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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)

Results for First Quarter 2014

Sunshine Oilsands Ltd. (the "Company" or "Sunshine") is pleased to announce that it has released its results for the three month period ended March 31, 2014. Sunshine's condensed interim consolidated financial statements and management's discussion and analysis are available on the websites of SEDAR (www.sedar.com), the HKEX (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.

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

Calgary, May 6, 2014

Hong Kong, May 7, 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 Fong, Mr. Wazir Chand Seth, Mr. Robert John Herdman and Mr. Gerald Franklin Stevenson as independent non-executive directors.

For identification purposes only

Management's Discussion and Analysis

*This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("*Sunshine*" or the "Company") for the three months ended March 31, 2014 is dated May 6, 2014. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2013. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Forward-Looking Information

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

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

All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement.

Overview

Sunshine is a major holder and a developer of oil sands resources with approximately 3.7 billion barrels of best estimate contingent resources and 444 million barrels of proved plus probable ("2P") reserves, the Company has significant commercial development potential. In addition to these reserves and contingent resources, independent resource evaluation indicates 371 MMbbl of best estimate contingent resources for Harper Carbonates. These volumes do not meet the 10% discount rate used by the independent evaluator and have been classified as "sub-economic" at this time. It is anticipated that with improved pricing and/or further project definition the Harper Carbonates may reasonably achieve a 10% rate of return and be reclassified as "economic" best estimate contingent resources.

The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere and the third largest oil resource in the world, with an estimated 169 billion barrels of recoverable resource. The Canadian oil sands represent the largest single source of supply of oil imported into the United States.

Sunshine is focused on evaluating and developing oil sands assets with the first project targeting an initial production rate of 10,000 barrels per day at West Ells (the "Project"). 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 in the first half of 2013; however, due to lack of sufficient funding to complete the Project, construction activities were suspended in August 2013 pending receipt of additional financing. Sunshine is maintaining staff at site to continue with reduced work activities and to ensure safety of the worksite. The effect of the work slow down on West Ells' schedules and costs will be outlined after funding for continued construction is committed.

On August 6, 2013, the Company announced that 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, in order to progress its oil sands development strategy and to preserve and maximize shareholder value. This process is continuing and could result in one or more strategic transactions being completed by the Company including: debt or equity financing of the Company, or a joint venture or other strategic transaction involving Sunshine, or its assets, and a third party. There can be no assurance any of these alternatives will be completed.

As at March 31, 2014, the Company had invested approximately $1.0 billion in oil sands leases, drilling operations, project engineering, procurement and construction, regulatory application processing and other assets. As at March 31, 2014, the Company had $13.4 million in cash and cash equivalents.

The Company relies on its ability to obtain various forms of financing to fund administration expenses and future exploration and development of its projects. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the successful completion of one or more financings or monetizing assets. There is no certainty that these and other financing activities will be successful.

Operational Update

West Ells

Construction of Phases 1 and 2 of Sunshine's West Ells steam assisted gravity drainage ("SAGD") 10,000 barrel per day project continues to be suspended as the Company seeks additional funding. Suspension of construction occurred effective August 18, 2013. Sunshine intends to continue to develop the West Ells project in two phases, Phase 1 (5,000 bbls/d) and Phase 2 (5,000 bbls/d), with Phase 1 providing the supporting infrastructure for Phase 2 major process equipment. To date, Sunshine has completed:

- Phase 1 drilling and completion of eight well pairs;
- Phase 2 drilling of eight well pairs;
- Phase 1 project is 81% complete, with an estimated 4 months to finish;
- Phase 2 project is 22% complete, with an estimated 5 months to finish after Phase 1 first steam; and,
- Operations staff engaged in preservation and winterization of assets and activities supporting construction recommencement.

Following the August 18, 2013 suspension of West Ells construction, Sunshine engaged in an extensive re-examination of capital costs for the West Ells Project, Phases 1 and 2, including costs associated with suspending and then restarting engineering, procurement and construction activities. Costs for recommencing and completing construction, commissioning & start up, operating costs and the date for first steam will be finalized and released once additional funding is secured for a full West Ells development plan.

Thickwood and Legend

The Thickwood and Legend projects are each planned for first phase delivery of 10,000 barrels per day of production. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2014.

Once the Thickwood and Legend projects are sanctioned for development and construction, fieldwork for additional environmental analysis will be completed and regulatory applications will be made for significant commercial expansions in both areas.

Muskwa and Godin Operations

On October 20, 2013, Sunshine signed a joint operating agreement ("JOA") with Renergy Petroleum (Canada) Co., Ltd., ("Renergy") an affiliate of Changjiang Investment Group Co., Ltd. ("Changjiang") with respect to the Company's Muskwa and Godin area oil sands leases ("Leases"). Excluded from the JOA are all of Sunshine's oil sands rights within the carbonate formations contained within the Leases.

Renergy will operate the assets under the JOA as the Operator. In return for a 50% working interest, Renergy has agreed to fund 100% of the initial joint operations conducted on the lands up to a maximum of CAD $250 million (the "Commitment Cap"), which funding shall be deployed at the discretion of Renergy, as Operator, until the earlier of the

point when (i) the sum contributed equals the Commitment Cap or (ii) average daily production from the lands over any 20 consecutive day period equals or exceeds 5,000 barrels per day (the "Production Target"). 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. The working interest transfer did not result in any accounting gain or loss.

Sunshine continues to work closely with Renergy on short term and long term planning and thermal technology evaluation for potential use in the Muskwa and Godin areas. First thermal pilot project application is currently expected to be submitted in the first half of 2014.

Non - IFRS Financial Measures

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

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Cash flow used in operations is a non-GAAP measure that adjusts a GAAP measure (net cash used in operating activities) for changes in non-cash working capital.

Operational and Financial Highlights

The following table summarizes selected financial information of the Company for the periods presented:

	For the three months ended March 31,	
Financial Highlights	**2014**	**2013**
Other income	$ 3,834	$ 818
Finance costs	1,871	1,741
Net loss	4,253	8,257
Basic and diluted loss per share	0.00	0.00
Payments for exploration and evaluation assets	2,790	13,500
Payments for property, plant and equipment	29,414	72,392

For the three months ended March 31, 2014, the Company had a net loss of $4.3 million compared to $8.3 million in 2013. The net loss for the three months ended March 31, 2014 was primarily attributable to general administration costs of $4.1 million, $0.2 million for share-based payment expense, finance costs of $1.9 million, and $1.8 million of suspension costs, offset by a gain of $3.7 million on the fair value adjustment on share purchase warrants. For the three months ended March 31, 2013, the net loss was due primarily to finance costs of $1.7 million, general administration costs of $4.6 million, and $2.6 million for share-based payment expense.

