阳光油砂
SUNSHINE OILSANDS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2016

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

		September 30, 2016	December 31, 2015
Assets	**Notes**		
Current assets			
Cash	4	$ 615	$ 6,545
Restricted cash and cash equivalents	4	-	14,389
Trade and other receivables	5	1,846	2,253
Prepaid expenses and deposits	6	6,750	8,119
		9,211	31,306
Non-current assets			
Exploration and evaluation	7	292,877	290,945
Property, plant and equipment	8	683,186	650,930
		976,063	941,875
		$ 985,274	$ 973,181
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and accrued liabilities	9	$ 58,158	$ 47,611
Provisions	11	3,566	3,492
Share purchase warrants	13.2	-	3
Current portion of long-term debt	10	262,340	266,321
		324,064	317,427
Non-current liabilities			
Provisions	11	57,862	51,656
		381,926	369,083
Shareholders' Equity			
Share capital	13.1	1,221,051	1,174,987
Reserve for share-based compensation		66,169	62,910
Deficit		(683,872)	(633,799)
		603,348	604,098
		$ 985,274	$ 973,181

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

Approved by the Board

"Gerry Stevenson"
Director

"Qiping Men"
Executive 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, 2016	For the three months ended September 30, 2015	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Other income					
Interest income		$ 12	$ 36	$ 35	$ 446
Gain on sale of assets		-	-	2	174
Fair value adjustment on share purchase warrants (losses)/gains	13.2	-	987	3	249
		12	1,023	40	869
Expenses					
Salaries, consulting and benefits		1,160	3,128	4,702	8,065
Rent		315	381	1,008	1,072
Legal and audit		620	803	1,755	1,752
Depreciation	8	129	157	421	434
Share-based payments	14.2	2,949	322	2,792	1,276
Finance costs	15	18,606	10,641	48,619	29,686
Foreign exchange (gains)/losses	17.6	1,933	14,950	(12,117)	28,307
Contract provision expense	11.2	-	-	142	6,600
Other		864	1,054	2,791	4,051
		$ 26,576	$ 31,436	$ 50,113	$ 81,243
Loss before income taxes		26,564	30,413	50,073	80,374
Income taxes	12	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 26,564	$ 30,413	$ 50,073	$ 80,374
Basic and diluted loss per share	16	$ 0.01	$ 0.01	$ 0.01	$ 0.02

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, 2015		$	62,910	$	1,174,987	$	(633,799)	$	604,098
Net loss and comprehensive loss for the period			-		-		(50,073)		(50,073)
Issue of common shares	13.1		-		46,136		-		46,136
Recognition of share-based payments	14.2		3,269		-		-		3,269
Issue of shares upon exercise of share options	13.1		-		15		-		15
Reserve transferred on exercise of share options	13.1		(10)		10		-		-
Share Issue costs, net of deferred tax($Nil)	13.1		-		(97)		-		(97)
Balance, September 30, 2016		$	66,169	$	1,221,051	$	(683,872)	$	603,348
Balance, December 31, 2014		$	60,658	$	1,139,022	$	(227,664)	$	972,016
Net loss and comprehensive loss for the period			-		-		(80,374)		(80,374)
Issue of common shares			-		22,726		-		22,726
Issue of shares under employee share savings plan	13.1		-		711		-		711
Recognition of share-based payments	14.2		1,938		-		-		1,938
Issue of shares upon exercise of share options	13.1		-		108		-		108
Reserve transferred on exercise of share options	13.1		(55)		55		-		-
Share issue costs, net of deferred tax ($Nil)			-		(15)		-		(15)
Balance, September 30, 2015		$	62,541	$	1,162,607	$	(308,038)	$	917,110

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, 2016	2015	For the nine months ended September 30, 2016	2015
Cash flows from operating activities					
Net loss		$ (26,564)	$ (30,413)	$ (50,073)	$ (80,374)
Finance costs	15	18,606	10,641	48,619	29,686
Unrealized foreign exchange losses/(gains)	17.6	2,200	14,374	(12,407)	26,541
Contract provision expense	11.2	-	-	75	6,600
Interest income		(12)	(36)	(35)	(446)
Gain on sale of assets		-	-	(2)	(174)
Fair value adjustment on share purchase warrants	13.2	-	(987)	(3)	(249)
Depreciation	8	129	157	421	434
Share-based payment expense	14.2	2,949	322	2,792	1,276
Employee share savings plan		-	89	-	356
Movement in non-cash working capital	21	4,302	(1,138)	7,735	(2)
Net cash provided by (used in) operating activities		1,610	(6,991)	(2,878)	(16,352)
Cash flows from investing activities					
Interest received		12	36	35	446
Payments for exploration and evaluation assets	7	(348)	(592)	(1,157)	(1,231)
Proceeds from sale of assets	8	-	-	2	447
Payments for property, plant and equipment	8	(11,690)	(36,512)	(27,642)	(124,688)
Release of restricted cash to fund long-term debt interest payments	4	-	11,509	14,389	21,143
Movement in non-cash working capital	21	(2,150)	6,004	2,414	(621)
Net cash used in investing activities		(14,176)	(19,555)	(11,959)	(104,504)
Cash flows from financing activities					
Proceeds from issue of common shares	13.1	31,333	22,882	46,151	23,190
Payment for share issue costs	13.1	-	(15)	(97)	(15)
Payment for finance costs	15	(15,281)	(6,581)	(37,700)	(18,888)
Shareholder's loan repayment	18.1	(6,941)	-	-	-
Movement in non-cash working capital	21	872	(5,931)	1,962	(4,794)
Net cash provided by (used in) financing activities		9,983	10,355	10,316	(507)
Effect of exchange rate changes on cash held in foreign currency	17.6	(1,308)	2,882	(1,409)	7,136
Net decrease in cash		(3,891)	(13,309)	(5,930)	(114,227)
Cash and cash equivalents, beginning of period		4,506	35,179	6,545	136,097
Cash and cash equivalents , end of period		$ 615	$ 21,870	$ 615	$ 21,870

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month period ended September 30, 2016
(Expressed in thousands of Canadian dollars, unless otherwise indicated)
(Unaudited)

1. Company information

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

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

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

The Company is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada. The 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.

