
Balance, beginning of year	\$	50,481	\$	49,488
Effect of changes in discount rate		(2,468)		(102)
Unwinding of discount rate		824		1,095
Balance, end of period	\$	48,837	\$	50,481

9. Income taxes

9.1 Deferred tax balances

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the nine months ended September 30, 2018 and year ended December 31, 2017. The components of the net deferred income tax asset are as follows:

	September 30, 2018		December 31, 2017	
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	\$	(77,618)	\$	(109,512)
Decommissioning liabilities		13,186		13,630
Share issue costs		973		1,705
Non-capital losses		287,042		258,818
Total debt		(2,500)		2,945
Deferred tax benefits not recognized		(221,083)		(167,586)
	\$	-	\$	-

10. 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, 2018		December 31, 2017	
Common shares	\$	1,289,829	\$	1,275,008



10.1 Common shares

	September 30, 2018		December 31, 2017	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	5,627,877,613	1,275,008	5,002,601,358	1,247,302
Private placements – general mandate	385,718,559	15,081	625,276,255	28,311
Share issue costs, net of deferred tax (\$Nil)	-	(260)	-	(605)
Balance, end of period	6,013,596,172	1,289,829	5,627,877,613	1,275,008

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

General mandate

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

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

On February 28, 2018 the Company entered into a settlement agreement for a total of 102,436,500 class “A” common shares at a price of HKD \$0.245 per share (approximately CAD \$0.040 per common share), for gross proceeds of HKD \$25.1 million (approximately CAD \$4.1 million). On March 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with two independent third parties.

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

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

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class “A” common shares at a price of HKD \$0.192 per share (approximately CAD \$0.032 per common share), for gross proceeds of HKD \$2.75 million (approximately CAD \$0.46 million). This settlement agreement was entered into for settlement of indebtedness with an independent third party.

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



10.1 Common shares (continued)

On September 17, 2018, the Company entered into a settlement agreement for a total of 8,247,500 class "A" common shares at a price of HKD \$0.166 per share (approximately CAD \$0.028 per common share), for gross proceeds of HKD \$1.38 million (approximately CAD \$0.23 million). On September 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD \$11 million (approximately CAD \$1.87 million) with independent third parties. With an initial conversion price of HKD \$0.207 per share (approximately CAD \$0.035 per share), a maximum of 53,140,097 Class "A" common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and required repayment in full within three months from the maturity date. On July 5, 2018, the Company completed the placing of convertible bonds. The Conversion Period expired on September 30, 2018 and no conversion right attached to the Placing CB had been exercised. As such, all Placing CB were redeemed by the Corporation and will forthwith be cancelled.

11. Share-based compensation

11.1 Movements in stock options

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

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of period	195,435,525	0.09	258,740,469	0.13
Granted	15,000,000	0.04	14,069,058	0.05
Forfeited	(48,954)	0.26	(62,604,342)	0.10
Expired	(9,169,740)	0.08	(14,769,660)	0.35
Balance, end of period	201,216,831	0.09	195,435,525	0.09
Exercisable, end of period	185,617,107	0.09	131,483,485	0.10

As at September 30, 2018, stock options outstanding had a weighted average remaining contractual life of 2.8 years (December 31, 2017 – 3.6 years). The Company granted 15,000,000 stock options during the nine months ended September 30, 2018.

11.2 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, 2018			Three months ended September 30, 2017		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ 497	\$ -	\$ 497	\$ 628	\$ -	\$ 628

	Nine months ended September 30, 2018			Nine months ended September 30, 2017		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	\$ 1,269	\$ -	\$ 1,269	\$ 2,836	\$ 17	\$ 2,853



12. Revenue

Revenues by classification

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017		2018	2017	
Petroleum sales	\$ 12,286	\$ 8,781	\$	32,796	\$ 20,693	
	12,286	8,781		32,796	20,693	
Other revenue	1	0		4	10	
Balance, end of period	\$ 12,287	\$ 8,781	\$	32,800	\$ 20,703	

12.1 Petroleum revenue, net of royalties

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017		2018	2017	
Petroleum sales	\$ 12,286	\$ 8,781	\$	32,796	\$ 20,693	
Royalties	(270)	(36)		(533)	(142)	
Balance, end of period	\$ 12,016	\$ 8,745	\$	32,263	\$ 20,551	

1. Petroleum revenue, net of royalties for nine month ended September 30, 2017 only includes seven months from March 2017 to September 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. The West Ells project is currently at pre-payout.