		March 31, 2014		December 31, 2013
Cash and cash equivalents	$	13,378	$	15,854
Working capital deficiency		(70,071)		(103,182)
Total assets		1,035,706		1,029,388
Total liabilities		120,541		148,415

At March 31, 2014, the Company had a combined cash and cash equivalents balance of $13.4 million compared to $15.9 million at December 31, 2013. The change of $2.5 million in the cash and cash equivalents balance can be primarily attributed to payments of $2.8 million in exploration and evaluation assets, payments of $29.4 million for property, plant and equipment and $13.6 million used in corporate operating activities offset by net cash provided from financing activities of $43.2 million. At March 31, 2014, the Company's working capital deficiency was $70.1 million.

The following table summarizes the Company's cash flow used in operations:

		For the three months ended March 31,	
		2014	2013
Net loss	$	(4,253)	(8,257)
Finance costs		1,871	1,741
Unrealized foreign exchange gain		(50)	(46)
Interest income		(57)	(772)
Fair value adjustment on share purchase warrants		(3,727)	-
Depreciation		173	104
Share-based payment expense		171	2,640
Employee share savings plan		106	-
Cash flow used in operations		(5,766)	(4,590)

This non-IFRS measurement is intended to provide additional information and should not be considered in isolation or as substitute for measures of performances prepared in accordance with IFRS. The above table reconciles the non-IFRS measurements "Cash flow used in operations" from "Net loss for the period", the nearest IFRS measure. Cash flow used in operations is defined as net loss as reported, addback or deduct non-cash items including expensed portion of IPO costs, finance costs, share-based payments, unrealized portion of foreign exchange adjustments, depreciation and interest income.

Cash flow used in operations in the three months ended March 31, 2014 totalled $5.8 million compared to $4.6 million for the same period in 2013. The increase of $1.2 million for the first quarter of 2014 compared to the same period in 2013, is primarily due to $1.8 million of suspension costs related to the West Ells project, an increase of $0.6 million of professional fees and an increase in other expenses of $0.4 million, partially offset by a decrease in salaries, consulting and benefits of $1.5 million.

Summary of Quarterly Results

The following table summarizes selected unaudited financial information for the Company for the last eight quarters:

('000s except for per share amounts)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Other income	3,834	661	118	622	818	1,032	1,142	2,992
Expense portion of IPO costs	-	-	-	-	-	-	-	44
Finance costs	1,871	743	1,475	816	1,741	2,859	215	66
Net loss for the period	4,253	7,515	8,681	8,327	8,257	9,196	15,531	4,673
Loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital investments	32,204	42,701	53,324	101,336	85,892	65,098	32,510	90,035

Results of Operations

Finance Expense

	For the three months ended March 31,	
	2014	2013
Finance costs on credit facility	$ -	$ 496
Financing related costs	1,691	422
Unwinding of discounts on provisions	180	823
	1,871	1,741

For the three month period ended March 31, 2014, finance expense increased by $0.1 million primarily as a result of a $1.3 million increase in financing related costs primarily attributed to interest expenses offset by a reduction of $0.5 million in standby costs on the Credit Facility cancelled in 2013, and a decrease of $0.6 million on unwinding of discounts on provisions compared to the same period in 2013.

General and Administrative Costs

	For the three months ended March 31, 2014			2013		
	Total	Capitalized	Expensed	Total	Capitalized	Expensed
Salaries, consulting and benefits	3,455	1,880	1,575	5,504	2,452	3,052
Rent	569	264	305	555	331	224
Other	1,545	49	1,496	1,337	200	1,137
	5,569	2,193	3,376	7,396	2,983	4,413

General and administrative costs, which include salaries, consulting and benefits, rent, and other general administrative costs, for the three month period ended March 31, 2014 decreased by $1.0 million to $3.4 million compared to $4.4 million for the same period in 2013. The decrease in expense was primarily attributed to reduced bonus payments offset by higher compensation costs in 2013 as the Company continued to hire staff for its ongoing development. During the three months ended March 31, 2014, the Company capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of $2.2 million compared to $3.0 million for the same period in 2013.

Share-based payments

	For the three months ended March 31,					
			2014			2013
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	(26)	(197)	171	4,039	1,399	2,640

Share-based compensation expense for the three months ended March 31, 2014 was $0.2 million compared to $2.6 million for the same period in 2013. The fair value of share-based payments associated with the granting of stock options and preferred shares is recognized by the Company in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

The Company capitalizes a portion of the share-based compensation expense using the same methodology associated with capitalized salaries and benefits. For the three months ended March 31, 2014, the Company capitalized $(0.2) million, compared to $1.4 million of share-based payments for the same period in 2013.

Other Income

	For the three months ended March 31,	
	2014	2013
Foreign exchange gain – unrealized	50	46
Interest income from term deposits	57	772
Fair value adjustment on share purchase warrants	3,727	-
	3,834	818

Other income for the three months ended March 31, 2014 increased by $3.0 million to $3.8 million from $0.8 million for the same period in 2013. The change was primarily due to the revaluation of share purchase warrants liability which resulted in a gain of $3.7 million during the period as a result of lower share prices, partially offset by a decrease of $0.7 million related to interest income for the three months ended March 31, 2014 as cash balances were invested in capital projects and operations.

Depreciation

Depreciation expense was $0.2 million for the three month period ended March 31, 2014 compared to $0.1 million for the same period in 2013. Since the Company is a development stage company, its oil assets are not yet ready for use and therefore, not subject to depletion and depreciation.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, as at March 31, 2014 and December 31, 2013. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At March 31, 2014, the Company had total available tax deductions of approximately $1.1 billion, with unrecognized tax losses that expire between 2028 and 2034.

Liquidity and Capital Resources

		March 31, 2014		December 31, 2013
Working capital deficiency	$	70,071	$	103,182
Shareholders' equity		915,165		880,973
	$	985,236	$	984,155

Working capital deficiency as at March 31, 2014 of $70.1 million is comprised of $13.4 million of cash and cash equivalents, offset by a non cash working capital deficiency of $83.4 million. The Company's strategy is to access sufficient capital, through equity issuances, monetization, joint ventures and the utilization of debt, in order to maintain a capital base that properly supports the objectives of maintaining financial flexibility and of sustaining 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's liquidity may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of financial market conditions generally or as a result of conditions specific to the Company. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or monetizing assets. There is no certainty that these and other strategies will be successful. For further discussion, refer to 'Commitments and contingencies'.

For the three months ended March 31, 2014, the Company reported a net loss of $4.3 million. At March 31, 2014, the Company had negative working capital of $70.1 million and an accumulated deficit of $205.1 million. Effective August 18, 2013, the Company suspended construction of its West Ells SAGD project, pending sourcing of additional financing.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. The 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. Thus, exchange rate fluctuations can affect the fair value of future cash flows.