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 nine month period ended September 30, 2016, the Company reported a net loss of $50.1 million. At September 30, 2016, the Company had negative working capital of $314.9 million including the $262.3 million current portion of the senior secured notes (Note 10) and an accumulated shareholders' deficit of $683.9 million. The Company's trade payables total $27.6 million at September 30, 2016. Included in trade payables are $21.5 million of payables that are greater than 60 days. Subsequent to September 30, 2016, the Company raised gross equity proceeds of $11.2 million (Note 22).

The Company's ability to continue as a going concern is dependent on achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that the steps management will take will be successful. As such there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

2.1 Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 17.3). The financial statements have been prepared on the same basis and using the same accounting policies and methods as those used in the annual consolidated financial statements for the year ended December 31, 2015. The condensed interim consolidated financial statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

3. Changes in accounting policies

For the three and nine month period ended September 30, 2016 there has been no change in accounting policy from the policies adopted by the Company in the Consolidated Financial Statements for the year ended December 31, 2015.

4. Cash and cash equivalents

		September 30, 2016		December 31, 2015
Current asset				
Cash[1]	$	615	$	6,545
Current restricted cash and cash equivalents[2]		-		14,389
	$	615	$	20,934

1. The Company's cash consists of cash held in bank accounts that earn interest at varying interest rates of between 0.1% and 1.55%.
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 semi-annual interest payments on the senior secured notes. On February 1, 2016, the third interest payment of US$10 million was paid from the restricted escrow account. There is Nil remaining in the restricted escrow account.

5. Trade and other receivables

		September 30, 2016		December 31, 2015
Trade	$	1,514	$	1,184
Accruals and other receivables		5		56
Goods and Services Taxes receivable		327		1,013
	$	1,846	$	2,253

As at September 30, 2016, included in the Company's trade receivables was an aggregate carrying amount of $1.5 million (December 31, 2015 - $1.2 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances.

6. Prepaid expenses and deposits

		September 30, 2016		December 31, 2015
Prepaid expenses	$	889	$	518
Deposits		5,861		7,601
	$	6,750	$	8,119

As at September 30, 2016, the deposits include $5.1 million held with the Alberta Energy Regulator for the Licensee Liability Rating Program (on October 13, 2016, $1.3 million had been refunded). The remaining deposits include ordinary business deposits of $0.8 million.

7. Exploration and evaluation

Balance, December 31, 2014	$	379,403
Capital expenditures		1,375
Non-cash expenditures[1]		167
Impairment		(90,000)
Balance, December 31, 2015	$	290,945
Capital expenditures		1,157
Non-cash expenditures[1]		775
Balance, September 30, 2016	$	292,877

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

The Company is a development stage entity and, as a result, no depletion expense has been recorded for exploration and evaluation ("E&E") assets for any period. As at September 30, 2016, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at December 31, 2015) of the E&E Assets.

Exploration and evaluation costs (net of impairment) are comprised of the following:

8. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2014	$	699,948	$	3,748	$	703,696
Capital expenditures		152,207		1,160		153,367
Disposal of asset		-		(446)		(446)
Non-cash expenditures[1]		1,693		-		1,693
Balance, December 31, 2015	$	853,848	$	4,462	$	858,310
Capital expenditures		27,619		23		27,642
Non-cash expenditures[1]		5,035		-		5,035
Balance, September 30, 2016	$	886,502	$	4,485	$	890,987

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

		Crude oil assets		Corporate assets		Total
Accumulated depreciation and impairment						
Balance, December 31, 2014	$	-	$	1,960	$	1,960
Disposal		-		(173)		(173)
Depreciation expense		-		593		593
Impairment		205,000		-		205,000
Balance, December 31, 2015	$	205,000	$	2,380	$	207,380
Depreciation expense		-		421		421
Balance, September 30, 2016	$	205,000	$	2,801	$	207,801
Carrying value, December 31, 2015	$	648,848	$	2,082	$	650,930
Carrying value, September 30, 2016	**$**	**681,502**	**$**	**1,684**	**$**	**683,186**

At September 30, 2016, 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. As at September 30, 2016, the Company did not identify any indicators of further impairment (or reversal of the original impairment recorded at December 31, 2015) of the West Ells CGU.

During the nine month period ended September 30, 2016, the Company capitalized directly attributable costs including $0.5 million for share-based compensation and $2.5 million for general and administrative costs.

9. Trade and accrued liabilities

		September 30, 2016		December 31, 2015
Trade	$	27,620	$	22,718
Accrued liabilities		30,538		24,893
	$	58,158	$	47,611

10. Long-term debt

		September 30, 2016		December 31, 2015
Senior secured notes (US$200,000,000)	$	262,340	$	276,800
Discount on notes		(16,168)		(17,159)
Financing transaction costs on notes		(11,846)		(11,846)
Amortization of financing transaction costs and discount		28,014		18,526
Balance, end of period	$	262,340	$	266,321

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the "Notes") at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and had a potential maturity date of August 1, 2017, if certain conditions were met as explained below. Interest payments are payable semi-annually on February 1 and August 1 of each year.

If by February 1, 2016, the Company had not: (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield

10. Long-term debt (Continued)

premium, then the final maturity date of the Notes would be August 1, 2016. The Company did not meet the requirements listed above by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016. The Company has presented the Notes as a current liability on the Condensed Interim Consolidated Statements of Financial Position as at September 30, 2016.

