CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2014

(Unaudited)

SUNSHINE OILSANDS LTD.

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

	Notes	September 30, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4	$ 164,078	$ 15,854
Restricted cash and cash equivalents	4	23,994	-
Trade and other receivables	5	1,269	1,294
Prepaid expenses and deposits	6	5,973	656
		195,314	17,804
Non-current assets			
Restricted cash and cash equivalents	4	11,208	-
Exploration and evaluation	7	373,964	376,912
Property, plant and equipment	8	655,656	634,672
		1,040,828	1,011,584
		$ 1,236,142	$ 1,029,388
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables	9	$ 16,270	$ 120,114
Provisions for decommissioning obligations	11	985	872
		17,255	120,986
Non-current liabilities			
Long-term debt	10	200,071	-
Provisions for decommissioning obligations	11	30,369	23,597
Share purchase warrants	13.2	5,404	3,832
		253,099	148,415
Shareholders' Equity			
Share capital	13	1,138,748	1,024,423
Reserve for share-based compensation		59,679	57,447
Deficit		(215,384)	(200,897)
		983,043	880,973
		$ 1,236,142	$ 1,029,388

Going concern (note 2)
Commitments and contingencies (note 21)

Approved by the Board

"Robert J. Herdman"
Director

Michael J. Hibberd"
Director

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Other income					
Foreign exchange (losses)/gains		$ (3,678)	$ (42)	$ (4,099)	$ 150
Interest income		275	160	347	1,409
Gain on sale of assets	7	13,265	-	13,265	-
Fair value adjustment on share purchase warrants	13.2	(3,397)	-	3,179	-
		6,465	118	12,692	1,559
Expenses					
Salaries, consulting and benefits		2,008	2,940	5,301	10,087
Rent		311	274	933	722
Legal and audit		183	491	2,243	919
Depreciation	8	192	119	540	330
Share-based payments	14.6	976	2,357	1,821	7,223
Suspension and preservation costs	8	1,222	-	5,192	-
Finance costs	16	2,031	1,475	7,181	4,032
Other		880	1,143	3,968	3,511
		7,803	8,799	27,179	26,824
Loss before income taxes		1,338	8,681	14,487	25,265
Income taxes	12	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 1,338	$ 8,681	$ 14,487	$ 25,265
Basic and diluted loss per share	17	0.00	0.00	0.00	0.00

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	Reserve for share based compensation	Share capital	Deficit	Total
Balance, December 31, 2013		$ 57,447	$ 1,024,423	$ (200,897)	$ 880,973
Net loss and comprehensive loss for the period		-	-	(14,487)	(14,487)
Issue of common shares	13.1	-	114,372	-	114,372
Issue of shares under employee share savings plan	13.1	-	596	-	596
Issue of shares under Director share arrangement	13.1	-	226	-	226
Recognition of share-based payments	14.6	2,232	-	-	2,232
Share issue costs, net of deferred tax ($Nil)	13.1	-	(869)	-	(869)
Balance, September 30, 2014		$ 59,679	$ 1,138,748	$ (215,384)	$ 983,043
Balance, December 31, 2012		$ 47,395	$ 991,798	$ (168,117)	$ 871,076
Net loss and comprehensive loss for the period		-	-	(25,265)	(25,265)
Employee share savings plan		-	455	-	455
Recognition of share-based payments	14.6	10,586	-	-	10,586
Issue of shares upon exercise of share options		-	8,390	-	8,390
Reserve transferred on exercise of share options		(3,251)	3,251	-	-
Balance, September 30, 2013		$ 54,730	$ 1,003,894	$ (193,382)	$ 865,242

See accompanying notes to the condensed interim consolidated financial statements.

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

	Notes	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Cash flows from operating activities					
Net loss		$ (1,338)	$ (8,681)	$ (14,487)	$ (25,265)
Finance costs		2,031	1,475	7,181	4,032
Unrealized foreign exchange losses/(gains)		3,602	42	3,938	(150)
Interest received		(275)	(160)	(347)	(1,409)
Gain on sale of asset		(13,265)	-	(13,265)	-
Fair value adjustment on share purchase warrants		3,397	-	(3,179)	-
Depreciation		192	119	540	330
Share-based payment expense		976	2,357	1,821	7,223
Employee share savings plan		97	174	298	226
Movement in non-cash working capital	22	(2,459)	(1,585)	(12,284)	(233)
Net cash used in operating activities		(7,042)	(6,259)	(29,784)	(15,246)
Cash flows from investing activities					
Interest received		275	160	347	1,409
Payments for exploration and evaluation assets	22	(585)	592	(3,799)	(16,688)
Payments for property, plant and equipment	22	(31,402)	(53,916)	(114,901)	(223,866)
Restricted cash	4	(35,202)	-	(35,202)	-
Net cash used in investing activities		(66,914)	(53,164)	(153,555)	(239,145)
Cash flows from financing activities					
Proceeds from issue of common shares	13.1	95	167	119,421	8,618
Proceeds from sale of asset	7	20,000	-	20,000	-
Proceeds from long term debt	10	194,413	-	194,413	-
Payment for share issue costs	22	(295)	-	(869)	-
Payment for finance costs	22	(2,908)	(844)	(3,186)	(2,421)
Net cash provided / (used) in financing activities		211,305	(677)	329,779	6,197
Effect of exchange rate changes on cash held in foreign currency		2,293	(42)	1,784	150
Net increase / (decrease) in cash		139,642	(60,142)	148,224	(248,044)
Cash and cash equivalents, beginning of period		24,436	94,329	15,854	282,231
Cash and cash equivalents, end of period		$ 164,078	$ 34,187	$ 164,078	$ 34,187

See accompanying notes to the condensed interim consolidated financial statements.