The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2014. If exchange rates to convert from HK dollars to Canadian dollars had been 1% higher or lower with all other variables held constant, foreign cash held at March 31, 2014 would have been impacted by approximately $4 thousand. At March 31, 2014, the Company held approximately HK$2.9 million or $0.4 million using the March 31, 2014 exchange rate of 7.0178, as cash in the Company's Hong Kong bank account.

The Company's $13.4 million in cash as at March 31, 2014 are held in accounts with third party financial institutions and consist of invested cash and cash in the Company's operating accounts. To date, the Company has experienced no loss or lack of access to its cash in operating accounts. However, the Company can provide no assurance that access to its invested cash will not be affected by adverse conditions in the financial markets. While the Company monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be affected if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets.

Cash Flows Summary

	For the three months ended March 31,			
		2014		2013
Cash used in operating activities	$	(13,605)	$	(3,897)
Cash used in investing activities		(32,147)		(85,120)
Cash generated by financing activities		43,226		5,891
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		50		46
Decrease in cash and cash equivalents		(2,476)		(83,080)
Cash and cash equivalents, beginning of period		15,854		282,231
Cash and cash equivalents, end of period	$	13,378	$	199,151

Operating Activities

Net cash used for operating activities for the three months ended March 31, 2014 was $13.6 million compared to cash used of $3.9 million in 2013, a change of $9.7 million. Net cash used for operating activities includes a decrease in working capital of $7.8 million for the three months ended March 31, 2014 compared to a increase of $0.7 million for the same period in 2013.

Investing Activities

Net cash used for investing activities for the three months ended March 31, 2014 decreased by $53.0 million to $32.1 million compared to $85.1 million for the three months ended March 31, 2013. The decrease was due to lower investment primarily due to the suspended construction of its West Ells SAGD project discussed below, partially offset by a decrease of $0.7 million of interest income for the three months ended March 31, 2014.

Capital investment for the 2013 development program focused on SAGD wellpair drilling and completion, construction, procurement of major equipment and related capital costs for Phase 1 and 2 of the West Ells project, the maintenance of the West Ells access road, and resource delineation and expenditures related to regulatory advancement of projects at Thickwood and Legend. Substantial engineering, procurement and construction activity occurred for West Ells during 2012 and during the first half of 2013; however, due to lack of sufficient funding to complete the Project, these activities were suspended on August 18, 2013 pending receipt of additional financing. Sunshine continues to maintain staff at site to continue with reduced work activities and to ensure safety of the worksite and preservation of the West Ells asset and the costs incurred after the August 18, 2013 suspension, which totalled $1.8 million for the three months ended March 31, 2014, are recognised as suspension costs in the consolidated statements of operations and comprehensive loss.

Financing Activities

Financing activities for the three months ended March 31, 2014 generated $43.2 million, which consisted of proceeds received from private placements completed of $43.8 million and proceeds received from shares issued under the employee share savings plan of $0.1 million, offset by $0.7 million of share issue and finance related costs paid in the period. Financing activities for the three months ended March 31, 2013 were $5.9 million, which consisted of proceeds received from stock option exercises of $6.8 million, offset by $0.9 million of finance related costs .

Commitments and contingencies

Information presented in the table below reflects management's estimate of the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. As at March 31, 2014, the Company's estimated 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	$	5,163	2,306	-
Lease rentals[1]		1,230	4,837	5,980
Office leases		2,725	10,389	-
	$	9,118	17,532	5,980

[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, many suppliers, following normal practice in Canada have placed builders' liens on the West Ells property to secure past due and unpaid invoices. Seventy three suppliers have filed such liens and/or lawsuits claiming payment for unpaid invoices for a total remaining aggregate value of $66 million. Through the normal course of business, the Company has recorded the unpaid invoices in trade and other payables. The Company has raised equity funds as discussed in Financing Activities and continues to pursue additional financing to enable it to meet these obligations and clear up these issues and continue developing its business. 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. The Company paid 25% of all past due and unpaid invoices in December, 2013, and another 20% payment of all past due and unpaid invoices in early March, 2014, in exchange for these two forbearance agreements. Pursuant to Alberta builders' lien legislation, lien claimants must file a lawsuit to enforce their claim within a set period, failing which they lose the right to maintain their lien, but not their claim in debt. It is the Company's understanding that the vast majority of the lawsuits filed by its suppliers are likely to have been filed for this purpose, and indeed the forbearance agreement expressly permitted that.

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 Sunshine 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 consolidated financial statements for the three months ended March 31, 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.

Transactions with related parties

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

- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. MJH Services provides overall operational services to the Company.
- 1226591 Alberta Inc. ("1226591 Inc.") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. 1226591 Inc. provides overall operational services to the Company.
- McCarthy Tetrault LLP is a law firm in which a director of the Company is a partner. McCarthy's provides legal counsel to the Company.

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

The Company incurred consulting compensation payments to MJH Services totalling $0.1 for the three months ended March 31, 2014 compared to $0.1 million for the same period in 2013. The Company incurred consulting compensation payments to 1226591 Inc. totalling $0.1 million for the three months ended March 31, 2014 compared to $0.1 million for the same period in 2013.

The Company classified legal costs with McCarthy Tetrault LLP as follows:

	For the three months ended March 31,	
	2014	**2013**
Legal expense	405	47
Finance fees	-	165
	405	212

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

	March 31, 2014	**December 31, 2013**
Legal	1,233	887

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Off-balance sheet arrangements

At March 31, 2014, the Company did not have any off-balance sheet arrangements.

Subsequent event

An ordinary resolution to approve a proposal for the Company to grant to the Board a general mandate to allot, issue and otherwise deal with unissued shares up to a maximum of twenty percent (20%) of its issued share capital, was duly passed by the shareholders of the Company at a Special Meeting of Shareholders held on April 15, 2014.

New accounting pronouncements and changes in accounting policies

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Company's financial period beginning on or after January 1, 2014. The Company has reviewed new and revised accounting pronouncements that have been issued. The impact of these standards are disclosed in Note 3, "new accounting pronouncements and changes in accounting policies" in the condensed interim consolidated financial statements.

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Going concern

The financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the existence of conditions that cast doubt upon the going concern assumption.

Joint Control

Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the capital and operating activities of the projects it undertakes with partners and when the decisions in relation to those activities require unanimous consent.

Oil and gas reserves

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

Reserve estimates are based on, among other things, forecasts of production, prices, cost estimates and economic conditions.