On September 12, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "Agreement"). The principal terms of the Agreement include: (a) payment on October 17, 2016 of the yield maintenance premium payment of $19.1 million (Note 20) due on August 1, 2016; (b) payment of the coupon interest accruing on the Notes and repurchase of US$22.5 million in principal amount of the Notes on February 1, 2017; (c) payment of the principal of the Notes and the coupon interest on the Notes on August 1, 2017; (d) payment of forbearance fees accruing at 2.50% on the principal amount of the Notes held by the Forbearing Holders; (e) payment of a fee equal to 7.298% of the outstanding principal amount of the Notes held by the Forbearing Holders on August 1, 2017 and proportionately smaller fees if the Notes are repurchased or redeemed prior to that date; (f) covenants relating to minimum liquidity to be maintained by the Corporation for specified periods; (g) board of director observation rights for certain significant noteholders; (h) use of proceeds restrictions for the proceeds of any asset sales completed by the Corporation; (i) budget approval rights; and (j) requirements that the Corporation raise additional capital and provide additional security for the Notes.

The Board believed the entering into of the Agreement was in the best interests of the Company and its shareholders as a whole as the Agreement provides the Company with additional time to repay or refinance the indebtedness owed by the Company to the noteholders under the Notes.

In relation to the Agreement, the Company is required to maintain a cash balance of US$3.0 million as of November 1, 2016 until January 31, 2017 and thereafter, a cash balance no less than US$10.0 million.

On October 31, 2016, the Company updated the status of the Agreement. In view of the importance of supporting active operations at West Ells while it examines the potential to progress the Memorandum of Understanding with Nobao Energy Holding (China) Company Limited to definitive terms and agreements, the Company initiated discussions with the Forbearing Holders about altering the timing and the form of payment of the yield maintenance premium. As such, the Company has not yet paid the yield maintenance premium to the Forbearing Holders as required by the Agreement. While this constitutes a termination event under the Agreement and entitles the Forbearing Holders to exercise their rights and remedies under the Agreement, the Forbearing Holders have not taken steps to terminate the Agreement or exercise such rights and they have not, at this time, advised of any intention to do so. In addition, the Company has been in discussions with the Forbearing Holders to achieve payment terms for the yield maintenance premium that are mutually acceptable to the Forbearing Holders and the Company.

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 under Canadian Securities Legislation and includes timely reporting of material changes.

At September 30, 2016, the Company had incurred $8.9 million (US$6.8 million equivalent using the period end exchange rate) in liens during the ordinary course of business. There is a basket for permitted liens not to exceed US$5.0 million, but the Company was in excess of this US$5.0 million limit as at September 30, 2016. The Note Indenture also permits liens incurred in the ordinary course of business that are imposed by law. It is possible that the US$6.8 million in liens existing as at September 30, 2016 may be sheltered by one or both of these exceptions, but there is also a possibility that the Company is not in compliance with these exceptions as at September 30, 2016. In any event, no Event of Default (as defined in the Note Indenture) has occurred. From time to time, the Company receives liens or claims on accounts payable balances. The Company continues to work toward resolution of any liens or claims.

The Notes are translated into Canadian dollars at the period end exchange rate of $1US = 1.3117CDN.

11. Provisions

		September 30, 2016		December 31, 2015
Decommissioning obligations (Note 11.1)	$	57,862	$	51,656
Contract provision (Note 11.2)		3,566		3,492
	$	61,428	$	55,148
Presented as:				
Provisions (current)	$	3,566	$	3,492
Provisions (non-current)	$	57,862	$	51,656

11.1 Decommissioning obligations

As at September 30, 2016, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $80.1 million (December 31, 2015 - $81.8 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 0.51% to 1.86% per annum and inflated using an inflation rate of 2.0% per annum.

		September 30, 2016		December 31, 2015
Balance, beginning of period	$	51,656	$	49,484
Effect of changes in discount rate		5,333		1,117
Unwinding of discount rate		873		1,055
	$	57,862	$	51,656
Current portion		-		-
Balance, end of period	$	57,862	$	51,656

11.2 Contract provision

As at September 30, 2016, the Company had fully recognized a liability provision related to obligations under a drilling rig contract of $6.8 million (December 31, 2015 - $6.6 million). The $6.8 million represents the maximum obligation required if the drilling rig is not utilized over the remaining term of the contract, which ends in the fourth quarter of 2016. At September 30, 2016, this obligation is broken into a $2.6 million payable and a $3.6 million provision (December 31, 2015 - $3.1 million payable and $3.5 million provision). For the three and nine month period ended September 30, 2016, the Company paid $0.6 million against the obligation. Based on current market conditions and low utilization rates for drilling rigs, management concluded the future benefits of the contract are not currently quantifiable to offset its obligations under the contract. In future periods, if the drilling rig is utilized the provision will be adjusted accordingly.

12. Income taxes

12.1 Deferred tax balances

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

		September 30, 2016		December 31, 2015
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(119,366)	$	(94,478)
Decommissioning liabilities		15,623		13,947
Share issue costs		3,030		6,790
Non-capital losses		222,146		194,902
Deferred tax benefits not recognized		(121,433)		(121,161)
	$	-	$	-

12.2 Tax pools

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

		September 30, 2016		December 31, 2015
Canadian development expense	$	38,892	$	42,888
Canadian exploration expense		230,919		230,899
Undepreciated capital cost		264,136		318,168
Non-capital losses		822,762		721,858
Share issue costs		11,222		25,149
	$	1,367,931	$	1,338,962

The Company's non-capital losses of $822,762 (December 31, 2015 - $721,858), expire between 2028 and 2036.

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, 2016		December 31, 2015
Common shares	$	1,221,051	$	1,174,987

13.1 Common shares

	September 30, 2016		December 31, 2015	
	Number of shares	$	Number of shares	$
Balance, beginning of period	4,230,264,104	1,174,987	3,896,103,191	1,139,022
Private placements – general mandate	147,105,000	8,194	215,037,000	21,214
Private placements – specific mandate	301,733,333	37,942	111,214,210	14,073
Issue of shares under employee share savings plan	-	-	6,834,537	711
Issue of shares under share option plan	241,666	15	1,075,166	108
Share option reserve transferred on exercise of stock options	-	10	-	55
Share issue costs, net of deferred tax ($Nil)	-	(97)	-	(196)
Balance, end of period	4,679,344,103	1,221,051	4,230,264,104	1,174,987

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.

