SUNSHINE OILSANDS LTD.

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

(HKEx: 2012; TSX: SUO)

2013 INTERIM REPORT

SUNSHINE OILSANDS LTD.

PRESIDENTS MESSAGE

The second quarter of 2013 was a busy but challenging quarter for Sunshine.

We are excited to see the significant progress at West Ells and eagerly anticipate plant commissioning and start up of operations in the next few months. Drilling and completions on the first 5,000 bpd pad is now done and drilling is nearly complete on the second 5,000 bpd pad. Surface work on the first pad will be finished soon and we will be readying the pad to start steaming. The second pad is expected to be ready to commence operations in early 2014. The central processing facility is progressing well, with the last modules expected to be delivered to the site in September. Construction is moving rapidly, to enable the plant to begin commissioning in the next few months.

We have continued to see cost pressures in construction at West Ells. The heavy rains and flooding in the Fort McMurray region in May slowed activity on site and added to costs for the project. Our project survived better than others as we were able to continue operations throughout the period but we did experience some delays. As well, the heavy and unprecedented flooding experienced in June in the Calgary area impacted our suppliers and the logistics associated with getting equipment to site. These delays and other impacts have combined to raise the cost estimate for the West Ells project to approximately $525 million.

We have been pleased with the progress on our other projects. Our second planned project at Thickwood has been advancing through regulatory approval. We believe the project will soon receive government approval to proceed since all public statements of concern have now been removed.

The delays and higher capital costs at West Ells, combined with monies spent on early stage development of our other projects, has increased the urgency of us accessing incremental capital. We are looking to secure financing of up to $300 million to allow us to continue to advance our projects.

Given the state of current markets and our financial position, we are focusing capital on West Ells and deferring our other attractive opportunities until capital markets improve and again recognize the high value opportunities captured in our asset base.

During the second quarter, we saw existing shareholders continue to support the company through increasing their ownership stake. We appreciate their support and that of all of our stakeholders as we work through these challenging times to validate the captured value of our large and attractive asset base. We expect the enormous embedded value in the asset base will receive better value recognition in the markets as we move toward first production over the next few months and realize increasing production in the coming year.

We thank you for your support through the challenging financing times. We believe we will be positioned to continue development at West Ells and look to expand into other asset areas as incremental funding is secured.

Mr. John Zahary

President and Chief Executive Officer
August 13, 2013

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 and six month periods ended June 30, 2013 is dated August 13, 2013. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the period ended June 30, 2013 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2012. 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 developer of oil sands resources with approximately 70 billion barrels of total Petroleum Initially In Place ("PIIP") where total PIIP is a sum of discovered and undiscovered PIIP components. With approximately 5.1 billion barrels of contingent resources and 446 million barrels of proved plus probable ("2P") reserves, the Company has significant commercial development potential.

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

The Company is focused on evaluating and developing these assets with the first project being an initial 10,000 barrels per day plant, currently under construction at West Ells. Phase 1 of West Ells is designed for 5,000 barrels per day with first steam expected late in the fourth quarter of 2013. Phase 2 will add an additional 5,000 barrels per day and is expected to have first steam in the second quarter of 2014.

The Thickwood and Legend projects are planned for 10,000 barrels per day initially each. The regulatory approval for Thickwood is anticipated in the third quarter of 2013 while Legend approval is expected late in 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at June 30, 2013 the Company had invested $935.0 million in oil sands leases, drilling operations, project planning and construction, regulatory application processing and other assets. As at June 30, 2013, the Company had $94.3 million in cash and cash equivalents (high yield savings and term deposits). The Company has no debt drawn on a credit facility of up to $200.0 million, the availability of which is subject to the Company meeting certain tests and which may only be drawn once other sources of funding are substantially used up.

The Company relies on its ability to obtain equity 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 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.

Operational Update

West Ells

As at the date of this MD&A, significant progress continues to be achieved on Sunshine's first SAGD project at West Ells. Sunshine is developing the West Ells project in two phases, Phase 1 and Phase 2, with Phase 1 providing the supporting infrastructure for Phase 2 major process equipment. Sunshine has completed:

- Phase 1 drilling and completion of eight well pairs;
- Phase 2 drilling of seven of the eight planned well pairs have been drilled;
- 128 of the 185 Phase 1 modules, skids and non field erected tanks were delivered and installed on site;
- completion of 96% of the Phase 1facilities engineering;
- mechanical completion of all field erected tanks for Phase 1 and 2;
- completion of Central Processing Facility civil construction including significant final grading; and
- 100% of the Phase 1 & 2 main pipe rack modules are completed.

West Ells Phase 1 is designed to produce 5,000 barrels per day of bitumen with first steam projected for the fourth quarter of 2013. Phase 1 will be followed by Phase 2 expansion for an additional 5,000 barrels per day with first steam projected for early in the second quarter of 2014.

Sunshine now expects capital cost for the West Ells Project Phase 1 and 2 to be approximately $525 million, an increase of $29 million or 5.5% from the last budget update in April 2013. First steam is expected in late fourth quarter of 2013. This latest cost increase is primarily due to the impacts from extraordinary rainfall at the project site and flooding in the Fort McMurray and Calgary areas, as well as further work related to design and other changes initiated by the external engineering firm.

Thickwood and Legend

Sunshine has an initial 10,000 barrels per day SAGD project planned in the Thickwood area. Regulatory approval of the Thickwood project is expected in the third quarter of 2013.

The Legend 10,000 barrels per day SAGD project regulatory approval process is ongoing with approval expected in late 2013. Sunshine is completing fieldwork for additional environmental analysis. This work will support plans for significant commercial expansions in both areas.

Alberta Government Initiatives

On August 22, 2012, 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, the LARP may adversely impact Sunshine's current properties in northern Alberta, as there is the potential for specific oil sands leases to be cancelled by the government.

The Company continues to have ongoing discussions with the Government of Alberta for compensation of certain developmental expenditures incurred.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 substitute for measures of performance prepared in accordance with IFRS. The non-IFRS measure of cash flow from operations can be reconciled to net cash provided by operating activities, as determined in accordance with IFRS.

Operational and Financial Highlights

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

	For the three months ended June 30,		For the six months ended June 30,	
Financial Highlights	**2013**	**2012**	**2013**	**2012**
Other income	$ 622	$ 2,992	$ 1,441	$ 10,053
Expensed portion of IPO costs	-	44	-	16,258
Finance costs	816	66	2,557	17,164
Net loss	8,327	4,673	16,584	37,004
Basic and diluted loss per share	0.00	0.00	0.00	0.02
Capital investments	101,336	90,035	187,229	132,513

For the three and six months ended June 30, 2013, the Company had a net loss of $8.3 million and $16.6 million compared to $4.7 million and $37.0 million in 2012, respectively. The net loss in the three and six month periods ended June 30, 2013 was primarily attributable to general administration costs of $5.7 million and $10.3 million, $2.2 million and $4.9 million for share-based payment expense and finance costs of $0.8 million and $2.6 million, respectively. For the three and six months ended June 30, 2012, the net loss was due primarily to finance costs of $0.1 million and $17.2 million, $Nil and $16.3 million of expensed IPO costs, general administration costs of $5.0 million and $8.8 million, and $2.5 million and $4.7 million for share-based payment expense.

	June 30, 2013	**December 31, 2012**
Cash and cash equivalents	$ 94,329	$ 282,231
Working capital (deficiency)/surplus	(35,372)	215,471
Total assets	1,035,780	979,726
Total liabilities	165,418	108,650

At June 30, 2013, the Company had a combined cash and short-term investment balance of $94.3 million compared to $282.2 million at December 31, 2012. The change of $187.9 million in the cash and cash equivalents balance for the first half of 2013 can be attributed to investment in development for $185.9 million, primarily at Sunshine's West Ells project area, and $8.9 million used in corporate operating activities offset by net cash provided from financing activities of $6.9 million. At June 30, 2013, the Company's working capital deficiency was $35.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

		For the three months ended June 30,		For the six months ended June 30,	
		2013	2012	2013	2012
Net loss	$	(8,327)	(4,673)	(16,584)	(37,004)
Finance costs		816	66	2,557	17,164
Expense portion of IPO costs		-	-	-	10,863
Unrealized foreign exchange loss/(gain)		(145)	5,817	(192)	(634)
Interest income		(477)	(936)	(1,249)	(1,017)
Depreciation		107	66	211	126
Share-based payment expense		2,226	2,516	4,866	4,734
Employee share savings plan		54	-	54	-
Cash flow used in operations		(5,746)	2,856	(10,337)	(5,768)

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, fair value adjustment on warrants, finance costs, share-based payments, unrealized portion of foreign exchange adjustments, depreciation and interest income.

Cash flow used in operations in the three and six months ended June 30, 2013 totaled $5.7 million and $10.3 million compared to (cash generated from operations of) $2.9 million and (cash flow used in operations of) $5.8 million for the same periods in 2012. The change of $8.6 million for the second quarter of 2013 is primarily due to $10.9 million for expensed IPO costs offset by $6.0 million of foreign exchange gains for the same period in 2012 and change in net loss by $3.7 million. For the six months ended June 30, 2013, the decrease in cash flow used in operations was $4.6 million due to savings in finance costs of $14.6 million and $10.9 million of expensed IPO costs, offset by $20.5 million for the change in net loss for the same period in 2012. Given the nature of its business and stage of development, cash flow used in operations is a small portion of the Company's total cash needs and expenditures.