Reserve estimates are critical to many accounting estimates including:

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

Independent qualified reserves evaluators prepare reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by the Company's engineers and operational management familiar with the property. Judgment is used in order to determine if a project classified as E&E is technically feasible and commercially viable and should be transferred from E&E to property, plant and equipment.

Impairment of non-financial assets

The recoverable amounts of cash generating units ("CGUs") and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. Oil and gas development and production properties are evaluated for impairment by reference to proved and probable reserves determined in accordance with the Society of Petroleum Engineers rules. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

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

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

Share purchase warrants
The Company recognises a liability for share purchase warrants with an exercise price in a currency other than the functional currency of the Company which is remeasured at each reporting date. The initial recognition and subsequent remeasurement of the share purchase warrants is based on the estimated fair value of each share purchase date at its grant date and each reporting date, the estimation of which requires management to make assumptions about future volatility of the Company’s stock price, future interest rates and the timing with respect to exercise of the instruments. The effects of a change in one or more of these variables could result in a materially different fair value.

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

Fair Value Measurement
The estimated fair value of financial instruments is reliant upon a number of estimated variables including foreign exchange rates and interest rates, volatility curves and risk of non-performance. A change in any one of these factors could result in a change to the overall estimated valuation of the instrument.

Deferred income taxes
The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

Risk Factors
The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company’s principal risk management strategies are substantially unchanged from those disclosed in the Company’s MD&A for the year ended December 31, 2013, which is available at www.sedar.com. The 2013 annual report of the Company is available at the Company’s website, www.sunshineoilsands.com, and the website of the HKEX, www.hkexnews.hk. The Company’s 2013 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures
The Company's Interim President and Chief Executive Officer ("CEO") and Michael Hibberd, Executive Co-Chairman of the Board performing functions of a Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and Executive Co-Chairman of the Board by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls Over Financial Reporting
The CEO and Michael Hibberd, Executive Co-Chairman of the Board performing functions of a Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal controls over financial reporting at the financial year end of the company and concluded that the Company's internal controls over financial reporting are effective at the financial year end of the company for the foregoing purpose.

No material changes in the Company's internal controls over financial reporting were identified during the three months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

Additional Stock Exchange Information
Additional information required by the HKEX and not shown elsewhere in this announcement is as follows:

Code of Corporate Governance Practice (the "Code")
The Company is committed to maintaining high standards of corporate governance. The Company recognizes that corporate governance practices are fundamental to the effective and transparent operation of a company and its ability to protect the rights of its shareholders and enhance shareholder value.

The Company confirms that the Code was complied with following its public listing, save that the Company has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis at each annual general meeting, which is consistent with market practice in Canada.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")
The Company confirms that it has adopted the Model Code following its public listing. Having made specific enquiry of all directors, the directors have compiled with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Purchase, sale or redemption of Sunshine's listed securities
Class "A" Common Shares
During the three months ended March 31, 2014, the Company issued 181,242,193 Class "A" common shares in private placements at a price of HK $1.70 per Unit (approximately C$0.24 per Unit) for gross proceeds of HK$308.1 million or approximately C$43.8 million.

During the three months ended March 31, 2014, the Company issued 1,035,944 Class "A" common shares respectively, from the Company's employee share savings plan for gross proceeds of $0.2 million.

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the three months ended March 31, 2014.

Pre-IPO Stock Option Plan
The Company no longer grants stock options under the Pre-IPO Plan. During the three months ended March 31, 2014, there were Nil Pre-IPO stock options exercised. There were also Nil forfeitures of Pre-IPO stock options during the three months ended March 31, 2014.

Post-IPO Stock Option Plan
For the three months ended March 31, 2014, the Company granted Nil Post-IPO stock options. During the three months ended March 31, 2014, there were 7,695,370 forfeitures of Post-IPO stock options.

Shares Outstanding
As at May 6, 2014, the Company had the following shares issued and outstanding:

Class "A" common shares	3,249,916,204

Summary of Financial Statements and Notes

The Board of Directors of the Company announces the results of the Company and its wholly owned subsidiary, for the three months ended March 31, 2014 together with comparative figures for the corresponding periods in 2013 as follows:

Consolidated Statements of Financial Position

		March 31, 2014		December 31, 2013
Assets				
Current assets				
Cash and cash equivalents	$	13,378	$	15,854
Trade and other receivables		1,186		1,294
Prepaids and deposits		3,574		656
		18,138		17,804
Non-current assets				
Exploration and evaluation		379,700		376,912
Property, plant and equipment		637,868		634,672
		1,017,568		1,011,584
	$	1,035,706	$	1,029,388
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and other payables	$	87,245	$	120,114
Provisions for decommissioning obligations		964		872
		88,209		120,986
Non-current liabilities				
Provisions for decommissioning obligations		27,476		23,597
Share purchase warrants		4,856		3,832
		120,541		148,415
Net current (liabilities)/assets		(70,071)		(103,182)
Total assets less current liabilities		947,497		908,402
Shareholders' Equity				
Share capital		1,062,894		1,024,423
Reserve for share-based compensation		57,421		57,447
Deficit		(205,150)		(200,897)
		915,165		880,973
	$	1,035,706	$	1,029,388

Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended March 31,	
	2014	**2013**
Other income		
Foreign exchange gains	$ 50	$ 46
Interest income	57	772
Fair value adjustment on share purchase warrants	3,727	-
	3,834	818
Expenses		
Salaries, consulting and benefits	1,575	3,052
Rent	305	224
Professional fees	727	177
Depreciation	173	104
Share-based payments	171	2,640
Suspension costs	1,769	-
Finance costs	1,871	1,741
Other	1,496	1,137
	8,087	9,075
Loss before income taxes	4,253	8,257
Income taxes	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company	4,253	8,257
Basic and diluted loss per share	$ 0.00	$ 0.00

Notes

1. Basis of preparation

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

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

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

The condensed interim consolidated financial statements incorporate the financial statements of the Company and the Company's wholly owned subsidiary, Sunshine Oilsands (Hong Kong) Ltd. ("Sunshine Hong Kong"). The Company's wholly owned subsidiary, Fern Energy Ltd., was wound up during the year ended December 31, 2013. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements when control is achieved and until control is lost. All inter-company transactions, balances, revenues and expenses are eliminated in full on consolidation.

2. Segment Information

The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

3. Trade Receivables

The Company's trade and accruals and other receivables mainly arise from oil sales and goods and services tax receivables due from government taxation authorities. These are summarized as follows:

		March 31, 2014		December 31, 2013
Trade	$	755	$	558
Accruals and other		131		137
Goods and Services Taxes receivable		300		599
	$	1,186	$	1,294

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

		March 31, 2014		December 31, 2013
0 - 30 days	$	64	$	408
31 - 60 days		9		21
61 - 90 days		80		11
>90 days		602		118
	$	755	$	558

As at March 31, 2014, included in the Company's trade receivables were debtors with an aggregate carrying amount of $691 (December 31, 2013 - $150), which was past due as at the reporting date and for which the Company had not provided for impairment loss. The Company does not hold any collateral over these balances.