General mandate

On March 15, 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with Bright Hope Global Investments Limited ("Bright Hope") under which Bright Hope agreed to subscribe for a total of 558,823,500 Class "A" Common Voting Shares of the Company ("Common Shares") at a price of HK$0.34 per Common Share or approximately CDN$0.055 per Common Share, which in the aggregate amounts to gross proceeds of HK$189,999,990 (approximately CDN$30,902,347) (the "Bright Hope Placement").

Completion of the Placement is subject to the fulfillment (or waiver) of certain regulatory conditions, which have been met.

Completion of the Placement would have to take place on or before May 14, 2016 (or such other date as the Company may choose) (the "Closing Date"). In the event that (i) the Company suffers a material adverse change in the management, business, properties, financial condition, prospects, shareholders' equity or results of operation of the Company shall have occurred or been announced since the date of the Subscription Agreement; or (ii) any adverse

13. Share capital (Continued)

change in the oil price and/or general market conditions and/or the share price of the Company takes place after the date of the Subscription Agreement, the Subscription Agreement may be terminated by the Subscriber by written notice, and in which case, the obligations of the Company and the Subscriber under the Subscription Agreement shall immediately and unconditionally cease and be null and void. There can be no assurance that the Placement will close as described.

On April 27, 2016, the Company completed the closing of 88,234,000 Common Shares at a price of HK$0.34 per Common Share (approximately CDN$0.055 per Common Share). Upon the Partial Closing, the Company received total gross proceeds of HK$29,999,560 (approximately CDN$4.9 million). In addition, an introduction fee of HK$599,991 (approximately CDN$0.1 million) being 2% of the gross proceeds of the Partial Closing, has been incurred in relation to the Partial Closing. The remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million) subscribed for by Bright Hope be closed in one or more remaining tranches, with the last tranche closing no later than May 14, 2016.

On May 16, 2016, the Company announced an extension of the remaining 470,589,500 Common Shares (HK$160,000,430 or CDN$26.0 million) subscribed for by Bright Hope Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than June 30, 2016.

On June 22, 2016, the Company completed the closing of 58,871,000 Common Shares at a price of HK$0.34 per Common Share (approximately CDN$0.056 per Common Share). Upon the Partial Closing, the Company received total gross proceeds of HK$20,016,140 (approximately CDN$3.3 million). In addition, an introduction fee of HK$400,323 (approximately CDN$0.1 million) being 2% of the gross proceeds of the Partial Closing, has been incurred in relation to the Partial Closing. The remaining 411,718,500 Common Shares (HK$139,984,290 or CDN$23.1 million) subscribed for by Bright Hope to be closed in one or more remaining tranches, with the last tranche closing no later than June 30, 2016.

On July 4, 2016, the Company announced an extension of the remaining 411,718,500 Common shares (HK$139,984,290 or CDN$23.1 million) subscribed for by Bright Hope be closed in one or more remaining tranches, with the last tranche closing no later than August 31, 2016.

On August 31, 2016, the Company announced an extension of the remaining 411,718,500 Common shares (HK$139,984,290 or CDN$23.1 million) subscribed for by Bright Hope to be closed in one or more remaining tranches, with the last tranche closing no later than October 31, 2016.

On October 31, 2016, the Company announced an extension of the remaining 250,247,912 Common Shares (approximately HK$85,084,290 or CDN$14.69 million) subscribed for by Bright Hope to be closed in one or more remaining tranches, with the last tranche closing no later than January 31, 2017. The Company believes that the extension is in the best interests of the Company and Shareholders.

Specific mandate

On May 2, 2016, the Board of Directors, having taken into account the current market conditions, consented to a further extension of the closing date for the remaining 413,520,000 Common Shares (HK$310,140,000 or approximately CDN$53.5 million) subscribed by Prime Union Enterprises Limited ("Prime Union") (original subscription agreement was May 31, 2015) to August 2, 2016 from May 2, 2016. The remaining subscribed Common Shares can be closed in one or more tranches with the last tranche closing no later than August 2, 2016. Prime Union is a company directly wholly owned by Mr. Kwok Ping Sun who is a substantial shareholder and the Executive Chairman of the Company.

On June 3, 2016, the Company completed the closing of 13,333,333 Common Shares at a price of HK$0.75 per Common Share (approximately CDN$0.126 per Common Share). Under which, the Company received total gross proceeds of HK$10,000,000 (approximately CDN$1.68 million). The remaining 400,186,667 Common Shares (HK$300,140,000 or CDN$50.5 million) subscribed for by Prime Union will be closed in one or more tranches with the last tranche closing no later than August 2, 2016.

On June 23, 2016, the Company completed the closing of 40,000,000 Common Shares at a price of HK$0.75 per Common Share (approximately CDN$0.124 per Common Share). Under which, the Company received total gross proceeds of HK$30,000,000 (approximately CDN$4.96 million). The remaining 360,186,667 Common Shares (HK$270,140,000 or approximately CDN$44.6 million) subscribed for by Prime Union, which will be closed in one or more tranches with the last tranche closing no later than August 2, 2016.

13. Share capital (Continued)

On July 21, 2016, the Company completed the closing of 96,400,000 Common Shares at a price of HK$0.75 per Common Share (approximately CDN$0.126 per Common Share). Upon which, the Company has received total gross proceeds of HK$72,300,000 (approximately CDN$12.2 million). The HK$72.3 million was comprised of HK$30.0 million in cash and HK$42.3 million in repayment of the Loan and the Second Loan plus interest due at July 19, 2016.

