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SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

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

(Stock Code: 2012)

Third Quarter 2012 Unaudited Financial Results

Sunshine Oilsands Ltd. (the "Corporation" or "Sunshine") is pleased to announce its unaudited interim financial results for the three and nine month periods ended September 30, 2012. Please see the attached announcement for further information.

By Order of the Board of Sunshine Oilsands Ltd.
Michael John Hibberd
Co-Chairman
and
Songning Shen
Co-Chairman

Hong Kong, November 14, 2012

As at the date of this announcement, the Board consists of Mr. Michael John Hibberd and Mr. Songning Shen as executive directors, Mr. Hok Ming Tseung, Mr. Tingan Liu, Mr. Haotian Li and Mr. Gregory George Turnbull as non-executive directors and Mr. Raymond Fong, Mr. Wazir Chand Seth, Mr. Robert John Herdman and Mr. Gerald Franklin Stevenson as independent non-executive directors.

For identification purposes only

President's Message to Shareholders

We are pleased to present to you the unaudited interim financial results including the interim financial statements and management's discussion and analysis of Sunshine Oilsands Ltd. ("Sunshine") for the three and nine months ended September 30, 2012. This report presents a discussion of key highlights for the first nine months of 2012, a performance update, summary comments on developments and our 2013 outlook.

We would like to extend our sincere gratitude to you, our shareholders, for your continued support and interest in Sunshine. At Sunshine, we believe we have the assets and experience to continue to pursue significant value-added opportunities. We continue to focus on executing milestone undertakings in the West Ells project area, where first steam is scheduled for mid-2013. West Ells has an initial production target rate of 5,000 barrels per day, which will be followed by an approved expansion to a planned production capacity of 10,000 barrels per day. In addition to West Ells activities, Sunshine is progressing regulatory approvals for two additional 10,000 barrels per day projects, one in Thickwood and one in Legend Lake.

Operational Review

At the start of the third quarter, we released the results of our updated independently prepared Reserves and Resource Reports (the "Reserves and Resource Reports"). These reports, dated May 31, 2012, were prepared by GLJ Petroleum Consultants Ltd. and DeGolyer and MacNaughton Canada Limited and the results confirmed a substantial increase in our recognized reserves and resources base.

Main highlights of the independently prepared Reserves and Resource Reports include the following:

- 69 billion barrels of Total Petroleum Initially In Place ("PIIP"),
- 5 billion barrels of Best Estimate Contingent Resources with an aggregate pre-tax PV10% value of $6.9 billion (increase of 1.9 billion barrels representing 63% growth);
- 80 million barrels of proved ("1P") reserves with an aggregate pre-tax PV10% value of $312 million (increase of 78 million barrels);
- 445 million barrels of proved plus probable ("2P") reserves with an aggregate pre-tax PV10% value of $918 million (increase of 26 million barrels); and
- 603 million barrels of proved plus probable plus possible ("3P") reserves with an aggregate pre-tax PV10% of $1.6 billion (increase of 42 million barrels).

The Reserves and Resources Reports confirmed significant increases in PIIP and Best Estimate Contingent Resource recognition in both the clastics and carbonates categories. PIIP recognition increased by approximately 24 billion barrels to approximately 69 billion barrels. Clastics Best Estimate Contingent Resource recognition increased by 1.2 billion barrels to 3.6 billion barrels primarily due to the Corporation's drilling program in its core areas of Harper, Opportunity and Pelican Lake. Carbonates Best Estimate Contingent Resource recognition increased in the core areas of Goffer, Muskwa and Portage, adding over 700 million barrels. Based on this, our current share price is trading at a significant discount to our PV10% resource and reserves value. At a 10% discount rate for 2P and Best Estimate Contingent Resource before taxes, this equates to approximately HK$21.40 per share.

During the third quarter, development of our first phase Steam Assisted Gravity Drainage ("SAGD") project at West Ells progressed well. Activities throughout the summer and increasing through the fall period continued to advance construction and development at the West Ells site. The access road was completed as were the borrow pits. Our camp is now fully functional. Pilings for the Central Process Facility commenced on October 10, 2012. In addition, following quarter end, some of the major equipment was in transit to marshalling yards. Drilling rigs for the observation wells were mobilized and our first SAGD well pair was spudded subsequent to quarter end on October 29, 2012. No major delays have been encountered in our planned West Ells construction schedule.

Thickwood and Legend Lake continue to advance through the regulatory process with approvals currently expected by mid-2013 for an initial10,000 barrels per day of production in each area.

Financial Review

The successful completion of the initial public offering ("IPO") on March 1, 2012 and the Listing on the Stock Exchange of Hong Kong Limited have been significant achievements. Sunshine raised gross proceeds of HK$4.5 billion (approximately $570 million) and secured significant investments from cornerstone investors. With this financing, we secured a financial platform that validates our business intent to develop our large oil sands asset base.

Subsequent to the end of the third quarter, the Corporation successfully secured a $200 million credit facility with a syndicate of financial institutions, led by Alberta Treasury Branches and Bank of China (Canada). This oversubscribed facility was expanded from its original size due to strong support from financial institutions that included Bank of America N.A., Canada Branch, HSBC Bank Canada, Morgan Stanley Senior Funding, Inc., Scotiabank, Toronto-Dominion Bank, UBS AG Canada Branch and Industrial and Commercial Bank of China (Canada). This credit facility positions the Corporation well to complete construction of the West Ells project, to fund front end costs of the Thickwood project and to advance program and regulatory development to expand capacity for the West Ells, Thickwood and Legend Lake projects.

During September, the Corporation commenced a share buyback program that ran from September 16 to October 12, 2012. During that time, the Corporation repurchased approximately 61 million shares. Sunshine continues with an active investor relations effort throughout Asia, North America and globally. We continue to emphasize the attractiveness of the Corporation's value in communications with existing shareholders and with potential new shareholders. In order to increase the incentive for North American shareholders to buy our stock, we applied and obtained conditional approval to list our Class "A" common voting shares on the Toronto Stock Exchange.

Joint Venture Initiatives

Joint venture discussions continued during the third quarter. We are pleased to confirm that we are continuing to work with Sinopec International Petroleum Exploration and Production Corporation, with whom we have a Memorandum of Understanding for strategic cooperation, as well as other parties who have expressed interest for involvement in our development of our attractive assets. We look forward to reporting details of matured joint venture discussions in a timely manner.

Corporate Review

The Corporation consistently maintains a disciplined approach in health, safety and environmental issues and remains committed to operating in a socially responsible manner with regularly conducted emergency response training, and safety and environmental audits of our operating facilities. We had no significant incidents to report during the third quarter of 2012.

Sunshine also remains committed to working with local stakeholders as we build an organization that is intended to be meaningful in a global context.

Strategic Positioning

Sunshine has recently updated its commercial development plans in the West Ells, Thickwood and Legend Lake areas and is now targeting over 300,000 barrels per day of production from these areas, representing a 50% increase in previously announced commercial production targets.

With approximately 70 billion barrels of PIIP, Sunshine has a significant presence in the north-western part of the Athabasca oil sands region that represents an opportunity for investors seeking value growth. Our outlook for the remainder of 2012 and looking ahead to 2013 is one of significant promise. With over 4.96 billion barrels of contingent resources and 445 million barrels of 2P reserves, Sunshine has significant commercial development potential with considerable upside. We are confident that our internal development and evaluation efforts complemented with broadening the market's understanding of Sunshine's assets, will result in share price appreciation over time. We continue to work towards first steam at West Ells by mid-2013. Production from West Ells will provide immediate cash flows to re-invest in our other planned capital projects, Thickwood and Legend Lake. This should, combined with anticipated expansion applications and approvals for our projects, increase probable and proved reserves, which are typically ascribed to higher values in active markets.

Sunshine has achieved several milestones during the first nine months of 2012. These would not have been possible without the committed efforts of our Board of Directors and our dedicated, hard-working employees. We will continue to seek out and attract talented people to sustain a high level of excellence in execution of our corporate development plans. We believe in the immense potential of our asset base and understand that to increase shareholder value, we need to remain disciplined and focused on project milestones and within our financial means. We look forward to a busy winter season and are excited by the potential of our planned development projects.

John Zahary
President and Chief Executive Officer
November 14, 2012

Sunshine Oilsands Ltd.

Third Quarter 2012 Unaudited Financial Results

HONG KONG - Sunshine (**HK: 2012**) today announced its unaudited financial results for the three and nine month periods ended September 30, 2012. All figures are in Canadian dollars unless otherwise stated.

Highlights

Operational Update - Third Quarter of 2012:

Sunshine is a major holder and developer of oil sands resources, with approximately 70 billion barrels of total Petroleum Initially In Place ("PIIP"). The Corporation is focused on development of these assets with the first phase of a 10,000 barrels per day project, currently under construction at West Ells, scheduled for start up in mid 2013. Sunshine is also progressing regulatory approvals for two additional 10,000 barrels per day (total 20,000 barrels per day) projects at Thickwood and Legend Lake. Approvals are expected in the first half of 2013. With over 4.96 billion barrels of contingent resources and 445 million barrels of proved plus probable ("2P") reserves, the Corporation has significant commercial development potential. In addition, Sunshine has recently updated its commercial development plans in the West Ells, Thickwood and Legend Lake areas and is now targeting over 300,000 barrels per day of production from these areas, representing a 50% increase in previously announced commercial production targets.

West Ells Development

As of September 30, 2012, $110.9 million has been incurred for West Ells equipment, engineering, construction, civil works, drilling, completions and other project related expenditures. The Project is currently on schedule and on budget for completion. The Corporation estimates total capital investment for its West Ells 100,000 barrels project to approximate $3.5 billion. Sunshine remains focused on West Ells Phase One construction, which has an initial production rate of 5,000 barrels per day, followed by an already approved expansion to the planned production capacity of 10,000 barrels per day. First steam is expected to commence in mid-2013 and first production is expected in the fourth quarter of 2013.

The access road to West Ells is now complete and ready for heavy hauls. This will ensure that project milestones are met and that the project will be completed on schedule for first steam in mid 2013. Subsequent to quarter end, on October 10, 2012, pilings for the Central Process Facility ("CPF") commenced. As well, some of the major equipment, including a gas turbine generator and an evaporator was in transit to marshalling yards. Other major equipment still to be received includes steam generators, free water knockout, pumps, and heat exchangers. Civil construction of the CPF is approximately 40% finished, with facilities general engineering approximately 75% complete.

In addition to the road and CPF, the first of Well Pad 2 SAGD well pairs spudded on October 29, 2012. The camp is fully functional, and the borrow pits are complete and in use. For capital commitments, 100% of the long lead equipment has been ordered and approximately 80% of the secondary long lead equipment has been procured. Phase 1 downhole completion and production equipment have been ordered and drilling rigs arrived on August 20, 2012. Drilling rigs for the observation wells were mobilized and were spudded on October 26, 2012. No major delays have been encountered.

Thickwood and Legend Lake

In addition to the progress made on the 10,000 barrel per day project applications approvals for both the Thickwood and Legend Lake projects, the Corporation has progressed the Front End Engineering and Design ("FEED") for Thickwood. This work is approximately 10% complete. In addition, detailed baseline environmental data collection is ongoing and is expected to be completed by the end of 2012. This work provides information required for project applications larger than 12,000 barrels per day in anticipation of future commercial development plans.

Cold flow assets

The Corporation continues with the exploration and development of its Muskwa heavy oil assets. As at September 30, 2012, five pads with 39 development wells have produced a cumulative total of approximately 305,000 barrels. Muskwa cumulative production for the first 9 months of 2012 is barrels approximately 168,000, representing an average of 625 barrels per day. The Corporation continued production optimization activities in the Muskwa field by implementing new technologies and techniques for enhancing production, sand clean out and other types of wellbore stimulations. The Corporation also commenced construction of its planned pad extension to accommodate future drilling. The Corporation received regulatory approval to install electric heaters on two horizontal wellbores at its Muskwa operations. Field work commenced late in the summer and is scheduled to be completed in mid-fourth quarter of 2012. Muskwa remains in the resource definition stage for the Corporation's financial reporting purposes. As a result, the Corporation capitalizes all costs incurred to date including operating costs net of revenues.

The Board of Directors of the Corporation is pleased to announce the results of the Corporation and its wholly-owned subsidiaries for the three and nine month periods ended September 30, 2012 together with comparative figures for the corresponding period in 2011 as follows:

Condensed Interim Consolidated Statements of Financial Position

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 355,644,955	$ 84,957,414
Trade and other receivables	2,167,538	3,582,953
Prepaid expenses and deposits	1,021,175	797,718
	358,833,668	89,338,085
Non-Current Assets		
Exploration and evaluation	598,860,382	382,277,258
Property and equipment	993,218	718,785
Other assets	-	3,379,627
	599,853,600	386,375,670
	$ 958,687,268	$ 475,713,755
Liabilities and Shareholders' Equity		
Current Liabilities		
Trade and other payables	$ 47,451,325	$ 33,365,438
Provisions for decomissioning obligation	795,863	68,365
Fair value of warrants	-	63,000,304
	48,247,188	96,434,107
Non-Current Liabilities		
Share repurchase obligation	-	224,362,115
Provisions for decomissioning obligation	30,788,751	6,331,883
	30,788,751	230,693,998
	79,035,939	327,128,105
Net current (liabilities)/assets	310,586,480	(7,096,022)
Total assets less current liabilities	910,440,080	379,279,648
Shareholders' Equity		
Share capital	994,077,153	219,173,885
Reserve for share based compensation	44,499,701	30,074,070
Deficit	(158,925,525)	(100,662,305)
	879,651,329	148,585,650
	$ 958,687,268	$ 475,713,755

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Other income				
Foreign exchange (loss)/gain	$ (82,463)	$ -	$ 8,953,581	$ -
Interest income	1,224,129	425,124	2,241,561	1,367,251
	1,141,666	425,124	11,195,142	1,367,251
Salaries, consulting and benefits	8,520,850	3,249,012	14,389,253	5,629,969
Rent	233,857	143,990	732,660	333,808
Legal and audit	319,683	442,282	622,418	1,108,299
Depreciation	73,029	48,883	199,011	132,724
Share-based payment expense	5,945,865	2,467,315	10,679,398	5,798,448
Expense portion of IPO costs	-	1,694,883	16,257,878	1,694,883
Fair value adjustment on warrants	-	(2,440,363)	-	32,088,500
Finance costs	214,257	6,278,206	17,378,627	18,440,883
Other	1,364,950	653,454	3,470,832	2,439,415
	16,672,491	12,537,662	63,730,077	67,666,929
Loss before income taxes	15,530,825	12,112,538	52,534,935	66,299,678
Income tax recovery	-	1,883,502	-	1,380,674
Net loss and comprehensive loss for the period attributable to equity holders of the Corporation	$ 15,530,825	$ 10,229,036	$ 52,534,935	$ 64,919,004
Loss per share				
Basic and diluted	$ 0.01	$ 0.01	$ 0.02	$ 0.04

Notes

1. Basis of preparation

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

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

The condensed interim consolidated financial statements are presented in Canadian Dollars ("$"), which is the functional currency of the Corporation.