4. Trade Payables

Trade payables and accrued liabilities mainly represent payables to subcontractors for development, engineering, procurement and construction services. While the Company has financial risk management policies in place to ensure that payables are generally paid within pre-agreed credit terms, the funding shortfalls which caused the Company to suspend construction at its West Ells project also caused it to defer payments to essentially all of its vendors for amounts owed prior to the August 18, 2013 suspension date. Services performed after the suspension date are being paid fully in a timely manner. Numerous vendors have filed liens against the Company's lands at West Ells and these liens will need to be cleared up once additional funding is achieved to allow the Company to restart construction. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting periods:

		March 31, 2014	December 31, 2013
Trade			
0 - 30 days	$	83	1,326
31 - 60 days		221	-
61 - 90 days		988	12,263
> 91 days		70,237	89,417
		71,529	103,006
Accrued liabilities		15,716	17,108
	$	87,245	120,114

5. Dividends

The Company has not declared or paid any dividends in respect of the three months ended March 31, 2014 (three months ended March 31, 2013 - $Nil).

6. Income Taxes

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

	March 31, 2014	December 31, 2013
Deferred tax assets (liabilities)		
Exploration and evaluation assets and property, plant and equipment	(99,228)	(92,947)
Decommissioning liabilities	7,110	6,117
Share issue costs	12,904	14,146
Non-capital losses	102,697	93,937
Deferred tax benefits not recognized	(23,483)	(21,253)
	$ -	$ -

The Company's non-capital losses of $410,789 (December 31, 2013 - $375,750), expire between 2028 and 2034.

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 25.0%. The Company had no assessable profit in Canada for the three months ended March 31, 2014. The Company files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authorities. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable. The estimated tax deductions available to the Company in Canada are approximately $1.1 billion. The Company's tax losses will begin expiring in 2028.

The Company's subsidiary, Sunshine Hong Kong, is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Company had no assessable profit arising in or derived from Hong Kong for the three months ended March 31, 2014.

Review of quarterly results

The condensed interim consolidated financial statements for the Company for the three months ended March 31, 2014, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of information

This quarterly results announcement is published on the websites of SEDAR (www.sedar.com), the HKEX (www.hkexnews.hk) and the Company's website at www.sunshineoilsands.com.

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

SUNSHINE OILSANDS LTD.

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

	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4	$ 13,378	$ 15,854
Trade and other receivables	5	1,186	1,294
Prepaids and deposits	6	3,574	656
		18,138	17,804
Non-current assets			
Exploration and evaluation	7	379,700	376,912
Property, plant and equipment	8	637,868	634,672
		1,017,568	1,011,584
		$ 1,035,706	$ 1,029,388
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables	9	$ 87,245	$ 120,114
Provisions for decommissioning obligations	10	964	872
		88,209	120,986
Non-current liabilities			
Provisions for decommissioning obligations	10	27,476	23,597
Share purchase warrants	12.2	4,856	3,832
		120,541	148,415
Shareholders' Equity			
Share capital	12	1,062,894	1,024,423
Reserve for share-based compensation		57,421	57,447
Deficit		(205,150)	(200,897)
		915,165	880,973
		$ 1,035,706	$ 1,029,388

Going concern (note 2)
Commitments and contingencies (note 20)
Subsequent event (note 22)

Approved by the Board

"Robert J. Herdman"
Director

"Michael J. Hibberd"
Director

See accompanying notes to the condensed interim consolidated financial statements.

SUNSHINE OILSANDS LTD.

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

	Notes	Three months ended March 31, 2014	2013
Other income			
Foreign exchange gains		$ 50	$ 46
Interest income		57	772
Fair value adjustment on share purchase warrants	12.2	3,727	-
		3,834	818
Expenses			
Salaries, consulting and benefits		1,575	3,052
Rent		305	224
Professional fees		727	177
Depreciation	8	173	104
Share-based payments	13.5	171	2,640
Suspension costs	8	1,769	-
Finance costs	15	1,871	1,741
Other		1,496	1,137
		8,087	9,075
Loss before income taxes		4,253	8,257
Income taxes	11	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 4,253	$ 8,257
Basic and diluted loss per share	16	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		-	-	(4,253)	(4,253)
Issue of common shares	12.1	-	39,000	-	39,000
Issue of shares under employee share savings plan	12.1	-	214	-	214
Recognition of share-based payments	13.5	(26)	-	-	(26)
Share issue costs, net of deferred tax ($Nil)	12.1	-	(743)	-	(743)
Balance, March 31, 2014		$ 57,421	$ 1,062,894	$ (205,150)	$ 915,165
Balance, December 31, 2012		$ 47,395	$ 991,798	$ (168,117)	$ 871,076
Net loss and comprehensive loss for the period		-	-	(8,257)	(8,257)
Recognition of share-based payments	13.5	4,039	-	-	4,039
Issue of shares upon exercise of share options		-	6,835	-	6,835
Reserve transferred on exercise of share options		(2,688)	2,688	-	-
Balance, March 31, 2013		$ 48,746	$ 1,001,321	$ (176,374)	$ 873,693

See accompanying notes to the condensed interim consolidated financial statements.

SUNSHINE OILSANDS LTD.

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

	Notes	Three months ended March 31, 2014	2013
Cash flows from operating activities			
Net loss		$ (4,253)	$ (8,257)
Finance costs		1,871	1,741
Unrealized foreign exchange gains		(50)	(46)
Interest received		(57)	(772)
Fair value adjustment on share purchase warrants		(3,727)	-
Depreciation		173	104
Share-based payment expense		171	2,640
Employee share savings plan		106	-
		(5,766)	(4,590)
Movement in non-cash working capital	21		
Increase in trade and other receivables		(1,569)	(474)
Increase in prepaids and deposits		(2,918)	(651)
Increase/(decrease) in trade and other payables		(3,352)	1,818
Net cash used in operating activities		(13,605)	(3,897)
Cash flows from investing activities			
Interest received		57	772
Payments for exploration and evaluation assets	21	(2,790)	(13,500)
Payments for property, plant and equipment	21	(29,414)	(72,392)
Net cash used in investing activities		(32,147)	(85,120)
Cash flows from financing activities			
Proceeds from issue of common shares	12.1	43,858	6,835
Payment for share issue costs	21	(573)	-
Payment for finance costs	21	(59)	(944)
Net cash provided in financing activities		43,226	5,891
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		50	46
Net decrease in cash and cash equivalents		(2,476)	(83,080)
Cash and cash equivalents, beginning of period		15,854	282,231
Cash and cash equivalents, end of period		$ 13,378	$ 199,151

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 to 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 has 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 could result in one or more strategic transactions being completed by the Company including: debt or equity financing of the Company, a joint venture or other strategic transaction involving Sunshine, or its assets, and a third party. There can be no assurance any of these alternatives will be completed.