On July 31, 2016, the Company completed the closing of 152,000,000 Common Shares at a price of HK$0.75 per Common Share (approximately CDN$0.126 per Common Share). Under which, the Company has received total gross proceeds of HK$114,000,000 (approximately CDN$19.2 million). The remaining 111,786,667 Common Shares (HK$83,840,000 or CDN$14.09 million) subscribed for by Prime Union will be closed in one or more tranches.

On August 3, 2016, the Company announced an extension, for the remaining 111,786,667 Common shares (HK$83,840,000 or CDN$14.1 million) subscribed for by Prime Union Limited to be closed in one or more remaining tranches, with the last tranche closing no later than December 1, 2016. Prime Union had advised Sunshine that it has been working diligently to obtain the regulatory approvals but requires additional time due to the complexity

The Company intends to apply the net proceeds from the Issued Shares (i) for general working capital of the Company and (ii) as funds for future development of the existing business of the Company, including funding the operation costs of the West Ells project.

Post-IPO stock option plan

For the nine month period ended September 30, 2016, the Company issued 241,666 Class "A" common shares, from the exercise of 241,666 stock options at a weighted price of CDN$0.064 per share for cash proceeds of CDN$ 0.02 million. During the year ended December 31, 2015, the Company issued 1,075,166 Class "A" common shares, from the exercise of 1,075,166 stock options at a weighted average price of CDN$0.10 per share for cash proceeds of CDN$0.1 million.

13.2 Share purchase warrants

	September 30, 2016		**December 31, 2015**	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	132,910,941	0.34	211,230,941	0.28
Expired	(132,910,941)	0.34	(78,320,000)	0.34
Balance, end of period	-	-	132,910,941	0.34
Exercisable, end of period	-	-	132,910,941	0.34

During the nine month period ended September 30, 2016, 132,910,941 remaining share purchase warrants expired. As at September 30, 2016, the share purchase warrants outstanding had a weighted average remaining contractual life of Nil years (December 31, 2015 – 0.12 years).

The table below details the fair value of warrants during the periods noted:

	September 30, 2016	**December 31, 2015**
Balance, beginning of period	$ 3	$ 382
Fair value adjustment	(3)	(379)
Balance, end of period	$ -	$ 3

14. Share-based compensation

14.1 Movements in stock options

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

	Nine months ended September 30, 2016		Year ended December 31, 2015	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	95,554,786	0.31	135,727,289	0.30
Granted	208,906,966	0.09	9,065,387	0.12
Exercised	(241,666)	0.06	(1,075,166)	0.10
Forfeited	(29,363,784)	0.39	(20,121,953)	0.20
Expired	(8,341,672)	0.39	(28,040,771)	0.28
Balance, end of period	266,514,630	0.13	95,554,786	0.31
Exercisable, end of period	121,032,949	0.16	71,686,715	0.35

As at September 30, 2016, stock options outstanding had a weighted average remaining contractual life of 4.4 years (December 31, 2015 – 2.9 years).

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted in the year for share-based compensation:

Input Variables	Nine months ended September 30,2016	Year Ended December 31, 2015
Grant date share price ($)	0.058-0.10	0.10-0.14
Exercise Price ($)	0.058-0.10	0.10-0.14
Expected volatility (%)	66.36-69.46	67.01-73.99
Option life (years)	3.76-4.07	4.10-4.11
Dividend yield (%)	-	-
Risk-free interest rate (%)	0.56-0.70	0.68-0.90
Expected forfeitures (%)	13.39-14.61	11.01-11.51

14.2 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, 2016			Three months ended September 30, 2015		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 2,949	$ 344	$ 3,293	$ 322	$ 27	$ 349

	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 2,792	$ 477	$ 3,269	$ 1,276	$ 662	$ 1,938

15. Finance costs

	For the three months ended September 30, 2016	2015	For the nine months ended September 30, 2016	2015
Interest expense on senior notes	$ 7,788	$ 6,547	$ 20,402	$ 18,899
Interest expense on shareholder's loan	-	-	136	-
Amortization of financing transaction costs and discount	2,962	3,781	10,046	10,006
Redemption/yield maintenance premium	5,078	34	14,319	(11)
Financing related costs	2,415	1	2,843	1
Unwinding of discounts on provisions	363	278	873	791
	$ 18,606	$ 10,641	$ 48,619	$ 29,686

16. Loss per share

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

	For the three months ended September 30, 2016	2015	For the nine months ended September 30, 2016	2015
Basic and Diluted – Class "A" common shares	4,383,034,931	3,952,611,155	4,684,808,125	3,916,769,065

17. Financial instruments

17.1 Capital risk management

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

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

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

	September 30, 2016	December 31, 2015
Working capital deficiency	$ 314,853	$ 286,121
Shareholders' equity	603,348	604,098
	$ 918,201	$ 890,219

The working capital deficiency of $314.9 million at September 30, 2016 (December 31, 2015 – $286.1 million), includes the $262.3 million (December 31, 2015 - $266.3 million) current portion of the Notes. There was no change in the Company's objectives and strategies of capital management for the nine month period ended September 30, 2016.

17.2 Categories of financial instruments

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash, restricted cash and cash equivalents, deposits and other receivables	$ 8,322	$ 8,322	$ 30,788	$ 30,788
Financial liabilities				
Other liabilities	58,158	58,158	47,611	47,611
Share purchase warrants (Note 13.2)	-	-	3	3
Long-term debt (current portion)	262,340	262,340	266,321	228,025

17.3 Fair value of financial instruments

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.

The fair value of cash, restricted cash and cash equivalents, deposits, trade and other receivables, trade and accrued liabilities and the shareholder loan approximate their carrying values due to their short term maturity and were assessed on a level 1 fair value measurement.