The condensed interim consolidated financial statements incorporate the financial statements of the Corporation and the Corporation's wholly owned subsidiaries, Fern Energy Ltd. ("Fern") and Sunshine Oilsands (Hong Kong) Ltd. ("Sunshine Hong Kong"). Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the condensed interim consolidated financial statements when control is achieved and until control is lost. All inter-company transactions, balances, revenues and expenses are eliminated in full on consolidation.

2. Segment Information
The Corporation has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

3. Trade Receivables
The Corporation's trade and accruals and other receivables mainly arise from oil sales and goods and services tax receivables due from government taxation authorities. These are analysed as follows:

	September 30, 2012	December 31, 2011
Trade	$ 141,550	$ 2,047,804
Accruals and other	834,972	12,164
Goods and Services Taxes receivable	1,191,016	1,522,985
	$ 2,167,538	$ 3,582,953

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

	September 30, 2012	December 31, 2011
0 - 30 days	$ 136,317	$ 1,259,911
31 - 60 days	-	787,893
61 - 90 days	5,233	-
	$ 141,550	$ 2,047,804

As at September 30, 2012, included in the Corporation's trade receivables were debtors with an aggregate carrying amount of $5,233 (December 31, 2011 - $787,893), which was past due as at the reporting date and for which the Corporation had not provided for impairment loss. The Corporation does not hold any collateral over these balances.

4. Trade Payables
Trade payables and accrued liabilities mainly represent payables to subcontractors for exploration and evaluation services. The Corporation has financial risk management policies in place to ensure that all payables are paid within pre-agreed credit terms. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting periods:

	September 30, 2012	December 31, 2011
Trade		
0 - 30 days	$ 1,765,480	$ 7,171,939
31 - 60 days	965,775	4,082,229
61 - 90 days	335,712	451,787
>91 days	446,757	245,548
	3,513,724	11,951,503
Accrued liabilities	43,937,601	21,413,935
	$ 47,451,325	$ 33,365,438

5. Income Taxes

Income tax recognised in the Statement of Operations	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Income taxes comprises:				
Tax expense in respect of the current year	$ -	$ 1,296,800	$ -	$ 1,162,807
Effect of changes in tax rates and laws	-	586,702	-	217,867
Total tax recovery	$ -	$ 1,883,502	$ -	$ 1,380,674

Deferred tax balances

September 30, 2012	Opening Balance	Recognised in loss	Recognised in other comprehensive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (32,593,406)	$ (8,303,408)	$ -	$ -	$ -	$ -	$ (7,222,560)	$ (48,119,374)
Property and equipment	(31,476)	(55,150)	-	-	-	-	-	(86,626)
Other financial liabilities	755,155	(87,958)	-	-	-	-	7,222,560	7,889,757
Share issue expenses	871,668	(4,057,785)	-	-	-	-	-	(3,186,117)
	$ (30,998,059)	$ (12,504,301)	$ -	$ -	$ -	$ -	$ -	$ (43,502,360)
Tax losses	30,998,059	12,504,301	-	-	-	-	-	43,502,360
Deferred tax assets (liabilities)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

September 30, 2011	Opening Balance	Recognised in loss	Recognised in other comprehensive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (15,458,127)	$ (11,354,175)	$ -	$ -	$ -	$ -	$ (2,068,811)	$ (28,881,113)
Property and equipment	(4,093)	(28,066)	-	-	-	-	-	(32,159)
Other financial liabilities	498,289	(23,028)	-	-	-	-	95,147	570,408
Share issue expenses	1,895,725	(1,737,053)	-	1,484,253	-	-	-	1,642,924
	$ (13,068,206)	$ (13,142,322)	$ -	$ 1,484,253	$ -	$ -	$ (1,973,664)	$ (26,699,940)
Tax losses	12,176,944	14,522,996	-	-	-	-	-	26,699,940
Deferred tax assets (liabilities)	$ (891,262)	$ 1,380,674	$ -	$ 1,484,253	$ -	$ -	$ (1,973,664)	$ -

The Corporation and its subsidiary, Fern, in Canada are subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 25.0%. The Corporation had no assessable profit in Canada for the three and nine month periods ended September 30, 2012. The Corporation files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authorities. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable.

The Corporation's subsidiary, Sunshine Hong Kong, in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Corporation had no assessable profit arising in or derived from Hong Kong for the three and nine month periods ended September 30, 2012.

The following estimated tax pools are available to the Corporation in Canada:

Tax pools available

	Septmber 30, 2012
The following tax pools are available to the Corporation in Canada:	
Non-capital losses	$ 196,219,000
Exploration and evaluaton	366,747,000
Property and equipment	807,000
Share issue costs	91,907,000
	$ 655,680,000

The unrecognised tax losses will begin expiring in 2027.

6. Dividends

The Corporation has not declared or paid any dividends in respect of the three and nine month periods ended September 30, 2012 (December 31, 2011 - $Nil).

Management's Discussion and Analysis

*This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("*Sunshine*" or the "Corporation") for the three and nine month periods ended September 30, 2012 is dated November 14, 2012. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2011 and the unaudited condensed interim consolidated financial statements and notes thereto for the period ended September 30, 2012. All amounts and tabular amounts are stated in Canadian dollars unless indicated otherwise.*

Forward-Looking Information

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

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

All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statement except as required by law.

Non-IFRS Financial Measures

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

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS, as an indication of the Corporation's performance. The non-IFRS cash flow from operations is reconciled to net cash provided by operating activities, as determined in accordance with IFRS.

Overview

The Corporation is headquartered in Calgary, Alberta, Canada. Sunshine's principal operations are the exploration, development and production of its portfolio of oil sands leases. The Corporation's nine principal operating regions in the Athabasca area are at West Ells, Thickwood, Legend Lake, Harper, Muskwa, Pelican Lake, Opportunity, Goffer and Portage.

The Corporation is one of the largest holders of oil sands leases in the Athabasca oil sands region, with over 1,165,350 acres of oilsands leases (equal to approximately 7% of all granted leases in this area), and includes 7,936 acres of Petroleum and Natural Gas ("PNG") licenses. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere and the third largest oil resource in the world, with 169 billion barrels of estimated resources. The Canadian oil sands comprises the largest single source of supply of oil imported into the United States.

As at September 30, 2012, the Corporation had invested $598.9 million in oilsands leases, drilling operations, project planning and regulatory application processing. As at September 30, 2012, the Corporation had $355.6 million in cash and cash equivalents (term deposits) and no debt. The Corporation has raised approximately $1.0 billion in equity proceeds, including the proceeds from its initial public offering ("IPO") in March 2012.

Operational Update - Third Quarter of 2012:

Sunshine is a major holder and developer of oil sands resources, with approximately 70 billion barrels of total Petroleum Initially In Place ("PIIP"). The Corporation is focused on development of these assets with the first phase of a 10,000 barrels per day project currently under construction at West Ells, scheduled for start up in mid 2013. Sunshine is also progressing regulatory approvals for two additional 10,000 barrels per day (total 20,000 barrels per day) projects at Thickwood and Legend Lake. Approvals are expected in the first half of 2013. With over 4.96 billion barrels of contingent resources and 445 million barrels of proved plus probable ("2P") reserves, the Corporation has significant commercial development potential. In addition, Sunshine has recently updated its commercial development plans in the West Ells, Thickwood and Legend Lake areas and is now targeting over 300,000 barrels per day of production from these areas, representing a 50% increase in previously announced commercial production targets.

West Ells Development

As of September 30, 2012, $110.9 million has been incurred for West Ells equipment, engineering, construction, civil works, drilling, completions and other project related expenditures. The Project is currently on schedule and on budget for completion. The Corporation estimates total capital investment for its West Ells 100,000 barrels project to approximate $3.5 billion. Sunshine remains focused on West Ells Phase One construction, which has an initial production rate of 5,000 barrels per day, followed by an already approved expansion to the planned production capacity of 10,000 barrels per day. First steam is expected to commence in mid-2013 and first production is expected in the fourth quarter of 2013.

The access road to West Ells is now complete and ready for heavy hauls. This will ensure that project milestones are met and that the project will be completed on schedule for first steam in mid 2013. Subsequent to quarter end, on October 10, 2012, pilings for the Central Process Facility ("CPF") commenced. As well, some of the major equipment, including a gas turbine generator and an evaporator was in transit to marshalling yards. Other major equipment still to be received includes steam generators, free water knockout, pumps, and heat exchangers. Civil construction of the CPF is approximately 40% finished, with facilities general engineering approximately 75% complete.

In addition to the road and CPF, the first of Well Pad 2 SAGD well pairs spudded on October 29, 2012. The camp is fully functional, and the borrow pits are complete and in use. For capital commitments, 100% of the long lead equipment has been ordered and approximately 80% of the secondary long lead equipment has been procured. Phase 1 downhole completion and production equipment have been ordered and drilling rigs arrived on August 20, 2012. Drilling rigs for the observation wells were mobilized and were spudded on October 26, 2012. No major delays have been encountered.

Thickwood and Legend Lake

In addition to the progress made on the 10,000 barrel per day project applications approvals for both the Thickwood and Legend Lake projects, the Corporation has progressed the Front End Engineering and Design ("FEED") for Thickwood. This work is approximately 10% complete. In addition, detailed baseline environmental data collection is ongoing and is expected to be completed by the end of 2012. This work provides information required for project applications larger than 12,000 barrels per day in anticipation of future commercial development plans.

Cold flow assets

The Corporation continues with the exploration and development of its Muskwa heavy oil assets. As at September 30, 2012, five pads with 39 development wells have produced a cumulative total of approximately 305,000 barrels. Muskwa cumulative production for the first 9 months of 2012 is barrels approximately 168,000, representing an average of 625 barrels per day. The Corporation continued production optimization activities in the Muskwa field by implementing new technologies and techniques for enhancing production, sand clean out and other types of wellbore stimulations. The Corporation also commenced construction of its planned pad extension to accommodate future drilling. The Corporation received regulatory approval to install electric heaters on two horizontal wellbores at its Muskwa operations. Field work commenced late in the summer and is scheduled to be completed in mid-fourth quarter of 2012. Muskwa remains in the resource definition stage for the Corporation's financial reporting purposes. As a result, the Corporation capitalizes all costs incurred to date including operating costs net of revenues.

Alberta Government Initiatives

In 2011, the Alberta Government initiated the Lower Athabasca Regional Plan ("LARP"). Sunshine continues to work with the Provincial Government to assess the potential impact of the proposed LARP. However, the compensation to Sunshine and other oil sands lease holders is yet to be determined.

Operational and Financial Highlights

The following table summarizes selected operational and financial information of the Corporation for the periods presented:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Financial Highlights				
Other income	$ 1,141,666	$ 425,124	$ 11,195,142	$ 1,367,251
Expensed portion of IPO costs	-	1,694,883	16,257,878	1,694,883
Fair value of warrants	-	(2,440,363)	-	32,088,500
Finance costs	214,257	6,278,206	17,378,627	18,440,883
Net loss	15,530,825	10,229,036	52,534,935	64,919,004
Basic and diluted loss per share	0.01	0.01	0.02	0.04
Expenditures on exploration and evaluation	32,305,167	17,905,945	164,550,079	123,939,319

The Corporation recognized a net loss for the three months ended September 30, 2012 of $15.5 million compared to $10.2 million for the same period in 2011. For the three month period ended September 30, 2012, the net loss was primarily attributable to general administration costs of $10.4 million, which includes $8.5 million for salaries, consulting and benefits and $1.9 million of legal, audit, rent and other costs for travel and related annual filing and printing costs, share-based payments of $5.9 million, finance costs of $0.2 million and a foreign exchange loss of $0.1 million offset by interest income of $1.2 million. For the same period in 2011, the net loss was attributable to $6.3 million of finance costs related primarily to the share repurchase obligation, $4.5 million in general administration costs, which includes $3.2 million for salaries, consulting and benefits and $1.3 million of legal, audit, rent and other costs for travel costs, $2.5 million of share-based payments, and $1.7 million for expensed portion of IPO costs offset by $2.4 million of a mark to market gain on warrants and $0.4 million of interest income.

For the nine month period ended September 30, 2012, the Corporation had a net loss of $52.5 million compared to a net loss of $66.3 million for the same period in 2011. The net loss in the nine month period ended September 30, 2012 was primarily attributable to general administration costs of $19.2 million, finance costs of $17.4 million, expensed portion of IPO costs of $16.3 million and $10.7 million for share-based payment expense compared to fair value loss on warrants of $32.1 million, finance costs of $18.4 million, general administration costs of $9.5 million, $5.8 million for share-based payment expense and expensed portion of IPO costs of $1.7 million for the same period in 2011. The mark to market adjustment on warrants for the third quarter of 2012 was $Nil since all warrants were repurchased and cancelled on January 4, 2012.

	September 30, 2012	December 31, 2011
Cash and cash equivalents	$ 355,644,955	$ 84,957,414
Total assets	958,687,268	475,713,755
Total liabilities	79,035,939	327,128,105

The Corporation had a combined cash and short-term investment balance of $355.6 million as at September 30, 2012 compared to a combined cash and short-term investment balance of $85.0 million as at December 31, 2011. The increase in these balances was due primarily to proceeds from the Corporation's IPO of HK$4.5 billion (approximately $570.0 million) and the issuance of 923,299,500 shares partially offset by capital investments and warrant and share repurchases in the first nine months of 2012.

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Loss before income taxes	$ (15,530,825)	$ (12,112,538)	$ (52,534,935)	$ (66,299,678)
Addback/Deduct				
Expense portion of IPO costs	-	1,694,883	10,863,418	1,694,883
Fair value loss on warrants	-	(2,440,363)	-	32,088,500
Finance costs	214,257	6,278,206	17,378,627	18,440,883
Unrealized foreign exchange loss/(gain)	582,539	-	(51,163)	-
Interest income	(1,224,129)	(425,124)	(2,241,561)	(1,367,251)
Depreciation	73,029	48,883	199,011	132,724
Share-based payment expense	5,945,865	2,467,315	10,679,398	5,798,448
Cash flow used in operations	$ (9,939,264)	$ (4,488,738)	$ (15,707,205)	$ (9,511,491)

The Corporation uses these non-IFRS measurements for its own performance measures and to provide its shareholders and investors with a measurement of the Corporation's ability to internally fund future growth expenditures. The above table reconciles the non-IFRS measurements "Net loss for the period" to "Cashflow used in operations", the nearest IFRS measures. Cash flow used in operations is defined as net loss as reported, addback or deduct non-cash items including expensed portion of IPO costs, fair value adjustment on warrants, finance costs, share-based payments, unrealized portion of foreign exchange adjustments, depreciation and interest income.

Cash flow used from operations for the three month period ended September 30, 2012 totaled $9.9 million compared to cash flow used in operations of $4.5 million for the same period in 2011. The change resulted from higher general administration costs in 2012 compared to 2011.

Cash flow used in operations for the first nine months of 2012 totaled $15.7 million compared to $9.5 million for the same period in 2011. The change resulted primarily from the settlement of warrants early in 2012, which eliminated the fair value loss on warrants.