1. Company information

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

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

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

On August 6, 2013, the Company announced the Board of Directors had directed management of the Company to commence a strategic review process to identify, examine and consider a range of strategic alternatives available to Sunshine, with a view to progressing its oilsands development strategy and to preserving and maximizing shareholder value. This process has been completed and the following transactions were closed by the Company in the third quarter of 2014 including:

On July 17, 2014, the Company entered into a petroleum, natural gas and general conveyance agreement for the sale of certain non-core oilsands assets which relate to, among other things, lands and petroleum and natural gas rights to a third party for total consideration of $20.0 million. The sale was conducted between the parties on an arm's length basis. The sale was completed on July 21, 2014 (Note 7).

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

2. Basis of preparation

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the three and nine month periods ended September 30, 2014, the Company reported a net loss of $1.3 million and $14.5 million respectively. At September 30, 2014, the Company had positive working capital of $178.1 million and an accumulated deficit of $215.4 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development and the ability to access additional financing and as such there is significant doubt. There can be no assurance the Company will be able to continue as a going concern. Effective August 18, 2013, the Company suspended construction of its West Ells steam assisted gravity drainage ("SAGD") project, pending sourcing of additional financing. Following the closing of transactions during July and August 2014, the suspension was lifted and construction of the West Ells SAGD project recommenced.

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

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

2.1 Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 18). The condensed interim consolidated financial statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

3. New accounting pronouncements and changes in accounting policies

3.1 Future accounting changes

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

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

3.1 Future accounting changes (continued)

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

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

3.2 Changes in accounting policies

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

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

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

4. Cash and cash equivalents

		September 30, 2014		December 31, 2013
Current asset				
Cash[1]	$	164,078	$	15,854
Current restricted cash[2]		23,994		-
		188,072		15,854
Non-current asset				
Non-current restricted cash[2]	$	11,208		-
	$	199,280	$	15,854

1. The Company's cash consists of cash held in bank accounts that earn interest at varying interest rates of between 0.5% and 1.3%.
2. The US$200 million senior secured notes issued in August 2014 required US$30 million of proceeds to be held in a restricted escrow account to cover the first three interest payments on the notes. Three interest payments of US$10 million each are due on February 1, 2015, August 1, 2015 and February 1, 2016. The third interest payment has been classed as non-current restricted cash. The Company's restricted cash for interest payments consists of cash held in a treasury bill and two treasury notes. In addition, $1.9 million of restricted cash is held by the legal counsel of the Company for payments to lien holders.

5. Trade and other receivables

		September 30, 2014		December 31, 2013
Trade	$	955	$	558
Accruals and other receivables		36		137
Goods and services taxes receivable		278		599
	$	1,269	$	1,294

6. Prepaid expenses and deposits

		September 30, 2014		December 31, 2013
Prepaid expenses	$	820	$	193
Deposits[1]		5,153		463
	$	5,973	$	656

1. Included in deposits at September 30, 2014 is $4.3 million held with the Alberta Energy Regulator for the License Liability Rating Program.

7. Exploration and evaluation

Balance, December 31, 2012	$	366,668
Capital expenditures		17,313
Disposal of asset		(4,568)
Non-cash expenditures[1]		(2,501)
Balance, December 31, 2013	$	376,912
Capital expenditures		3,799
Non-cash expenditures[1]		19
Disposal of asset		(6,766)
Balance, September 30, 2014	$	373,964

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

The Company is a development stage entity and, as a result, no depletion expense has been recorded for exploration and evaluation assets for any period. During the three and nine month periods ended September 30, 2014, the Company capitalized directly attributable costs/(recovery) including $0.1 and $(0.1) million for share-based payment expense (three and nine month periods ended September 30, 2013 - $Nil and $(0.1) million) and $0.1 million and $2.4 million of general and administrative costs (three and nine month periods ended September 30, 2013 - $Nil and $0.4 million), respectively.

During the three and nine month periods ended September 30, 2013, the Company capitalized directly attributable costs, including $0.2 million and $0.6 million pre-production operating loss in the respective periods.

On July 17, 2014, the Company entered into a petroleum, natural gas and general conveyance agreement for the 100% sale of the Pelican Lake asset, which relates to, among other things, lands and petroleum and natural gas rights, to a third party for total consideration of $20.0 million. Total carrying value of the asset of $6.8 million has been removed from the Company's exploration and evaluation account resulting in a $13.2 million gain on the sale of the asset for the three and nine month periods ended September 30, 2014. The asset had a provision for decommissioning obligation of $41,900 which has been removed from the Company's future Asset Retirement Obligation cost account.