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

17.4 Financial risk management

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

17.5 Market risk

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

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

17.6 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars and/or HK dollars. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three and nine month periods ended September 30, 2016. 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, 2016 would have been impacted by $Nil and the carrying value of the long term debt at September 30, 2016 would have been impacted by approximately $2.6 million. At September 30, 2016, the Company held approximately US $Nil of restricted cash and US$0.1 million or $0.1 million of cash, using the September 30, 2016 exchange rate of 1.3117, as cash, restricted cash and cash equivalents in the Company's US bank account.

For Hong Kong dollar amounts, exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at September 30, 2016 would have been impacted by HK$0.1 million. At September 30, 2016, the Company held approximately HK$1.4 million or $0.2 million using the September 30, 2016 exchange rate of 5.9127 as cash in the Company's HK$ bank account.

17.6 Currency risk

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

	For the three months ended September 30, 2016	2015	For the nine months ended September 30, 2016	2015
Unrealized foreign exchange loss (gain) on translation of:				
U.S. denominated senior secured notes	$ 541	$ 17,259	$ (14,028)	$ 33,637
H.K. denominated shareholder loan	335	-	-	-
Foreign currency denominated cash balances	1,308	(2,882)	1,409	(7,136)
Foreign currency denominated accounts payable balances	16	(3)	212	40
	2,200	14,374	(12,407)	26,541
Realized foreign exchange loss (gain)	(267)	576	290	1,766
Total foreign exchange loss (gain)	$ 1,933	14,950	$ (12,117)	28,307

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, 2016, the Company does not have any floating rate debt.

The Company's cash consists 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, 2016, the interest rate earned on cash was between 0.1% and 1.55%.

17.8 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, 2016, the Company's receivables consisted of 18% from Goods and Services Tax receivable, 58% joint interest billing receivable and 24% from other receivables (December 31, 2015 – 45% from Goods and Services Tax receivable, 39% from joint interest billing receivable and 16% from other receivables).

The Company's unrestricted cash as at September 30, 2016, is held in accounts with third party financial institutions and consists of invested cash and cash in the Company's operating accounts.

At September 30, 2016, 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, 2015 - $Nil). The Company considers any amounts outstanding in excess of 30 days past due.

17.9 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, 2016, the Company had negative working capital of $314.9 million and an accumulated deficit of $683.9 million. The Company's ability to continue as a going concern is dependent on achieving profitable operations and the ability to refinance current debt and 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.

17.9 Liquidity risk management (Continued)

The timing of cash outflows (excluding interest) relating to financial liabilities as at September 30, 2016, are as follows:

		Total		Less than 90 days		Less than 1 year
Trade and accrued liabilities	$	58,158	$	23,238	$	34,920
Debt[1]		262,340		-		262,340
	$	320,498	$	23,238	$	297,260

1. Principal amount of Notes based on the period end exchange rate of $1 US = 1.3117CDN

18. Related party transactions

Balances and transactions between the Company and its subsidiaries, who are related parties, have been eliminated on consolidation.

18.1 Trading transactions

The Company's Executive Chairman, Mr. Kwok Ping Sun, has purchased securities of the Company (Note 13.1), and he has also loaned the Company funds on an unsecured basis.

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

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

On July 31, 2016, the Loan and Second loan, (principle and interest) were converted into the equity through private placements (Note 13). As at September 30, 2016, both the Loan and Second loan balance are Nil.

18.2 Compensation of key management personnel and directors

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

	For the three months ended September 30,				For the nine months ended September 30,			
		2016		2015		2016		2015
Directors' fees[1]	$	172	$	185	$	513	$	348
Salaries and allowances		428		1,308		2,048		2,662
Share-based payments		2,772		242		2,872		722
	$	3,372	$	1,735	$	5,433	$	3,732

1. Refer to appendix A2 for additional director fees disclosure.

19. Operating lease arrangements

Payments recognised as an expense

	For the three months ended September 30, 2016	2015	For the nine months ended September 30, 2016	2015
Minimum lease payments	$ 467	$ 595	$ 1,507	$ 1,720

20. Commitments and contingencies

As at September 30, 2016, the Company's commitments are as follows:

	Total	2016	2017	2018	2019	Thereafter
Repayment of long-term debt[1]	$ 262,340	-	262,340	-	-	-
Interest payments on long-term debt[2]	32,530	-	32,530	-	-	-
Redemption premium[3]	19,146	-	19,146	-	-	-
Drilling, other equipment and contracts	6,600	6,294	224	82	-	-
Lease rentals[4]	8,399	301	1,250	1,250	1,243	4,355
Office leases	6,898	780	2,893	2,580	645	-
	$ 335,913	7,375	318,383	3,912	1,888	4,355

1. Principal amount of Notes based on the period end exchange rate of $1US=1.3117CDN and a maturity date of August 1, 2017.
2. Based on 10% on principal amount and 2.5% on the principal amount of the notes held by the Forbearing Holders per annum and a maturity date of August 1, 2017, at the period end exchange rate of $1US=1.3117CDN.
3. The redemption premium is based on the maximum premium paid if the Notes mature on August 1, 2017. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2017. Using the period end exchange rate of $1US=1.3117CDN this premium amounts to $19,146. At September 30, 2016, the Company had the option to redeem the Notes at 0.583% of the aggregate principal amount of the Notes outstanding which amounts to $1,529 using the period end exchange rate. The Company can redeem the Notes at any time up to the August 1, 2017 maturity date, following the optional redemption schedule set out in the Notes indenture.
4. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

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

21. Supplemental cash flow disclosures

Non-cash transactions

For the three and nine month periods ended September 30, 2016 and September 30, 2015, the Company had the following non-cash transactions:

- Capitalized general and administrative costs including share-based compensation and finance costs (Notes 7 and 8).