Summary of Quarterly Results

The following table summarizes selected unaudited financial information for the Corporation for the eight preceding quarter periods:

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Other income	$ (82,463)	$ 2,056,449	$ 6,979,595	$ 257,256	$ 425,124	$ 516,254	$ 425,873	$ 116,289
Expense portion of IPO costs	-	44,460	16,213,418	1,852,202	1,694,883	-	-	-
Fair value adjustment on warrants	-	-	-	(11,790,933)	(2,440,363)	37,565,863	(3,037,000)	-
Finance costs	214,257	66,201	17,098,169	7,028,767	6,278,206	6,839,668	5,323,009	56,659
Net loss for the period	15,530,825	4,673,381	32,330,729	2,473,536	10,229,036	48,248,883	6,441,085	3,509,435
Loss per share	-	-	0.02	0.01	0.01	0.03	0.00	0.01
Exploration and evaluation expenditures	32,305,167	89,948,846	42,296,066	31,621,540	17,905,945	61,378,807	44,654,567	12,896,883

Results of Operations

Finance Expense

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Finance cost on share repurchase obligation	$ -	$ 8,883,636	$ 5,864,052	$ 22,513,049
Expensed portion of share issue costs	-	-	13,012,014	-
Finance cost on credit facility	-	-	266,090	-
Unwinding of discounts on provisions	214,257	30,452	351,832	92,110
Less: Amounts capitalized in exploration and evaluation assets	-	(2,635,882)	(2,115,361)	(4,164,276)
	$ 214,257	$ 6,278,206	$ 17,378,627	$ 18,440,883

Total finance expense for the three month period ended September 30, 2012 decreased by $6.1 million from $6.3 million to $0.2 million compared to the same period in 2011, primarily due to the extinguishment of the share repurchase obligation. For the three months ended September 30, 2012, the Corporation recorded $0.2 million in accretion for its decommissioning liability compared to $30,452 for the same period in 2011. The Corporation also recognized $6.3 million for non-cash finance costs on the share repurchase obligation, net of $2.6 million which was capitalized for the three months ended September 30, 2011.

Total finance costs for the nine month period ended September 30, 2012 decreased by $1.0 million from $18.4 million to $17.4 million compared to the same period in 2011, primarily due to non-cash finance costs attributable to the share repurchase obligation. For the first nine months of 2012, the Corporation recorded finance costs of $5.9 million in total on the share repurchase obligation compared to $22.5 million for the same period in 2011. Of this amount, $2.1 million was capitalized in exploration and evaluation assets for the first nine months of 2012 compared to $4.2 million for the same period of 2011. The remaining amount of $3.7 million was expensed in the nine month period ended September 30, 2012 compared to $18.3 million in the same period in 2011. The finance cost associated with the redeemable shares is a result of the accounting treatment of these shares. In conjunction with an equity financing completed in February 2011, common shares were issued to subscribers whereby a put right (“Share Redemption Rights”) was agreed to pursuant to the terms and conditions of the subscription agreements (“Subscription Agreements”). According to the Share Redemption Rights, the subscribers, in specific circumstances and at the option of the subscribers, could have required the Corporation to repurchase, for cancellation, all common shares issued under the Subscription Agreements at a redemption price equivalent to the subscription price plus a 15% annual rate of return, compounded annually, if the Corporation did not complete an IPO no later than December 31, 2013. As a consequence, the put right in the Subscription Agreements resulted in these shares being presented as financial liabilities in the Corporation’s statement of financial position in 2011. The redeemable shares were accounted for using amortized cost and the effective interest on the redeemable shares for the period was included in finance expense up to March 1, 2012, the date on which the put right was extinguished with the closing of the Qualifying IPO and listing on the SEHK.

Pursuant to this event, immediately prior to the IPO closing and listing, the redeemable Class “B” common shares converted to Class “A” common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO and listing. Total transaction costs of $17.8 million, which were netted against the share repurchase obligation, included cash fees paid of $11.4 million and $6.4 million assigned as fair value of fee warrants issued to finders. The carrying value of these transaction costs was allocated to share issue costs for $4.7 million. The remainder of $13.0 million was included in finance costs as the expensed portion of share issue costs for the nine month period ended September 30, 2012.

During the nine month period ended September 30, 2012, the Corporation drew and repaid $30.0 million on an available $100.0 million credit facility agreement (the “Credit Facility Agreement”), held by a significant shareholder of the Corporation. The Credit Facility Agreement was signed in the third quarter of 2011 with an effective date of October 31, 2011. The loan was classified as a financial liability and accounted for as other liabilities at amortized cost.

During the nine month period ended September 30, 2012, total non-cash finance costs of $266,090 were recognized, of which $236,873 was capitalized in exploration and evaluation assets with the remaining $29,217 expensed in finance costs. Refer to Section: *"Transactions with related parties*" for terms and conditions of the Credit Facility Agreement. Subsequent to quarter end, in conjunction with the closing of a $200 million credit facility agreement with a group of financial syndicates, the Corporation terminated its $100 million Credit Facility Agreement. Refer to Section: *"Subsequent Events*".

Accretion for the unwinding of decommissioning obligation was $351,832 for the first nine months of 2012 compared to $92,110 in the same period 2011.

Fair Value Adjustment on Warrants

For the three month period ended September 30, 2011, a mark to market gain on warrants of $2.4 million was recognized compared to $Nil for the same period of 2012. A mark to market loss on warrants of $32.1 million for the nine month period ended September 30, 2011 was recorded compared to $Nil for the nine month period ended September 30, 2012. All warrants were repurchased and cancelled on January 4, 2012.

Expensed portion of IPO costs

The expensed portion of IPO costs was $Nil and $16.3 million in the three and nine month periods ended September 30, 2012, respectively, compared to $1.7 million for both the three and nine month periods ended September 30, 2011. For the first half of 2012, the expense is comprised of $5.3 million for bonus payments and $11.0 million for IPO related costs such as legal and audit fees.

Share-based payments

	For the three months ended September 30,					
	2012			2011		
	General and Administrative Costs	Capitalized portion	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Share-based payment expense	$ 8,694,865	$ 2,749,000	$ 5,945,865	$ 4,545,256	$ 2,077,941	$ 2,467,315
	For the nine months ended September 30,					
	2012			**2011**		
	General and Administrative Costs	**Capitalized portion**	**Expensed**	**General and Administrative Costs**	**Capitalized portion**	**Expensed**
Share-based payment expense	$ 16,170,371	$ 5,490,973	$ 10,679,398	$ 11,383,346	$ 5,584,898	$ 5,798,448

The fair value of share-based payments associated with the granting of stock options and preferred shares is recognized by the Corporation in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model. Share-based compensation expense for the three and nine month periods ended September 30, 2012 was $5.9 million and $10.7 million, respectively, compared to $2.5 million and $5.8 million for the three and nine month periods ended September 30, 2011, respectively. The increase in share-based payment expense is primarily the result of the Black-Scholes valuations for the Corporation's stock options granted during the first nine months of 2012. The Corporation capitalizes a portion of the share-based compensation expense associated with capitalized salaries and benefits. For the three and nine month periods ended September 30, 2012, the Corporation capitalized $2.7 million and $5.5 million, respectively, of share-based payments to exploration and evaluation assets compared to $2.1 million and $5.6 million, respectively, for the same periods in 2011.

General and Administrative Costs

	Three months ended September 30,					
	2012			2011		
	General and Administrative Costs	Capitalized portion	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Salaries, consulting and benefits	$ 10,574,730	$ 2,053,880	$ 8,520,850	$ 5,638,053	$ 2,389,041	$ 3,249,012
Rent	537,743	303,886	233,857	301,727	157,737	143,990
Other	1,654,663	289,713	1,364,950	784,317	130,863	653,454
	$ 12,767,136	$ 2,647,479	$ 10,119,657	$ 6,724,097	$ 2,677,641	$ 4,046,456

General and administrative expense, which includes salaries, consulting and benefits, rent, and other general administrative costs, for the three month period ended September 30, 2012 increased by $6.1 million to $10.1 million compared to $4.0 million for the same period in 2011.

	Nine months ended September 30,					
	2012			2011		
	General and Administrative Costs	Capitalized	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Salaries, consulting and benefits	$ 20,465,054	$ 6,075,801	$ 14,389,253	$ 10,280,158	$ 4,650,189	$ 5,629,969
Rent	1,578,163	845,503	732,660	701,256	367,448	333,808
Other	4,231,824	760,992	3,470,832	2,914,118	474,703	2,439,415
	$ 26,275,041	$ 7,682,296	$ 18,592,745	$ 13,895,532	$ 5,492,340	$ 8,403,192

General and administrative expense, which includes salaries, consulting and benefits, rent, and other general administrative costs, for the nine month period ended September 30, 2012 increased by $10.2 million to $18.6 million compared with $8.4 million for the same period in 2011.

The increase in expense is primarily the result of bonus payments, and overall growth in Corporation's professional staff and office costs to support the operation and development of our oil sands assets. The head office headcount (including employees and consultants) grew from 112 as of September 30, 2011 to 122 as at September 30, 2012. During the three and nine month periods ended September 30, 2012, the Corporation capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of $2.6 million and $7.7 million, respectively, compared to $2.7 million and $5.5 million, respectively, for the three and nine month periods ended September 30, 2011.

Depreciation

Depreciation expense increased by $24,146 to $73,029 for the three month period ended September 30, 2012. This compared to depreciation expense of $48,883 for the same period in 2011. For the first nine months of 2012, depreciation expense was $199,011 compared to $132,724 for the same period in 2011. The increase was primarily due to increased computer equipment purchases.

Other Income

Other income for the three and nine month periods ended September 30, 2012 increased by $0.7 million and $9.8 million, respectively, to $1.1 million and $11.2 million, respectively, compared to $0.4 million and $1.4 million, respectively, for the same periods in 2011. For the three and nine month periods ended September 30, 2012, the increase was primarily due to earned interest income of $1.2 million offset by a foreign exchange loss of $0.1 million and $2.2 million of earned interest plus a $9.0 million foreign exchange gain, respectively.

Income Taxes

The Corporation’s deferred income taxes changed by $1.9 million and $1.4 million to $Nil for both the three and nine month periods ended September 30, 2012, respectively, compared to $1.9 million and $1.4 million for the three and nine month periods ended September 30, 2011, respectively. The change in deferred income taxes in 2012 compared to 2011 relates primarily to unrecognized tax losses. Recognition of tax losses is based on the

Corporation's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates.

Liquidity and Capital Resources

	September 30, 2012	December 31, 2011
Working capital (surplus)/deficiency [1]	$ (310,586,480)	$ 7,096,022
Share repurchase obligation	-	224,362,115
Shareholders' equity	879,651,329	148,585,650
	$ 569,064,849	$ 380,043,787

1. Excludes $200 million Facility, which closed subsequent to September 30, 2012.

Working capital surplus of $310.6 million comprised $355.6 million of cash and cash equivalents, offset by a non-cash working capital deficiency of $45.1 million. With the close of its IPO and listing on March 1, 2012 on the SEHK, the Corporation has sufficient capital to go beyond its current obligations and does not anticipate raising new equity capital in the near future.

At September 30, 2012, the Corporation also had available a $100 million Credit Facility Agreement, of which $Nil was drawn at September 30, 2012. Subsequent to period end, the Corporation negotiated and signed a $200 million credit Facility (the "Facility") with a syndicate of financial institutions. The amount available for drawdown is subject to a sufficient funding requirement which is defined as having on-hand funding equal to or exceeding the sum of the remaining costs to complete the Phase 1 and Phase 2 West Ells project plus a contingency amount equal to 20% of remaining costs to complete. Refer to Section: *"Subsequent Events*" for terms and conditions of the Facility. In conjunction with the closing of the Facility, the Corporation terminated its $100 million Credit Facility Agreement with a significant shareholder. Refer to Section: *"Transactions with related parties*" for terms and conditions of the Credit Facility Agreement.

Management believes its capital resources, which considers the available Facility negotiated after quarter end, and its ability to manage cash flow and working capital levels will allow the Corporation to meet its current and future obligations and to fund the development of its capital program and the other needs of the business for at least the next 12 months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary.

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

The Corporation had no forward exchange rate contracts in place as at or during the nine month period ended September 30, 2012. If exchange rates to convert from HK dollars to Canadian dollars had been $0.10 higher or lower with all other variables held constant, foreign cash held at September 30, 2012 would have been impacted by approximately $18,000. At September 30, 2012, the Corporation held HK$11,482,692 (or $1,456,717 using the September 30, 2012 exchange rate of 7.8825) as cash in the Corporation's Hong Kong bank account.

The Corporation's $355.6 million in cash and cash equivalents as at September 30, 2012, are held in accounts with a diversified group of highly rated third party financial institutions and consist of invested cash and cash in the Corporation's operating accounts. The cash equivalents portion is invested in high grade liquid term deposits. To date, the Corporation has experienced no loss or lack of access to its cash in operating accounts, invested cash or cash equivalents. However, the Corporation can provide no assurance that access to its invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets. While the Corporation monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets.

Cash Flows Summary

	For the three months ended September 30, 2012	For the three months ended September 30, 2011	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
Cash generated by/(used in) operating activities	$ (18,543,668)	$ (4,390,934)	$ (15,009,761)	$ (10,311,902)
Cash used in investing activities	(31,285,507)	(17,533,396)	(162,781,962)	(122,854,124)
Cash (used in)/generated by financing activities	(13,491,565)	(2,873,421)	448,428,101	214,209,116
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(582,539)	-	51,163	-
(Decrease)/increase in cash and cash equivalents	(63,903,279)	(24,797,751)	270,687,541	81,043,090
Cash and cash equivalents, beginning of period	419,548,234	147,381,228	84,957,414	41,540,387
Cash and cash equivalents, end of period	$ 355,644,955	$ 122,583,477	$ 355,644,955	$ 122,583,477

Operating Activities

Cash flow used from operating activities was $18.5 million for the three months ended September 30, 2012 compared to cash flow used in operating activities of $4.4 million for the same period 2011 due higher general administration costs related to compensation payments and movements in working capital of $8.6 million for the third quarter of 2012 compared to $0.1 million for the same period 2011. During the nine month period ended September 30, 2012, cash flow used from operating activities increased by $4.7 million to $15.0 million compared to $10.3 million for the same period in 2011. The change was due to higher general administration costs related to bonus payments and movements in working capital which decreased by $0.1 million to $0.7 million for the nine month period ended September 30, 2012 compared to $0.8 million for the same period in 2011.

Investing Activities

Net cash used for investing activities for the three and nine month periods ended September 30, 2012 increased to $31.3 million and $162.8 million, respectively, compared to $17.5 million and $122.9 million, respectively, for the same periods in 2011. This increase for the three and nine months ended September 30, 2012, of $13.8 million and $39.9 million, respectively, is attributed to the completion of the 2011/2012 capital program investing activities for exploration and evaluation assets and includes changes in non-cash working capital balances period over period. The changes in non-cash working capital balances were $17.6 million and $19.6 million compared to $0.1 million and $0.2 million for the three and nine month periods ended September 30, 2012 and 2011, respectively. The remainder of the increase in investing activities relates to interest income earned of $0.8 million for both comparative periods. Capital investment for the capital program 2011/2012 has focused on the initial construction and capital costs for the West Ells project, the completion of the construction of the West Ells access road and resource delineation.

