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SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

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

(HKEX: 2012; TSX: SUO)

(1) NEW PRIVATE PLACEMENT OF HK\$544 MILLION OF COMMON SHARES UNDER THE GENERAL MANDATE TO JIN QUAN LIMITED AND IMMEDIATE FOCUS INTERNATIONAL LIMITED

(2) CANCELLATION OF THE CLOSING OF THE REMAINING 38,346,042 UNITS TO PYRAMID VALLEY LIMITED PURSUANT TO THE PRIVATE PLACEMENT ANNOUNCED ON JANUARY 24, 2014

(3) INSIDE INFORMATION – PROPOSED DEBT OFFERING

This announcement is made in accordance with the Inside Information Provision under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board of Sunshine Oilsands Ltd.

Michael John Hibberd
Co-Chairman

and

Songning Shen
Co-Chairman

Hong Kong, May 19, 2014

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

**For identification purposes only*

Calgary, Alberta (May 18, 2014) and Hong Kong (May 19, 2014) – Sunshine Oilsands Ltd. (the “**Corporation**” or “**Sunshine**”) (HKEX: 2012, TSX: SUO) is pleased to announce the following:

1. NEW PRIVATE PLACEMENT OF HK \$544 MILLION OF COMMON SHARES

(a) *The Placements*

On May 17, 2014 in Hong Kong (May 16, 2014 in Calgary), the Corporation received and accepted an irrevocable subscription agreement from Jin Quan Limited (“**Jin Quan**”) for a total of 280,000,000 Class “A” Common Voting Shares of the Corporation (“**Common Shares**”) at a price of HK \$0.85 per Common Share or approximately CDN \$0.12 per Common Share at current exchange rates (the “**Subscription Price**”), which in the aggregate amounts to gross proceeds of HK \$238,000,000 (approximately CDN \$33.4 million at current exchange rates) (the “**Jin Quan Subscription Agreement**”).

Also on May 17, 2014 in Hong Kong (May 16, 2014 in Calgary), the Corporation received and accepted an irrevocable subscription agreement from Immediate Focus International Limited (“**Immediate Focus**”) for a total of 360,000,000 Common Shares at the Subscription Price which in aggregate amounts to gross proceeds of HK \$306,000,000 (approximately CDN \$43.0 million at current exchange rates) (the “**Immediate Focus Subscription Agreement**”, and together with the Jin Quan Subscription Agreement, the “**Placements**”).

The total number of Common Shares to be issued to both Jin Quan and Immediate Focus represent approximately 19.69% of the existing issued Common Shares as at the date of this announcement and, immediately following the completion of the Placements, approximately 16.45% of the then enlarged total issued Common Shares.

(b) *Subscription Price*

The Subscription Price represents:

- (i) a discount of approximately 9.57% to the average closing price of approximately HK \$0.94 per Common Share as quoted on the Hong Kong Stock Exchange for the last thirty (30) trading days up to and including May 16, 2014 (being the trading day immediately preceding the signing of the Placements);
- (ii) a discount of approximately 8.60% to the average closing price of approximately HK \$0.93 per Common Share as quoted on the Hong Kong Stock Exchange for the last five (5) trading days up to and including May 16, 2014 (being the trading day immediately preceding the signing of the Placements); and
- (iii) a discount of approximately 13.27% to the closing price of HK \$0.98 per Common Share as quoted on the Hong Kong Stock Exchange on May 16, 2014 (being the trading day immediately preceding the signing of the Placements).

The aggregate gross proceeds to be raised from the Placements will be HK \$544,000,000 (approximately CDN \$76.4 million at current exchange rates).

The Subscription Price was determined with reference to the prevailing market price of the Common Share and was negotiated on an arm's length basis between the Corporation and Jin Quan and Immediate Focus, respectively. The Directors consider that the terms of the Placements are on normal commercial terms and are fair and reasonable based on the current market conditions and the Placements are in the interests of the Corporation and its shareholders as a whole.