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Cash provided by (used in):				
Trade and other receivables	$ (428)	$ 805	$ 407	$ (89)
Prepaid expenses and deposits	(398)	(1,984)	1,369	(1,858)
Trade and other payables	3,850	114	10,335	(3,470)
	$ 3,024	$ (1,065)	$ 12,111	$ (5,417)
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (212)	$ 80	$ (142)	$ (168)
Prepaid expenses and deposits	(398)	(1,984)	1,369	(1,858)
Trade and other payables	4,912	766	6,508	2,024
	$ 4,302	$ (1,138)	$ 7,735	$ (2)
Investing activities				
Exploration and evaluation	$ -	$ -	$ -	$ -
Property, plant and equipment	(2,150)	6,004	2,414	(621)
	$ (2,150)	$ 6,004	$ 2,414	$ (621)
Financing activities				
Share issue costs and finance costs	$ 872	$ (5,931)	$ 1,962	$ (4,794)
	$ 3,024	$ (1,065)	$ 12,111	$ (5,417)

22. Subsequent events

On October 13, 2016, as a deposit refund $1.3 million was received from the Alberta Energy Regulator for the Licensee Liability Rating Program (Note 6).

On October 24, 2016, the Company completed the closing of 13,333,333 Common Shares (the “Prime Union Partial Closing”) under the Specific Mandate at a price of HK$0.75 per Common Share (approximately CDN$0.13 per Common Share). Under the Prime Union Partial Closing, the Corporation received total gross proceeds of HK$10,000,000 (approximately CDN$1.72 million). The remaining 98,453,334 Common Shares (HK$73,840,000 or CDN$12.68 million) subscribed for by Prime Union will be closed in one or more tranches.

On October 24, 2016, the Company completed the closing of 137,941,176 Common Shares (the “Bright Hope Partial Closing”) under the General Mandate at a price of HK$0.34 per Common Share (approximately CDN$0.06 per Common Share). Under the Bright Hope Partial Closing, the Corporation received total gross proceeds of HK$46,900,000 (approximately CDN$8.05 million). An introduction fee of HK$937,995.40 (approximately CDN$160,927.03) being 2% of the gross proceeds of the Bright Hope Partial Closing has been incurred in relation to the Bright Hope Partial Closing. The remaining 273,777,324 Common Shares (HK$93,084,290 or CDN$15.97 million) subscribed for by Bright Hope will be closed in one or more tranches.

22. Subsequent events (Continued)

On October 31, 2016, the Company completed the closing of 23,529,412 Common Shares (the "Bright Hope Partial Closing") under the General Mandate at a price of HK$0.34 per Common Share (approximately CDN$0.06 per Common Share). Under the Bright Hope Partial Closing, the Corporation received total gross proceeds of HK$8,000,000 (approximately CDN$1.38 million). An introduction fee of HK$160,000 (approximately CDN$27,619) being 2% of the gross proceeds of the Bright Hope Partial Closing has been incurred in relation to the Bright Hope Partial Closing. The remaining 250,247,912 Common Shares (HK$85,084,290 or CDN$14.69 million) subscribed for by Bright Hope will be closed in one or more tranches.

On October 31, 2016, the Company announced an extension of the remaining 250,247,912 Common Shares (approximately HK$85,084,290 or CDN$14.69 million) subscribed for by Bright Hope Investments Limited to be closed in one or more remaining tranches, with the last tranche closing no later than January 31, 2017. The Company believes that the extension is in the best interests of the Company and Shareholders.

On October 31, 2016, the Company updated the status of the long term forbearance agreement with its note holders dated September 9, 2016 (the "Agreement"). In view of the importance of supporting active operations at West Ells while it examines the potential to progress the Memorandum of Understanding with Nobao Energy Holding (China) Company Limited to definitive terms and agreements, the Company initiated discussions with the forbearing holders about altering the timing and the form of payment of the yield maintenance premium. As such, the Company has not paid the yield maintenance premium to the forbearing holders as required by the Agreement. While this constitutes a termination event under the Agreement and entitles the forbearing holders to exercise their rights and remedies under the Agreement, the forbearing holders have not taken steps to terminate the Agreement or exercise such rights and they have not, at this time, advised of any intention to do so. In addition, the Company has been in discussions with the forbearing holders to achieve payment terms for the yield maintenance premium that are mutually acceptable to the forbearing holders and the Company.

23. Approval of consolidated financial statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 9, 2016.

Appendix to the condensed interim consolidated financial statements (Unaudited)

Additional Stock Exchange Information

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

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

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

		September 30, 2016		December 31, 2015
Non-current assets				
Property, plant and equipment	$	683,185	$	650,929
Exploration and evaluation assets		292,877		290,945
Amounts due from subsidiary		4,167		3,650
		980,229		945,524
Current assets				
Trade and other receivables		1,846		2,253
Prepaid expenses and deposits		6,750		8,119
Cash		401		5,559
Restricted cash and cash equivalents		-		14,389
		8,997		30,320
Current liabilities				
Trade and other payables		58,141		47,575
Provisions		3,566		3,492
Share purchase warrants		-		3
Amount due to subsidiary		3,057		2,692
Debt		262,340		266,321
		327,104		320,083
Net current assets		(318,107)		(289,763)
Total assets less current liabilities		662,122		655,761
Non-current liabilities				
Provisions		57,862		51,656
Net assets	$	604,260	$	604,105
Capital and reserves				
Share capital	$	1,221,051	$	1,174,987
Reserve for share-based compensation		66,169		62,910
Deficit		(682,960)		(633,792)
	$	604,260	$	604,105

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, 2016	2015	For the nine months ended September 30, 2016	2015
Directors' emoluments				
Directors' fees	$ 172	$ 185	$ 513	$ 348
Salaries and allowances	388	709	1,843	1,584
Share-based payments	2,787	184	2,872	530
	3,347	1,078	5,228	2,462
Other staff costs				
Salaries and other benefits	1,090	3,573	4,045	9,966
Contribution to retirement benefit scheme	26	31	219	283
Share-based payments	507	165	397	1,408
	1,623	3,769	4,661	11,657
Total staff costs, including directors' emoluments	4,970	4,847	9,889	14,119
Less: staff costs capitalized to qualifying assets	(861)	(1,397)	(2,395)	(4,778)
	$ 4,109	$ 3,450	$ 7,494	$ 9,341