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

7. Exploration and evaluation (continued)

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

Exploration and evaluation costs are comprised of the following:

		September 30, 2014		December 31, 2013
Intangibles	$	262,725	$	269,992
Tangibles		19,584		19,553
Land and lease costs		91,655		87,367
	$	373,964	$	376,912

8. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2012	$	326,802	$	1,948	$	328,750
Capital expenditures		314,945		1,737		316,682
Non-cash expenditures[1]		(9,498)		-		(9,498)
Balance, December 31, 2013	$	632,249	$	3,685	$	635,934
Capital expenditures		14,483		61		14,544
Non-cash expenditures[1]		6,980		-		6,980
Balance, September 30, 2014	$	653,712	$	3,746	$	657,458

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

		Crude oil assets		Corporate assets		Total
Accumulated depreciation						
Balance, December 31, 2012	$	-	$	779	$	779
Depreciation expense		-		483		483
Balance, December 31, 2013	$	-	$	1,262	$	1,262
Depreciation expense		-		540		540
Balance, September 30, 2014	$	-	$	1,802	$	1,802
Carrying value, September 30, 2014	$	653,712	$	1,944	$	655,656
Carrying value, December 31, 2013	$	632,249	$	2,423	$	634,672

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

During the three and nine month periods ended September 30, 2014, the Company capitalized directly attributable costs including $0.7 million and $0.8 million for share-based payment expense (three and nine month periods ended September 30, 2013 - $0.9 million and $3.5 million), and $2.0 million and $3.4 million for general and administrative costs (three and nine month periods ended September 30, 2013 – $2.6 million and $7.9 million) respectively.

8. Property, plant and equipment (continued)

The Company's focus is on evaluating and developing its oilsands assets with the first significant project being an initial 10,000 barrels per day plant located at West Ells. Phase 1 of West Ells is designed for 5,000 barrels per day while Phase 2 will add an additional 5,000 barrels per day. Substantial engineering, procurement and construction activity occurred for West Ells during 2012 and the first half of 2013; however, due to lack of sufficient funding to complete the Project, these activities were suspended in August 2013 pending receipt of additional financing which occurred in 2014. Sunshine has maintained staff at site to continue with reduced work activities and to ensure safety of the worksite and preservation of the West Ells asset. Salary costs related to staff at site were capitalized. Remaining costs directly related to the suspension, which totaled $1.2 million and $5.2 million for the three and nine month periods ended September 30, 2014, respectively (three and nine month periods ended September 30, 2013 - $Nil million and $Nil million), are recognized as suspension and preservation costs in the Consolidated Statements of Operations and Comprehensive Loss. After completion of transactions during July and August 2014, the suspension was lifted and construction of the West Ells SAGD project was recommenced.

9. Trade and other payables

		September 30, 2014		December 31, 2013
Trade	$	6,645	$	103,006
Accrued liabilities		9,625		17,108
	$	16,270	$	120,114

10. Long-term debt

		September 30, 2014		December 31, 2013
Senior secured notes (US$200,000,000)	$	224,164	$	-
Discount on notes		(13,895)		-
Financing transaction costs on notes		(11,846)		-
Amortization of financing transaction costs		1,648		-
Balance, end of period	$	200,071	$	-

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

If by February 1, 2016, the Company has not: (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield maintenance premium, then the final maturity date of the notes shall be August 1, 2016. The Company is required to pay to the holders of any Notes outstanding on August 1, 2016 a yield maintenance premium of 7.298% of the aggregate principal amount of Notes. If the Notes are outstanding after August 1, 2016, there will be an exit premium paid of 7.298% on the aggregate principal amount of the Notes outstanding.

The Notes are senior secured obligations over the Company's assets. Transaction costs in relation to the issuance of the Notes were $11.9 million. Transaction costs are capitalized against the long term debt and amortized using the effective interest rate method. The effective annualized interest rate for the three and nine months ended September 30, 2014, was 16.9% which includes interest and amortization of the applicable financing costs and discount. The Notes are redeemable by the Company at any time prior to maturity subject to the payment of principal amount plus the applicable call premiums to the holders of the Notes ranging from zero to 7%. Upon change of control of the Company, the Notes require the Company to make an offer of repayment in cash equal to 101% of the aggregate principal amount of the Notes outstanding plus the applicable accrued and unpaid interest. No value was ascribed to the repayment option as the fair value of this option was not significant at the date of issue and as at September 30, 2014.

10. Long-term debt (continued)

The Notes contain various non-financial covenants which, among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires standard reporting in line with a reporting issuer on the TSX and includes timely reporting of material changes. The Company is in compliance with all covenants under the Notes as at September 30, 2014. The Notes also required the Company to remove builders' liens and Certificates of Lis Pendens ("CLPs") within 60 days of August 8, 2014. As of October 7, 2014, Sunshine succeeded in clearing all builders' liens and CLPs.

As at September 30, 2014, US$30 million of proceeds from the Notes are held is a separate escrow account with a trustee. These funds are restricted to cover the interest payments for the first three interest payments. Interest payments are payable semi-annually on February 1 and August 1 of each year.

The Notes are translated into Canadian dollars at the period end exchange rate of $1 US = 1.1208 CDN

11. Provisions for decommissioning obligations

As at September 30, 2014, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $45.7 million (December 31, 2013 - $45.1 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate between 1.13% to 2.61% per annum and inflated using an inflation rate of 2.0% per annum.