(c) Conditions to Completion of the Placements

Closing of the Placements is conditional upon the following conditions:

- (i) the closing of not less than US \$200,000,000 in respect of a debt offering by the Corporation of senior secured notes in North America for total gross proceeds of up to US \$325,000,000 (the "**Proposed Debt Offering**");
- (ii) The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the Toronto Stock Exchange approving the listing of the Common Shares to be issued pursuant to the Placements;
- (iii) compliance of the Placements with the requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**") and the Hong Kong Code on Takeovers and Mergers (where applicable); and
- (iv) the receipt of all other required regulatory approvals.

For further details of the Proposed Debt Offering, see the section below entitled "3. Inside Information – Proposed Debt Offering".

(d) Completion of the Placements

After the fulfilment of conditions (ii), (iii) and (iv) above, completion of the Placements is expected to take place concurrently with the closing of the Proposed Debt Offering. A further announcement will be made by the Corporation upon completion of the Placements.

The certificates representing the Common Shares subscribed for under the Placements will bear certain legends, as required under applicable Canadian securities laws, including a legend stating that unless permitted under applicable Canadian securities legislation, the holder of the Common Shares must not trade the Common Shares before the date that is four months and a day after the closing date.

Completion of the Placements is subject to the satisfaction of certain conditions. As the Placements may or may not proceed, Shareholders and potential investors of the Corporation are advised to exercise caution when dealing in the securities of the Corporation.

(e) General Mandate to Issue Common Shares

The Placements do not require the approval of the Corporation's shareholders as the Common Shares under the Placements will be allotted and issued under the unused portion of the general mandate, which was granted to the Board at the special general meeting of the Corporation held on April 15, 2014 (the "**SGM**") to issue up to 20% of its aggregate issued and

outstanding share capital as at the date of the SGM until the next annual general meeting of the Corporation (the “**Refreshed General Mandate**”). The amount of the Refreshed General Mandate is 649,889,185 Common Shares. Details of the Refreshed General Mandate are set out in the Corporation’s circular dated March 17, 2014.

As at the date of this announcement, the Corporation has not issued any Common Shares under the General Mandate. The Common Shares when issued pursuant to the Placements will be credited as fully paid and rank *pari passu* in all respects with the other existing Common Shares.

(f) Background of Jin Quan and Immediate Focus

Jin Quan, an independent third party investment company based in Hong Kong, is an existing shareholder of the Corporation and, as at the date of this announcement, holds 67,500,000 Common Shares and 22,500,000 common share purchase warrants of the Corporation which are exercisable into Common Shares. Jin Quan participated in the Corporation’s recent unit placement referred to in the announcements made by the Corporation on January 24, 2014 and February 7, 2014, respectively.

Immediate Focus, an independent, third party investment company based in Hong Kong, is an existing shareholder of the Corporation and, as at the date of this announcement, holds 112,000,000 Common Shares and 30,000,000 common share purchase warrants of the Corporation which are exercisable into Common Shares. Immediate Focus participated in the Corporation’s recent unit placements referred to in the announcements made by the Corporation on December 3, 2013, December 10, 2013, January 16, 2014, January 24, 2014, February 7, 2014 and February 21, 2014, respectively.

An application will be made by the Corporation to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Common Shares to be issued to Jin Quan and Immediate Focus pursuant to the Placements.

(g) Reasons for the Placements and Use of Proceeds from the Placements

The Directors consider that the Placements represent an opportunity to raise capital for the Corporation at an important time for the Corporation. The gross proceeds to be raised from the Placements will be HK \$544,000,000 (approximately CDN \$76.4 million at current exchange rates). Based on the estimated expenses of approximately HK \$356,000 (approximately CDN \$50,000 at current exchange rates), the net proceeds to be raised from the Placements will be approximately HK \$543,644,000 (approximately CDN \$76.35 million at current exchange rates). On this basis, the net price per Common Share under the Placements is approximately HK \$0.849.

The net proceeds to be raised from the Placements will be primarily used by the Corporation to settle outstanding accounts payable with a view to resuming the development and construction of the Corporation’s West Ells steam assisted gravity drainage (“**SAGD**”) project and for general corporate purposes.