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 months ended March 31, 2014, the Company reported a net loss of $4.3 million. At March 31, 2014, the Company had negative working capital of $70.1 million and an accumulated deficit of $205.2 million. The Company's recent losses and negative cash flow have resulted in a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern without additional financing. Effective August 18, 2013, the Company suspended construction of its West Ells steam assisted gravity drainage ("SAGD") project, pending sourcing of additional financing.

The condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. The appropriateness of the going concern basis is dependent upon, among other things, the ability to obtain debt or equity financing, a joint venture or a sale of assets in order to have sufficient funding to meet its obligations that enables the Company to continue as a going concern, the ability to generate sufficient cash from operations and future profitable operations. There can be no assurance the Company will be able to continue as a going concern.

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

3. New accounting pronouncements and changes in accounting policies

3.1 Future accounting changes

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.

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 reporters 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 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

	March 31, 2014	December 31, 2013
Cash	$ 13,378	$ 15,854

5. Trade and other receivables

	March 31, 2014	December 31, 2013
Trade	$ 755	$ 558
Accruals and other receivables	131	137
Goods and Services Taxes receivable	300	599
	$ 1,186	$ 1,294

6. Prepaid expenses and deposits

		March 31, 2014		December 31, 2013
Prepaids	$	221	$	193
Deposits		3,353		463
	$	3,574	$	656

Included in deposits is $2.8 million held with the Alberta Energy Regulator for the License Liability Rating Program.

7. Exploration and evaluation assets

Balance, December 31, 2012	$	366,668
Capital expenditures		17,313
Disposal		(4,568)
Non-cash expenditures[1]		(2,501)
Balance, December 31, 2013	$	376,912
Capital expenditures		2,790
Non-cash expenditures[1]		(2)
Balance, March 31, 2014	$	379,700

1. Non-cash expenditures include capitalized share-based payments/(recovery), financing costs 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 months ending March 31, 2014, the Company capitalized directly attributable costs/(recovery) including $(0.2) million for share-based payment expense (three months ended March 31, 2013 - $0.2 million), $Nil of pre-production operating loss/(income) (three months ended March 31, 2013 - $0.6 million), $Nil of finance costs (three months ended March 31, 2013 - $Nil) and $2.2 million of general and administrative costs (three months ended March 31, 2013 - $0.3 million), respectively.

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 cash generating unit (“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, was credited to capitalized costs and presented as a disposal.

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:

		March 31, 2014		December 31, 2013
Intangibles	$	272,766	$	269,992
Tangibles		19,580		19,553
Land and lease costs		87,354		87,367
	$	379,700	$	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		-		(228)		(228)
Non-cash expenditures[1]		3,597		-		3,597
Balance, March 31, 2014	$	635,846	$	3,457	$	639,303

1. Non-cash expenditures include capitalized share-based payments/(recovery), financing costs 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		-		173		173
Balance, March 31, 2014	$	-	$	1,435	$	1,435
Carrying value, March 31, 2014	$	635,846	$	2,022	$	637,868
Carrying value, December 31, 2013	$	632,249	$	2,423	$	634,672

At March 31, 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 months ended March 31, 2014, the Company capitalized directly attributable costs including $Nil for general and administrative costs (three months ended March 31, 2013 - $2.7 million), and $Nil for share-based payment expense (three months ended March 31, 2013 - $1.2 million).

The Company was focused on evaluating and developing these assets with the first 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 additional financing. Sunshine is maintaining staff at site to continue with reduced work activities and to ensure safety of the worksite and preservation of the West Ells asset and the costs, which totalled $1.8 million for the three months ended March 31, 2014, are recognised as suspension costs in the consolidated statements of operations and comprehensive loss.

9. Trade and other payables

		March 31, 2014		December 31, 2013
Trade	$	71,529	$	103,006
Accrued liabilities		15,716		17,108
	$	87,245	$	120,114

10. Provisions for decommissioning obligations

At March 31, 2014 , the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $45.0 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 1.06% to 2.82% per annum and inflated using an inflation rate of 2.0% per annum.

		March 31, 2014		December 31, 2013
Balance, beginning of period	$	24,469	$	39,829
Additional provision recognized		-		2,905
Effect of changes in discount rate		3,791		(18,902)
Unwinding of discount rate and effect		180		637
	$	28,440	$	24,469
Current portion		(964)		(872)
Balance, end of period	$	27,476	$	23,597

11. Income taxes

11.1 Deferred tax balances

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

		March 31, 2014		December 31, 2013
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment		(99,228)		(92,947)
Decommissioning liabilities		7,110		6,117
Share issue costs		12,904		14,146
Non-capital losses		102,697		93,937
Deferred tax benefits not recognized		(23,483)		(21,253)
	$	-	$	-

11.2 Tax pools

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

		March 31, 2014		December 31, 2013
Canadian development expense		50,074		47,674
Canadian exploration expense		256,730		276,605
Undepreciated capital cost		313,847		335,396
Non-capital losses		410,789		375,750
Other		51,618		56,583
	$	1,083,058	$	1,092,008

The Company's non-capital losses of $410,789 (December 31, 2013 - $375,750), expire between 2028 and 2034.

12. 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

		March 31, 2014		December 31, 2013
Common shares	$	1,062,894	$	1,024,423

12.1 Common shares

	March 31, 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 (Note 12.2)	181,242,193	43,751	106,800,000	24,918
Issue of shares under employee share savings plan (Note 13.2)	1,035,944	214	3,014,630	721
Reclassification of share purchase warrants (Note 12.2)	-	(4,751)	-	(3,832)
Conversion of preferred shares exercised[1]	-	-	78,945,000	40
Issue of shares under share option plan (Note 13)	-	-	46,695,000	8,390
Share option reserve transferred on exercise of stock options	-	-	-	3,251
Share issue costs, net of tax	-	(743)	-	(823)
Balance, end of period	3,249,445,928	1,062,894	3,067,167,791	1,024,423

[1] Relates to conversion of 82,390,000 Class "G" and Class "H" preferred shares (Note 12.3,12.4)

Common shares
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.