Financing Activities

Financing activities for the three month period ended September 30, 2012, consisted of the repurchase of 43,022,000 common shares, at a weighted average cost of $0.39 per common share, for total consideration of $16.9 million, offset by $3.4 million for stock option exercises. Net cash used from financing activities for the three month period ended September 30, 2012 was $13.5 million.

Financing activities for the nine month period ended September 30, 2012, consisted of gross proceeds received from the IPO approximating $574.3 million, which includes $3.4 million for stock option exercises. Net cash provided by financing activities for the nine month period ended September 30, 2012, also included $68.9 million and $31.7 million for the payment to repurchase and cancel all warrants issued and outstanding and the repurchase of common shares, respectively, and $25.4 million for share issue costs, which included a payment of $0.5 million for IPO advisory fee.

During the first quarter of 2012, the Corporation drew and repaid $30.0 million on its $100 million Credit Facility Agreement held with Orient International Resources Group Limited. ("Orient Group"). As at September 30, 2012, and as at the date of this MD&A, $Nil is outstanding on this Credit Facility Agreement. Subsequent to period end, the Corporation terminated its Credit Facility Agreement with Orient Group. Refer to Section: *"Transactions with related parties*" for terms and conditions of the Credit Facility Agreement.

Contractual obligations and commitments

The information presented in the table below reflects management's estimate of the contractual maturities of the Corporation's obligations. These maturities may differ significantly from the actual maturities of these obligations. As at September 30, 2012, the Corporation's commitments are as follows:

	Due within the next 12 months	Due in the next 2 to 5 years	Over 5 years
Drilling and other equipment and contracts	$ 44,716,520	$ -	$ -
Lease rentals	1,625,910	6,482,136	10,063,500
Office leases[1]	1,120,676	8,621,010	4,305,931
	$ 47,463,106	$ 15,103,146	$ 14,369,431

1. Office leases only include minimum lease commitments for the first 38 months up to October 31, 2014 for the Hong Kong office lease.

Shares Outstanding

As at November 14, 2012, the Corporation had the following shares issued and outstanding:

Class "A" common shares	2,817,484,161
Class "G" preferred shares	61,340,000
Class "H" preferred shares	22,200,000

Transactions with related parties

Balances and transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation. The Corporation had related party transactions with the following companies related by way of directors or shareholders in common:

- Orient Group is a private company controlled by Mr. Hok Ming Tseung, a significant shareholder and director of the Corporation. At September 30, 2012, Orient Group owned approximately 9.5% of the outstanding shares of the Corporation. Orient Group has provided a Credit Facility Agreement to the Corporation and provides advisory services with respect to various IPO related matters and other strategic topics.
- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors and an Executive Director. MJH Services provides overall operational services to the Corporation.
- 1226591 Alberta Inc. ("1226591 Inc.") is private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors and an Executive Director. 1226591 Inc. provides overall operational services to the Corporation.
- McCarthy Tetrault LLP ("McCarthy's) is a law firm in which a director of the Corporation is a partner. McCarthy's provides legal counsel to the Corporation.

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

Advisory Fee Agreement (the "Agreement")

During 2010, the Corporation entered into the Agreement with Orient Group, in which the Corporation agreed to pay a fee for services to be rendered in connection with an initial filing of an IPO prospectus and listing. The fee, equal to 0.75% of the number of common shares issued and outstanding, could at the time of the initial filing of an IPO be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the Agreement had a January 20, 2013 expiry date. On March 1, 2012, the Corporation successfully closed its Qualifying IPO and listing on the SEHK. Pursuant to this event, the obligation owing for the advisory fee was recognized and 13,566,395 common shares were issued for $8.4 million and cash fee of $440,933 was paid. Since the terms have been fulfilled, the Agreement has terminated. The service provider is a company which is controlled by a director who is a principal of a significant shareholder of the Corporation, and who also holds a senior management position with the service provider company.

Credit Facility Agreement

The Corporation entered into the Credit Facility Agreement with Orient Group, a non-arm's length lender, in which a credit facility for general working capital purposes is available of up to a maximum of $100 million. The credit facility was interest free until May 31, 2012, after which interest of 5% is due on a semi-annual basis on the outstanding principal. The credit facility is unsecured and subordinated, has no stand-by fee and loans can be repaid at anytime without penalty. The effective date of the agreement is October 31, 2011, and has a term of two years from the date of initial drawdown, which was January 13, 2012. Amounts drawn on the credit facility are accounted for as a related party transaction since a director of the Corporation is also the controlling shareholder of the lending company. During the first quarter of 2012, the Corporation drew $30.0 million on the credit facility and repaid the balance prior to period end. As at September 30, 2012, $Nil was outstanding on this credit facility.

For the three and nine month periods ended September 30, 2012, total non-cash finance costs were $Nil and $266,090, respectively, of which $Nil and $29,217, respectively, was expensed and $Nil and $236,873, respectively, was capitalized as the funds are directly attributable to the development of the Corporation's qualifying assets. Upon repayment of the outstanding balance owing on this Credit Facility Agreement, $266,090 was recorded to Other Reserve due to the related party nature of this transaction.

The Corporation incurred consulting fees, share-based compensation and performance related incentive payments to MJH Services and 1226591 Inc. of $6.1 million and $6.8 million each, respectively, for the three and nine month periods ended September 30, 2012, respectively (three and nine month period ended September 30, 2011 - $0.9 million and $1.6 million each, respectively).

During the period, the Corporation entered into the following trading transactions with McCarthy Tetrault LLP:

	Three months ended September 30,				Nine months ended September 30,			
	2012		2011		2012		2011	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
Other assets[1]	$ -	$ -	$ -	$ 316,164	$ -	$ -	$ -	$ 622,540
Share issue costs	-	-	-	-	-	271,331	-	115,520
	$ -	$ -	$ -	$ 316,164	$ -	$ 271,331	$ -	$ 738,060
Legal expense	$ -	$ 41,810	$ -	$ 24,828	$ -	$ 127,961	$ -	$ 176,460
Expense portion of IPO costs	-	-	-	-	-	551,444	-	-
	$ -	$ 41,810	$ -	$ 24,828	$ -	$ 679,405	$ -	$ 176,460

1. Other assets comprises of IPO financing costs before allocation expense.

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

	September 30, 2012	December 31, 2011
Legal	$ -	$ 29,619

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense was recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Off-balance sheet arrangements

At September 30, 2012, the Corporation did not have any off-balance sheet arrangements.

Subsequent events

Subsequent to period end, the Corporation negotiated and signed a $200 million credit Facility (the "Facility") with a syndicate of financial institutions. The Facility matures on October 10, 2013 and is extendable at the lender's discretion. The Facility's term is a 364 day period. The Facility, dated October 11, 2012, bears interest at a floating rate based on Canadian dollar prime rate, US dollar base rate, bankers' acceptances or LIBOR plus a credit spread above the reference rate. Undrawn amounts are subject to a standby fee of 100 basis points per annum. The Facility is secured by all assets of the Corporation. The amount available for drawdown is subject to a sufficient funding requirement which is defined as having on-hand funding equal to or exceeding the sum of the remaining costs to complete the Phase 1 and Phase 2 West Ells project plus a contingency amount equal to 20% of remaining costs to complete. The Facility is subject to various non-financial covenants including, amount other things, restrictions on issuing debt, making investments or loans, paying dividends, altering the nature of the business and undertaking corporate transactions. The Facility also has certain financial covenants.

In conjunction with the closing of the above Facility, the Corporation also terminated its $100 million Credit Facility Agreement with a significant shareholder.

For the three months ended September 30, 2012, the Corporation repurchased 43,022,000 common shares. Of the total amount repurchased, 35,572,500 common shares were cancelled subsequent to period end (7,449,500 common shares were cancelled as at September 30, 2012). Also subsequent to September 30, 2012, the Corporation repurchased and cancelled 18,150,000 common shares at a weighted average price per common share of HK$3.06($0.39), for consideration of $7,015,045.

Recent accounting pronouncements issued but not yet adopted

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on January 1, 2013. At the date of this report, the IASB has not issued any new or revised standards, amendments and interpretations.

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Oil and gas reserves

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

Reserve estimates are critical to many accounting estimates including:

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

Independent qualified reserves evaluators prepare reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by the Corporation's engineers and operational management familiar with the property.

Bitumen Reserves

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that over time its reserves estimates will be revised either upward or downward based on updated information such as the results of future drilling, testing and production. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion and depreciation and for determining potential asset impairment. For example, a revision to the proved reserves estimates would result in a higher or lower depletion and depreciation charge to net earnings. Downward revisions to reserve estimates may also result in an impairment of oil sands property, plant and equipment carrying amounts.

Recoverability of exploration and evaluation costs

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

Decommissioning costs

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

Share repurchase obligation

The Corporation had a share repurchase obligation pursuant to the accounting treatment required under IAS 32. In order to calculate a value for the share repurchase obligation, the effective interest method was applied which is based on estimates and assumptions to determine the effective interest rate. The effects of a change in these estimates or assumptions could result in a materially different amount.

Share-based payments

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

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Corporation, their potential impact and the Corporation's principal risk management strategies are substantially unchanged from those disclosed in the Corporation's MD&A for the year ended December 31, 2011, which is available at www.sedar.com. The 2011 annual report and 2012 half year report of the Corporation are available at the Company's website, www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Corporation's 2011 Annual Information Form is available at www.sedar.com.

Code of Corporate Governance Practice (the "Code")

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

Since the Corporation became a publicly listed company during the reporting period on March 1, 2012, the Corporation confirms that the Code was complied with following its public listing, save that the Corporation has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Corporation will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis at each annual general meeting, which is consistent with market practice in Canada.

Internal controls over financial reporting

There was no change in the Corporation's internal controls over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

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

The Corporation confirms that it complied with the Model Code following its public listing.

Purchase, sale or redemption of Sunshine's listed securities

Class "A" Common Shares

On March 1, 2012, the Corporation successfully closed a Qualifying IPO on the SEHK, issuing 923,299,500 shares at HK$4.86 per share, raising gross proceeds of HK$4,487,235,570. Pursuant to this event, the Corporation recognized an advisory fee owing for HK$69,402,821 (approximately $8,818,656). The obligation was settled through the issuance of 13,566,395 common shares for $8,377,723 and cash paid of $440,933.

Immediately prior to the IPO closing and listing, the redeemable Class "B" common shares converted to common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO and listing. In addition, the Corporation's share repurchase obligation was extinguished and 433,884,300 common shares were reclassified to shareholders' equity.

During the three and nine month periods ended September 2012, the Corporation repurchased 43,022,000 and 66,941,500 common shares at a weighted average price per common share of HK$3.11 ($0.39) and HK$3.66 ($0.47), for total consideration of $16,919,162 and $$31,662,156, respectively. Of the total amount repurchased, 31,369,000 common shares were cancelled as at September 30, 2012 and the remaining 35,572,500 common shares were cancelled subsequent to period end In October 2012. Also subsequent to September 30, 2012, the Corporation repurchased and cancelled a further 18,150,000 common shares at a weighted average price per common share of HK$3.06 ($0.39), for consideration of $7,015,045.

During the three and nine month periods ended September 30, 2012, the Corporation issued 619,800 and 1,036,800 common shares for $705 and $1,400, respectively, upon conversion of Class “G” preferred shares.

During the three and nine month periods ended September 30, 2012, the Corporation issued 38,466,386 and 50,973,426 common shares for $3,427,598 and $4,441,679, respectively, upon exercise of pre-IPO stock options. In accordance, $1,299,387 and $1,744,740, respectively, was transferred from share option reserve to Class “A” common shares, for the three and nine month periods ended September 30, 2012.

Class “G” Preferred Shares
For the three and nine month periods ended September 30, 2012, the Corporation issued Nil and 830,000 Class “G” preferred shares, respectively. During the three and nine month periods ended September 30, 2012, 1,410,000 and 2,800,000 Class “G” Preferred Shares were converted to Class “A” common shares for $705 and $1,400, respectively.

Class “H” Preferred Shares
For the three and nine month periods ended September 30, 2012, the Corporation issued Nil Class “H” preferred shares. For the three and nine month periods ended September 30, 2012, no Class “H” preferred shares were converted to Class “A” common shares.

Pre-IPO Stock Option Plan
For the three and nine month periods ended September 30, 2012, the Corporation granted Nil and 1,730,000 Pre-IPO stock options at a weighted average exercise price of $0.64 and $0.63 per stock option, respectively. During the three and nine month periods ended September 30, 2012, there were 38,466,386 and 50,973,426 Pre-IPO stock options, respectively, exercised at a weighted average exercise price of $0.09 per stock option. There were also 1,413,188 and 2,347,488 forfeitures of Pre-IPO stock options during the three and nine month periods ended September 30, 2012.

Post-IPO Stock Option Plan
On January 26, 2012, the Post-IPO Stock Option Plan (the “Post-IPO Stock Option Plan”) dated January 26, 2012, was approved and adopted by shareholders at the Corporation’s Annual General and Special Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Corporation’s listing on the SEHK, March 1, 2012. The maximum number of Class “A” common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. Options granted under the Post-IPO Stock Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of the closing price and the five day average closing price of Class “A” common shares, listed on the SEHK. For the three and nine month periods ended September 30, 2012, 28,845,000 and 32,639,430 Post-IPO stock options, respectively, had been issued under the Post-IPO Stock Option Plan. During the three and nine month periods ended September 30, 2012, there were Nil Post-IPO stock options exercised. There were also 220,834 forfeitures of stock options during the three and nine month periods ended September 30, 2012.

Review of interim results

The unaudited condensed interim consolidated financial statements for the Corporation for the three and nine month periods ended September 30, 2012, were reviewed by the Audit Committee of the Corporation and the Corporation’s external auditor.