(h) Fund Raising Activities of the Corporation in the Past Twelve Months

Except for the equity fund raising activity mentioned below, the Corporation has not carried out any other equity fund raising activities during the past twelve months immediately prior to the date of this announcement:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
December 3, 2013, December 10, 2013, January 10, 2014 and January 24, 2014	Placements of 197,388,235 Common Shares and 144,751,372 Common Share purchase warrants	HK \$327,788,200 (CDN \$45,635,461)	To address short term capital requirements, corporate objectives and for general corporate purpose	HK \$327,788,200 (CDN \$45,635,461) used as intended
January 16, 2013, January 24, 2013 and February 7, 2014	Placements of 45,000,000 Common Shares and 33,000,000 Common Share purchase warrants	HK \$74,205,000 (CDN \$10,497,272)	To address short term capital requirements, corporate objectives and for general corporate purposes	HK \$74,205,000 (CDN \$10,497,272) used as intended
January 24, 2013 and February 28, 2014	Placements of 45,653,958 Common Shares and 33,479,569 Common Share purchase warrants	HK \$77,611,729 (CDN \$11,140,000)	To address short term capital requirements, corporate objectives and for general corporate purposes	HK \$77,611,729 (CDN \$11,140,000) used as intended
Total		HK \$479,604,929 (CDN \$67,272,733)		HK \$479,604,929 (CDN \$67,272,733)

(i) Effects on Shareholding Structure

The existing shareholding structure of the Corporation and the effect of the Placements on the shareholding structure of the Corporation immediately following the completion of the Placements is set out below.

Name of Shareholder	As at the date of this Announcement		Immediately after the completion of the Placements	
	Number of Common Shares	Approximate % of total issued Common Shares ⁽¹⁾	Number of Common Shares	Approximate % of total issued Common Shares ⁽¹⁾
Mr. Tseung Hok Ming	295,233,035	9.08	295,233,035	7.59
China Life Insurance (Overseas) Company Limited	258,802,600	7.96	258,802,600	6.65
China Investment Corporation	239,197,500	7.36	239,197,500	6.15
Sinopec Century Bright Capital Investment Limited	239,197,500	7.36	239,197,500	6.15
Central Huijin Investment Ltd	206,611,560	6.36	206,611,560	5.31
Immediate Focus ⁽²⁾	112,000,000	3.45	472,000,000	12.13
Pyramid Valley Limited ⁽²⁾	64,000,000	1.97	64,000,000	1.64
Jin Quan	67,500,000	2.08	347,500,000	8.93
Other Shareholders	1,767,374,009	54.38	1,767,374,009	45.43
Total	3,249,916,204	100.00	3,889,916,204	100.00

Note:

- (1) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (2) Mr. Xie Bing holds a 100% and 40% interest in Immediate Focus and Pyramid Valley Limited, respectively. Accordingly, Mr. Xie Bing is deemed to be interested in the aggregate number of Common Shares held by both Immediate Focus and Pyramid Valley Limited, which represents: (i) approximately 5.42% of the total issued Common Shares as at the date of this announcement, and (ii) approximately 13.78% of the total issued Common Shares immediately following the completion of the Placements..

2. CANCELLATION OF THE CLOSING OF THE REMAINING 38,346,042 UNITS TO PYRAMID VALLEY LIMITED

Reference is made to the Corporation's two announcements dated January 24, 2014 and February 28, 2014 regarding the private placement of 84,000,000 units of the Corporation (the "Units") to Pyramid Valley Limited ("Pyramid Valley") (the "Pyramid Valley Subscription"). The placement of 45,653,958 Units pursuant to the Pyramid Valley Subscription was completed on February 28, 2014.

The Corporation has cancelled the closing of the remaining 38,346,042 Units to Pyramid Valley Limited under the Pyramid Valley Subscription. Doing so will allow the Corporation to maximise its Refreshed General Mandate in accepting the Placements in order to raise capital that is available to close now.

3. INSIDE INFORMATION – PROPOSED DEBT OFFERING

The Corporation announces that it intends to pursue the Proposed Debt Offering to satisfy condition (i) of the Placements as set out above and intends to raise total gross proceeds of up to US \$325,000,000 through the issuance of senior secured notes of the Corporation due in 2019 (the "Notes"). The terms and conditions of the Proposed Debt Offering, including the interest rate of the Notes, will be determined after taking into account market conditions and all other relevant factors.