12.2 Share purchase warrants

	March 31, 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	0.27	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

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

	March 31, 2014	December 31, 2013
Balance, beginning of period	$ 3,832	$ -
Issued under private placement	4,751	3,832
Fair value adjustment	(3,727)	-
Balance, end of period	$ 4,856	$ 3,832

During the three months ended March 31, 2014, the Company completed closings of equity private placements totalling 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 C$0.04 per warrant for a total of C$2.16 million. As part of a finder's fee, the Company issued two-fifths of a warrant for each purchased Unit. These 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 March 31, 2014, was $4.8 million. 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 which includes a 3% finders' fee of HK$4,620,000 (approximately C$0.651 million) to the finder of 90,588,235 Units.

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. At March 31, 2014, the Company recognized a gain of C$3.7 million related to the re-measurement of the fair value of share purchase warrants in the consolidated statements of operations and comprehensive loss.

On December 10, 2013, the Company completed the first 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$1.74 million. As part of a finder’s fee, the Company issued two-fifths of a warrant for each purchased Unit. These 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 $3.8 million. 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.

12.3 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 convertible into Class “A” common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	March 31, 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	-	-	-	-	-	-

12.4 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 convertible into Class “A” common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	March 31, 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	-	-	-	-	-	-

13. Share-based payments

13.1 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, 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 May 7, 2013. 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 offer 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 offer 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 offer date.

13.2 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. Compensation expense is recognized based on the fair value of the award on the ESSP contribution date.

13.3 Fair value of share options granted in the period

There were no share options granted during the three months ended March 31, 2014.

13.4 Movements in stock options during the period

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

	March 31, 2014		December 31, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	135,145,593	0.43	192,505,688	0.37
Granted	-	-	6,850,368	0.25
Exercised	-	-	(46,695,000)	0.18
Forfeited	(7,695,370)	0.41	(17,515,463)	0.39
Balance, end of period	127,450,223	0.43	135,145,593	0.43
Exercisable, end of period	102,710,488	0.39	102,500,487	0.39

As at March 31, 2014, the stock options outstanding had a weighted average remaining contractual life of 1.7 years (December 31, 2013 – 2.4 years).

13.5 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 March 31,					
			2014			2013
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 171	$ (197)	$ (26)	$ 1,042	$ 529	$ 1,571
Preferred shares	-	-	-	1,598	870	2,468
	$ 171	$ (197)	$ (26)	$ 2,640	$ 1,399	$ 4,039

14. Credit facility

In October 2012, the Company signed a Credit Facility 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.

15. Finance costs

	Three months ended March 31, 2014	2013
Finance cost on credit facility[1]	$ -	$ 496
Financing related costs[2]	1,691	422
Unwinding of discounts on provisions	180	823
	$ 1,871	$ 1,741

1. For the three months ended March 31, 2014, finance costs on Credit Facility (Note 14) of $Nil were incurred for standby fees (March 31, 2013 - $0.5 million).
2. For the three months ended March 31, 2014, financing related costs of $Nil are for legal and other professional expenses incurred (March 31, 2013 - $0.4 million), and $1.7 million for interest expenses (March 31, 2013 - $Nil).

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.

	Three months ended March 31, 2014	2013
Basic and Diluted – Class "A" common shares	3,182,226,278	2,859,711,450
Class "G" preferred shares (Note 12.3)	-	58,890,000
Class "H" preferred shares (Note 12.4)	-	22,200,000
Stock options (Note 13.4)	127,450,223	151,759,461

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 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. The Company expects its current capital resources will not be sufficient to complete its development plans through its current operating period 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 therefore dependent on its ability to raise additional funds.

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

	March 31, 2014	December 31, 2013
Working capital deficiency	$ 70,071	$ 103,182
Shareholders' equity	915,165	880,973
	$ 985,236	$ 984,155

There is no change in the Company's objectives and strategies of capital management for the three months ended March 31, 2014.

17.2 Categories of financial instruments

	March 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
Cash, deposits and other receivables	17,917	17,917	17,611	17,611
Financial liabilities				
Other liabilities	87,245	87, 245	120,114	120,114
Share purchase warrants	4,856	4,856	3,832	3,832

17.3 Fair value of financial instruments

The fair value of cash, 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.

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.

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 months ended March 31, 2014. 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 March 31, 2014 would have been impacted by approximately $4 thousand. At March 31, 2014, the Company held approximately HK$2.9 million or $0.4 million using the March 31, 2014 exchange rate of 7.0178, as cash in the Company's Hong Kong bank account.

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

17.6 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 March 31, 2014, the Company does not have any floating rate debt.

The Company's cash and cash equivalents consists of cash held in bank accounts that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values 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 months ended March 31, 2014, the interest rate earned on cash was between 0.5% and 1.30%.

17.7 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 March 31, 2014, the Company's receivables consisted of 25% from Goods and Services Tax receivable, 13% joint interest billing receivable and 62% 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 as at March 31, 2014, is held in accounts with third party financial institutions and consists of invested cash and cash in the Company's operating accounts.

The Company is exposed to credit risk from the purchasers of its crude oil. At March 31, 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.

17.8 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. Although additional equity has been raised since December 31, 2013, the Company had negative working capital of $70.1 million and an accumulated deficit of $205.2 million. The Company's recent losses and negative cash flow have resulted in a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern without 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.

18. Related party transactions

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

18.1 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 18.2).

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

	Three months ended March 31,	
	2014	**2013**
Legal expense	$ 405	$ 47
Finance fees	-	165
	$ 405	$ 212

1. Excluded from the transactions above are consulting fees paid to two directors of the Company, which are disclosed in Note 18.2.

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

	March 31, 2014	**December 31, 2013**
Legal	$ 1,233	$ 887

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:

	Three months ended March 31,	
	2014	**2013**
Directors' fees	$ 198	$ 166
Salaries and allowances	204	380
Share-based payments	58	2,256
Consulting fees[1]	226	226
	$ 686	$ 3,028

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

19. Operating lease arrangements

Payments recognised as an expense

	Three months ended March 31, 2014	2013
Minimum lease payments	$ 553	$ 537

20. Commitments and contingencies

As at March 31, 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	$ 5,163	$ 2,306	$ -
Lease rentals[1]	1,230	4,837	5,980
Office leases	2,725	10,389	-
	$ 9,118	$ 17,532	$ 5,980

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, many suppliers, following normal practice in Canada, have placed builders' liens on the West Ells property to secure past due and unpaid invoices. Seventy three suppliers have filed such liens and/or lawsuits claiming payment for unpaid invoices for a total remaining aggregate value of $66 million. Through the normal course of business, the Company has recorded the unpaid invoices in trade and other payables. The Company has raised equity funds disclosed in Note 12 and continues to pursue additional financing to enable it to meet these obligations and clear up these issues and continue developing its business (Note 2). 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. The Company paid 25% of all past due and unpaid invoices in December, 2013, and another 20% payment of all past due and unpaid invoices in early March, 2014, in exchange for these two forbearance agreements.