Petroleum sales by product

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017		2018	2017	
Crude oil sales	\$ 12,286	\$ 8,781	\$	32,796	\$ 20,693	
Balance, end of period	\$ 12,286	\$ 8,781	\$	32,796	\$ 20,693	

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

12.2. Other income

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017		2018	2017	
Interest income	\$ 1	\$ 0	\$	4	\$ 10	
Balance, end of period	\$ 1	\$ 0	\$	4	\$ 10	



SUNSHINE OILSANDS LTD.

13. General and administrative costs

	Three months ended September 30,					
	2018			2017		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	\$ 1,421	\$ -	\$ 1,421	\$ 2,144	\$ -	\$ 2,144
Rent	413	-	413	547	-	547
Legal and audit	371	-	371	79	-	79
Other	598	-	598	773	-	773
Balance, end of period	\$ 2,803	\$ -	\$ 2,803	\$ 3,543	\$ -	\$ 3,543

	Nine months ended September 30,					
	2018			2017		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	\$ 4,540	\$ -	\$ 4,540	\$ 6,572	\$ 232	\$ 6,340
Rent	1,485	-	1,485	1,733	151	1,582
Legal and audit	725	-	725	936	-	936
Other	2,056	-	2,056	2,858	17	2,841
Balance, end of period	\$ 8,806	\$ -	\$ 8,806	\$ 12,099	\$ 400	\$ 11,699

Effective March 1, 2017, the Company ceased the capitalization of portions of the general and administrative costs. For the three and nine months ended September 30, 2018, the Company did not capitalize any general and administrative costs. For the three and nine months ended September 30, 2017, the Company capitalized a portion of the general and administrative cost for the first two months of the year totalling \$0.4 million.

14. Finance costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Interest expense on senior notes	\$ 9,307	\$ 8,899	\$ 29,336	\$ 26,493
Interest expense on other loans	-	4	176	8
Redemption/yield maintenance premium	3,560	2,181	13,315	11,882
Financing related costs	684	344	2,312	940
Unwinding of discounts on provisions	273	259	824	805
Balance, end of period	\$ 13,824	\$ 11,687	\$ 45,963	\$ 40,128

15. 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		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Basic and diluted – Class "A" common shares	6,000,777,873	5,558,336,358	5,907,858,614	5,372,890,168
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)



16. Financial instruments

16.1 Capital risk management

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

The Company's strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company expects its current capital resources will not be sufficient to complete its development plans through the next twelve months and will be required to raise additional funds through future equity or debt financings, a joint venture or a sale of assets. The Company's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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

	September 30, 2018		December 31, 2017	
Working capital deficiency	\$	423,360	\$	368,593
Shareholders' equity		292,394		356,569
Balance, end of period	\$	715,754	\$	725,162

1. Senior secured notes in the amount of \$257.2 million, plus accrued and unpaid amounts are considered current as at September 30, 2018 and have been included in the working capital deficit based on the Sep. 27, 2017 conditions to extend the maturity date to August 1, 2019.

The working capital deficiency of \$423.4 million at September 30, 2018, includes the \$257.2 million current portion of the Notes. There is no change in the Company's objectives and strategies of capital management for the nine months ended September 30, 2018.

16.2 Categories of financial instruments

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

	September 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash, prepaid expenses, deposits and trade and other receivables	\$ 10,294	\$ 10,294	\$ 9,713	\$ 9,713
	\$ 10,294	\$ 10,294	\$ 9,713	\$ 9,713
Financial liabilities				
Trade and accrued liabilities	\$ 166,405	\$ 166,405	\$ 120,316	\$ 120,316
Debt	267,249	267,249	257,990	257,990
	\$ 433,654	\$ 433,654	\$ 378,306	\$ 378,306



16.3 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars, HK dollars and/or Chinese renminbi. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the nine months ended September 30, 2018.

If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2018 would have been impacted by Nil and the carrying value of the debt at September 30, 2018 would have been impacted by \$2.6 million. At September 30, 2018, the Company held approximately US \$0.01 million or \$0.014 million of cash, using the September 30, 2018 exchange rate of 1.2945, as cash in the Company's USD bank accounts.

For Hong Kong dollar amounts, exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2018 would have been impacted by Nil and the carrying value of the debt at September 30, 2018 would have been impacted by \$0.10 million. At September 30, 2018, the Company held, after recent equity and bond closings, approximately HKD \$0.8 million or CAD \$0.13 million using the September 30, 2018 exchange rate of 6.0459, as cash in the Company's HKD bank accounts.