Publication of information on SEDAR, the Stock Exchange of Hong Kong’s website and the Corporation’s website

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2012

(Unaudited)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Other income					
Foreign exchange (loss)/gain		$ (82,463)	$ -	$ 8,953,581	$ -
Interest income		1,224,129	425,124	2,241,561	1,367,251
		1,141,666	425,124	11,195,142	1,367,251
Salaries, consulting and benefits	7	8,520,850	3,249,012	14,389,253	5,629,969
Rent	7	233,857	143,990	732,660	333,808
Legal and audit		319,683	442,282	622,418	1,108,299
Depreciation	8	73,029	48,883	199,011	132,724
Share-based payment expense	7,13	5,945,865	2,467,315	10,679,398	5,798,448
Expense portion of IPO costs		-	1,694,883	16,257,878	1,694,883
Fair value adjustment on warrants		-	(2,440,363)	-	32,088,500
Finance costs	7,15	214,257	6,278,206	17,378,627	18,440,883
Other	7	1,364,950	653,454	3,470,832	2,439,415
		16,672,491	12,537,662	63,730,077	67,666,929
Loss before income taxes		15,530,825	12,112,538	52,534,935	66,299,678
Income tax recovery	11	-	1,883,502	-	1,380,674
Net loss and comprehensive loss for the period attributable to equity holders of the Corporation		$ 15,530,825	$ 10,229,036	$ 52,534,935	$ 64,919,004
Loss per share					
Basic and diluted	16	$ 0.01	$ 0.01	$ 0.02	$ 0.04

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	Notes	As at September 30, 2012	As at December 31, 2011
Assets			
Current Assets			
Cash and cash equivalents	4	$ 355,644,955	$ 84,957,414
Trade and other receivables	5	2,167,538	3,582,953
Prepaid expenses and deposits	6	1,021,175	797,718
		358,833,668	89,338,085
Non-Current Assets			
Exploration and evaluation	7	598,860,382	382,277,258
Property and equipment	8	993,218	718,785
Other assets		-	3,379,627
		599,853,600	386,375,670
		$ 958,687,268	$ 475,713,755
Liabilities and Shareholders' Equity			
Current Liabilities			
Trade and other payables	9	$ 47,451,325	$ 33,365,438
Provisions for decomissioning obligation	10	795,863	68,365
Fair value of warrants		-	63,000,304
		48,247,188	96,434,107
Non-Current Liabilities			
Share repurchase obligation	14	-	224,362,115
Provisions for decomissioning obligation	10	30,788,751	6,331,883
		30,788,751	230,693,998
		79,035,939	327,128,105
Shareholders' Equity			
Share capital	12	994,077,153	219,173,885
Reserve for share based compensation		44,499,701	30,074,070
Deficit		(158,925,525)	(100,662,305)
		879,651,329	148,585,650
		$ 958,687,268	$ 475,713,755

See accompanying notes to the condensed interim consolidated financial statements.

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

		For the nine months ended September 30, 2012			
	Notes	**Reserve for share based compensation	Share capital	Deficit	Total
Balance at December 31, 2011		$ 30,074,070	$ 219,173,885	$ (100,662,305)	$ 148,585,650
Net loss and comprehensive loss for the period		-	-	(52,534,935)	(52,534,935)
Recognition of share-based payments	13.4	16,170,371	-	-	16,170,371
Issue of common shares	12	-	569,880,057	-	569,880,057
Issue of preferred shares	12	-	415	-	415
Reclassification of share repurchase obligation	14	-	247,956,860	-	247,956,860
Repurchase of common shares	12	-	(31,662,157)	-	(31,662,157)
Issue of common shares for services	18.1	-	8,377,723	-	8,377,723
Issue of shares under employee share option plan	12	-	4,441,679	-	4,441,679
Share option transferred on exercise of share options	12	(1,744,740)	1,744,740	-	-
Repurchase and cancellation of warrants	12	-	-	(5,994,375)	(5,994,375)
Recognition of credit on credit facility	18.1	-	-	266,090	266,090
Share issue costs, net of deferred tax ($Nil)	12	-	(25,836,049)	-	(25,836,049)
Balance at September 30, 2012		$ 44,499,701	$ 994,077,153	$ (158,925,525)	$ 879,651,329

		For the nine months ended September 30, 2011			
	Notes	**Reserve for share based compensation	Share capital	Deficit	Total
Balance at December 31, 2010		$ 17,642,606	$ 224,526,472	$ (19,736,288)	$ 222,432,790
Net loss and comprehensive loss for the period		-	-	(64,919,004)	(64,919,004)
Recognition of share-based payments	13.4	11,393,157	-	-	11,393,157
Issue of common shares	12	-	7,469,466	-	7,469,466
Common shares issued on a flow-through basis	12	-	6,471,476	-	6,471,476
Issue of preferred shares	12	-	10,720	-	10,720
Cancellation of preferred shares	12	-	(230)	-	(230)
Issues of shares under employee share option plan	12	(9,811)	1,263,050	-	1,253,239
Share option transferred on exercise of share options	12	(511,626)	511,626	-	-
Reclassification of fair value of warrants	12	(2,277,223)	(20,513,800)	(13,533,477)	(36,324,500)
Share issue costs, net of deferred tax ($136,120)	12	-	(528,470)	-	(528,470)
Balance at September 30, 2011		$ 26,237,103	$ 219,210,310	$ (98,188,769)	$ 147,258,644

** Reserve for share based compensation includes recognition of share-based payments on stock options as well as share-based payments on fee warrants.

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash flows from operating activities					
Loss before income taxes		$ (15,530,825)	$ (12,112,538)	$ (52,534,935)	$ (66,299,678)
Finance costs	7,15	214,257	6,278,206	17,378,627	18,440,883
Expense portion of IPO costs		-	1,694,883	10,863,418	1,694,883
Fair value adjustment on warrants		-	(2,440,363)	-	32,088,500
Unrealized foreign exchange loss/(gain)		582,539	-	(51,163)	-
Interest income		(1,224,129)	(425,124)	(2,241,561)	(1,367,251)
Depreciation	8	73,029	48,883	199,011	132,724
Share-based payment expense	7,13	5,945,865	2,467,315	10,679,398	5,798,448
		(9,939,264)	(4,488,738)	(15,707,205)	(9,511,491)
Movements in working capital					
(Increase)/decrease in trade and other receivables		(750,106)	783,683	1,212,213	(871,588)
(Increase)/decrease in prepaids and deposits		306,020	(414,802)	(186,574)	(447,978)
Increase/(decrease) in trade and other payables		(8,160,318)	(271,077)	(328,196)	519,155
		(18,543,668)	(4,390,934)	(15,009,761)	(10,311,902)
Cash flows from investing activities					
Interest received		1,224,129	425,124	2,241,561	1,367,251
Payments for exploration and evaluation assets		(32,305,167)	(17,905,945)	(164,550,079)	(123,939,319)
Payments for property and equipment	8	(204,469)	(52,575)	(473,444)	(282,056)
		(31,285,507)	(17,533,396)	(162,781,962)	(122,854,124)
Cash flows from financing activities					
Payment for deferred portion of IPO costs		-	1,938,237	-	(624,448)
Payment for repurchase of common shares	12	(16,919,163)	-	(31,662,157)	-
Proceeds from issue of preferred shares		-	2,570	415	10,490
Proceeds from issue of common shares	12	3,427,598	198,569	574,321,736	15,852,477
Payment for share issue costs		-	(169,427)	(24,928,286)	(707,455)
Proceeds from share repurchase obligation		-	-	-	210,000,001
Payment for transaction costs on share repurchase obligation		-	(4,843,370)	-	(10,321,949)
Advance from credit facility	18.1	-	-	30,000,000	-
Repayment of credit facility	18.1	-	-	(30,000,000)	-
Payment for advisory fee	18.1	-	-	(440,933)	-
Payment for warrant settlement		-	-	(68,862,674)	-
		(13,491,565)	(2,873,421)	448,428,101	214,209,116
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		(582,539)	-	51,163	-
Net increase/(decrease) in cash and cash equivalents		(63,903,279)	(24,797,751)	270,687,541	81,043,090
Cash and cash equivalents, beginning of period		419,548,234	147,381,228	84,957,414	41,540,387
Cash and cash equivalents, end of period		$ 355,644,955	$ 122,583,477	$ 355,644,955	$ 122,583,477

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended September 30, 2012
(Expressed in Canadian dollars, unless otherwise indicated)
(Unaudited)

1. General information

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

The Corporation is engaged in the exploration for, and the development of oil properties for the future production of bitumen in the Athabasca oil sands region in Alberta, Canada.

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited ("Sunshine Hong Kong") was incorporated in Hong Kong under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and is a wholly-owned subsidiary of the Corporation. The address of the principal place of business for Sunshine Hong Kong is Unit 8504A, 85/F, International Commerce Centre 1 Austin Road West, Kowloon.

The Corporation is a development stage company. The continued existence of the Corporation is dependent on its ability to maintain capital funding to further development and to meet obligations. In the event that such capital is not available to the Corporation, it will be necessary to prioritize activities, which may result in delaying and potentially losing business opportunities and cause potential impairment to recorded assets. The Corporation currently anticipates incurring substantial expenditures to further its capital development program.

2. Basis of Preparation

The condensed interim consolidated financial information included in this report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been omitted or condensed. Accordingly, these interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2011.

The condensed interim consolidated financial statements incorporate the financial statements of the Corporation and the Corporation's wholly owned subsidiaries, Fern Energy Ltd. ("Fern") and Sunshine Hong Kong. All inter-company transactions, balances, revenues and expenses are eliminated in full on consolidation.

3. Recent accounting pronouncements issued but not yet adopted

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on January 1, 2013. Other than as previously disclosed in the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2011, at the date of this report, the IASB has not issued any new or revised standards, amendments and interpretations.

4. Cash and cash equivalents

	September 30, 2012	December 31, 2011
Cash	$ 9,212,554	$ 3,906,318
Term deposits	346,432,401	81,051,096
Cash and cash equivalents	$ 355,644,955	$ 84,957,414

The Corporation's cash equivalents comprises of term deposits which have maturity ranges of less than one week to three months and an interest rate range of 0.5% to 1.26%.

5. Trade and other receivables

	September 30, 2012	December 31, 2011
Trade	$ 141,550	$ 2,047,804
Accruals and other	834,972	12,164
Goods and Services Taxes receivable	1,191,016	1,522,985
	$ 2,167,538	$ 3,582,953

6. Prepaid expenses and deposits

	September 30, 2012	December 31, 2011
Prepaid expenses	$ 576,712	$ 344,912
Deposits	444,463	452,806
	$ 1,021,175	$ 797,718

7. Exploration and evaluation assets

	Intangible Assets	Tangible Assets	Land and Leaseholds	Total
Cost				
Balance, January 1, 2012	$ 294,054,419	$ 13,568,491	$ 74,654,348	$ 382,277,258
Additions	206,458,425	7,799,880	2,324,819	216,583,124
Balance, September 30, 2012	$ 500,512,844	$ 21,368,371	$ 76,979,167	$ 598,860,382

	Intangible Assets	Tangible Assets	Land and Leaseholds	Total
Cost				
Balance, January 1, 2011	$ 125,560,650	$ 4,056,655	$ 68,219,040	$ 197,836,345
Additions	168,493,769	9,511,836	6,435,308	184,440,913
Balance, December 31, 2011	$ 294,054,419	$ 13,568,491	$ 74,654,348	$ 382,277,258

The Corporation is a development stage entity and as a result, no depletion expense has been recorded for any period. During the three and nine month periods ended September 30, 2012 and 2011, the Corporation capitalized the following costs:

	Three months ended September 30,					
	2012			2011		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payment expense (Note 13.4)	$ 8,694,865	$ 2,749,000	$ 5,945,865	$ 4,545,256	$ 2,077,941	$ 2,467,315
Pre-production operating (profit)\loss	195,575	195,575	-	1,153,900	1,153,900	-
Finance costs (Note 15)	214,257	-	214,257	8,914,088	2,635,882	6,278,206
	$ 9,104,697	$ 2,944,575	$ 6,160,122	$ 14,613,244	$ 5,867,723	$ 8,745,521

	Nine months ended September 30, 2012			Nine months ended September 30, 2011		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payment expense (Note 13.4)	$ 16,170,371	$ 5,490,973	$ 10,679,398	$ 11,383,346	$ 5,584,898	$ 5,798,448
Pre-production operating (profit)\loss	1,321,929	1,321,929	-	1,649,500	1,649,500	-
Finance costs (Note 15)	19,493,988	2,115,361	17,378,627	22,605,159	4,164,276	18,440,883
	$ 36,986,288	$ 8,928,263	$ 28,058,025	$ 35,638,005	$ 11,398,674	$ 24,239,331

During the three and nine month periods ended September 30, 2012 and 2011, the Corporation capitalized the following in general and administrative costs:

	Three months ended September 30, 2012			Three months ended September 30, 2011		
	General and Administrative Costs	Capitalized portion	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Salaries, consulting and benefits	$ 10,574,730	$ 2,053,880	$ 8,520,850	$ 5,638,053	$ 2,389,041	$ 3,249,012
Rent	537,743	303,886	233,857	301,727	157,737	143,990
Other	1,654,663	289,713	1,364,950	784,317	130,863	653,454
	$ 12,767,136	$ 2,647,479	$ 10,119,657	$ 6,724,097	$ 2,677,641	$ 4,046,456

	Nine months ended September 30, 2012			Nine months ended September 30, 2011		
	General and Administrative Costs	Capitalized	Expensed	General and Administrative Costs	Capitalized portion	Expensed
Salaries, consulting and benefits	$ 20,465,054	$ 6,075,801	$ 14,389,253	$ 10,280,158	$ 4,650,189	$ 5,629,969
Rent	1,578,163	845,503	732,660	701,256	367,448	333,808
Other	4,231,824	760,992	3,470,832	2,914,118	474,703	2,439,415
	$ 26,275,041	$ 7,682,296	$ 18,592,745	$ 13,895,532	$ 5,492,340	$ 8,403,192

8. Property and equipment

Computer & Office Equipment	September 30, 2012	December 31, 2011
Cost		
Balance, beginning of period	$ 1,207,431	$ 776,968
Additions	473,444	430,463
Balance, end of period	$ 1,680,875	$ 1,207,431
Accumulated Depreciation		
Balance, beginning of period	$ 488,646	$ 302,917
Depreciation expense	199,011	185,729
Balance, end of period	$ 687,657	$ 488,646
Net book value	$ 993,218	$ 718,785

9. Trade and other payables

	September 30, 2012	December 31, 2011
Trade	$ 3,513,724	$ 11,951,503
Accrued liabilities	43,937,601	21,413,935
	$ 47,451,325	$ 33,365,438

Trade payables and accrued liabilities mainly represent payables to subcontractors for exploration and evaluation services.

10. Provisions for decommissioning obligation

At September 30, 2012, the estimated total undiscounted cash flows required to settle decommissioning obligations was $43,847,500 (December 31, 2011 - $6,707,500). Expenditures to settle decommissioning obligations are estimated to be incurred between 2012 and 2061. Decommissioning costs are based on estimated cash flows discounted using annual risk-free interest rates between 1.10% to 2.24% per annum and inflated using an inflation rate of 2.0% per annum.