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 month period ended March 31, 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.

21. Supplemental cash flow disclosures

Non-cash transactions

For the three months ended March 31, 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 months ended March 31, 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

	Three months ended March 31,	
	2014	**2013**
Cash provided by (used in):		
Trade and other receivables	$ 108	$ (2,463)
Prepaids and deposits	(2,918)	(651)
Trade and other payables	(32,869)	39,450
	$ (35,679)	$ 36,336
Changes in non-cash working capital relating to:		
Operating activities		
Trade and other receivables	$ (1,569)	$ (474)
Prepaid expenses and deposits	(2,918)	(651)
Trade and other payables	(3,352)	1,818
	(7,839)	693
Investing activities		
Exploration and evaluation	-	-
Property, plant and equipment	(29,642)	35,669
	(29,642)	35,669
Financing activities		
Share issue costs, IPO costs and finance costs	1,802	(26)
	$ (35,679)	$ 36,336
Reconciliation of certain amounts disclosed in the Condensed Interim Consolidated Statements of Cash Flows:		
Reconciliation of:		
Exploration and evaluation assets	$ 2,790	$ 13,500
Changes in non-cash working capital	-	-
Payments for exploration and evaluation assets	2,790	13,500
Reconciliation of:		
Property, plant and equipment	$ (228)	$ 108,061
Changes in non-cash working capital	29,642	(35,669)
Payments for property, plant and equipment	29,414	72,392
Reconciliation of:		
Share issue costs, IPO costs and finance costs	2,434	918
Changes in non-cash working capital	(1,802)	26
Payments for share issue costs, IPO costs and finance costs	$ 632	$ 944

22. Subsequent event

An ordinary resolution to approve a proposal for the Company to grant to the Board a general mandate to allot, issue and otherwise deal with unissued shares up to a maximum of twenty percent (20%) of its issued share capital, was duly passed by the shareholders of the Company at a Special Meeting of Shareholders held on April 15, 2014.

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 May 6, 2014.

Appendix to the Condensed interim consolidated financial statements

Additional Stock Exchange Information

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

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

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

		March 31, 2014		December 31, 2013
Non-current assets				
Property, plant and equipment	$	637,866	$	634,670
Exploration and evaluation assets		379,700		376,912
Amounts due from subsidiary		967		825
		1,018,533		1,012,407
Current assets				
Other receivables		1,186		1,295
Prepaids and deposits		3,574		656
Cash and cash equivalents		13,372		15,847
		18,132		17,798
Current liabilities				
Trade and other payables		87,224		120,095
Provisions for decommissioning obligations		964		872
Amount due to subsidiary		894		339
		89,082		121,306
Net current liabilities		(70,950)		(103,508)
Total assets less current liabilities		947,583		908,899
Non-current liabilities				
Share purchase warrants		4,856		3,832
Provisions for decommissioning obligations		27,476		23,597
Net assets	$	915,251	$	881,470
Capital and reserves				
Share capital	$	1,062,894	$	1,024,423
Reserve for share-based compensation		57,421		57,447
Deficit		(205,064)		(200,400)
	$	915,251	$	881,470

A2. Directors' emoluments and other staff costs

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

	Three months ended March 31, 2014	2013
Directors' emoluments		
Directors' fees	$ 198	$ 166
Salaries and allowances	226	226
Share-based payments	575	1,532
	999	1,924
Other staff costs		
Salaries and other benefits	2,839	4,951
Contribution to retirement benefit scheme	192	161
Share-based payments	(601)	2,507
	2,430	7,619
Total staff costs, including directors' emoluments	3,429	9,543
Less: staff costs capitalized to qualifying assets	1,683	3,851
	$ 1,746	$ 5,692

Details of the Directors' emoluments are as follows:

For the three months ended March 31, 2014						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[1]	Performance related incentive payments	Total
Michael Hibberd	$ 21	$ 113	$ -	$ 242	$ -	$ 376
Songning Shen	21	113	-	242	-	376
Tseung Hok Ming	15	-	-	13	-	28
Tingan Liu	12	-	-	-	-	12
Hoatian Li	14	-	-	13	-	27
Raymond Fong	17	-	-	13	-	30
Wazir (Mike) Seth	27	-	-	13	-	40
Greg Turnbull	15	-	-	13	-	28
Robert Herdman	28	-	-	13	-	41
Gerald Stevenson	28	-	-	13	-	41
	$ 198	$ 226	$ -	$ 575	$ -	$ 999

1. Relates to expensing of options granted in prior periods.

For the three months ended March 31, 2013												
Name of Director		Directors' fees		Salaries and allowances		Contribution to retirement benefits scheme		Share-based compensation		Performance related incentive payments		Total
Michael Hibberd	$	20	$	113	$	-	$	435	$	-	$	568
Songning Shen		21		113		-		435		-		569
Tseung Hok Ming		14		-		-		586		-		600
Tingan Liu		14		-		-		-		-		14
Hoatian Li		13		-		-		13		-		26
Raymond Fong		16		-		-		7		-		23
Wazir (Mike) Seth		17		-		-		7		-		24
Greg Turnbull		15		-		-		19		-		34
Robert Herdman		19		-		-		15		-		34
Gerald Stevenson		17		-		-		15		-		32
	$	166	$	226	$	-	$	1,532	$	-	$	1,924

A3. Five highest paid individuals

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

	For the three months ended March 31, 2014	2013
HK$ nil to HK$1,000,000	3	-
HK$1,000,001 to HK$1,500,000	-	1
HK$1,500,001 to HK$2,000,000	-	-
HK$2,000,001 to HK$2,500,000	-	-
HK$2,500,001 to HK$3,000,000	2	-
HK$3,000,001 to HK$3,500,000	-	-
HK$3,500,001 to HK$4,000,000	-	-
HK$4,000,001 to HK$4,500,000	-	3
> HK$4,500,000	-	1

For the three months ended March 31, 2014, the conversion factor used in the above table is 1C$ = 7.032HK$ (three months ended March 31, 2013 – 1C$ = 7.771HK$)

The five highest paid individuals includes three directors of the Company and two key management executives of the Company for the three months ended March 31, 2014 (three months ended March 31, 2013 – three directors and two officers). Since the directors' emoluments are disclosed above, the compensation of the remaining officers for the Company is as follows:

		For the three months ended March 31, 2014		2013
Salaries and other benefits	$	127	$	176
Contributions to retirement benefits scheme		2		7
Share-based payments		59		543
	$	188	$	726