For Chinese renminbi ("CNY") amounts, exchange rates to convert from Chinese renminbi to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2018 would have been impacted by approximately Nil. At September 30, 2018, the Company held approximately CNY \$0.19 million or \$0.04 million using the September 30, 2018 exchange rate of 5.3079, as cash in the Company's CNY 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,		
	2018	2017		2018	2017	
Unrealized foreign exchange loss/(gain) on translation of:						
U.S. denominated senior secured notes	\$ (4,403)	\$ (9,874)	\$ 7,972	\$ (18,777)		
H.K. denominated loan	(48)	(57)	251	(127)		
Foreign currency denominated cash balances	(238)	(1,530)	(14)	(527)		
Foreign currency denominated accounts payable balances	360	1,706	140	1,054		
	(4,329)	(9,755)	8,349	(18,377)		
Realized foreign exchange loss/(gain)	(13)	(7)	(182)	4		
Total foreign exchange loss/(gain)	\$ (4,342)	\$ (9,762)	\$ 8,167	\$ (18,373)		



16.4 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, 2018, the Company had negative working capital of \$423.4 million and an accumulated deficit of \$1,069.2 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, 2018, are as follows:

		Total	Less than 1 year	1-2 years
Trade and accrued liabilities	\$	166,405	\$ 166,405	\$ -
Debt ¹		267,249	267,249	-
Balance, end of period	\$	433,654	\$ 433,654	\$ -

1. Principal amount of Notes, loans and bonds based on the September 30, 2018 exchange rate of \$1 US = 1.2945 CAD and \$1HKD = \$0.1654 CAD. Debt is due on demand.

17. Related party transactions

17.1 Trading transactions

For the nine months ended September 30, 2018, a consulting company, to which a director of Sunshine is related, charged the Company \$0.45 million (September 30, 2017 – \$0.45 million) for management and advisory services.

Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 1,682,407,000 common shares of the Company which represents approximately 27.98% of the Company's outstanding common shares.

On August 24, 2017, November 16, 2017 and November 28, 2017, the Company signed loan agreements with Prime Union. The Loan interest rate was 6.0% per annum and required repayment in full within three months from the date of the receipt of the loan, the total loans amount were HKD \$33.3 million (approximately CAD \$5.4 million). As at September 30, 2018, all the loans and interests were paid in full.

On June 1, 2018, the Company signed a loan agreement with Prime Union with the loan interest rate being 10.0% per annum and required repayment in full within three months from the date of the receipt of the loan. The total loan amount was HKD \$14.2 million (approximately CAD \$2.4 million). As at September 30, 2018, the loan and interests were paid in full.

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

17.2 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,	
		2018	2017	2018	2017
Directors' fees ¹	\$	142	\$ 150	\$ 477	\$ 540
Salaries and allowances		261	777	1,474	2,849
Share-based compensation		500	568	1,189	2,536
	\$	903	\$ 1,495	\$ 3,140	\$ 5,925

1. For the period ended September 30, 2018, this number reflects accrued director's fees of \$0.4 million (2017 - \$0.2 million). Refer to the appendix A2 for additional director fees disclosure.



18. Operating lease arrangements

Payments recognised as an expense

		Three months ended September 30,			Nine months ended September 30,			
		2018	2017		2018	2017		
Minimum lease payments	\$	410	\$	546	\$	1,468	\$	1,720

19. Commitments and contingencies

As at September 30, 2018, the Company's commitments are as follows:

		Total	2018	2019	2020	2021	2022	Thereafter
Repayment of debt ¹	\$	257,145	257,145	-	-	-	-	-
Interest payments on debt ²		26,572	7,971	18,600	-	-	-	-
Redemption premium ³		18,766	5,630	13,136	-	-	-	-
Loans and bonds ⁴		10,067	10,067	-	-	-	-	-
Equipment and contracts		1,581	527	298	247	247	132	130
Lease rentals ⁵		6,760	306	1,395	1,395	1,395	1,253	1,016
Office leases		2,138	756	1,087	295	-	-	-
	\$	323,029	282,402	34,516	1,937	1,642	1,385	1,146

1. Principal amount of Notes based on the period end exchange rate of \$1US=\$1.2945 CAD and a maturity date of August 1, 2019.
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, 2019 less the interest accrued to September 30, 2018, at the period end exchange rate of \$1USD = \$1.2945 CAD.
3. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2019. Using the period end exchange rate of \$1USD = \$1.2945 CAD this premium amounts to \$18,767. The Company can redeem the Notes at any time up to the August 1, 2018 maturity date, following the optional redemption schedule set out in the Notes indenture.
4. Principal of loans and bonds and its interest (10% on principal amount of the debt) based on the period exchange rate of \$1 HKD = \$0.1654 CAD.
5. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for \$40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. No amounts have been accrued in the Condensed Consolidated Interim Financial Statements for the nine months ended September 30, 2018 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance.