Summary of Quarterly Results

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

('000s except for per share amounts)	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Other income	622	818	1,033	1,142	2,992	7,061	257	425
Expense portion of IPO costs	-	-	-	-	44	16,213	1,852	1,695
Fair value adjustment on warrants	-	-	-	-	-	-	(11,791)	(2,440)
Finance costs	816	1,741	2,859	214	66	17,098	7,029	6,278
Net loss for the period	8,327	8,257	9,193	15,531	4,673	32,331	2,473	10,229
Loss per share	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.01
Capital investments	101,336	85,892	65,098	32,510	90,035	42,477	31,770	17,959

Results of Operations

Finance Expense

	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Finance cost on share repurchase obligation	$ -	$ -	$ -	$ 5,864
Expensed portion of share issue costs	-	-	-	13,012
Finance cost on related party loan	-	-	-	266
Finance cost on credit facility	541	-	1,036	-
Financing related costs	177	-	600	
Unwinding of discounts on provisions	98	66	921	137
Less: amounts capitalized in exploration and evaluation assets	-	-	-	(2,115)
	816	66	2,557	17,164

For the three month period ended June 30, 2013, finance expense increased by $0.7 million primarily for $0.5 million of standby costs on the Credit Facility and other financing related costs of $0.2 million. Finance expense for the six month period ended June 30, 2013 decreased by $14.6 million to $2.6 million from $17.2 million for the same period in 2012, primarily due to $13.0 million for share issue costs expensed in the prior period, the extinguishment of the share repurchase obligation for $4.0 million offset by $1.6 million for expenditures on and related to credit facilities and $0.8 million for accretion on provisions.

In October 2012, the Company signed a credit facility agreement (the “Credit Facility”) with a group of financial institutions with an amount available of up to $200 million, subject to meeting certain tests. The Credit Facility is unavailable and undrawn at June 30, 2013 due to an agreement amendment to defer reporting of certain financial covenants until September 30, 2013. For the quarter ended June 30, 2013, the Company incurred $0.5 million for standby fees. The amount available for draw under the facility depends on the value attributed to the Company’s Proved reserves by its independent engineers, while drawdown is subject to, among other things, demonstrating sufficient funding (including draws under the Credit Facility) to complete the West Ells project to a defined stage.

In the second quarter of 2012, the Company drew and repaid $30.0 million under a previously available $100.0 million credit facility agreement (the “Loan Agreement”) with a significant shareholder of the Company. Since the loan was classified as a financial liability and accounted for as other liabilities at amortized cost, the Company recorded non-cash finance costs of $0.3 million. Refer to Section: *“Transactions with related parties*” for terms and conditions of the Loan Agreement.

General and Administrative Costs

	For the three months ended June 30, 2013 Total	2013 Capitalized	2013 Expensed	2012 Total	2012 Capitalized	2012 Expensed
Salaries, consulting and benefits	6,347	2,252	4,095	5,356	1,940	3,416
Rent	533	309	224	528	291	237
Other	1,369	138	1,231	1,444	215	1,229
	8,249	2,699	5,550	7,328	2,446	4,882

	For the six months ended June 30, 2013 Total	2013 Capitalized	2013 Expensed	2012 Total	2012 Capitalized	2012 Expensed
Salaries, consulting and benefits	11,851	4,704	7,147	9,890	4,022	5,868
Rent	1,088	640	448	1,040	541	499
Other	2,706	338	2,368	2,577	471	2,106
	15,645	5,682	9,963	13,507	5,034	8,473

General and administrative cost, which includes salaries, consulting and benefits, rent, and other general administrative costs, for the three month period ended June 30, 2013 increased by $0.7 million to $5.6 million compared to $4.9 million for the same period in 2012. For the six months ended June 30, 2013, general and administrative expense increased by $1.5 million to $10.0 million compared to $8.5 million for the same period in 2012, respectively. The increase in expense is primarily attributed to higher compensation costs as the Company continues to hire staff for its ongoing development. The Company's headcount (including employees and consultants) grew to 217 as of June 30, 2013 from 137 at June 30, 2012. During the three and six months ended June 30, 2013, the Company capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of $2.7 million and $5.7 million compared to $2.4 million and $5.0 million for the same periods in 2012, respectively.

Share-based payments

	For the three months ended June 30, 2013					2012
	Total amount	**Capitalized portion**	**Expensed**	**Total amount**	**Capitalized portion**	**Expensed**
Share-based payments expense	3,331	1,105	2,226	3,818	1,302	2,516

	For the six months ended June 30, 2013					2012
	Total amount	**Capitalized portion**	**Expensed**	**Total amount**	**Capitalized portion**	**Expensed**
Share-based payments expense	7,370	2,504	4,866	7,475	2,741	4,734

Share-based compensation expense for the three and six months ended June 30, 2013 was $2.2 million and $4.9 million compared to $2.5 million and $4.7 million for the same period in 2012, respectively. 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 each of the three and six months ended June 30, 2013 and 2012, the Company capitalized $1.1 million and $2.5 million, compared to $1.3 million and $2.7 million of share-based payments, respectively.

Other Income

	For the three months ended June 30,		For the six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Foreign exchange gain – realized	-	7,873	-	8,402
Foreign exchange gain/(loss) - unrealized	145	(5,817)	192	634
Interest income from term deposits	477	936	1,249	1,017
	622	2,992	1,441	10,053

Other income for the three months ended June 30, 2013 decreased by $2.4 million to $0.6 million from $3.0 million in 2012 and for the six months ended June 30, 2013 decreased by $8.7 million to $1.4 million from $10.1 million in the first half of 2012, respectively. The change is primarily due to a net realized foreign exchange gain of $2.1 million for the second quarter of 2012 and realized foreign exchange gains of $8.4 for the first half of 2012. For the decrease related to interest income of $0.5 million in the second quarter of 2013, interest income declined as cash balances are invested in capital projects.

Expensed portion of IPO costs

In the first quarter of 2012, the Company completed a public listing and initial public offering (“IPO”) on the HKEX. The IPO raised approximately $570.0 million (HK$4.5 billion) gross proceeds for the Company. In conjunction with this financing, $0.04 million was recognized in the three months ended June 30, 2013 while $16.3 million of the IPO costs were expensed in the six months ended June 30, 2012. Of this amount, $5.3 million was for bonus payments and $11.0 million for IPO related costs such as legal and audit fees.

Depreciation

Depreciation expense was $0.1 million for the three month period ended June 30, 2013 compared to $0.06 million for the same period in 2012. For the six month period ended June 30, 2013, depreciation expense was $0.2 million compared to $0.1 million for the same period in 2012. Since the Company is a development stage company, its crude 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 taxes, which relate primarily to unrecognized tax losses, for the three and six months ended June 30, 2013 and 2012. 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 June 30, 2013, the Company had total available tax deductions of approximately $1.0 billion, with unrecognized tax losses starting to expire in 2027.

Liquidity and Capital Resources

		June 30, 2013		**December 31, 2012**
Working capital (deficiency)/surplus	$	(35,372)	$	215,471
Shareholders’ equity		870,362		871,076
	$	905,734	$	655,605

Working capital deficiency of $35.4 million is comprised of $94.3 million of cash and cash equivalents, offset by a non cash working capital deficiency of $129.7 million. 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’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 the three and six month periods ended June 30, 2013, the Company reported a net loss of $8.3 million and $16.6 million, respectively. At June 30, 2013, the Company had negative working capital of $35.4 million and an accumulated deficit of $184.7 million. The Company’s recent losses and negative cash flow have resulted in a material uncertainty that casts significant doubt about the appropriateness of the use of the going concern assumption. The appropriateness of the going concern basis is dependent upon, among other things, the ability to obtain debt or equity financing 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In October 2012, the Company negotiated and signed a $200 million Credit Facility with a syndicate of financial institutions. The amount available for draw under the facility depends on the value attributed to the Company's Proved reserves by its independent engineers, while drawdown is subject to, among other things, demonstrating sufficient funding (including draws under the Credit Facility) to complete the West Ells project to a defined stage. Subsequent to period end, the Credit Facility was amended to defer the regular reporting of the sufficient funding test to the third quarter of 2013. $Nil is available amount under the Credit Facility as at June 30, 2013 and, as such, the Credit Facility has been excluded from the capital structure.

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 and six months ended June 30, 2013. If exchange rates to convert from HK dollars to Canadian dollars had been $0.10 higher or lower with all other variables held constant, foreign cash held at June 30, 2013 would have been impacted by approximately $10. At June 30, 2013, the Company held approximately HK$3.4 million or $0.5 million using the June 30, 2013 exchange rate of 7.643, as cash in the Company's Hong Kong bank account.

The Company's $94.3 million in cash and cash equivalents as at June 30, 2013 are held in accounts with third party financial institutions and consist of invested cash and cash in the Company's operating accounts. The cash equivalents portion is invested in high yield savings and high grade liquid term deposits. To date, the Company has experienced no loss or lack of access to its cash in operating accounts, invested cash or cash equivalents. However, the Company can provide no assurance that access to its invested cash and cash equivalents 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 June 30, 2013	2012	For the six months ended June 30, 2013	2012
Cash (used in)/generated by operating activities	$ (5,088)	$ 4,426	$ (8,985)	$ 3,533
Cash used in investing activities	(100,859)	(89,099)	(185,980)	(131,496)
Cash generated/(used in) by financing activities	980	(19,080)	6,871	461,920
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	145	(5,817)	192	634
(Decrease)/increase in cash and cash equivalents	(104,822)	(109,570)	(187,902)	334,591
Cash and cash equivalents, beginning of period	199,151	529,118	282,231	84,957
Cash and cash equivalents, end of period	$ 94,329	$ 419,548	$ 94,329	$ 419,548

Operating Activities

Net cash used for operating activities for the three and six months ended June 30, 2013 was $5.1 million and $9.0 million compared to cash generated of $4.4 million and $3.5 million in 2012, a change of $9.5 million and $12.5 million, respectively. Net cash used for operating activities includes movements in working capital of $0.7 million and $1.4 million for the three and six months ended June 30, 2013 compared to $1.6 million and $9.3 million for the same periods in 2012.