	September 30, 2012	December 31, 2011
Balance, beginning of period	$ 6,400,248	$ 2,169,064
Additional provisions recognised	24,169,733	3,728,617
Effect of changes in the discount rate	662,801	374,004
Unwinding of discount rate and effect	351,832	128,563
	31,584,614	6,400,248
Current portion	(795,863)	(68,365)
Balance, end of period	$ 30,788,751	$ 6,331,883

11. Income taxes

11.1 Income tax recognised in the Statement of Operations

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Income taxes comprises:				
Tax expense in respect of the current year	$ -	$ 1,296,800	$ -	$ 1,162,807
Effect of changes in tax rates and laws	-	586,702	-	217,867
Total tax recovery	$ -	$ 1,883,502	$ -	$ 1,380,674

11.2 Deferred tax balances

September 30, 2012	Opening Balance	Recognised in loss	Recognised in other comprehensive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (32,593,406)	$ (8,303,408)	$ -	$ -	$ -	$ -	$ (7,222,560)	$ (48,119,374)
Property and equipment	(31,476)	(55,150)	-	-	-	-	-	(86,626)
Other financial liabilities	755,155	(87,958)	-	-	-	-	7,222,560	7,889,757
Share issue expenses	871,668	(4,057,785)	-	-	-	-	-	(3,186,117)
	$ (30,998,059)	$ (12,504,301)	$ -	$ -	$ -	$ -	$ -	$ (43,502,360)
Tax losses	30,998,059	12,504,301	-	-	-	-	-	43,502,360
Deferred tax assets (liabilities)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

September 30, 2011	Opening Balance	Recognised in loss	Recognised in other comprehensive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (15,458,127)	$ (11,354,175)	$ -	$ -	$ -	$ -	$ (2,068,811)	$ (28,881,113)
Property and equipment	(4,093)	(28,066)	-	-	-	-	-	(32,159)
Other financial liabilities	498,289	(23,028)	-	-	-	-	95,147	570,408
Share issue expenses	1,895,725	(1,737,053)	-	1,484,253	-	-	-	1,642,924
	$ (13,068,206)	$ (13,142,322)	$ -	$ 1,484,253	$ -	$ -	$ (1,973,664)	$ (26,699,940)
Tax losses	12,176,944	14,522,996	-	-	-	-	-	26,699,940
Deferred tax assets (liabilities)	$ (891,262)	$ 1,380,674	$ -	$ 1,484,253	$ -	$ -	$ (1,973,664)	$ -

12. Share capital

On January 26, 2012, shareholders of the Corporation authorized the Corporation to complete up to a 25:1 share split. Prior to closing the IPO, the Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding numbers of shares. All share and stock option information is therefore presented on a post split basis. In addition, the Articles of Incorporation were amended to remove the voting rights from the Class "G" preferred shares.

The Corporation's authorized share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and
- an unlimited number of Class "G" non-voting preferred shares to be issued shall not exceed 10% of the issued and outstanding number of common shares including any common shares that have been authorized for issuance. The authorized number of preferred shares shall not be considered a rolling 10% available number and any preferred shares that are redeemed or converted in accordance with their terms shall permanently reduce the number available; and
- an unlimited number of Class "H" non-voting preferred shares.

Issued capital

	September 30, 2012	December 31, 2011
Common shares	$ 994,035,383	$ 216,760,629
Class "G" preferred shares	30,670	31,655
Class "H" preferred shares	11,100	11,100
Purchase warrants	-	2,370,501
Issued capital	$ 994,077,153	$ 219,173,885

Common shares

12.1 Fully paid Class "A" common shares	September 30, 2012 Number of shares	$	December 31, 2011 Number of shares	$
Balance, beginning of period	1,470,171,240	$ 216,760,629	1,423,298,640	$ 196,318,022
Issued for cash	923,299,500	569,880,057	15,432,780	7,469,466
Issued for services	13,566,395	8,377,723	-	-
Reclassification of share repurchase obligation	433,884,300	247,956,860	-	-
Repurchase of common shares	(66,941,500)	(31,662,157)	-	-
Repurchase of purchase warrants	-	2,370,501	-	-
Conversion of preferred shares exercised	1,036,800	1,400	-	-
Common shares issued on a flow-through basis	-	-	13,370,820	6,471,476
Exercise of flow-through warrants	-	-	11,215,000	5,293,314
Issue of shares under employee share option plan	50,973,426	4,441,679	6,854,000	1,263,050
Share option reserve transferred on exercise of stock options	-	1,744,740	-	511,626
Share issue costs	-	(25,836,049)	-	(566,325)
Balance, end of period	2,825,990,161	994,035,383	1,470,171,240	216,760,629

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.

On January 4, 2012, the Corporation completed the repurchase and cancellation of all purchase warrants. As a result, 14,412,160 purchase warrants with a value of $2,370,501 were transferred to common shares.

On March 1, 2012, the Corporation successfully closed a Qualifying IPO on the SEHK, issuing 923,299,500 common shares at HK$4.86 per share, raising gross proceeds of HK$4,487,235,570 (approximately $569,880,057). Pursuant to this event, the Corporation recognized an advisory fee owing (Note 18.1) of HK$69,402,821 (approximately $8,818,656). The obligation was settled through the issuance of 13,566,395 common shares for $8,377,723 and cash paid of $440,933.

Also in conjunction with the Qualifying IPO, the balance of $230,226,167 of the share repurchase obligation (net of transaction costs of $17,769,848) (Note 14), including 433,884,300 common shares (originally comprised of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares), were reclassified to share capital as the terms of the Subscription Agreements were agreed with the subscription holders to have been met and the share repurchase obligation was extinguished. Prior to closing of the IPO, 144,628,100 Class "B" common shares were exchanged for Class "A" common shares on a one for one basis and then cancelled. Total transaction costs of $17,769,848, which were netted against the share repurchase obligation, included cash fees paid of $11,391,611 and $6,378,237 assigned as fair value of fee warrants issued to finders.

The carrying value of these transaction costs was allocated to share issue costs for $4,718,679. The remainder of $13,012,014 has been included in finance costs (Note 15) for the nine month period ended September 30, 2012.

In June 2012, the Corporation repurchased and cancelled 23,919,500 common shares at a weighted average price per common share of $0.62 (HK$4.65), for total consideration of $14,742,994.

In September 2012, the Corporation repurchased 43,022,000 common shares at a weighted average price per common share of $0.39 (HK$3.11), for total consideration of $16,919,163. Of the total amount repurchased, 7,449,500 common shares were cancelled as at September 30, 2012 and the remaining 35,572,500 common shares were cancelled subsequent to period end. Also subsequent to September 30, 2012, the Corporation repurchased and cancelled an additional 18,150,000 common shares at a weighted average price per common share of $0.39 (HK$3.06), for consideration of $7,015,045.

For the three and nine month period ended September 30, 2012, the Corporation had 38,466,386 and 50,973,426 stock options (2011 – Nil and 6,854,000) exercised for gross proceeds of $3,427,598 and $4,441,679 (2011 - $Nil and $1,263,050), respectively.

For the nine month period ended September 30, 2012, pursuant to total costs incurred for its IPO, the Corporation recognized an allocation amount of share issue costs of $21,117,370.

Class "G" preferred shares

The Corporation's Board of Directors has authorized for issuance a maximum of 65,000,000 Class "G" preferred shares. The Class "G" preferred shares are non-voting and were issued at $0.0005 per Class "G" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below. As at September 30, 2012, the conversion entitlement was 0.46 of a common share per Class "G" preferred share.

For the three and nine month periods ended September 30, 2012, the Corporation issued Nil and 830,000, respectively, Class "G" preferred shares. The Corporation had the following Class "G" preferred shares issued and outstanding:

	September 30, 2012					December 31, 2011				
	Class "G" preferred shares		$		Weighted average price	Class "G" preferred shares		$		Weighted average price
Balance, beginning of period	63,310,000	$	31,655	$	0.33	54,470,000	$	27,235	$	0.31
Issued	830,000		415	$	0.48	10,800,000		5,400	$	0.48
Converted	(2,800,000)		(1,400)	$	0.18	-		-	$	-
Forfeited	-		-	$	-	(1,960,000)		(980)	$	0.46
Balance, end of period	61,340,000	$	30,670	$	0.33	63,310,000	$	31,655	$	0.33
Convertible, end of period	28,216,400	$	14,108	$	0.33	-	$	-	$	-

The fair value of the Class "G" preferred shares was estimated to be $0.48 per Class "G" preferred share, using the Black Scholes pricing model with the following assumptions.

	Nine months ended September 30, 2012
Weighted average expected volatility (%)	75%
Risk-free rate of return (%)	1.10%
Expected life (years)	1.89 - 1.99
Expected forfeitures	Nil
Dividends	Nil

Class "H" preferred shares

The Corporation's Board of Directors has authorized for issuance a maximum of 25,000,000 Class "H" preferred shares. The Class "H" preferred shares were issued at $0.0005 per Class "H" preferred share and are convertible into Class " A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below. As at September 30, 2012, the conversion entitlement was 0.46 of a common share per Class "H" preferred share.

The Corporation had the following Class "H" preferred shares issued and outstanding:

	September 30, 2012			December 31, 2011		
	Class "H" preferred shares	$	Weighted average price	Class "H" preferred shares	$	Weighted average price
Balance, beginning of period	22,200,000	$ 11,100	$ 0.42	7,200,000	$ 3,600	$ 0.28
Issued	-	-	$ -	15,000,000	7,500	$ 0.48
Balance, end of period	22,200,000	$ 11,100	$ 0.42	22,200,000	$ 11,100	$ 0.42
Convertible, end of period	10,212,000	$ 5,106	$ 0.42	-	$ -	$ -

The term, conversion rights and conversion schedule are the same for both the Class "G" and the Class "H" preferred shares. The preferred shares have a term commencing from the date of issue until the date ("expiry date") that is the earlier of the date that is 24 months after the date that the Corporation completes an initial public offering ("IPO") and listing on the SEHK (or other going public transaction or listing as determined and at the sole discretion of the Board of Directors of the Corporation) or December 31, 2013. The Corporation completed its IPO and listing on March 1, 2012.

Both the Class "G" and the Class "H" preferred shares are convertible into Class "A" common shares, at the option of the holder, at any time prior to the expiry date for no additional consideration to the Corporation. The number of Class "A" common shares the holder is entitled to receive upon conversion, is determined based on the following conversion schedule. The preferred shares shall automatically convert on the expiry date to the number of Class "A" common shares the holder is entitled to as set out in the following conversion schedule.

Class "G" and Class "H" Preferred Shares Conversion Schedule

Time Period	Preferred Shares Conversion Schedule %	Class "G" and "H" Preferred Shares Outstanding	Class "A" Common Shares Issuable on Conversion
Date of issuance to initial public offering (IPO) less a day or February 29, 2012	0%	83,540,000	-
IPO date to 6 months after IPO date less a day or March 1, 2012 - August 31, 2012	30%	83,540,000	25,062,000
6 months after IPO date to 12 months after IPO date less a day or September 1, 2012 - February 29, 2013	46%	83,540,000	38,428,400
12 months after IPO date to 18 months after IPO date less a day or March 1, 2013 - August 31, 2013	62%	83,540,000	51,794,800
18 months after IPO date to 21 months after IPO date less a day or September 1, 2013 - December 31, 2013	78%	83,540,000	65,161,200
21 months after IPO date to 24 months after IPO date January 1, 2014 - March 31, 2014	100%	83,540,000	83,540,000
Expiry Date or December 31, 2013	100%	83,540,000	83,540,000

**IPO date was March 1, 2012

Prior to the IPO, the holders of Class "G" and Class "H" preferred shares were only entitled to a redemption amount of $0.0005 per Class "G" and Class "H" preferred share.

The Class "G" preferred shares are redeemable by the Corporation at any time for the number of Class "A" common shares the holder is entitled to on the date of redemption as set out in the above conversion schedule. The Class "H" preferred shares are redeemable by the Corporation for $0.0005 each on or after the date that is 21 months after an IPO, upon 30 days' notice to the holder.

The preferred shares are retractable at the option of the holder commencing on the date that is 21 months after an IPO for the number of Class "A" common shares the holder is entitled to on the date of redemption as set out in the above conversion schedule for $0.0005 each.

In the event that a holder of preferred shares ceases to be eligible to hold preferred shares (e.g. ceases to be a director, officer, employee, consultant or advisor of the Corporation), the preferred shares held by such holder shall terminate and be cancelled on the date that is 30 days after such holder ceases to be eligible and, to the extent the holder requests such preferred shares be converted or redeemed, shall only be convertible or redeemable for the number of Class "A" common shares the holder is then entitled to on the date the person ceases to be eligible as set out in the above conversion schedule.

Warrants

In September 2011, in conjunction with the Corporation's preliminary prospectus filing for an IPO and pursuant to certain conditions and requirements of this filing for a public listing on the SEHK, the Corporation, through its independent directors, commenced negotiations with significant warrant holders, who are also shareholders of the Corporation, to repurchase and cancel all issued and outstanding purchase and fee warrants. The reference price for the repurchase of all warrants was determined by a committee of independent directors of the Corporation.

(a) Purchase warrants

	September 30, 2012		December 31, 2011	
	Number of warrants	$	Number of warrants	$
Balance, beginning of period	14,412,160	$ 2,370,501	139,132,060	$ 22,884,301
Repurchased and cancelled	(14,412,160)	(2,370,501)	-	-
Reclassification of purchase warrants	-	-	(124,719,900)	(20,513,800)
Balance, end of period	-	$ -	14,412,160	$ 2,370,501

On January 4, 2012, the Corporation completed the repurchase and cancellation of all purchase warrants. For the nine month period ended September 30, 2012, the Corporation recognized $Nil fair value adjustment as these were settled.

(b) Fee Warrants

	September 30, 2012		December 31, 2011	
	Number of warrants	$	Number of warrants	$
Balance, beginning of period	-	$ -	12,499,920	$ 2,277,223
Issued	-	-	-	-
Cancelled	-	-	-	-
Reclassification of fee warrants	-	-	(12,499,920)	(2,277,223)
Balance, end of period	-	$ -	-	$ -

On January 4, 2012, the Corporation completed the repurchase and cancellation of all fee warrants. For the nine month period ended September 30, 2012, the Corporation recognized $Nil fair value adjustment as these were settled.

13. Share-based payments

13.1 Employee stock option plans

Pre-IPO Stock Option Plan:

The Corporation's pre-IPO stock option plan was for directors, officers, employees, consultants and advisors of the Corporation. The options vest over a period ranging up to three years from the date of grant. Options granted under the Stock Option Plan will have an exercise price that is not less than the price of the most recent private placement, or, if the common shares are listed on a stock exchange, the price which is, from time to time, permitted under the rules of any stock exchange or exchanges on which the Class "A" common shares are then listed.

On September 9, 2010, the 2009 Stock Option Plan dated May 7, 2009 (the "Pre-IPO Stock Option Plan"), was amended, approved, ratified and adopted by shareholders at the Corporation's Annual General and Special Meeting. The amendment increased the maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Pre-IPO Stock Option Plan from 169,289,160 to the greater of 210,000,000 or 10% of the total number of issued and outstanding shares. Following the IPO listing on March 1, 2012, no further options were issued under the Pre-IPO Stock Option Plan.

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan (the "Post-IPO Stock Option Plan") dated January 26, 2012, was approved and adopted by shareholders at the Corporation's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Corporation's listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. Options granted under the Post-IPO Stock Option Plan have an exercise price that is determined by the Board of Directors.

The terms and conditions of each of the respective Stock Option Plans are substantially similar and have been presented below in total.

13.2 Fair value of stock options granted in the period

The weighted average fair value of the stock options granted for both the three and nine month periods ended September 30, 2012 was $0.31 (year ended December 31, 2011: $0.27). Options were priced using the Black Scholes model. From inception of the Corporation to September 30, 2012, the cumulative weighted average fair value per option is $0.13. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility from a peer group of listed companies. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 1%.