20. Supplemental cash flow disclosures

Supplemental cash flow disclosures

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in):				
Trade and other receivables	\$ 1,353	\$ (10)	\$ (68)	\$ (1,983)
Prepaid expenses and deposits	(279)	880	(1,861)	3,378
Trade and other payables	1,169	360	1,149	(5,801)
	<u>\$ 2,243</u>	<u>\$ 1,230</u>	<u>\$ (780)</u>	<u>\$ (4,406)</u>
Changes in non-cash working capital relating to:				
<i>Operating activities</i>				
Trade and other receivables	\$ 1,353	\$ (10)	\$ (68)	\$ (1,983)
Prepaid expenses and deposits	(279)	880	(1,861)	3,378
Trade and other payables	2,310	794	1,501	2,093
	<u>\$ 3,384</u>	<u>\$ 1,664</u>	<u>\$ (428)</u>	<u>\$ 3,488</u>
<i>Investing activities</i>				
Property, plant and equipment	\$ (1,141)	\$ (434)	\$ (352)	\$ (7,894)
	<u>\$ 2,243</u>	<u>\$ 1,230</u>	<u>\$ (780)</u>	<u>\$ (4,406)</u>

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

	2018
Balance, December 31, 2017	\$ 257,990
Changes in cash items -	
Payment / (proceed) of shareholder loans	(3,826)
Issue of bonds	3,482
Payment / (proceed) of operating loans	1,380
Changes in non-cash items -	
Unrealized loss / (gain) on senior notes foreign exchange	7,972
Unrealized loss / (gain) on all loans/bonds foreign exchange	251
Balance, September 30, 2018	<u>\$ 267,249</u>

21. Subsequent events

On September 28, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD \$11 million (approximately CAD \$1.81 million) with independent third parties. With an initial conversion price of HKD \$0.210 per share (approximately CAD \$0.035 per share), a maximum of 52,380,952 Class "A" common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 13.7% per annum and required repayment in full within two months from the maturity date. On October 5, 2018, the Company completed the placing of convertible bonds.

On July 5, 2018, the Company granted share options to acquire an aggregate total of 315,000,000 Class "A" common shares in the capital of the Company to certain directors of the Company under its Share Option Scheme at a price of HKD \$0.236 per share (approximately CAD \$0.040 per common share). The grant of the 300,000,000 Class "A" common shares to Mr. Kwok Ping Sun was conditional upon the approval by the independent shareholders of the Company at its next general meeting. The stock options vest over a two year period and expire five years after the date of the grant. On October 31, 2018, The Special General Meeting (SGM) was held in Hong Kong and the grant of the 300,000,000 Class "A" common shares to Mr. Kwok Ping Sun was duly passed as an ordinary resolution.



21. Subsequent events (continued)

On July 27, 2018, the Company announced that a company affiliated (the "Affiliate") with Kwok Ping Sun ("Mr. Sun"), the Executive Chairman and a Substantial Shareholder of the Corporation and Nobao Energy Holding (China) Company Limited ("Nobao") (a company under the control of Mr. Sun) had conditionally acquired Changjiang's interest in Renenergy. The Affiliate received the Board's conditional approval for this acquisition and requested amendments to certain terms in the Agreements with an aim to simplify the working relationship between contracting parties in the Agreements, subject to satisfying all legal and consent requirements, receiving Independent Shareholders' approval and complying with the provisions of Chapter 14A of the HKEX Listing Rules. On October 31, 2018, SGM was held and the proposed amendment to the terms of the Joint Operating Agreement and other supporting agreements were approved and duly passed by an ordinary resolution.

On October 31, 2018 (Calgary time), the Company and the Noteholders signed a Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include: the Forbearance was extended to August 1, 2019 (New York time); an interest of 10% per annum was incurred from the date hereof until August 1, 2019 (New York time); and the Company was to obtain financing of at least US \$5.0 million from the date of signing until April 30, 2019 to maintain sufficient liquidity.

On November 2, 2018, the Company entered into a settlement agreement for a total of 32,832,000 class "A" common shares at a price of HKD \$0.146 per share (approximately CAD \$0.024 per common share), for gross proceeds of HKD \$4.79 million (approximately CAD \$0.80 million). This settlement agreement was entered into for settlement of indebtedness with an independent third party.