Investing Activities

Net cash used for investing activities for the three and six months ended June 30, 2013 grew by $11.7 million to $100.8 million compared to $89.1 million in the second quarter of 2012, and grew by $54.4 million to $185.9 million from $131.5 million for the six month period in 2012. The increase was due to higher investment primarily in the West Ells' development, by $101.3 million and $187.2 million, offset by $0.5 million and $1.2 million of interest income for the three and six months ended June 30, 2013 compared to $90.0 million and $132.5 million invested and $0.9 million and $1.0 million earned in the same period in 2012, respectively.

Capital investment for the development program for the second quarter of 2013 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 for projects at Thickwood and Legend.

Financing Activities

Financing activities for the three and six months ended June 30, 2013 generated $1.0 million and $6.9 million, which consisted of proceeds received from stock option exercises of $1.6 million and $8.5 million, offset by $0.6 million and $1.6 million of finance related costs. For the six months ended June 30, 2012, financing activities comprised of gross proceeds received in connection with Sunshine's IPO on the HKEX for $570.9 million, offset by $68.9 million used to repurchase all warrants issued and outstanding, $14.7 million for common share repurchases and $25.3 million of share issue costs and an IPO advisory fee. For the three months ended June 30, 2012, financing activities included the $14.7 million for common share repurchases and $5.4 million of share issue costs, offset by $1.0 million of proceeds received from stock option exercises.

Contractual obligations and commitments

The 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 June 30, 2013, 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	$	89,104	-	-
Lease rentals		1,840	7,225	10,593
Office leases[1]		2,155	8,494	2,278
	$	93,099	15,719	12,871

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

Shares Outstanding

As at August 13, 2013, the Company had the following shares issued and outstanding:

Class "A" common shares	2,884,143,359
Class "G" preferred shares	52,390,000
Class "H" preferred shares	22,200,000

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:

- Orient International Resources Group Limited and its affiliated companies ("Orient Group") is a private group of companies controlled by Mr. Hok Ming Tseung, a significant shareholder and director of the Company. At June 30, 2013, Orient Group owned approximately 10% of the outstanding shares of the Company. In 2010 through to 2012, Orient Group provided a credit facility agreement to the Company and provided advisory services with respect to various IPO related matters and other strategic topics.
- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors. 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.

Credit Facility Agreement (the "Credit Facility Agreement")
The Company had a Credit Facility Agreement with a non-arm's length lender in which a credit facility for general working capital purposes was available of up to a maximum of $100 million. At June 30, 2012, the Company had no amount drawn on the credit facility. The loan was a financial liability and was classified as other liabilities and recorded at amortized cost, using the effective interest method. For the three and six months ended June 30, 2012, total finance costs were $Nil and $0.2 million, respectively, of which $Nil and $ 0.03 million was expensed and $Nil and 0.2 million was capitalized as the funds are directly attributable to the development of the Company's qualifying assets. Upon repayment of the outstanding balance owing on this credit facility, $0.3 million was recorded to Other Reserve due to the related party nature of this transaction. In the fourth quarter of 2012, this Credit Facility Agreement was terminated.

Employee Share Purchase Loan
The Company loaned $50,000 to a senior employee to facilitate the exercise of stock options to purchase 250,000 Class "A" common shares. The loan bears interest at 3.0% per annum, secured by the common shares and matures December 15, 2013.

The Company incurred consulting and director's fees and share-based compensation payments to MJH Services totaling $0.6 million and $1.1 million for the three and six months ended June 30, 2013 compared to $0.4 million and $0.7 million or the same period in 2012, respectively. The Company incurred consulting and director's fees and share-based compensation payments to 1226591 Inc. totaling $0.6 million and $1.1 million for the three and six months ended June 30, 2013 compared to $0.4 million and $0.7 million for the same period in 2012.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Share issue costs	-	-	-	271
	-	-	-	271
Legal expense	69	5	116	86
Finance fees	-	-	165	-
Expensed portion of IPO costs	-	-	-	551
	69	5	281	637

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

	June 30, 2013	December 31, 2012
Legal	81	136

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

Off-balance sheet arrangements
At June 30, 2013, the Company did not have any off-balance sheet arrangements.

Subsequent events

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 oil sands 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.

On August 18, 2013, the Company announced that entered into a Framework Agreement with an international third party to pursue a joint venture involving its Muskwa and Godin area oilsands leases. The Framework Agreement provides for a 50 – 50 joint venture pursuant to which the third party will be responsible for investing up to $250 million, and contribute a thermal enhanced recovery technology, to achieve production of 5,000 barrels per day from the oilsands leases. After this production threshold is achieved, the joint venture parties will contribute in proportion to their ownership positions. The joint venture is subject to certain conditions and the entering into of binding agreements.

Also on August 18, 2013, Sunshine announced that some of the work on the West Ells Project site near Fort McMurray has been temporarily slowed down. This work is expected to ramp up again once confirmation is received that additional funding has been committed. 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 the funding is committed.

Recent accounting pronouncements issued but not yet adopted

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Company's financial period beginning on January 1, 2013. 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 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.

Oil and gas reserves

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

Reserve estimates are critical to many accounting estimates including:

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

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

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

Exploration and Evaluation costs ("E&E") are capitalized as exploration and evaluation assets 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 property and equipment and its exploration and evaluation assets. The decommissioning provision is based on estimated costs, taking into account the anticipated method and extent of restoration consistent with legal, regulatory and constructive requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

Share repurchase obligation
The Company had a share repurchase obligation in the first quarter of 2012 pursuant to the accounting treatment required under IAS 32. In order to calculate a value for the share repurchase obligation, the effective interest method was applied which is based on estimates and assumptions to determine the effective interest rate.

Share-based payments
The Company recognises compensation expense on options, preferred shares and stock appreciation rights ("SARs"), if granted. Compensation expense is based on the estimated fair value of each option, preferred share and stock appreciation 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 options. The effects of a change in one or more of these variables could result in a materially different fair value.

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 subsidiary 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, 2012, which is available at www.sedar.com. The 2012 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 2012 Annual Information Form is available at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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 CFO 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 CFO 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 and six months ended June 30, 2013 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Emolument Policy
The emolument policy of the executives of the Company is set up by the Compensation Committee on the basis of merit, qualifications and competence and recommendations from the Co-Chairmen and Chief Executive Officer. Subject to changes directed by the Co-Chairmen and Chief Executive Officer, the emolument policy for the rest of the employees is determined on a department by department basis with the executive in charge of each department determining the emoluments for senior employees and managers in the department and the emoluments for non-senior employees being determined by an appropriately designated manager. The emolument policy for non-executives is administered in conjunction with the human resources department and is done on the basis of merit, qualifications and competence.

The emolument policy for the directors of the Company is decided by the Compensation Committee and approved by the Board, having regard to comparable market statistics. Since the Company became a publicly listed company and subsequent to the reporting period, Sunshine confirms that the principles of the above have been applied prospectively with effect from its public listing.

The Company also has stock option plans for directors, officers, employees, consultants and advisors (the "Stock Option Plans"). The options vest over a period ranging up to three years from the date of grant. Options granted under the Stock Option Plans will have an exercise price that is not less than the price of the most recent private placement, or, if the common shares are listed on a stock exchange, the price which is, from time to time, permitted under the rules of any stock exchange or exchanges on which the common shares are then listed.

Share options and preferred shares issued to employees
Equity-settled share-based payments to directors, officers and employees, providing services are measured at the fair value of the equity instruments, less the fair value of the proceeds received on issuing the equity instruments at the issue date.

The fair value of the equity instruments, including share options, warrants or preferred shares, expected to vest as determined at the issue date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, unless the services are directly attributable to qualifying assets, with a corresponding increase in equity (reserve for share based compensation).

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share based compensation.

At the time when the equity instruments are exercised or converted, the amount previously recognised in reserve for share based compensation will be transferred to share capital. When the equity instruments are cancelled, they are treated as if they had vested on the date of cancellation and any cost not yet recognised in the consolidated statement of operations and comprehensive loss is expensed immediately.

The Company records compensation expense at the date of issue, based on fair value and management's best estimate of the prospect of converting some, or all, of the Class "G" and Class "H" preferred shares to Class "A" common shares.

Share options, preferred shares and warrants issued to non-employees
Equity-settled share-based payment transactions, with parties other than employees and directors, are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments issued, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (reserve for share based compensation), when the Company obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets or directly attributable to qualifying assets.

As at June 30, 2013, the Company employed 134 employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The Company adopted policies regarding directors' securities transactions in its Corporate Disclosure and Trading Policy that has terms that are no less exacting than those set out in the Model Code of Appendix 10 of the rules governing the listing of securities on the SEHK. 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 and six months ended June 30, 2013, the Company issued 7,780,000 common shares and 46,695,000 common shares for $1.6 million and $8.4 million upon exercise of pre-IPO stock options, respectively. In connection with this issuance, $0.6 million and $3.3 million were transferred from share option reserve to Class "A" common shares.

Class "G" Preferred Shares
During the three and six months ended June 30, 2013, 6,400,000 and 7,700,000 Class "G" Preferred Shares were converted to 3,968,000 and 4,678,000 Class "A" common shares for $3,975. There were Nil and 250,000 Class "G" Preferred Shares cancelled during the three and six months ended June 30, 2013, respectively.

Class "H" Preferred Shares
For the three and six months ended June 30, 2013, no Class "H" preferred shares were converted to Class "A" common shares.

Pre-IPO Stock Option Plan
The Company no longer grants stock options under the Pre-IPO Plan. During the three and six months ended June 30, 2013, there were 7,780,000 and 46,695,000 Pre-IPO stock options exercised at a weighted average exercise price of $0.20 and $0.18 per stock option. There were also 4,283,393 and 5,161,287 forfeitures of Pre-IPO stock options during the three and six months ended June 30, 2013.

Post-IPO Stock Option Plan
For the three and six months ended June 30, 2013, the Company granted 6,850,368 Post-IPO stock options. During the three and six months ended June 30, 2013, there were Nil Post-IPO stock options exercised. There were also 4,332,372 and 5,285,705 forfeitures of Post-IPO stock options during the three and six months ended June 30, 2013.