The Corporation intends to use the proceeds from the Proposed Debt Offering to: (i) fund expenditures associated with the anticipated final construction and development necessary to complete phases one and two at the Corporation's West Ells asset, (ii) settle outstanding accounts payable, (iii) prefund 18 months of cash interest in an escrow account, and (iv) pay fees and expenses associated with the Proposed Debt Offering.

Please refer to the section below entitled "5. About Sunshine Oilsands Ltd." below and the Corporation's 2013 Annual Report dated April 22, 2014 for further details about the West Ells SAGD project.

The Notes will not be listed for trading on any stock exchange. Further announcement(s) in respect of the Proposed Debt Offering will be made by the Corporation as and when appropriate.

No binding agreement in relation to the Proposed Debt Offering has been entered into as at the date of this announcement. The Proposed Debt Offering may nor may not materialise subject to, among other things, market conditions and investors' interest. Investors and shareholders of the Corporation are reminded to exercise caution when dealing in the securities of the Corporation.

4. FORWARD-LOOKING INFORMATION AND DISCLAIMER

This announcement contains forward-looking information relating to, among other things: (a) the future financial performance and objectives of Sunshine; and (b) the plans and expectations of the Corporation. Such forward-looking information is subject to various risks, uncertainties and other factors. All statements other than statements and information of historical fact are forward-looking statements. The use of words such as “estimate”, “forecast”, “expect”, “project”, “plan”, “target”, “vision”, “goal”, “outlook”, “may”, “will”, “should”, “believe”, “intend”, “anticipate”, “potential”, and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on Sunshine’s experience, current beliefs, assumptions, information and perception of historical trends available to Sunshine, and are subject to a variety of risks and uncertainties including, but not limited to those associated with resource definition and expected reserves and contingent and prospective resources estimates, unanticipated costs and expenses, regulatory approval, fluctuating oil and gas prices, expected future production, the ability to access sufficient capital to finance future development and credit risks, changes in Alberta’s regulatory framework, including changes to regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations and the impact thereof and the costs associated with compliance. Although Sunshine believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions and factors discussed in this announcement are not exhaustive and readers are not to place undue reliance on forward-looking statements as the Corporation’s actual results may differ materially from those expressed or implied. Sunshine disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise, subsequent to the date of this announcement, except as required under applicable securities legislation. The forward-looking statements speak only as of the date of this announcement and are expressly qualified by these cautionary statements. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of the Corporation’s material risk factors, see the Corporation’s annual information form for the year ended December 31, 2013 (the “AIF”) and risk factors described in other documents we file from time to time with securities regulatory authorities, all of which are available on the Hong Kong Stock Exchange at www.hkexnews.hk, on the SEDAR website at www.sedar.com or the Corporation’s website at www.sunshineoilsands.com.

In addition, information and statements in this announcement relating to “reserves” and “resources” are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and that the reserves and resources described can be profitably produced in the future. The assumptions relating to Sunshine’s reserves and resources are contained in the reports of GLJ Petroleum Consultants Ltd. and DeGolyer and MacNaughton Canada Limited, each dated effective December 31, 2013. For additional information regarding the specific contingencies which prevent the classification of Sunshine’s contingent resources as reserves see “Statement of Reserves Data and Other Oil and Gas information” in the AIF. The estimates of reserves and future net revenue for individual properties in this announcement may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. “Contingent Resources” has the meaning given to that term in the AIF.

5. ABOUT SUNSHINE OILSANDS LTD.

The Corporation is a Calgary based public corporation, listed on the Hong Kong Stock Exchange since March 1, 2012 and the Toronto Stock Exchange since November 16, 2012. The Corporation is focused on the development of its significant holdings of oil sands leases in the Athabasca oil sands region. The Corporation owns interests in approximately one million acres of oil sands and P&NG leases in the Athabasca region. The Corporation is currently focused on executing milestone undertakings in the West Ells project area. West Ells has an initial production target rate of 5,000 barrels per day, which will be followed immediately by an approved expansion to a planned production capacity of 10,000 barrels per day. In addition to West Ells activities, the Corporation has received regulatory approval to the Thickwood 10,000 barrels per day SAGD project and has an additional 10,000 barrels per day application in regulatory review for Legend.

For further enquiries, please contact:

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