The table below details the input variables used in the Black Scholes model to determine the fair value for share-based compensation for the three and nine month periods ended September 30, 2012:

Since inception	Series 5 - 15	Series 16	Series 17 - 23e	Series 24a - 37	Series 38a - 43
Grant date share price ($)	0.14 - 0.20	0.45	0.26 - 0.28	0.48	0.64 - 0.65
Exercise price ($)	0.20	0.45	0.64	0.48	0.64 - 0.65
Expected volatility (%)	50.0	50.0	75.5	77.6 - 96.0	75.5
Option life (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	-	-	-	-	-
Risk-free interest rate (%)	3.00	3.00	1.09 - 1.30	1.55 - 2.50	1.09 - 1.30
Expected forfeitures (%)	-	-	1.0	1.0	1.0

13.3 Movements in stock options during the period

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

	Three months ended September 30,		**Nine months ended September 30,**		**Year ended December 31, 2011**	
	Number of Options	**Weighted Average Exercise Price ($)**	**Number of Options**	**Weighted Average Exercise Price ($)**	**Number of Options**	**Weighted Average Exercise Price ($)**
Balance, beginning of period	195,041,630	0.22	202,958,540	0.22	189,723,980	0.18
Granted	28,845,000	0.64	34,369,430	0.63	23,313,540	0.48
Exercised	(38,466,386)	0.09	(50,973,426)	0.09	(6,854,000)	0.18
Forfeited	(1,634,022)	0.37	(2,568,322)	0.50	(3,224,980)	0.40
Balance, end of period	183,786,222	0.32	183,786,222	0.32	202,958,540	0.22
Exercisable, end of period	149,625,949	0.27	149,625,949	0.27	170,785,520	0.18

The stock options outstanding as at September 30, 2012, had a weighted average remaining contractual life of 2.14 years (December 31, 2011 – 1.92 years).

13.4 Share-based compensation

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

Three months ended September 30, 2012

	Expensed	Capitalized	Total
Stock options	$ 4,296,880	$ 1,850,708	$ 6,147,588
Preferred shares	1,648,985	898,292	2,547,277
	$ 5,945,865	$ 2,749,000	$ 8,694,865

Three months ended September 30, 2011

	Expensed	Capitalized	Total
Stock options	$ 1,200,817	$ 1,127,655	$ 2,328,472
Preferred shares	1,266,498	950,286	2,216,784
	$ 2,467,315	$ 2,077,941	$ 4,545,256

Nine months ended September 30, 2012

	Expensed	Capitalized	Total
Stock options	$ 5,708,357	$ 2,716,480	$ 8,424,837
Preferred shares	4,971,041	2,774,493	7,745,534
	$ 10,679,398	$ 5,490,973	$ 16,170,371

Nine months ended September 30, 2011

	Expensed	Capitalized	Total
Stock options	$ 2,640,909	$ 2,925,285	$ 5,566,194
Preferred shares	3,157,539	2,659,613	5,817,152
	$ 5,798,448	$ 5,584,898	$ 11,383,346

14. Share repurchase obligation

	September 30, 2012	December 31, 2011
Balance, beginning of period	$ 224,362,115	$ -
Issue of subscriptions for cash	-	210,000,001
Transaction costs	-	(17,769,848)
Accretion	5,864,052	32,131,962
Reclassification to common shares	(230,226,167)	-
Balance, end of period	$ -	$ 224,362,115

On March 1, 2012, the Corporation successfully closed a Qualifying IPO and listing on the SEHK. Pursuant to this event, the balance of the share repurchase obligation of $230,226,167 (net of total transaction costs of $17,769,848), including 433,884,300 common shares comprising of 289,256,200 Class “A” common shares and 144,628,100 Class “B“ common shares, has been reclassified to share capital as the terms of the Subscription Agreements were agreed with the subscription holders to have been met and the share repurchase obligation has been extinguished. The Class “B” common shares were surrendered for cancellation and exchanged for Class “A” common shares.

For the three and nine month periods ended September 30, 2012, finance costs expensed were $Nil and $3,985,564 (2011 - $6,247,754 and $18,348,773), respectively, and finance costs of $Nil and $1,878,488 (2011 - $2,635,882 and $4,164,276), respectively, were capitalized as the funds are directly attributable to the development of the Corporation’s qualifying assets.

Of the total transaction costs which were netted against the obligation, $Nil and $4,718,679, respectively, have been proportionately allocated to share issue costs with the remainder $Nil and $13,012,014, respectively, expensed for the three and nine month periods ended September 30, 2012.

15. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Finance cost on share repurchase obligation[1]	$ -	$ 8,883,636	$ 5,864,052	$ 22,513,049
Expensed portion of share issue costs[2]	-	-	13,012,014	-
Finance cost on credit facility[3]	-	-	266,090	-
Unwinding of discounts on provisions	214,257	30,452	351,832	92,110
Less: Amounts capitalized in exploration and evaluation assets[4]	-	(2,635,882)	(2,115,361)	(4,164,276)
	$ 214,257	$ 6,278,206	$ 17,378,627	$ 18,440,883

1. Finance costs on share repurchase obligation relate to the $210 million common share subscriptions, which closed in early 2011. These finance costs relate to accretion of the common share subscriptions, which had a share repurchase right, and have been accounted for using the effective interest method (Note 14). During the three and nine month periods ended September 30, 2012, total finance costs of $Nil and $5,864,052 (2011 - $8,883,636 and $22,513,049), respectively, were recognized, of which $Nil and $1,878,488 (2011 - $2,635,882 and $4,164,276), respectively, was capitalized in exploration and evaluation assets with the remaining $Nil and $3,985,564 (2011 - $6,247,754 and $18,348,773), respectively, expensed in finance costs. On March 1, 2012, the share repurchase obligation was reclassified to equity.

2. For the three and nine month periods ended September 30, 2012, expensed portion of share issue costs of $Nil and $13,012,014 (2011 - $Nil and $Nil), respectively, relates to the expensed portion of transaction costs incurred in relation to 433,884,300 common shares issued in February 2011 for $210 million, which were previously netted against the share repurchase obligation.

3. During the three and nine month periods ended September 30, 2012, the Corporation drew and repaid $30.0 million on an available $100.0 million credit facility. The loan was accounted for using the effective interest method (Note 18). During the three and nine month periods ended September 30, 2012, total finance costs of $Nil and $266,090 (2011 - $Nil and $Nil), respectively, were recognized, of which $Nil and $236,873 (2011 -$Nil and $Nil), respectively, was capitalized in exploration and evaluation assets with the remaining $Nil and $29,217 (2011 - $Nil and $Nil), respectively, expensed in finance costs.

4. For the three and nine month periods ended September 30, 2012, amount comprises of $Nil and $1,878,488 (2011 - $2,635,882 and $4,164,276), respectively, for capitalized portion of finance costs on share repurchase obligation and $Nil and $236,873 (2011 - $Nil and $Nil), respectively, capitalized finance costs on credit facility.

16. Loss per share

The weighted average number of basic Class “A” common shares for the three and nine month periods ended September 30, 2012 and 2011 is presented below. Other than Class “A” common shares, all equity instruments have been excluded in calculating the diluted loss per share as they were anti-dilutive, given the Corporation was in a loss position for the periods presented.

	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Basic - Class "A" common shares [1,2,3]	**2,856,120,186**	1,441,441,220	**2,541,193,270**	1,441,441,220
Diluted - Class "A" common shares	**2,856,120,186**	1,441,441,220	**2,541,193,270**	1,441,441,220
Redeemable Class "A" common shares	**-**	289,256,200	**-**	289,256,200
Redeemable Class "B" common shares	**-**	144,628,100	**-**	144,628,100
Class "G" preferred shares	**61,340,000**	56,470,000	**61,340,000**	56,470,000
Class "H" preferred shares	**22,200,000**	14,200,000	**22,200,000**	14,200,000
Stock Options	**183,786,222**	194,223,980	**183,786,222**	194,223,980
Warrants	**-**	173,326,200	**-**	173,326,200

1. On January 26, 2012, shareholders of the Corporation authorized the Corporation to complete up to a 25:1 share split. The Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding numbers of shares. All share and stock option information is therefore presented on a post split basis.

2. The number of Class "A" common shares presented is the weighted average number of shares for the three and nine month periods ended September 30, 2012. Prior to the closing of the IPO on March 1, 2012, 289,256,200 redeemable Class "A" common shares and 144,628,100 redeemable Class "B" common shares were excluded from the weighted average calculation.

3. Excludes 43,022,000 common shares repurchased in the three months ending September 30, 2012 (Note 12).

17. Financial instruments

17.1 Capital risk management

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

The Corporation's strategy is to access capital, through equity issuances and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Corporation manages its capital structure and makes adjustments relative to changes in economic conditions and the Corporation's risk profile. In order to maintain the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Corporation monitors its working capital in order to assess capital efficiency. The Corporation's capital structure currently includes shareholders' equity and working capital. At September 30, 2012 the Corporation is not subject to any externally imposed financial covenants (Note 22).

On March 1, 2012, the Corporation successfully closed a Qualifying IPO and listing on the SEHK. Pursuant to this event, the balance of the share repurchase obligation, including 433,884,300 common shares (originally comprised of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares), were reclassified as the terms of the Subscription Agreements were agreed with the subscription holders to have been met. All Class "B" common shares were exchanged for Class "A" common shares prior to the closing of the IPO and then were cancelled.

There is no change in the Corporation's objectives and strategies of capital management for the three and nine month periods ended September 30, 2012. Subsequent to period end, the Corporation negotiated and signed a $200 million credit Facility (the "Facility") with a syndicate of financial institutions. In conjunction with the closing of the Facility, the Corporation also terminated its $100 million Credit Facility Agreement with a significant shareholder (Note 18.1).

The Corporation's capital structure is described below:

	September 30, 2012	December 31, 2011
Working capital (surplus)/deficiency [1]	$ (310,586,480)	$ 7,096,022
Share repurchase obligation	-	224,362,115
Shareholders' equity	879,651,329	148,585,650
	$ 569,064,849	$ 380,043,787

1. Excludes $200 million Facility, which closed subsequent to September 30, 2012.

17.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3 of the annual consolidated financial statements for the year ended December 31, 2011.

17.3 Categories of financial instruments

	September 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash, loans and other receivables	$ 358,256,956	$ 358,256,956	$ 88,993,173	$ 88,993,173
Financial Liabilities				
Fair value through profit or loss (FVTPL)	-	-	63,000,304	63,000,304
Other liabilities	47,451,325	47,451,325	257,727,553	257,727,553

17.4 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

The fair value of cash, term deposits, trade and other receivables, trade and other payables and accrued liabilities approximate their carrying values due to their short term maturity. The Corporation's financial instruments have been assessed on their fair value hierarchy described above (Note 17.3).

17.5 Financial risk management

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

17.6 Market risk

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

The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. The Corporation manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. Thus, exchange rate fluctuations can affect the fair value of future cash flows. The Corporation had no forward exchange rate contracts in place as at or during the nine month period ended September 30, 2012. If exchange rates to convert from HK dollars to Canadian dollars had been $0.10 higher or lower with all other variables held constant, foreign cash held at September 30, 2012 would have been impacted by approximately $18,000.

On March 1, 2012, the Corporation listed on the SEHK, closed its IPO and issued 923,299,500 shares at HK$4.86 per share for gross proceeds of HK$4,487,235,570. At September 30, 2012, the Corporation held HK$11,482,692 (or $1,456,717 using the September 30, 2012 exchange rate of 7.8825) as cash in the Corporation's Hong Kong bank account.

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

17.7 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2012, the Corporation does not have any floating rate debt.

The Corporation's cash and cash equivalents consists of cash held in bank accounts and term deposits that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values. The Corporation manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The interest income earned on cash equivalents is between 0.5% and 1.26%; therefore, the Corporation is not subject to material interest rate risk.

17.8 Credit risk management

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, deposits and receivables and GST receivable. As at September 30, 2012, the Corporation's receivables consisted of 45.1% from oil sale receivables and 54.9% from GST receivable.

The Corporation is exposed to credit risk on amounts held in individual banking institutions for balances that are above nominal guaranteed amounts. The Corporation periodically monitors published and available credit information of all its banking institutions.

The Corporation's $355,644,955 in cash and cash equivalents as at September 30, 2012, are held in accounts with a diversified group of highly rated third party financial institutions and consist of invested cash and cash in the Corporation's operating accounts. The cash equivalents portion is invested in high grade liquid term deposits.

The Corporation is exposed to credit risk from the Corporation's receivables from purchasers of the Corporation's crude oil. At September 30, 2012, there was no allowance for impairment of accounts receivable and the Corporation did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered past due or impaired. The Corporation considers any amounts in excess of 120 days past due.

17.9 Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or bank debt proceeds. The Corporation expects to settle all trade and other payable within 90 days.

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

17.10 Income tax risk

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable.

18. Related party transactions

Balances and transactions between the Corporation and its subsidiary, who are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

18.1 Trading transactions

The Corporation paid consulting fees to two directors of the Corporation (Note 18.2).

During the period, the Corporation had the following transactions and balances outstanding and included in trade and other payables with a law firm in which a director of the Corporation is a partner:

	Three months ended September 30, 2012		Three months ended September 30, 2011		Nine months ended September 30, 2012		Nine months ended September 30, 2011	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
Other assets[1]	$ -	$ -	$ -	$ 316,164	$ -	$ -	$ -	$ 622,540
Share issue costs	-	-	-	-	-	271,331	-	115,520
	$ -	$ -	$ -	$ 316,164	$ -	$ 271,331	$ -	$ 738,060
Legal expense	$ -	$ 41,810	$ -	$ 24,828	$ -	$ 127,961	$ -	$ 176,460
Expense portion of IPO costs	-	-	-	-	-	551,444	-	-
	$ -	$ 41,810	$ -	$ 24,828	$ -	$ 679,405	$ -	$ 176,460

1. Other assets comprises of IPO financing costs before allocation expense.

	September 30, 2012	December 31, 2011
Legal	$ -	$ 29,619

Advisory Fee Agreement (the "Agreement")

During 2010, the Corporation entered into the Agreement in which the Corporation agreed to pay a fee for services to be rendered in connection with an initial filing of an IPO prospectus and listing. The fee, could equal to 0.75% of the number of common shares issued and outstanding, could at the time of the initial filing of an IPO be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the Agreement had a January 20, 2013 expiry date. On March 1, 2012, the Corporation successfully closed its Qualifying IPO and listing on the SEHK. Pursuant to this event, the obligation was settled through the issuance of 13,566,395 common shares for $8,377,723 and cash paid of $440,933. Since the terms have been fulfilled, the Agreement has terminated.

The service provider is a company which is controlled by a director who is a principal of a significant shareholder of the Corporation, and who also holds a senior management position with the service provider company.