		September 30, 2014		December 31, 2013
Balance, beginning of period	$	24,469	$	39,829
Additional provision recognized		3		2,905
Disposal of Asset (Note 7)		(42)		-
Effect of changes in estimates		6,364		(18,902)
Unwinding of discount rate and effect		560		637
	$	31,354	$	24,469
Current portion		(985)		(872)
Balance, end of period	$	30,369	$	23,597

12. Income taxes

12.1 Deferred tax balances

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

		September 30, 2014		December 31, 2013
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment		(113,515)		(92,947)
Decommissioning liabilities		7,839		6,117
Share issue costs		10,159		14,146
Non-capital losses		120,614		93,937
Deferred tax benefits not recognized		(25,097)		(21,253)
	$	-	$	-

12.2 Tax pools

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

		September 30, 2014		December 31, 2013
Canadian development expense		40,639		47,674
Canadian exploration expense		256,800		276,605
Undepreciated capital cost		278,118		335,396
Non-capital losses		482,455		375,750
Other		40,637		56,583
	$	1,098,649	$	1,092,008

The Company's non-capital losses of $482,455 (December 31, 2013 - $375,750), expire between 2028 and 2034.

13. Share capital

The Company's authorized share capital is as follows:

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

Issued Capital

		September 30, 2014		December 31, 2013
Common shares	$	1,138,748	$	1,024,423

13.1 Common shares

	September 30, 2014		December 31, 2013	
	Number of shares	$	Number of shares	$
Balance, beginning of period	3,067,167,791	1,024,423	2,831,713,161	991,758
Private placement	821,242,193	119,123	106,800,000	24,918
Issue of shares under employee share savings plan (Note 14.2)	3,693,881	596	3,014,630	721
Director share arrangement (Note 14.3)	1,616,072	226	-	-
Reclassification of share purchase warrants (Note 13.2)	-	(4,751)	-	(3,832)
Conversion of preferred shares exercised[1]	-	-	78,945,000	40
Issue of shares under share option plan (Note 14)	-	-	46,695,000	8,390
Share option reserve transferred on exercise of stock options	-	-	-	3,251
Share issue costs, net of deferred tax ($Nil)	-	(869)	-	(823)
Balance, end of period	3,893,719,937	1,138,748	3,067,167,791	1,024,423

1. Relates to conversion of 82,390,000 Class "G" and Class "H" preferred shares (Note 13.3, 13.4)

During the nine month period ended September 30, 2014, the Company issued 640,000,000 Class "A" common shares in private placements at a price of HK $0.85 per share (approximately C$0.12 per share) for gross proceeds of HK$544.0 million or approximately C$75.4 million.

13.1 Common shares (continued)

During the nine month period ended September 30, 2014, the Company also completed closings of equity private placements, totaling 181,242,193 Units at a price of HK$1.70 per Unit (approximately C$0.24 per Unit) for gross proceeds of HK$308,111,728 or approximately C$43.8 million. Each Unit is comprised of one Class “A” common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK $1.88 per common share (approximately C$0.27 per common share) for a period of 24 months following the closing date. These warrants were valued at an average of C$0.04 per warrant for a total of C$2.2 million. As part of a finders’ fee, the Company issued two-fifths of a warrant for each purchased Unit. These finders’ fee warrants were valued at C$0.04 per warrant for a total of C$2.59 million. Total value of warrants granted during the period ended September 30, 2014, was C$4.8 million (refer Note 13.2). The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 0.98-1.05%, expected volatility of 43.01% and an expected life of two years. The total cost to complete the private placements was C$0.743 million which includes a 3% finders’ fee of HK$4,620,000 (approximately C$0.651 million) to the finder of 90,588,235 Units.

In December, 2013, the Company completed the closing of its private placement of 106,800,000 Units at a price of HK $1.70 per Unit (approximately C$0.23 per Unit). Each Unit is comprised of one Class “A” common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK $1.88 per common share (approximately C$0.26 per common share) for a period of 24 months following the closing date. These warrants were valued at C$0.04 per warrant for a total of C$1.7 million. As part of a finders’ fee, the Company issued two-fifths of a warrant for each purchased Unit. These finders’ fee warrants were valued at C$0.04 per warrant for a total of C$2.09 million. Total value of all warrants at December 31, 2013, was $3.83 million (refer Note 13.2). The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.13%, expected volatility of 43.01% and an expected life of two years. The total costs to complete the private placement were C$0.745 million which included a 3% finders’ fee on gross proceeds (refer Note 13.2).

As the exercise price of the share purchase warrants is fixed in Hong Kong dollars and the functional currency of the Company is in the Canadian dollar, the warrants are considered a derivative, as a variable amount of cash in the Company’s functional currency will be received on exercise. The fair value of share purchase warrants is reclassified to equity upon exercise. The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in the consolidated statements of operations and comprehensive loss. For the nine month period ended September 30, 2014, the Company recognized a gain of C$3.2 million related to the re-measurement of the fair value of share purchase warrants in the consolidated statements of operations and comprehensive loss (refer Note 13.2).

During the three and nine month periods ended September 30, 2014, the Company issued 1,253,870 and 3,693,881 Class “A” common shares respectively, from the Company’s employee share savings plan for gross proceeds of $0.2 and $0.6 million respectively.