A3. Directors' emoluments

Details of the Directors' emoluments are as follows:

For the three months ended September 30, 2016						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Kwok Ping Sun	$ 22	$ -	$ -	$ 806	$ -	$ 828
Michael Hibberd	20	-	-	836	-	856
Hong Luo	13	129	-	351	-	493
Qi Jiang	14	136	-	366	-	516
Qiping Men	14	123	-	352	-	489
Tseung Hok Ming	-	-	-	-	-	-
Jianzong Chen	10	-	-	12	-	22
Jimmy Hu	-	-	-	-	-	-
Zhefei Song	-	-	-	-	-	-
Robert Herdman	-	-	-	-	-	-
Gerald Stevenson	19	-	-	14	-	33
Raymond Fong	15	-	-	14	-	29
Yi He	16	-	-	12	-	28
Joanne Yan	15	-	-	12	-	27
Xijuan Jiang	14	-	-	12	-	26
	$ 172	$ 388	$ -	$ 2,787	$ -	$ 3,347

A3. Directors' emoluments (Continued)

For the three months ended September 30, 2015						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[1]	Performance related incentive payments	Total
Michael Hibberd	$ 22	$ 75	$ -	$ 79	$ -	$ 176
Tseung Hok Ming	15	-	-	6	-	21
Tingan Liu	-	-	-	-	-	-
Haotian Li	12	-	-	6	-	18
Raymond Fong	16	-	-	6	-	22
Robert Herdman	19	-	-	6	-	25
Gerald Stevenson	18	-	-	6	-	24
Jimmy Hu	13	-	-	-	-	13
Zhefei Song	17	-	-	-	-	17
Hong Luo	16	107	-	17	-	140
Qi Jiang	16	527	-	58	-	601
Kwok Ping Sun	21	-	-	-	-	21
	$ 185	$ 709	$ -	$ 184	$ -	$ 1,078

For the nine months ended September 30, 2016						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Kwok Ping Sun	$ 60	$ -	$ -	$ 806	$ -	$ 866
Michael Hibberd	60	-	-	895	-	955
Hong Luo	39	397	-	364	-	800
Qi Jiang	45	1,059	-	407	-	1,511
Qiping Men	14	387	-	368	-	769
Tseung Hok Ming	26	-	-	(26)	-	-
Jianzong Chen	30	-	-	12	-	42
Jimmy Hu	22	-	-	-	-	22
Zhefei Song	30	-	-	-	-	30
Robert Herdman	38	-	-	(26)	-	12
Gerald Stevenson	54	-	-	18	-	72
Raymond Fong	50	-	-	18	-	68
Yi He	16	-	-	12	-	28
Joanne Yan	15	-	-	12	-	27
Xijuan Jiang	14	-	-	12	-	26
	$ 513	$ 1,843	$ -	$ 2,872	$ -	$ 5,228

A3. Directors' emoluments (Continued)

For the nine months ended September 30, 2015						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[2]	Performance related incentive payments	Total
Michael Hibberd	$ 67	$ 298	$ -	$ 231	$ -	$ 596
Tseung Hok Ming	45	-	-	18	-	63
Tingan Liu[1]	(178)	-	-	-	-	(178)
Haotian Li	36	-	-	18	-	54
Raymond Fong	52	-	-	18	-	70
Robert Herdman	60	-	-	18	-	78
Gerald Stevenson	59	-	-	18	-	77
Jimmy Hu	37	-	-	-	-	37
Zhefei Song	48	-	-	-	-	48
Hong Luo	46	107	-	48	-	201
Qi Jiang	49	1,179	-	161	-	1,389
Kwok Ping Sun	27	-	-	-	-	27
	$ 348	$ 1,584	$ -	$ 530	$ -	$ 2,462

1. Upon receipt of a waiver from Mr. Liu, all prior period director entitlement accruals were reversed.

A4. 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,	
	2016	2015	2016	2015
HK$ nil to HK$1,000,000	1	2	-	-
HK$1,000,001 to HK$1,500,000	-	1	1	-
HK$1,500,001 to HK$2,000,000	-	-	-	2
HK$2,000,001 to HK$2,500,000	-	-	-	-
HK$2,500,001 to HK$3,000,000	2	1	-	-
HK$3,000,001 to HK$3,500,000	1	-	-	-
HK$3,500,001 to HK$4,000,000	-	1	-	1
HK$4,000,001 to HK$4,500,000	-	-	-	1
HK$4,500,001 to HK$5,000,000	1	-	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	-	-	1	1

For the three and nine month periods ended September 30, 2016, respectively, the conversion factor used in the above table is 1C$ = 5.94 HK$ and 1C$ = 5.88 HK$ (three and nine month periods ended September 30, 2015 1C$ = 5.92 HK$ and 1C$ = 6.15 HK$)

A4. Five highest paid individuals (Continued)

The five highest paid individuals includes four directors of the Company and one key management executives of the Company for the three and nine month periods ended September 30, 2016 (three and nine month periods ended September 30, 2015– two directors and three officers). Since the directors' emoluments are disclosed above, the compensation of the one key management executives for the Company is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Salaries and other benefits	$ 40	$ 599	$ 205	$ 1,073
Contributions to retirement benefits scheme	-	-	-	5
Share-based payments	(15)	58	-	192
	$ 25	$ 657	$ 205	$ 1,270

A5. Senior management remuneration by band

The emoluments fell within the following bands:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
HK$ nil to HK$1,000,000	1	6	-	3
HK$1,000,001 to HK$1,500,000	-	2	1	3
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	-	-	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	-	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	-	-	1	-

The table above includes the remuneration for the executive directors and executive officers of the Company. As at September 30, 2016, $0.7 million (2015 - $0.6 million) was the total payable to five members (2015- five members) of senior management and included in trade and accrued liabilities.