Directors' and Chief Executive's Interest in Shares and Share Options
At June 30, 2013, the direct and indirect interest of the directors (and their related parties) and the Chief Executive Officer of the Company in the shares and share options of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code were as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Common shares

	Company	Nature of interest	Number of common shares held	Approximate % interest in Common shares
Michael Hibberd	Sunshine Oilsands Ltd.	Direct/indirect	72,270,000	2.51%
Songning Shen	Sunshine Oilsands Ltd.	Direct/indirect	71,927,660	2.49%
Hok Ming Tseung	Sunshine Oilsands Ltd.	Direct/indirect	280,233,035	9.72%
Tingan Liu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Haotian Li	Sunshine Oilsands Ltd.	Personal	-	0.00%
Gregory Turnbull	Sunshine Oilsands Ltd.	Direct/indirect	12,200,000	0.42%
Raymond Fong	Sunshine Oilsands Ltd.	Personal	8,100,000	0.28%
Wazir (Mike) Seth	Sunshine Oilsands Ltd.	Personal	1,300,000	0.05%
Robert Herdman	Sunshine Oilsands Ltd.	Personal	-	0.00%
Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	34,000	0.00%
John Zahary	Sunshine Oilsands Ltd.	Personal	200,000	0.01%

Preferred shares

Name	Company	Nature of interest	Number of preferred shares held	Approximate % interest in Preferred shares
Michael Hibberd	Sunshine Oilsands Ltd.	Direct/indirect	11,000,000	14.73%
Songning Shen	Sunshine Oilsands Ltd.	Direct/indirect	11,000,000	14.73%
Hok Ming Tseung	Sunshine Oilsands Ltd.	Direct/indirect	15,000,000	20.08%
Tingan Liu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Haotian Li	Sunshine Oilsands Ltd.	Personal	-	0.00%
Gregory Turnbull	Sunshine Oilsands Ltd.	Direct/indirect	600,000	0.80%
Raymond Fong	Sunshine Oilsands Ltd.	Personal	-	0.00%
Wazir (Mike) Seth	Sunshine Oilsands Ltd.	Personal	-	0.00%
Robert Herdman	Sunshine Oilsands Ltd.	Personal	-	0.00%
Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	-	0.00%
John Zahary	Sunshine Oilsands Ltd.	Personal	4,000,000	5.36%

Stock options

Name	Company	Nature of interest	Number of Stock options held	Approximate % interest in Stock options
Michael Hibberd	Sunshine Oilsands Ltd.	Direct/indirect	16,140,000	11.35%
Songning Shen	Sunshine Oilsands Ltd.	Direct/indirect	16,140,000	11.35%
Hok Ming Tseung	Sunshine Oilsands Ltd.	Direct/indirect	1,510,000	1.06%
Tingan Liu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Haotian Li	Sunshine Oilsands Ltd.	Personal	1,510,000	1.06%
Gregory Turnbull	Sunshine Oilsands Ltd.	Direct/indirect	1,010,000	0.71%
Raymond Fong	Sunshine Oilsands Ltd.	Personal	910,000	0.64%
Wazir (Mike) Seth	Sunshine Oilsands Ltd.	Personal	910,000	0.64%
Robert Herdman	Sunshine Oilsands Ltd.	Personal	1,510,000	1.06%
Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	1,510,000	1.06%
John Zahary	Sunshine Oilsands Ltd.	Personal	10,000,000	7.03%

Movement in stock options

	Opening balance	Granted	Exercised	Forfeited	Expired	Ending balance
Michael Hibberd	26,070,000	-	(9,930,000)	-	-	16,140,000
Songning Shen	26,070,000	-	(9,930,000)	-	-	16,140,000
Hok Ming Tseung	1,510,000	-	-	-	-	1,510,000
Tingan Liu	-	-	-	-	-	-
Haotian Li	1,510,000	-	-	-	-	1,510,000
Gregory Turnbull	1,310,000	-	(300,000)	-	-	1,010,000
Raymond Fong	1,210,000	-	(300,000)	-	-	910,000
Wazir (Mike) Seth	2,210,000	-	(1,300,000)	-	-	910,000
Robert Herdman	1,510,000	-	-	-	-	1,510,000
Gerald Stevenson	1,510,000	-	-	-	-	1,510,000
John Zahary	10,000,000	-	-	-	-	10,000,000
	72,910,000	-	(21,760,000)	-	-	51,150,000

Other than the holdings disclosed in the tables above, none of the directors or Chief Executive Officer of the Company or their related parties had any interests or short positions in any shares of the Company or its associated corporations as at June 30, 2013.

Substantial shareholders' interests and short positions in the shares and underlying shares

As at June 30, 2013, so far as the directors are aware, the following shareholders (other than the directors or chief executive officer of the Company) had 5% or more beneficial interests or short positions in the issued shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number of Common shares held	Approximate % interest in Common shares
Orient International Resources Group Limited	Beneficial	266,666,640	9.25%
Premium Investment Corporation[1]	Beneficial	239,197,500	8.30%
Sinopec Century Bright Capital Investment Limited[2]	Beneficial	239,197,500	8.30%
China Life Insurance	Beneficial	231,411,600	8.03%
Charter Globe Limited[3]	Beneficial	206,611,560	7.17%

1. Subsidiary of China Investment Corporation
2. Subsidiary of the Sinopec Group
3. Subsidiary of Bank of China Limited

As at the date of this report the shareholding of the substantial shareholders were as follows:

Name of shareholder	Nature of interest	Number of Common shares held	Approximate % interest in Common shares
Orient International Resources Group Limited	Beneficial	266,666,640	9.25%
Premium Investment Corporation	Beneficial	239,197,500	8.29%
Sinopec Century Bright Capital Investment Limited	Beneficial	239,197,500	8.29%
China Life Insurance	Beneficial	231,411,600	8.02%
Charter Globe Limited	Beneficial	206,611,560	7.16%

Save as disclosed above, as at June 30, 2013, so far as the directors are aware, no other persons (except the directors or chief executive) or corporations had 5% or more interests or short positions in shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the SFO.

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 and six months ended June 30, 2013 together with comparative figures for the corresponding periods in 2012 as follows:

Consolidated Statements of Financial Position

	June 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 94,329	$ 282,231
Trade and other receivables	5,171	2,155
Prepaids and deposits	1,261	701
	100,761	285,087
Non-current assets		
Exploration and evaluation	381,712	366,668
Property, plant and equipment	553,307	327,971
	935,019	694,639
	$ 1,035,780	$ 979,726
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	$ 135,023	$ 68,821
Provisions for decommissioning obligations	1,110	795
	136,133	69,616
Non-current liabilities		
Provisions for decommissioning obligations	29,285	39,034
	165,418	108,650
Net current (liabilities)/assets	(35,372)	215,471
Total assets less current liabilities	870,362	910,110
Shareholders' Equity		
Share capital	1,003,549	991,798
Reserve for share-based compensation	51,514	47,395
Deficit	(184,701)	(168,117)
	870,362	871,076
	$ 1,035,780	$ 979,726

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Other income				
Foreign exchange gains	$ 145	$ 2,056	$ 192	$ 9,036
Interest income	477	936	1,249	1,017
	622	2,992	1,441	10,053
Expenses				
Salaries, consulting and benefits	4,095	3,416	7,147	5,868
Rent	224	237	448	499
Legal and audit	250	91	428	302
Depreciation	107	66	211	126
Share-based payments	2,226	2,516	4,866	4,734
Expensed portion of IPO costs	-	44	-	16,258
Finance costs	816	66	2,557	17,164
Other	1,231	1,229	2,368	2,106
	8,949	7,665	18,025	47,057
Loss before income taxes	8,327	4,673	16,584	37,004
Income taxes	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company	8,327	4,673	16,584	37,004
Basic and diluted loss per share	$ 0.00	$ 0.00	$ 0.00	$ 0.02

Notes

1. Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Board. The condensed 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 consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, measured at fair value.

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

The 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"). 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:

		June 30, 2013		December 31, 2012
Trade	$	1,038	$	297
Accruals and other		763		387
Goods and Services Taxes receivable		3,370		1,471
	$	5,171	$	2,155

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:

		June 30, 2013		December 31, 2012
0 - 30 days	$	956	$	46
31 - 60 days		82		250
61 - 90 days		-		1
	$	1,038	$	297

As at June 30, 2013, included in the Company's trade receivables were debtors with an aggregate carrying amount of $82 (December 31, 2012 - $251), 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. The Company has financial risk management policies in place to ensure that payables are generally paid within pre-agreed credit terms. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting periods:

		June 30, 2013	December 31, 2012
Trade			
0 - 30 days	$	8,372	1,170
31 - 60 days		2,179	3,378
61 - 90 days		193	1,005
> 91 days		1,850	1,262
		12,594	6,815
Accrued liabilities		122,429	62,006
	$	135,023	68,821

5. Dividends

The Company has not declared or paid any dividends in respect of the three and six months ended June 30, 2013 (December 31, 2012 - $Nil).

6. Income Taxes

June 30, 2013	Opening Balance	Recogn-ised in loss	Recognis-ed in other comprehen-sive loss	Recognis-ed directly in equity	Reclassifi-ed from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	(56,087)	(24,595)	-	-	-	-	(7,051)	(87,733)
Property and equipment	129	219	-	-	-	-	-	348
Other financial liabilities	9,961	(231)	-	-	-	-	7,051	16,781
Share issue expenses	22,059	15,514	-	-	-	-	-	37,573
	(23,938)	(9,093)	-	-	-	-	-	(33,031)
Tax losses	23,938	9,093	-	-	-	-	-	33,031
Deferred tax assets (liabilities)	-	-	-	-	-	-	-	-

June 30, 2012	Opening Balance	Recogn-ised in loss	Recognis-ed in other comprehen-sive loss	Recognis-ed directly in equity	Reclassifi-ed from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	(32,593)	(5,023)	-	-	-	-	(3,508)	(41,124)
Property and equipment	(32)	(62)	-	-	-	-	-	(94)
Other financial liabilities	755	(34)	-	-	-	-	3,508	4,229
Share issue expenses	872	(1,369)	-	-	-	-	-	(497)
	(30,998)	(6,488)	-	-	-	-	-	(37,486)
Tax losses	30,998	6,488	-	-	-	-	-	37,486
Deferred tax assets (liabilities)	-	-	-	-	-	-	-	-

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 and six months ended June 30, 2013. 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 $1.0 billion. The Company's tax losses will begin expiring in 2027.