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

13.2 Share purchase warrants

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

13.2 Share purchase warrants (continued)

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

		September 30, 2014		December 31, 2013
Balance, beginning of period	$	3,832	$	-
Issued under private placement		4,751		3,832
Fair value adjustment		(3,179)		-
Balance, end of period	$	5,404	$	3,832

13.3 Class "G" preferred shares

The Company's Board of Directors authorized for issuance a maximum of 65,000,000 Class "G" preferred shares. The Class "G" preferred shares were issued at $0.0005 per Class "G" preferred share and were converted into Class "A" common shares or cancelled, as outlined below.

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

13.4 Class "H" preferred shares

The Company's Board of Directors authorized for issuance a maximum of 25,000,000 Class "H" preferred shares. The Class "H" preferred shares were issued at $0.0005 per Class "H" preferred share and were all converted into Class "A" common shares as outlined below.

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

14. Share-based payments

14.1 Employee stock option plan

Post-IPO Stock Option Plan:

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

14.2 Employee share savings plan

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

14.3 Director Share Arrangements

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

Upon approval, at the discretion of the Board, the option of payment of shares in lieu of cash will result in an expense to share based payments and reversal of directors and/or employment or consulting fees as applicable. For the three and nine month periods ended September 30, 2014, $0.2 million of shares were issued in lieu of cash resulting in a $0.2 million expense to share based payment and a $0.2 million reversal of directors and consulting/employment fees payable.

14.4 Fair value of share options granted in the period

The weighted average fair value of the share options granted for the period ended September 30, 2014 was $0.14 (2013 - $0.25). Options were priced using the Black Scholes model. 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 behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2014. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 11.04% (2013 – forfeiture rate range of 5.20 to 6.12%).

14.5 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, 2014		Nine months ended September 30, 2014		Year Ended December 31, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	126,565,154	0.43	135,145,593	0.43	192,505,688	0.37
Granted	53,910,982	0.14	53,910,982	0.14	6,850,368	0.25
Exercised	-	-	-	-	(46,695,000)	0.18
Forfeited	(52,300,396)	0.37	(60,880,835)	0.38	(17,515,463)	0.39
Balance, end of period	128,175,740	0.33	128,175,740	0.33	135,145,593	0.43
Exercisable, end of period	78,409,539	0.37	78,409,539	0.37	102,500,487	0.39

As at September 30, 2014, stock options outstanding had a weighted average remaining contractual life of 3.2 years (December 31, 2013 – 2.4 years).

The Company granted 53,910,982 stock options during the three and nine month periods ended September 30, 2014. The stock options were granted to certain officers, employees and consultants. No substantial shareholder, chief executive, director or associate of any of them were granted options.

14.6 Share-based compensation

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

	Three months ended September 30, 2014			Three months ended September 30, 2013		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 976	$ 778	$ 1,754	$ 882	$ 63	$ 945
Preferred shares	-	-	-	1,475	795	2,270
	$ 976	$ 778	$ 1,754	$ 2,357	$ 858	$ 3,215

	Nine months ended September 30, 2014			Nine months ended September 30, 2013		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 1,821	$ 635[1]	$ 2,456	$ 2,633	$ 883	$ 3,516
Preferred shares	-	-	-	4,590	2,480	7,070
	$ 1,821	$ 635	$ 2,456	$ 7,223	$ 3,363	$ 10,586

1. In prior quarter capitalized stock options reflected a reversal of share based payment expense recognized prior to the vesting date due to forfeiture of stock options in the period.

15. Credit facility

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

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

16. Finance costs

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Interest expense on notes	$ 3,231	$ -	$ 3,231	$ -
Amortization of financing transaction costs	1,648	-	1,648	-
Finance cost on credit facility	-	505	-	1,541
Financing related costs	130	230	1,720	830
Other Interest expense[1]	(3,178)	641	22	641
Unwinding of discounts on provisions	200	99	560	1,020
	$ 2,031	$ 1,475	7,181	$ 4,032

1. For the three month period ended September 30, 2014, other interest expense was a recovery of $3.2 million as a result of the interest expense related to past due invoices being less than previous period accrual estimates.

17. Loss per share

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

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Basic and Diluted – Class "A" common shares	3,891,482,299	2,884,139,827	3,457,867,603	2,875,184,637
Class "G" preferred shares (Note 13.3)	-	52,390,000	-	52,390,000
Class "H" preferred shares (Note 13.4)	-	22,200,000	-	22,200,000
Stock options (Note 14.5)	128,175,740	139,902,637	128,175,740	139,902,637

18. Financial instruments

18.1 Capital risk management

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

The Company's strategy is to access sufficient capital, through equity issuances, joint ventures, asset sales and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. Based on the current capital budget the Company's current capital resources at September 30, 2014 are sufficient to complete phase one of the West Ells development plans to first steam. Funds were raised in the third quarter through a $20 million asset sale and through the closing of an offering of US$200 million of senior secured notes in July and August 2014, respectively. The Company's ability to continue as a going concern is dependent on its ability to successfully complete development of West Ells and on its ability to raise additional funds.

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

	September 30, 2014	December 31, 2013
Working capital (surplus) / deficiency	$ (178,059)	$ 103,182
Shareholders' equity	983,043	880,973

18.1 Capital risk management (continued)

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

18.2 Categories of financial instruments

	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
Cash, deposits and other receivables	205,702	205,702	17,611	17,611
Financial liabilities				
Trade and other payables	16,270	16,270	120,114	120,114
Long-term debt	200,071	199,833	-	-
Share purchase warrants (Note 13.2)	5,404	5,404	3,832	3,832

18.3 Fair value of financial instruments

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

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

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

18.4 Financial risk management

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

18.5 Market risk

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

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

18.6 Currency risk

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

18.6 Currency risk (continued)

If exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2014 would have been impacted by approximately $1 thousand. At September 30, 2014, the Company held approximately HK$0.8 million or $0.1 million using the September 30, 2014 exchange rate of 6.9280, as cash in the Company's Hong Kong bank account.