22. Comparative figures

For the nine months ended September 30, 2017 statement of cash flows, the payment for finance costs included amounts which were accrued but not paid in 2017 and movement in non-cash working capital items were reclassified between operating, investing and financing activities. These adjustments do not impact the cash balance as at September 30, 2017. Such adjustments had no impact on the previously reported Consolidated Statement of Financial Position and Consolidated Statement of Operations and Comprehensive Loss. The changes to the Statement of Cash Flows for the periods ended September 30, 2017 are summarized in the following tables:

Related to September 30, 2017 Restatement	Nine months ended September 30, 2017 as Previously Reported	Adjustments	Nine months ended September 30, 2017 Restated
<i>Cash flows provided by / (used in) operating activities</i>			
Net loss for the period	\$ (53,409)	-	\$ (53,409)
Finance Costs	40,128		40,128
Unrealized foreign exchange (gains)/losses	(18,377)		(18,377)
Contract provision expense	(581)	581	-
Interest income	(10)		(10)
Depletion and depreciation	9,504		9,504
Share based compensation	2,836		2,836
Movement in non-cash working capital	23,567	(20,079)	3,488
Net cash provided by / (used in) operating activities	3,658	(19,498)	(15,840)
<i>Cash flows used in investing activities</i>			
Interest received	10	-	10
Payments for exploration and evaluation assets	(1,377)	-	(1,377)
Payments for property, plant and equipment	(6,979)	-	(6,979)
Movement in non-cash working capital	(12,880)	4,986	(7,894)
Net cash used in investing activities	(21,226)	4,986	(16,240)
<i>Cash flows provided in financing activities</i>			
Proceeds from issue of common shares	25,315	-	25,315
Interest and premiums paid	-	(7,710)	(7,710)
Payment for share issue costs	(527)	-	(527)
Payment for finance costs	(39,323)	39,323	-
Payment for the notes principal	(1,857)	-	(1,857)
Payments to/Proceeds from Shareholder's loan	-	2,273	2,273
Proceeds of loans	5,454	(2,273)	3,181
Movement in non-cash working capital	22,162	(22,162)	-
Net cash provided by financing activities	11,224	9,451	20,675
Effect of exchange rate changes on cash held in foreign currency	(5,588)	5,061	(527)
Net increase / (decrease) in cash	(11,932)	-	(11,932)
Cash, beginning of period	13,635	-	13,635
Cash, end of period	\$ 1,703	-	\$ 1,703



SUNSHINE OILSANDS LTD.

23. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on November 8, 2018.



Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

Additional Stock Exchange Information

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

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

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

	September 30, 2018	December 31, 2017
<i>Non-current assets</i>		
Property, plant and equipment	\$ 494,975	\$ 506,741
Exploration and evaluation assets	269,067	268,227
Amounts due from subsidiary	8,707	8,967
	<u>772,749</u>	<u>783,935</u>
<i>Current assets</i>		
Trade and other receivables	4,914	4,932
Prepaid expenses and deposits	2,661	813
Cash	2,169	1,404
	<u>9,744</u>	<u>7,149</u>
<i>Current liabilities</i>		
Trade and other payables	166,405	120,315
Amount due to subsidiary	2,622	2,544
Bonds	3,482	-
Loans	5,083	3,452
Shareholder loans	1,513	5,339
Senior notes	257,171	249,199
	<u>436,276</u>	<u>380,849</u>
Net current assets	<u>(426,532)</u>	<u>(373,700)</u>
Total assets less current liabilities	<u>346,217</u>	<u>410,235</u>
<i>Non-current liabilities</i>		
Provisions	48,837	50,481
	<u>48,837</u>	<u>50,481</u>
Net assets	<u>\$ 297,380</u>	<u>\$ 359,754</u>
<i>Capital and reserves</i>		
Share capital	\$ 1,289,829	\$ 1,275,008
Reserve for share-based compensation	71,791	70,522
Deficit	(1,064,240)	(985,776)
	<u>\$ 297,380</u>	<u>\$ 359,754</u>



Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>Directors' emoluments</i>				
Directors' fees	\$ 142	\$ 150	\$ 477	\$ 540
Salaries and allowances	110	777	1,323	2,849
Share-based payments	500	568	1,189	2,536
	<u>752</u>	<u>1,495</u>	<u>2,989</u>	<u>5,925</u>
<i>Other staff costs</i>				
Salaries and other benefits	1,128	1,196	2,581	3,022
Contribution to retirement benefit scheme	41	21	159	161
Share-based payments	(3)	60	80	317
	<u>1,166</u>	<u>1,277</u>	<u>2,820</u>	<u>3,500</u>
Total staff costs, including directors' emoluments	<u>1,918</u>	<u>2,772</u>	<u>5,809</u>	<u>9,425</u>
Less: staff costs capitalized to qualifying assets	-	-	-	(17)
	<u>\$ 1,918</u>	<u>\$ 2,772</u>	<u>\$ 5,809</u>	<u>\$ 9,408</u>