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 and six months ended June 30, 2013.

Review of interim results

The unaudited condensed interim consolidated financial statements for the Company for the three and six months ended June 30, 2013, were reviewed by the Audit Committee of the Company and the Company's external auditor.

Publication of information

This second quarter 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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes	June 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	4	$ 94,329	$ 282,231
Trade and other receivables	5	5,171	2,155
Prepaids and deposits	6	1,261	701
		100,761	285,087
Non-current assets			
Exploration and evaluation	7	381,712	366,668
Property, plant and equipment	8	553,307	327,971
		935,019	694,639
		$ 1,035,780	$ 979,726
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables	9	$ 135,023	$ 68,821
Provisions for decommissioning obligations	10	1,110	795
		136,133	69,616
Non-current liabilities			
Provisions for decommissioning obligations	10	29,285	39,034
		165,418	108,650
Going Concern	2		
Shareholders' Equity			
Share capital	12	1,003,549	991,798
Reserve for share-based compensation		51,514	47,395
Deficit		(184,701)	(168,117)
		870,362	871,076
		$ 1,035,780	$ 979,726

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Other income					
Foreign exchange gains		$ 145	$ 2,056	$ 192	$ 9,036
Interest income		477	936	1,249	1,017
		622	2,992	1,441	10,053
Expenses					
Salaries, consulting and benefits		4,095	3,416	7,147	5,868
Rent		224	237	448	499
Legal and audit		250	91	428	302
Depreciation	8	107	66	211	126
Share-based payments	13.3	2,226	2,516	4,866	4,734
Expensed portion of IPO costs		-	44	-	16,258
Finance costs	15	816	66	2,557	17,164
Other		1,231	1,229	2,368	2,106
		8,949	7,665	18,025	47,057
Loss before income taxes		8,327	4,673	16,584	37,004
Income taxes	11	-	-		-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 8,327	$ 4,673	$ 16,584	$ 37,004
Basic and diluted loss per share	16	0.00	0.00	0.00	0.02

See accompanying notes to the condensed interim consolidated financial statements.

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, 2012		$ 47,395	$ 991,798	$ (168,117)	$ 871,076
Net loss and comprehensive loss for the period		-	-	(16,584)	(16,584)
Employee share savings plan		-	110	-	110
Recognition of share-based payments	13.3	7,370	-	-	7,370
Issue of shares upon exercise of share options	12.1	-	8,390	-	8,390
Reserve transferred on exercise of share options		(3,251)	3,251	-	-
Balance, June 30, 2013		$ 51,514	$ 1,003,549	$ (184,701)	$ 870,362
Balance, December 31, 2011		30,074	219,174	(100,661)	148,587
Net loss and comprehensive loss for the period		-	-	(37,004)	(37,004)
Recognition of share-based payments	13.3	7,476	-	-	7,476
Issue of common shares		-	569,880	-	569,880
Reclassification of share repurchase obligation		-	247,957	-	247,957
Repurchase of common shares		-	(14,743)	-	(14,743)
Issue of common shares for services	18.1	-	8,378	-	8,378
Issue of shares under employee share option plan		-	1,014	-	1,014
Reserve transferred on exercise of share options		(455)	455	-	-
Repurchase and cancellation of warrants		-	-	(5,994)	(5,994)
Recognition of credit on credit facility	18.1	-	-	266	266
Share issue costs, net of deferred tax ($Nil)			(25,836)		(25,836)
Balance, June 30, 2012		$ 37,095	$ 1,006,279	$ (143,393)	$ 899,981

See accompanying notes to the condensed interim consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Cash flows from operating activities					
Net loss		$ (8,327)	$ (4,673)	$ (16,584)	$ (37,004)
Finance costs		816	66	2,557	17,164
Expense portion of IPO costs		-	-	-	10,863
Unrealized foreign exchange losses/(gains)		(145)	5,817	(192)	(634)
Interest income		(477)	(936)	(1,249)	(1,017)
Depreciation		107	66	211	126
Share-based payment expense		2,226	2,516	4,866	4,734
Employee share savings plan		54	-	54	-
Movement in non-cash working capital	21	658	1,570	1,352	9,301
Net cash used in operating activities		(5,088)	4,426	(8,985)	3,533
Cash flows from investing activities					
Interest received		477	936	1,249	1,017
Capital investments	21	(101,336)	(90,035)	(187,229)	(132,513)
Net cash used in investing activities		(100,859)	(89,099)	(185,980)	(131,496)
Cash flows from financing activities					
Proceeds from issue of common shares	12.1	1,615	1,014	8,450	570,895
Payment for repurchase of common shares		-	(14,743)	-	(14,743)
Payment for share issue costs	21		(5,351)	-	(24,928)
Payment for finance costs	21	(635)	-	(1,579)	-
Payment for advisory fee	18.1	-	-	-	(441)
Payment for warrant settlement		-	-	-	(68,863)
Net cash provided in financing activities		980	(19,080)	6,871	461,920
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		145	(5,817)	192	634
Net (decrease)/increase in cash and cash equivalents		(104,822)	(109,570)	(187,902)	334,591
Cash and cash equivalents, beginning of period		199,151	529,118	282,231	84,957
Cash and cash equivalents, end of period		$ 94,329	$ 419,548	$ 94,329	$ 419,548

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2013
(Expressed in thousands of Canadian dollars, unless otherwise indicated)
(Unaudited)

1. Corporation 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 under the Companies Ordinance (Chapter 32 of the Laws of 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.

2. Basis of Preparation

Going Concern
These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the three and six month periods ended June 30, 2013, the Company reported net loss of $8.3 million and $16.5 million, respectively. At June 30, 2013, the Company had negative working capital of $35.4 million and an accumulated deficit of $184.7 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.

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 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.

Basis of Preparation
The condensed interim consolidated financial information included in this report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature. This report should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2012.

3. New Accounting Pronouncements and Changes in Accounting Policies

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, 2013. The Company has reviewed new IFRSs and the impact of these standards is noted below.

IFRS 10, Consolidated Financial Statements
IFRS 10 replaces portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation - Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. On January 1, 2013, the Company determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its wholly owned subsidiaries.

IFRS 11, Joint Arrangements
IFRS 11 applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting. On January 1, 2013, the Company determined that the adoption of IFRS 11 did not have any impact on any of its joint arrangements.

IFRS 12, Disclosure of Interests in Other Entities
IFRS 12 includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities and the nature of the risks associated with interests in other entities. On January 1, 2013, the Company concluded that the adoption of IFRS 12 did not result in any changes in its disclosure of interests in other entities.

IFRS 13, Fair Value Measurement
IFRS 13 will converge the IFRS requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the “exit price” and concepts of “highest and best use” and “valuation premise” would be relevant only for non-financial assets and liabilities. On January 1, 2013, the Company adopted IFRS 13 on a prospective basis and the adoption of this standard did not have any impact on the Company’s consolidated financial statements.

IFRS 9, Financial Instruments
IFRS 9 was issued by the IASB in November 2009 and October 2010 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015.

4. Cash and cash equivalents

		June 30, 2013		December 31, 2012
Cash	$	54,837	$	13,966
Term deposits		39,492		268,265
	$	94,329	$	282,231

The Company’s cash equivalents is comprised of term deposits which have maturity range of less than one week to three months and an interest rate range of 0.5% to 1.35%.

5. Trade and other receivables

		June 30, 2013		December 31, 2012
Trade	$	1,038	$	297
Accruals and other receivables		763		387
Goods and Services Taxes receivable		3,370		1,471
	$	5,171	$	2,155

6. Prepaid expenses and deposits

		June 30, 2013		December 31, 2012
Prepaids	$	715	$	276
Deposits		546		425
	$	1,261	$	701

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Exploration and evaluation assets

		June 30, 2013
Balance, December 31, 2011	$	382,277
Capital expenditures		269,348
Non-cash expenditures[1]		41,845
Transferred to PPE		(326,802)
Balance, December 31, 2012	$	366,668
Capital expenditures		17,280
Non-cash expenditures[1]		(2,236)
Transferred to PPE		-
Balance, June 30, 2013	$	381,712

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 and six months ended June 30, 2013, the Company capitalized directly attributable costs/(recovery) including $(0.2) million and $(0.1) million for share-based payment expense (three and six months June 30, 2012 - $1.3 million and $2.7 million), $(0.1) million and $0.5 million of pre-production operating loss/(income) (three and six months June 30, 2012 - $1.0 million and $1.1 million), $Nil million of finance costs (three and six months June 30, 2012 - $Nil and $2.1 million) and $0.1 million and $0.4 million of general and administrative costs (three and six months June 30, 2012 - $2.4 million and $5.0 million), respectively.

Exploration and evaluation costs are comprised of the following:

		June 30, 2013		December 31, 2012
Intangibles	$	272,174	$	258,664
Tangibles		20,067		17,200
Land and lease costs		89,471		90,804
	$	381,712	$	366,668

8. Property and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2011	$	-	$	1,208	$	1,208
Capital expenditures		-		740		740
Non-cash expenditures[1]		-		-		-
Transferred to PPE		326,802		-		326,802
Balance, December 31, 2012	$	326,802	$	1,948	$	328,750
Capital expenditures		230,545		630		231,175
Non-cash expenditures[1]		(5,628)		-		(5,628)
Transferred to PPE		-		-		-
Balance, June 30, 2013	$	551,719	$	2,578	$	554,297

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, 2011	$ -	$ 489	$ 489
Depreciation expense	-	290	290
Balance, December 31, 2012	$ -	$ 779	$ 779
Depreciation expense	-	211	211
Balance, June 30, 2013	$ -	$ 990	$ 990
Carrying value, June 30, 2013	$ 551,719	$ 1,588	$ 553,307
Carrying value, December 31, 2012	$ 326,802	$ 1,169	$ 327,971

At June 30, 2013, the crude oil assets included in the above property and equipment were not subject to depletion since they are not ready for use in the manner intended by management.