If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash and restricted cash held at September 30, 2014 would have been impacted by approximately $0.5 million. At September 30, 2014, the Company held approximately US$48.0 million or $53.8 million using the September 30, 2014 exchange rate of 1.1208, as cash and cash equivalents in the Company's US bank account.

The following table summarizes the components of the Company's net unrealized foreign exchange loss / (gain):

		For the three months ended September 30,			For the nine months ended September 30,	
		2014	**2013**		**2014**	**2013**
Unrealized foreign exchange loss (gain) on translation of:	$			$		
U.S. denominated senior secured notes		4,467	-		4,467	-
Foreign currency denominated cash balances		(2,293)	45		(1,784)	(124)
Foreign currency denominated accounts payable balances		1,428	1		1,255	(26)
	$	3,602	46	$	3,938	(150)

18.7 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, 2014, the Company does not have any floating rate debt.

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

The Company's restricted cash and cash equivalents, consists of cash held in a treasury bill and two treasury notes. In addition, $1.9 million of restricted cash is held by the legal counsel of the Company for payments to lien holders. For the three and nine month periods ended September 30, 3014, the interest rate earned on the treasury bill and treasury notes was between 0.02% and 0.26%.

18.8 Credit risk management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, deposits and receivables and GST receivables. As at September 30, 2014, the Company's receivables consisted of 22% from Goods and Services Tax receivable, 53% joint interest billing receivable and 25% from other receivables (December 31, 2013 – 46% from Goods and Services Tax receivable, 51% from joint interest billing receivable and 3% from other receivables).

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

18.8 Credit risk management (continued)

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

18.9 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. At September 30, 2014, the Company had positive working capital of $178.1 million and an accumulated deficit of $215.4 million. The Company's ability to continue as a going concern is dependent on completion of West Ells development and the ability to access additional financing.

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

The timing of cash outflows (excluding interest) relating to financial liabilities as at September 30, 2014, are as follows:

		Total		Less than 1 year		1 -2 years
Trade and other payables	$	16,270	$	16,270	$	-
Long-term debt [1]		224,160		-		224,160
	$	240,430	$	16,207	$	224,160

1. Principal amount of Notes based on the period end exchange rate of $1 US = 1.1208 CDN

19. Related party transactions

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

19.1 Trading transactions

The Company had transactions with a law firm in which a director of the Company is a partner. The Company also paid consulting fees to two directors of the Company (Note 19.2).

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

	For the three months ended September 30,				For the nine months ended September 30,			
		2014		2013		2014		2013
Legal expense	$	436	$	524	$	1,259	$	640
Finance fees		7		70		187		235
Capitalized legal fees		-		165		-		165
Financing transaction costs on Notes (Note 10)		82		-		82		-
	$	525	$	759	$	1,528	$	1,040

1. Excluded from the transactions above are consulting fees paid to two directors of the Company, which are disclosed in Note 19.2.

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

		September 30, 2014		December 31, 2013
Legal	$	(40)	$	887

19.2 Compensation of key management personnel and directors

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Directors' fees	$ 44	$ 221	$ 424	$ 548
Salaries and allowances	716	389	1,047	1,146
Share-based payments	572	2,693	1,274	7,204
Consulting fees[1]	7	226	445	676
	$ 1,339	$ 3,529	$ 3,190	$ 9,574

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

20. Operating lease arrangements

Payments recognised as an expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Minimum lease payments	$ 588	$ 537	$ 1,689	$ 1,589

21. Commitments and contingencies

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

	Due within the next 12 months	Due in the next 2 to 5 years	Over 5 years
Drilling, other equipment and contracts	$ 6,512	$ 388	$ -
Lease rentals[1]	1,202	4,724	4,536
Office leases	2,718	9,026	-
	$ 10,432	$ 14,138	$ 4,536

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

Following suspension of construction at the Company's West Ells SAGD project in August 2013, many suppliers, following normal practice in Canada, placed builders' liens on the West Ells property to secure past due and unpaid invoices. Through the normal course of business, the Company recorded the unpaid invoices in trade and other payables. On December 5, 2013, the Company reached forbearance agreements with all then current lien holders and litigants until February 28, 2014. On February 15, 2014, the Company reached a further forbearance agreement with all then current lien holders and litigants to extend the forbearance period to May 31, 2014. On June 27, 2014, the Company reached a further forbearance agreement with all then current lien holders and litigants to extend the forbearance period to July 31, 2014. The Company paid 25% of all past due and unpaid invoices in December, 2013, 20% payment of all past due and unpaid invoices in early March, 2014, 40% payment of all past due and unpaid invoices in late June to early July, 2014, in exchange for these three forbearance agreements. During 2014 the Company has raised equity funds disclosed in Note 13 and completed additional financing, through the $20 million sale of assets and the issuance of US$200 million Senior Secured notes (Note 10), to enable it to meet these obligations and clear up these issues and continue developing its business. As at September 30, 2014, the Company had fifteen outstanding liens with suppliers for unpaid invoices for a total aggregate value of $5.9 million. Subsequent to the end of the period the Company settled the remaining outstanding liens by October 7, 2014, thus satisfying the condition in the Notes (Note 10). The aggregate value of the claims outstanding against Sunshine related to claiming payment for unpaid invoices was approximately $1.0 million as of November 12, 2014. Sunshine continues to work toward resolution of these claims.