Credit Facility Agreement (the "Credit Facility Agreement")

The Corporation entered into the Credit Facility Agreement with a non-arm's length lender in which a credit facility for general working capital purposes is available of up to a maximum of $100 million. The credit facility was interest free until May 31, 2012, after which, interest of 5% is due on a semi-annual basis on the outstanding principal. The credit facility is unsecured and subordinated, has no stand-by fee and loans can be repaid at anytime without penalty. The effective date of the agreement is October 31, 2011, and has a term of two years from the date of initial drawdown, which was January 13, 2012. Amounts drawn on the credit facility are accounted for as a related party transaction since a director of the Corporation is also the controlling shareholder of the lending company. The loan is a financial liability and would be classified as other liabilities and recorded at amortised cost, using the effective interest method. As at September 30, 2012, $Nil was outstanding on this credit facility (Note 22).

For the three and nine month periods ended September 30, 2012, total non-cash finance costs were $Nil and $266,090, respectively, of which $Nil and $29,217, respectively, was expensed and $Nil and $236,873, respectively, was capitalized as the funds are directly attributable to the development of the Corporation's qualifying assets. Upon repayment of the outstanding balance owing on this credit facility, $266,090 was recorded to Other Reserve due to the related party nature of this transaction.

No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

18.2 Compensation of key management personnel and directors

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Directors' fees	$ 142,250	$ -	$ 516,750	$ -
Salaries and allowances	334,350	361,498	1,067,236	791,514
Share-based payments	7,397,754	1,473,375	10,712,715	4,282,159
Consulting fees	225,000	229,846	675,000	685,786
Performance related incentive payments	7,928,350	1,515,000	12,928,350	1,515,000
	$ 16,027,704	$ 3,579,719	$ 25,900,051	$ 7,274,459

The remuneration of the Co-Chairmen, directors and key executives is determined by the Compensation Committee and approved by the Board of Directors with regard to the performance of individuals and market trends. Key management personnel includes the following executives of the Corporation: President and Chief Executive Officer, Chief Financial Officer and Vice President, Finance, Executive Vice President, Corporate Operations, Chief Operating Officer and Strategic Advisor.

19. Operating lease arrangements

19.1 Payments recognised as an expense

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Minimum lease payments	$ 518,624	$ 279,486	$ 1,537,992	$ 621,489

20. Commitments for expenditure

At September 30, 2012, the Corporation's commitments are as follows:

	Due within the next 12 months	Due in the next 2 to 5 years	Over 5 years
Drilling and other equipment and contracts	$ 44,716,520	$ -	$ -
Lease rentals	1,625,910	6,482,136	10,063,500
Office leases[1]	1,120,676	8,621,010	4,305,931
	$ 47,463,106	$ 15,103,146	$ 14,369,431

1. Office leases only includes minimum lease commitments for the first 38 months up to October 31, 2014 for the Hong Kong premises lease.

21. Supplemental cash flow disclosures

Non-cash transactions

For the three month period ended September 30, 2012, the Corporation had the following non-cash transactions:

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

For the nine month period ended September 30, 2012, the Corporation had the following non-cash transactions:

- the settlement of the advisory fee through the issuance of 13,566,395 common shares for $8,377,723 (Note 18.1);
- the share repurchase obligation has been reclassified to share capital for $230,226,167 (Note 12); and
- capitalized general and administrative costs including share-based payments and finance costs (Note 7).

Supplemental cash flow disclosures

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash provided by (used in):				
Trade and other receivables	$ (321,289)	$ -	$ 1,415,415	$ (1,404,049)
Prepaid expenses and deposits	269,137	-	(223,457)	1,539,493
Trade and other payables	9,035,159	-	14,085,887	4,785,422
	$ 8,983,007	$ -	$ 15,277,845	$ 4,920,866
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (750,106)	$ 783,683	$ 1,212,213	$ (871,588)
Prepaid expenses and deposits	306,020	(414,802)	(186,574)	(447,978)
Trade and other payables	(8,160,317)	(271,077)	(328,195)	519,155
	$ (8,604,403)	$ 97,804	$ 697,444	$ (800,411)
Investing activities				
Exploration and evaluation assets	$ 17,587,410	$ (97,804)	$ 19,594,177	$ (191,755)
Financing actitivies				
Share issue costs and IPO costs	$ -	$ -	$ (5,013,776)	$ 5,913,032
	$ 8,983,007	$ -	$ 15,277,845	$ 4,920,866
Reconciliation of:				
Exploration and evaluation assets	$ 49,892,577	$ 17,808,141	$ 184,144,256	$ 123,747,564
Changes in non-cash working capital	(17,587,410)	97,804	(19,594,177)	191,755
Payments for exploration and evaluation assets	$ 32,305,167	$ 17,905,945	$ 164,550,079	$ 123,939,319
Reconciliation of:				
Share issue costs and IPO costs	$ -	$ (7,247,389)	$ 19,914,510	$ 6,620,487
Changes in non-cash working capital	-	-	5,013,776	(5,913,032)
Payment for share issue costs	$ -	$ (7,247,389)	$ 24,928,286	$ 707,455

22. Subsequent events

Subsequent to period end, the Corporation negotiated and signed a $200 million Facility with a syndicate of financial institutions. The Facility matures on October 10, 2013 and is extendable at the lenders' discretion. The Facility's term is a 364 day period. The Facility, dated October 11, 2012, bears interest at a floating rate based on Canadian dollar prime rate, US dollar base rate, bankers' acceptances or LIBOR plus a credit spread above the reference rate. Undrawn amounts are subject to a standby fee of 100 basis points per annum. The Facility is secured by all assets of the Corporation. The amount available for drawdown is subject to a sufficient funding requirement which is defined as having on-hand funding equal to or exceeding the sum of the remaining costs to complete the Phase 1 and Phase 2 West Ells project plus a contingency amount equal to 20% of remaining costs to complete. The Facility is subject to various non-financial covenants including, amount other things, restrictions on issuing debt, making investments or loans, paying dividends, altering the nature of the business and undertaking corporate transactions. The Facility also has certain financial covenants.

In conjunction with the closing of the Facility, the Corporation also terminated its $100 million Credit Facility Agreement with a significant shareholder (Note 18.1).

For the three months ended September 30, 2012, the Corporation repurchased 43,022,000 common shares. Of the total amount repurchased, 35,572,500 common shares were cancelled subsequent to period end (7,449,500 common shares were cancelled as at September 30, 2012). Also subsequent to September 30, 2012, the Corporation repurchased and cancelled 18,150,000 common shares at a weighted average price per common share of HK$3.06($0.39), for consideration of $7,015,045.

23. Approval of interim consolidated financial statements

The interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 14, 2012.

Appendix to the Condensed Interim Consolidated Financial Statements

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

SUNSHINE OILSANDS LTD.
STATEMENTS OF FINANCIAL POSITION (Unconsolidated)

	September 30, 2012	December 31, 2011
Non-current assets		
Property and equipment	$ 991,422	$ 718,785
Exploration and evaluation assets	598,817,540	382,234,416
Other assets	-	3,379,627
Amount due from subsidiaries	189,496	-
Investment in subsidiaries	-	60,000
	599,998,458	386,392,828
Current Assets		
Other receivables	2,166,658	3,582,072
Prepaid expense and deposits	1,012,080	797,718
Cash and cash equivalents	355,635,986	84,950,577
	358,814,724	89,330,367
Current Liabilities		
Trade and other payables	47,424,017	33,365,438
Provision for decomissioning obligation	795,863	68,365
Fair value of warrants	-	63,000,304
Borrowings	-	-
	48,219,880	96,434,107
Net current assets (liabilities)	310,594,844	(7,103,740)
Total assets less current liabilities	910,593,302	379,289,088
Non-current liabilities		
Share repurchase obligation	-	224,362,115
Provision for decomissioning obligation	30,788,751	6,331,883
Deferred tax liabilities	-	-
	30,788,751	230,693,998
Net Assets	$ 879,804,551	$ 148,595,090
Capital and reserves		
Share capital	994,017,153	219,173,885
Reserve for share based compensation	44,499,701	30,074,070
Deficit	(158,712,303)	(100,652,865)
	$ 879,804,551	$ 148,595,090

A2. Directors' emoluments and other staff costs

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

	For the three month period ended September 30, 2012	For the three month period ended September 30, 2011	For the nine month period ended September 30, 2012	For the nine month period ended September 30, 2011
Directors emoluments				
Directors' fees	$ 142,250	$ -	$ 516,750	$ -
Salaries and allowances	225,000	229,845	675,000	685,785
Contribution to retirement benefit scheme	-	-	-	-
Share-based payments	5,848,126	1,552,727	8,107,636	3,495,323
Consulting fees	-	-	-	-
Performance related incentive payments	7,000,000	1,040,000	12,000,000	1,040,000
	13,215,376	2,822,572	21,299,386	5,221,108
Other staff costs				
Salaries and other benefits	2,873,842	2,687,577	9,060,649	6,759,169
Contribution to retirement benefit scheme	39,238	30,632	226,255	145,204
Share-based payments	2,846,739	2,992,529	8,062,735	7,888,023
Performance related incentive payments	294,400	1,650,000	2,986,400	1,650,000
	6,054,219	7,360,738	20,336,039	16,442,396
Total staff costs, including director's emoluments	19,269,595	10,183,310	41,635,425	21,663,504
Less: bonus included with expensed portion of IPO costs	-	-	5,000,000	-
Less: staff costs capitalized in exploration and evaluation assets	4,802,880	4,466,982	11,566,774	10,235,087
	$ 14,466,715	$ 5,716,328	$ 25,068,651	$ 11,428,417

Details of the directors' emoluments are as follows:

For the three month period ended September 30, 2012

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 18,000	$ 112,500	$ -	$ 2,463,759	$ 3,500,000	$ 6,094,259
Songning Shen	18,000	112,500	-	2,463,759	3,500,000	6,094,259
Tseung Hok Ming	14,000	-	-	626,638	-	640,638
Tingan Liu	-	-	-	-	-	-
Haotian Li	13,000	-	-	46,936	-	59,936
Raymond Fong	14,000	-	-	46,936	-	60,936
Wazir C. (Mike) Seth	15,250	-	-	46,936	-	62,186
Greg Turnbull	12,500	-	-	59,290	-	71,790
Robert Herdman	20,000	-	-	46,936	-	66,936
Gerald Stevenson	17,500	-	-	46,936	-	64,436
	$ 142,250	$ 225,000	$ -	$ 5,848,126	$ 7,000,000	$ 13,215,376

For the three months ended September 30, 2011

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
Michael Hibberd	$ -	$ 114,923	$ -	$ 255,204	$ 520,000	$ 890,127
Songning Shen	-	114,923	-	255,204	520,000	890,127
Tseung Hok Ming	-	-	-	446,578	-	446,578
Tingan Liu	-	-	-	-	-	-
Haotian Li	-	-	-	20,945	-	20,945
Raymond Fong	-	-	-	2,010	-	2,010
Wazir C. (Mike) Seth	-	-	-	2,010	-	2,010
Greg Turnbull	-	-	-	14,441	-	14,441
Robert Herdman	-	-	-	276,119	-	276,119
Gerald Stevenson	-	-	-	276,119	-	276,119
Kevin Flaherty[1]	-	-	-	2,087	-	2,087
Zhijan Qin[1]	-	-	-	2,010	-	2,010
	$ -	$ 229,845	$ -	$ 1,552,727	$ 1,040,000	$ 2,822,572

For the nine month period ended September 30, 2012

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 62,000	$ 337,500	$ -	$ 2,940,866	$ 3,500,000	$ 6,840,366
Songning Shen	63,000	337,500	-	2,940,866	3,500,000	6,841,366
Tseung Hok Ming	50,000	-	-	1,791,069	4,600,000	6,441,069
Tingan Liu	-	-	-	-	-	-
Haotian Li	46,000	-	-	72,656	-	118,656
Raymond Fong	56,000	-	-	48,947	75,000	179,947
Wazir C. (Mike) Seth	58,750	-	-	48,947	75,000	182,697
Greg Turnbull	53,000	-	-	86,009	100,000	239,009
Robert Herdman	68,250	-	-	87,127	75,000	230,377
Gerald Stevenson	59,750	-	-	87,127	75,000	221,877
Kevin Flaherty[1]	-	-	-	2,011	-	2,011
Zhijan Qin[1]	-	-	-	2,011	-	2,011
	$ 516,750	$ 675,000	$ -	$ 8,107,636	$ 12,000,000	$ 21,299,386

For the nine months ended September 30, 2011

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits schemes	Share based compensation	Performance related incentive payments	Total
Michael Hibberd	$ -	$ 342,893	$ -	$ 765,612	$ 520,000	$ 1,628,505
Songning Shen	-	342,893	-	765,612	520,000	1,628,505
Tseung Hok Ming	-	-	-	1,111,818	-	1,111,818
Tingan Liu	-	-	-	-	-	-
Haotian Li	-	-	-	217,858	-	217,858
Raymond Fong	-	-	-	8,807	-	8,807
Wazir C. (Mike) Seth	-	-	-	8,807	-	8,807
Greg Turnbull	-	-	-	46,413	-	46,413
Robert Herdman	-	-	-	276,119	-	276,119
Gerald Stevenson	-	-	-	276,119	-	276,119
Kevin Flaherty[1]	-	-	-	9,351	-	9,351
Zhijan Qin[1]	-	-	-	8,807	-	8,807
	$ -	$ 685,785	$ -	$ 3,495,323	$ 1,040,000	$ 5,221,108

1. These individuals ceased to be directors of the Corporation in 2011.

A3. Five highest paid individuals

The five highest paid individuals includes three directors of the Corporation and two officers of the Corporation for the three and nine month periods ended September 30, 2012 (2011 – two directors and three officers). Since the directors' emoluments are disclosed above, the compensation of the remaining officers for the Corporation is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	**2012**	2011
Salaries and other benefits	$ 167,421	$ 15,808	$ 537,182	$ 342,865
Contributions to retirement benefits schemes	2,307	2,219	4,614	6,654
Share based compensation	1,030,011	45,599	1,709,967	564,472
Performance related incentive payments	560,000	340,000	560,000	340,000
	$ 1,759,739	$ 403,626	$ 2,811,763	$ 1,253,991

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
HK$ nil to HK$1,000,000	-	-	-	-
HK$1,000,001 to HK$1,500,000	-	-	-	-
HK$1,500,001 to HK$2,000,000	-	-	-	-
HK$2,000,001 to HK$2,500,000	-	-	-	-
HK$2,500,001 to HK$3,000,000	-	2	-	-
HK$3,000,001 to HK$3,500,000	-	-	-	-
HK$3,500,001 to HK$4,000,000	-	1	-	-
HK$4,000,001 to HK$4,500,000	-	-	-	-
HK$4,500,001 to HK$5,000,000	-	-	-	2
HK$5,000,001 to HK$5,500,000	1	-	-	-
HK$5,500,001 to HK$6,000,000	-	-	-	-
HK$6,000,001 to HK$6,500,000	-	-	-	-
HK$6,500,001 to HK$7,000,000	-	-	-	-
> HK$7,000,000	4	2	5	3

For the three and nine months ended September 30, 2012, the conversion factor used in the above table is 1C$ = 7.793 HK$ and 1C$ = 7.741 HK$, respectively (three and nine months ended September 30, 2011 – 1C$ = 7.942 and 1C$ = 7.956, respectively).