During the three and six months ended June 30, 2013, the Company capitalized directly attributable costs including $2.6 million and $5.3 million (three and six months June 30, 2012 - $Nil for both periods), and $1.3 million and $2.6 million for share-based payment expense (three and six months June 30, 2012 - $Nil for both periods).

9. Trade and other payables

	June 30, 2013	December 31, 2012
Trade	$ 12,594	$ 6,815
Accrued liabilities	122,429	62,006
	$ 135,023	$ 68,821

10. Provisions for decommissioning obligations

At June 30, 2013, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $48.9 million (December 31, 2012 - $45.4 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate between 1.13% to 2.37% per annum and inflated using an inflation rate of 2.0% per annum.

	June 30, 2013	December 31, 2012
Balance, beginning of period	$ 39,829	$ 6,400
Additional provision recognized	3,194	32,346
Effect of changes in discount rate	(13,549)	322
Unwinding of discount rate and effect	921	761
	$ 30,395	$ 39,829
Current portion	(1,110)	(795)
Balance, end of period	$ 29,285	$ 39,034

11. Income taxes

11.1 Income taxes recognized in the Statement of Operations

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Income taxes comprises:				
Tax recovery in respect of the current period	-	-	-	-
Effect of changes in tax rates and laws	-	-	-	-
Total income taxes	-	-	-	-

11.2 Deferred tax balances

June 30, 2013	Opening Balance	Recogn-ised in loss	Recognis-ed in other comprehen-sive loss	Recognis-ed directly in equity	Reclassifi-ed from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences	$	$	$	$	$	$	$	$
Exploration and evaluation	(56,087)	(24,595)	-	-	-	-	(7,051)	(87,733)
Property and equipment	129	219	-	-	-	-	-	348
Other financial liabilities	9,961	(231)	-	-	-	-	7,051	16,781
Share issue expenses	22,059	15,514	-	-	-	-	-	37,573
	(23,938)	(9,093)	-	-	-	-	-	(33,031)
Tax losses	23,938	9,093	-	-	-	-	-	33,031
Deferred tax assets (liabilities)	-	-	-	-	-	-	-	-

June 30, 2012	Opening Balance	Recogn-ised in loss	Recognis-ed in other comprehen-sive loss	Recognis-ed directly in equity	Reclassifi-ed from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences	$	$	$	$	$	$	$	$
Exploration and evaluation	(32,593)	(5,023)	-	-	-	-	(3,508)	(41,124)
Property and equipment	(32)	(62)	-	-	-	-	-	(94)
Other financial liabilities	755	(34)	-	-	-	-	3,508	4,229
Share issue expenses	872	(1,369)	-	-	-	-	-	(497)
	(30,998)	(6,488)	-	-	-	-	-	(37,486)
Tax losses	30,998	6,488	-	-	-	-	-	37,486
Deferred tax assets (liabilities)	-	-	-	-	-	-	-	-

The Company has not recognized any deferred tax asset for the periods presented.

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

		June 30, 2013		December 31, 2012
Common shares	$	1,003,513	$	991,758
Class "G" preferred shares		25		29
Class "H" preferred shares		11		11
	$	1,003,549	$	991,798

12.1 Common shares

	June 30, 2013		December 31, 2012	
	Number of shares	$	Number of shares	$
Balance, beginning of period	2,831,713,161	991,758	1,470,171,240	216,761
Issued for cash	499,525	110	923,299,500	569,880
Issued for service	-	-	13,566,395	8,378
Reclassification of share repurchase obligation	-	-	433,884,300	247,957
Repurchase of common shares	-	-	(85,091,500)	(38,731)
Repurchase of purchase warrants	-	-	-	2,371
Conversion of preferred shares exercised	4,678,000	4	1,450,800	2
Issue of shares under share option plan	46,695,000	8,390	74,432,426	8,052
Reserve transferred on exercise of stock options	-	3,251	-	3,124
Share issue costs	-	-	-	(26,036)
Balance, end of period	2,883,585,686	1,003,513	2,831,713,161	991,758

12.2 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 are entitled to one vote per share and were issued at $0.0005 per Class "G" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	June 30, 2013			December 31, 2012		
	Number of shares	$	Weighted average price $	Number of shares	$	Weighted average price $
Balance, beginning of period	60,440,000	29	0.33	63,310,000	31	0.33
Issued	-	-	0.48	830,000	-	0.48
Converted	(7,700,000)	(4)	0.33	(3,700,000)	(2)	-
Cancelled	(250,000)	-	-	-	-	-
Balance, end of period	52,490,000	25	0.33	60,440,000	29	0.33
Convertible, end of period	32,543,800	16	0.33	27,802,400	14	0.33

The fair value of the Class "G" preferred shares issued in 2012 was estimated to be $0.48 per Class "G" preferred share, using the Black Scholes pricing model with the following assumptions:

	Six months ended June 30, 2012
Weighted average expected volatility (%)	75%
Risk-free rate of return (%)	1%
Expected life (years)	1.89 – 1.99
Expected forfeitures	Nil
Dividends	Nil

12.3 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 are entitled to one vote per share and were issued at $0.0005 per Class "H" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

	June 30, 2013			December 31, 2012		
	Number of shares	$	Weighted average price $	Number of shares	$	Weighted average price $
Balance, beginning of period	22,200,000	11	0.42	22,200,000	11	0.42
Issued	-	-	-	-	-	-
Balance, end of period	22,200,000	11	0.42	22,200,000	11	0.42
Convertible, end of period	13,764,000	7	0.42	10,212,000	5	-

Features of Class "G" and Class "H" preferred shares

The term, conversion rights and conversion schedule are the same for both the Class "G" and the Class "H" preferred shares. The preferred shares have a term commencing from the date of issue until the earlier of December 31, 2013 or a change of control (the "expiry date").

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

Time Period	Preferred shares conversion schedule %	Class "G" and "H" Preferred Shares Outstanding	Class "A" Common Shares Issuable on Conversion
Date of issuance to IPO less a day or February 29, 2012	0%	74,690,000	-
IPO date to 6 months after IPO date less a day or March 1, 2012 – August 31, 2012	30%	74,690,000	22,407,000
6 months after IPO date to 12 months after IPO date less a day or September 1, 2012 – February 28, 2013	46%	74,690,000	34,357,400
12 months after IPO date to 18 months after IPO date less a day or March 1, 2013 – November 30, 2013	62%	74,690,000	46,307,800
18 months after IPO date to 21 months after IPO date less a day or September 1, 2013 – November 30, 2013	78%	74,690,000	58,258,200
21 months after IPO date to 24 months after IPO date or December 1, 2013 – February 28, 2014	100%	74,690,000	74,690,000
Expiry date or December 31, 2013	100%	74,690,000	74,690,000

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

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

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

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

13. Share-based payments

13.1 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 over the one year vesting period.

13.2 Movements in stock options during the period

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

	Three months ended June 30, 2013		Six months ended June 30, 2013		Year ended December 31, 2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	151,759,461	0.42	192,505,688	0.37	202,958,540	0.22
Granted	6,850,368	0.25	6,850,368	0.25	70,194,338	0.55
Exercised	(7,780,000)	0.20	(46,695,000)	0.18	(74,432,426)	0.11
Forfeited	(8,615,765)	0.40	(10,446,992)	0.42	(6,214,764)	0.51
Balance, end of period	142,214,064	0.42	142,214,064	0.42	192,505,688	0.37
Exercisable, end of period	82,440,239	0.36	82,440,239	0.36	129,172,529	0.29

The stock options outstanding as at June 30, 2013, had a weighted average remaining contractual life of 3.0 years (December 31, 2012 – 2.6 years).

13.3 Share-based compensation

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

	Three months ended June 30, 2013			Three months ended June 30, 2012		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	2,179	1,291	3,470	854	368	1,222
Preferred shares	47	(186)	(139)	1,662	934	2,596
	2,226	1,105	3,331	2,516	1,302	3,818

	Six months ended June 30, 2013			Six months ended June 30, 2012		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	3,221	1,820	5,041	1,412	865	2,277
Preferred shares	1,645	684	2,329	3,322	1,877	5,199
	4,866	2,504	7,370	4,734	2,742	7,476

14. Credit facility

In October 2012, the Company signed a Credit Facility with a syndicate of financial institutions. The amount available under the Credit Facility is up to $200 million. The Credit Facility matures on October 10, 2013 and is extendable at the lenders' discretion. The Credit Facility bears interest at a floating rate based on Canadian dollar prime rate, US dollar base rate, bankers' acceptances or LIBOR plus a credit spread above the reference rate. Undrawn amounts are subject to a standby fee of 100 basis points per annum. The Credit Facility is secured by all assets of the Company. The Credit Facility is subject to various financial and non-financial covenants including, amount other things, restrictions on issuing debt, making investments or loans, paying dividends, altering the nature of the business and undertaking corporate transactions.

The amount available for draw under the facility depends on the value attributed to the Company's Proved reserves by its independent engineers, while drawdown is subject to, among other things, demonstrating sufficient funding (including draws under the Credit Facility) to complete the West Ells project to a defined stage. Subsequent to period end, the Credit Facility was amended to defer to September 30, 2013, the reporting of certain financial covenants specific to the sufficient funding and working capital ratio requirements under the terms of the Credit Facility. As at June 30, 2013, $Nil was available for draw under the Credit Facility.

15. Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Finance cost on share repurchase obligation[1]	$ -	$ -	$ -	$ 5,864
Expensed portion of share issue costs[2]	-	-	-	13,012
Finance cost on related party loan[3]	-	-	-	266
Finance cost on credit facility[4]	541	-	1,036	-
Financing related costs[5]	177		600	
Unwinding of discounts on provisions	98	66	921	137
Less: Amounts capitalized in exploration and evaluation assets[6]	-	-	-	(2,115)
	$ 816	$ 66	$ 2,557	$ 17,164

1. There were no finance costs associated with the share repurchase obligation for the three and six months ended June 30, 2013. Finance costs on share repurchase obligation relate to the $210.0 million common share subscriptions, which closed in February 2011. These finance costs relate to accretion of the common share subscriptions, which had a share repurchase right, and have been accounted for using the effective interest method. During the three and six months ended June 30, 2012, total finance costs of $Nil and $5.9 million were recognized, of which, $Nil and $1.9 million was capitalized in exploration and evaluation assets with the remaining $Nil and $4.0 million expensed in finance costs, respectively. On March 1, 2012, the share repurchase obligation was reclassified to equity.

2. There were no share issue costs expensed in the first three months of 2013. For the three and six months ended June 30, 2012, expensed portion of share issue costs of $Nil and $13.0 million, respectively, relates to the allocation portion of transaction costs incurred in relation to 433,884,300 common shares issued in February 2011 for $210.0 million, which were previously netted against the share repurchase obligation.

3. The related party loan was terminated in October 2012; as such, there were no finance costs for the three and six months ended June 30, 2013. During the six months ended June 30, 2012, the Company drew and repaid $30.0 million on an available $100.0 million credit facility. The loan was accounted for using the effective interest method (Note 18). During the three and six months ended June 30, 2012, total finance costs of $Nil and $0.3 million were recognized, of which, $Nil and $0.2 million was capitalized in exploration and evaluation assets with the remaining $Nil and $0.1 million expensed in finance costs, respectively.

4. For the three and six months ended June 30, 2013, finance costs on Credit Facility of $0.5 million and $1.0 million were incurred for standby fees (June 30, 2012 - $Nil and $Nil).

5. For the three and six months ended June 30, 2013, financing related costs of $0.2 million and $0.6 million are for legal and other professional expenses incurred (June 30, 2012 - $Nil and $Nil).

6. No finance costs were capitalized for the three and six months ended June 30, 2013. For the three and six months ended June 30, 2012, amount consists of $Nil and $1.9 million for capitalized portion of finance costs on the share repurchase obligation and $Nil and $0.2 million capitalized finance costs on the credit facility, respectively.

16. Loss per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Basic – Class “A” common shares	2,929,701,816	2,842,070,746	2,897,575,212	2,382,143,368
Diluted – Class “A” common shares	2,929,701,816	2,842,070,746	2,897,575,212	2,382,143,368
Class “G” preferred shares	52,490,000	62,750,000	52,490,000	62,750,000
Class “H” preferred shares	22,200,000	22,200,000	22,200,000	22,200,000
Stock options	142,214,064	195,041,630	142,214,064	195,041,630

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. 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 as follows:

		June 30, 2013		December 31, 2012
Working capital (deficiency)/surplus	$	(35,372)	$	215,471
Shareholders' equity		870,362		871,076
	$	905,734	$	655,605

There is no change in the Company's objectives and strategies of capital management for the three and six months ended June 30, 2013. In October 2012, the Company negotiated and signed a $200 million Credit Facility (the "Credit Facility") with a syndicate of financial institutions (Note 14). The available amount under the Credit Facility is undrawn at June 30, 2013 and the available amount has been excluded from the capital structure. $Nil is available under the Credit Facility based on certain financial covenants under the terms and conditions of a Credit Facility agreement (Note 14).

17.2 Categories of financial instruments

	June 30, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
Cash, deposits and other receivables	100,045	100,045	284,811	284,811
Financial liabilities				
Other liabilities	135,023	135,023	68,821	68,821

17.3 Fair value of financial instruments

The fair value of cash, term deposits, trade and other receivables, trade and other payables and accrued liabilities approximate their carrying values due to their short term maturity. These financial instruments have been assessed on a Level 1 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 and six months ended June 30, 2013. If exchange rates to convert from HK dollars to Canadian dollars had been $0.10 higher or lower with all other variables held constant, foreign cash held at June 30, 2013 would have been impacted by approximately $10,000. At June 30, 2013, the Company held approximately HK$3.4 million or $0.5 million using the June 30, 2013 exchange rate of 7.6434, 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 June 30, 2013, the Company does not have any floating rate debt.

The Company's cash and cash equivalents consists of cash held in bank accounts and term deposits that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. For the three and six months ended June 30, 2013, the interest rate earned on cash equivalents was between 0.5% and 1.35%.

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 June 30, 2013, the Company's receivables consisted of 65% from Goods and Services Tax receivable, 3% from oil sale receivables, 17% joint interest billing receivable and 15% from other receivables (December 31, 2012 – 68% from oil sale receivables, 26% from Goods and Services Tax receivable and 6% from other receivables).

The Company's cash and cash equivalents as at June 30, 2013, are held in accounts with third party financial institutions and consist of invested cash and cash in the Company's operating accounts. The cash equivalents portion is invested in high yield savings and high grade liquid term deposits.

The Company is exposed to credit risk from the purchasers of its crude oil. At June 30, 2013, there was no allowance for impairment of 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 past due or impaired (December 31, 2012 - $Nil). The Company considers any amounts outstanding in excess of 120 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. At June 30, 2013, the Company had negative working capital of $35.4 million and an accumulated deficit of $184.7 million. The Company's recent losses and negative cash flow have resulted in a material uncertainty that casts significant doubt about the appropriateness of the use of the going concern assumption.

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:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Share issue costs	$ -	$ -	$	$ 271
		-		271
Legal expense	$ 69	$ 5	$ 116	$ 86
Finance fees	-	-	165	-
Expensed portion of IPO costs	-	-	-	551
	$ 69	$ 5	$ 281	$ 637

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

	June 30, 2013	December 31, 2012
Legal	$ 81	$ 136

Advisory Fee Agreement (the "Agreement")

During 2010, the Company entered into the Agreement in which the Company agreed to pay a fee for services to be rendered in connection with an initial filing of an IPO prospectus and listing. On March 1, 2012, the Company successfully closed its Qualifying IPO and listing on the SEHK. Pursuant to this event, the obligation was settled through the issuance of 13,566,395 common shares for $8.4 million and cash paid of $0.4 million. The service provider is a company which is controlled by a director who is a principal of a significant shareholder of the Company, and who also holds a senior management position with the service provider company.

Credit Facility Agreement (the "Credit Facility Agreement")

The Company had a Credit Facility Agreement with a non-arm's length lender in which a credit facility for general working capital purposes was available of up to a maximum of $100 million. During the six months ended June 30, 2012, the Company drew $30.0 million on the credit facility and subsequently repaid the balance prior to period end. The loan was a financial liability and was classified as other liabilities and recorded at amortised cost, using the effective interest method. For the three and six months ended June 30, 2012, total finance costs were $Nil and $0.3 million, of which $Nil and $0.1 million was expensed and $Nil and $0.2 million was capitalized as the funds are directly attributable to the development of the Company's qualifying assets, respectively. Upon repayment of the outstanding balance owing on this credit facility, $0.3 million was recorded to Other Reserve due to the related party nature of this transaction. In the fourth quarter of 2012, this Credit Facility Agreement was terminated.

Employee Share Purchase Loan

The Company loaned $50,000 to a senior employee to facilitate the exercise of stock options to purchase 250,000 Class "A" common shares. The loan bears interest at 3.0% per annum, secured by the common shares and matures December 15, 2013. The Company classified the loan as other receivable under financial assets.

18.2 Compensation of key management personnel and directors

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

	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Directors' fees	$ 161	$ 195	$ 327	$ 375
Salaries and allowances	377	364	757	733
Share-based payments	2,255	1,583	4,511	3,315
Consulting fees	225	225	450	450
Performance related incentive payments	-	-	-	5,000
	$ 3,018	$ 2,367	$ 6,045	$ 9,873

19. Operating lease arrangements

Payments recognised as an expense

	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Minimum lease payments	$ 515	$ 514	$ 1,052	$ 1,019

20. Commitments for expenditure

As at June 30, 2013, 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	$ 89,104	$ -	$ -
Lease rentals	1,840	7,225	10,593
Office leases[1]	2,155	8,494	2,278
	$ 93,099	$ 15,719	$ 12,871

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

21. Supplemental cash flow disclosures

Non-cash transactions

For the three and six months ended June 30, 2013, the Company had the following non-cash transactions:

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

For the three and six months ended June 30, 2012, the Company had the following non-cash transactions:

- the settlement of the advisory fee through the issuance of 13,566,395 common shares for $8.4 million (Note 18.1);
- the share repurchase obligation has been reclassified to share capital for $0.3 million (Note 12); and
- capitalized general and administrative costs including share-based payments and finance costs (Notes 7 and 8).

Supplemental cash flow disclosures

	For the three months ended June 30, 2013	2012	For the six months ended June 30, 2013	2012
Cash provided by (used in):				
Trade and other receivables	$ (553)	$ 2,158	$ (3,016)	$ 1,737
Prepaids and deposits	91	75	(560)	(493)
Trade and other payables	26,753	(64,851)	66,203	5,050
	$ 26,291	$ (62,618)	$ 62,627	$ 6,294
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ 279	$ 2,162	$ (195)	$ 1,962
Prepaid expenses and deposits	91	75	(560)	(493)
Trade and other payables	288	(667)	2,107	7,832
	658	1,570	1,352	9,301
Investing activities				
Exploration and evaluation assets	25,550	(58,837)	61,219	2,007
Financing activities				
Share issue costs, IPO costs and finance costs	83	(5,351)	56	(5,014)
	$ 26,291	$ (62,618)	$ 62,627	$ 6,294

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

	2013 (three months)	2012 (three months)	2013 (six months)	2012 (six months)
Reconciliation of:				
Exploration and evaluation assets	$ 126,886	$ 31,198	$ 248,448	$ 134,520
Changes in non-cash working capital	(25,550)	58,837	(61,219)	(2,007)
Capital investments	101,336	90,035	187,229	132,513
Reconciliation of:				
Share issue costs, IPO costs and finance costs	718	-	1,635	19,914
Changes in non-cash working capital	(83)	5,351	(56)	5,014
Payments for share issue costs, IPO costs and finance costs	$ 635	$ 5,351	$ 1,579	$ 24,928

22. Subsequent event

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.