21. Commitments and contingencies (continued)

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

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

22. Supplemental cash flow disclosures

Non-cash transactions

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

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

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

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

Supplemental cash flow disclosures

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Cash provided by (used in):				
Trade and other receivables	$ (142)	$ 2,910	$ 25	$ (106)
Prepaid expenses and deposits	(529)	263	(5,317)	(297)
Trade and other payables	(28,038)	19,146	(105,527)	85,349
	(28,709)	22,319	(110,819)	84,946
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ 442	$ (122)	$ (927)	$ (317)
Prepaid expenses and deposits	(529)	263	(5,317)	(297)
Trade and other payables	(2,372)	(1,726)	(6,040)	381
	(2,459)	(1,585)	(12,284)	(233)
Investing activities				
Property, plant and equipment	(23,262)	23,370	(100,356)	84,589
	(23,262)	23,370	(100,356)	84,589
Financing activities				
Share issue costs, IPO costs and finance costs	$ (2,988)	$ 534	$ 1,821	$ 590
	$ (28,709)	$ 22,319	$ (110,819)	$ 84,946

22. Supplemental cash flow disclosures (continued)

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

		For the three months ended		September 30,		For the nine months ended		September 30,
		2014		**2013**		**2014**		**2013**
Reconciliation of:								
Exploration and evaluation assets	$	585	$	(592)	$	3,799	$	16,688
Changes in non-cash working capital		-		-		-		-
Payments for exploration and evaluation assets		585		(592)		3,799		16,688
Reconciliation of:								
Property, plant and equipment	$	8,140	$	77,286	$	14,545	$	308,455
Changes in non-cash working capital		23,262		(23,370)		100,356		(84,589)
Payments for property, plant and equipment		31,402		53,916		114,901		223,866
Reconciliation of:								
Share issue costs, IPO costs and finance costs	$	215	$	1378	$	5,876	$	3,011
Changes in non-cash working capital		2,988		(534)		(1,821)		(590)
Payments for share issue costs, IPO costs and finance costs	$	3,203	$	844	$	4,055	$	2,421

23. Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 13, 2014.

Appendix to the Condensed interim consolidated financial statements

Additional Stock Exchange Information
(Unaudited)

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

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

The Company's statement of financial position is on a non-consolidated basis which excludes the Company's wholly owned subsidiary Sunshine Hong Kong. The Company's wholly owned subsidiary, Fern Energy Ltd., was wound up during the year ended December 31, 2013.

		September 30, 2014		December 31, 2013
Non-current assets				
Property, plant and equipment		655,655		634,670
Exploration and evaluation assets		373,964		376,912
Restricted cash and cash equivalents		11,208		-
Amounts due from subsidiary		1,325		825
		1,042,152		1,012,407
Current assets				
Trade and other receivables	$	1,269	$	1,295
Prepaid expenses and deposits		5,973		656
Cash and cash equivalents		164,075		15,847
Restricted cash and cash equivalents		23,994		-
		195,311		17,798
Current liabilities				
Trade and other payables		16,243		120,095
Provisions for decommissioning obligations		985		872
Amount due to subsidiary		875		339
		18,103		121,306
Net current assets / (liabilities)		177,208		(103,508)
Total assets less current liabilities		1,219,360		908,899
Non-current liabilities				
Share purchase warrants		5,404		3,832
Long term debt		200,071		-
Provisions for decommissioning obligations		30,369		23,597
Net assets	$	983,516	$	881,470
Capital and reserves				
Share capital	$	1,138,748	$	1,024,423
Reserve for share-based compensation		59,679		57,447
Deficit		(214,911)		(200,400)
	$	983,516	$	881,470

A2. Directors' emoluments and other staff costs

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

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Directors' emoluments				
Directors' fees	$ 44	$ 221	$ 424	$ 548
Salaries and allowances	7	226	445	676
Share-based payments	523	1,913	1,687	4,971
	574	2,360	2,556	6,195
Other staff costs				
Salaries and other benefits	$ 3,753	$ 4,686	$ 8,999	$ 15,456
Contribution to retirement benefit scheme	28	67	269	371
Share-based payments	1,088	1,302	769	5,614
	4,869	6,055	10,037	21,441
Total staff costs, including directors' emoluments	5,443	8,415	12,593	27,636
Less: staff costs capitalized to qualifying assets	(2,459)	(3,118)	(5,471)	(10,326)
	$ 2,984	$ 5,297	$ 7,122	$ 17,310

Details of the Directors' emoluments are as follows:

For the three months ended September 30, 2014						
Name of Director	Directors' fees[4]	Salaries and allowances[4]	Contribution to retirement benefits scheme	Share-based compensation[1,4]	Performance related incentive payments	Total
Michael Hibberd	$ 7	$ 60	$ -	$ 222	$ -	$289
Songning Shen[2]	(13)	(53)	-	222	-	156
Tseung Hok Ming	(2)	-	-	27	-	25
Tingan Liu	12	-	-	-	-	12
Haotian Li	11	-	-	12	-	23
Raymond Fong	2	-	-	27	-	29
Wazir (Mike) Seth[3]	(13)	-	-	(68)	-	(81)
Greg Turnbull	(3)	-	-	27	-	24
Robert Herdman	7	-	-	27	-	34
Gerald Stevenson	4	-	-	27	-	31
Jin Hu	16	-	-	-	-	16
Zhefei Song	16	-	-	-	-	16
	$ 44	$ 7	$ -	$ 523	$ -	$ 574

1. Relates to expensing of options granted in prior periods.
2. Mr Shen was a Director and Co-Chairman until the time of his resignation on July 6, 2014
3. Mr Seth was a Director until the time of his resignation on July 6, 2014
4. For the three month period ended $120 thousand of previously recognised directors fees and $106 thousand of salaries and allowances were reclassified as share-based compensation as the amounts were settled in shares (Note 14.3).

For the three months ended September 30, 2013						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 26	$ 113	$ -	$ 554	$ -	$ 693
Songning Shen	26	113	-	554	-	693
Tseung Hok Ming	21	-	-	609	-	630
Tingan Liu	19	-	-	-	-	19
Haotian Li	15	-	-	30	-	45
Raymond Fong	22	-	-	29	-	51
Wazir (Mike) Seth	21	-	-	29	-	50
Greg Turnbull	22	-	-	42	-	64
Robert Herdman	25	-	-	33	-	58
Gerald Stevenson	24	-	-	33	-	57
	$ 221	$ 226	$ -	$ 1,913	$ -	$ 2,360

For the nine months ended September 30, 2014						
Name of Director	Directors' fees[1]	Salaries and allowances[1]	Contribution to retirement benefits scheme	Share-based compensation[1]	Performance related incentive payments	Total
Michael Hibberd	$ 50	$ 279	$ -	$ 713	$ -	$1,042
Songning Shen	30	166	-	713	-	909
Tseung Hok Ming	29	-	-	53	-	82
Tingan Liu	39	-	-	-	-	39
Haotian Li	36	-	-	38	-	74
Raymond Fong	37	-	-	53	-	90
Wazir (Mike) Seth	32	-	-	(42)	-	(10)
Greg Turnbull	34	-	-	53	-	87
Robert Herdman	54	-	-	53	-	107
Gerald Stevenson	50	-	-	53	-	103
Jimmy Hu	17	-	-	-	-	17
Zhefei Song	16	-	-	-	-	16
	$ 424	$ 445	$ -	$ 1,687	$ -	$ 2,556

1. For the three month period ended $120 thousand of previously recognised directors' fees and $106 thousand of salaries and allowances were reclassified as share-based compensation as the amounts were settled in shares (Note 14.3).

For the nine months ended September 30, 2013						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 66	$ 338	$ -	$ 1,424	$ -	$ 1,828
Songning Shen	67	338	-	1,424	-	1,829
Tseung Hok Ming	47	-	-	1,782	-	1,829
Tingan Liu	45	-	-	-	-	45
Haotian Li	43	-	-	49	-	92
Raymond Fong	53	-	-	43	-	96
Wazir (Mike) Seth	55	-	-	43	-	98
Greg Turnbull	52	-	-	80	-	132
Robert Herdman	63	-	-	63	-	126
Gerald Stevenson	57	-	-	63	-	120
	$ 548	$ 676	$ -	$ 4,971	$ -	$ 6,195

A3. Five highest paid individuals

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,	
	2014	2013	2014	2013
HK$ nil to HK$1,000,000	-	-	-	-
HK$1,000,001 to HK$1,500,000	3	-	1	-
HK$1,500,001 to HK$2,000,000	1	-	-	-
HK$2,000,001 to HK$2,500,000	1	-	2	-
HK$2,500,001 to HK$3,000,000	-	1	-	-
HK$3,000,001 to HK$3,500,000	-	1	-	-
HK$3,500,001 to HK$4,000,000	-	-	-	-
HK$4,000,001 to HK$4,500,000	-	-	-	-
HK$4,500,001 to HK$5,000,000	-	1	-	-
HK$5,000,001 to HK$5,500,000	-	2	-	1
HK$5,500,001 to HK$6,000,000	-	-	-	-
HK$6,000,001 to HK$6,500,000	-	-	1	-
HK$6,500,001 to HK$7,000,000	-	-	-	-
> HK$7,000,000	-	-	1	4

For the three and nine month periods ended September 30, 2014, respectively, the conversion factor used in the above table is 1C$ = 7.12 HK$ and 1C$ = 7.09 HK$ (three and nine month periods ended September 30, 2013 – 1C$ = 7.47 HK$ and 1C$ = 7.58 HK$, respectively)

The five highest paid individuals includes two directors of the Company and three key management executives of the Company for the three and nine month period ended September 30, 2014 (three and nine month period ended September 30, 2013 – three directors and two key management). Since the directors' emoluments are disclosed above, the compensation of the three key management executives for the Company is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Salaries and other benefits	$ 335	$ 182	$ 572	$ 339
Contributions to retirement benefits scheme	-	-	5	4
Share-based payments	199	558	244	1,662
	$ 534	$ 740	$ 821	$ 2,005