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 August 13, 2013

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 Consolidated Interim Financial Statements is as follows:

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

The Company's statement of financial position is on a non-consolidated basis which excludes the Company's wholly owned subsidiary, Sunshine Hong Kong. The Company's wholly owned subsidiary, Fern Energy Ltd., was wound up during the six months ended June 30, 2013.

		June 30, 2013		December 31, 2012
Non-current assets				
Property and equipment	$	553,305	$	327,968
Exploration and evaluation assets		381,712		366,625
Amounts due from subsidiary		525		293
Investment in subsidiary		-		60
		935,542		694,946
Current assets				
Other receivables		5,171		2,147
Prepaids and deposits		1,257		691
Cash and cash equivalents		94,323		282,230
		100,751		285,068
Current liabilities				
Trade and other payables		135,012		68,782
Provisions for decommissioning obligations		1,110		795
Amount due to subsidiary		324		-
		136,446		69,577
Net current assets (liabilities)		(35,695)		215,491
Total assets less current liabilities		899,847		910,437
Non-current liabilities				
Provisions for decommissioning obligations		29,285		39,034
Net assets	$	870,562	$	871,403
Capital and reserves				
Share capital	$	1,003,549	$	991,798
Reserve for share-based compensation		51,514		47,395
Deficit		(184,701)		(167,790)
	$	870,562	$	871,403

A2. Directors' emoluments and other staff costs

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

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Directors' emoluments				
Directors' fees	$ 161	$ 195	$ 327	$ 375
Salaries and allowances	224	224	450	450
Contribution to retirement benefit scheme	-	-	-	-
Performance related incentive payments	-	-	-	5,000
Share-based payments	1,526	1,094	3,058	2,260
	1,911	1,513	3,835	8,085
Other staff costs				
Salaries and other benefits	5,765	4,877	10,716	8,878
Contribution to retirement benefit scheme	143	60	304	187
Share-based payments	1,805	2,725	4,312	5,216
	7,713	7,662	15,332	14,281
Total staff costs, including directors' emoluments	9,624	9,175	19,167	22,366
Less: bonus included with expensed portion of IPO costs	-	-	-	5,000
Less: staff costs capitalized to qualifying assets	3,357	3,243	7,208	6,764
	$ 6,267	$ 5,932	$ 11,959	$ 10,602

Details of the directors' emoluments are as follows:

For the three months ended June 30, 2013						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 20	$ 112	$ -	$ 435	$ -	$ 567
Songning Shen	20	112	-	435	-	567
Tseung Hok Ming	12	-	-	587	-	599
Tingan Liu	12	-	-	-	-	12
Haotian Li	15	-	-	6	-	21
Raymond Fong	15	-	-	7	-	22
Wazir (Mike) Seth	16	-	-	7	-	23
Greg Turnbull	15	-	-	19	-	34
Robert Herdman	19	-	-	15	-	34
Gerald Stevenson	16	-	-	15	-	31
	$ 160	$ 224	$ -	$ 1,526	$ -	$ 1,910

For the three months ended June 30, 2012

Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 24	$ 113	$ -	$ 226	-	$ 363
Songning Shen	24	113	-	226	-	363
Tseung Hok Ming	18	-	-	579	-	597
Tingan Liu	-	-	-	-	-	-
Haotian Li	18	-	-	9	-	27
Kevin Flaherty[1]	-	-	-	-	-	-
Raymond Fong	20	-	-	-	-	20
Zhijian Qin	-	-	-	-	-	-
Wazir (Mike) Seth	23	-	-	-	-	23
Greg Turnbull	20	-	-	13	-	33
Robert Herdman	25	-	-	20	-	45
Gerald Stevenson	23	-	-	20	-	43
	$ 195	$ 226	$ -	$ 1,093	$ -	$ 1,514

For the six months ended June 30, 2013

Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 40	$ 225	$ -	$ 870	-	$ 1,135
Songning Shen	41	225	-	870	-	1,136
Tseung Hok Ming	26	-	-	1,173	-	1,199
Tingan Liu	26	-	-	-	-	26
Hoatian Li	28	-	-	19	-	47
Raymond Fong	31	-	-	14	-	45
Wazir (Mike) Seth	34	-	-	14	-	48
Greg Turnbull	30	-	-	38	-	68
Robert Herdman	38	-	-	30	-	68
Gerald Stevenson	33	-	-	30	-	63
	$ 327	$ 450	$ -	$ 3,058	-	$ 3,835

-

For the six months ended June 30, 2012

Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 44	$ 225	$ -	$ 477	$ -	$ 746
Songning Shen	45	225	-	477	-	747
Tseung Hok Ming	36	-	-	1,164	4,600	5,800
Tingan Liu	-	-	-	-	-	-
Hoatian Li	33	-	-	26	-	59
Kevin Flaherty[1]	-	-	-	2	-	2
Raymond Fong	42	-	-	2	75	119
Zhijun Qin[1]	-	-	-	2	-	2
Wazir (Mike) Seth	44	-	-	2	75	121
Greg Turnbull	41	-	-	27	100	168
Robert Herdman	48	-	-	40	75	163
Gerald Stevenson	42	-	-	40	75	157
	$ 375	$ 450	$ -	$ 2,259	$ 5,000	$ 8,084

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

A3. Five highest paid individuals

The five highest paid individuals includes three directors of the Company and two officers of the Company for the three and six months ended June 30, 2013 (three and six months ended June 30, 2012 – 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 June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Salaries and other benefits	$ 181	$ 184	$ 357	$ 370
Contributions to retirement benefits scheme	(3)	(3)	4	2
Share-based payments	561	328	1,104	680
	$ 739	$ 509	$ 1,465	$ 1,052

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
HK$ nil to HK$1,000,000	-	2	-	-
HK$1,000,001 to HK$1,500,000	-	-	-	-
HK$1,500,001 to HK$2,000,000	1	-	-	-
HK$2,000,001 to HK$2,500,000	-	-	1	1
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	4	1	-	-
HK$4,500,001 to HK$5,000,000	-	-	-	-
HK$5,000,001 to HK$5,500,000	-	-	-	-
HK$5,500,001 to HK$6,000,000	-	-	-	3
HK$6,000,001 to HK$6,500,000	-	-	-	-
HK$6,500,001 to HK$7,000,000	-	-	-	-
> HK$7,000,000	-	-	4	1

For the three and six months ended June 30, 2013, respectively, the conversion factor used in the above table is 1C$ = 7.49 HK$ and 1C$ = 7.58 HK$ (three and six months ended June 30, 2012 – 1C$ = 7.668 HK$ and 1C$ = 7.713 HK$, respectively)

Corporate Information

BOARD OF DIRECTORS:

Executive Directors:
Mr. Michael J. Hibberd
Mr. Songning Shen

Non-Executive Directors:
Mr. Hok Ming Tseung
Mr. Tingan Liu
Mr. Haotian Li
Mr. Gregory G. Turnbull

Independent Non-Executive Directors:
Mr. Raymond S. Fong
Mr. Robert J. Herdman
Mr. Wazir C. (Mike) Seth
Mr. Gerald F. Stevenson

JOINT COMPANY SECRETARIES:
Mr. Tingan Liu
Mr. Richard W. Pawluk

AUTHORIZED REPRESENTATIVES:
Mr.Tingan Liu
Mr. Haotian Li

COMPLIANCE ADVISER:
Anglo Chinese Corporate Finance Limited

AUDITORS:
Deloitte LLP

LEGAL ADVISERS:
McCarthy Tétrault LLP
Freshfields Bruckhaus Deringer

COMPETENT PERSONS:
DeGolyer and MacNaughton Canada Limited
GLJ Petroleum Consultants Limited

PRINCIPAL BANKERS:
Bank of China (Hong Kong) Limited
Royal Bank of Canada
ATB Financial

PLACE OF SHARE LISTING AND STOCK CODE:
The Stock Exchange of Hong Kong Limited: 2012
Toronto Stock Exchange: SUO

WEBSITE:
www.sunshineoilsands.com

AUDIT COMMITTEE:
Mr. Robert J. Herdman (Chairman)
Mr. Gerald F. Stevenson
Mr. Wazir C. (Mike) Seth
Mr. Tingan Liu

COMPENSATION COMMITTEE:
Mr. Robert J. Herdman (Chairman)
Mr. Gregory G. Turnbull
Mr. Hok Ming Tseung
Mr. Raymond S. Fong
Mr. Gerald F. Stevenson

RESERVES COMMITTEE:
Mr. Wazir C. (Mike) Seth (Chairman)
Mr. Songning Shen
Mr. Gerald F. Stevenson
Mr. Raymond S.Fong

CORPORATE GOVERNANCE COMMITTEE
Mr. Gerald F. Stevenson (Chairman)
Mr. Michael J. Hibberd
Mr. Haotian Li
Mr. Robert J. Herdman
Mr. Gregory G. Turnbull
Mr. Wazir C. (Mike) Seth
Mr. Raymond S. Fong

CORPORATE HEADQUARTERS:
Suite 1020, 903 Eighth Avenue SW
Calgary, Alberta
T2P 0P7 Canada

REGISTERED OFFICE IN ALBERTA:
Suite 3300, 421 Seventh Avenue SW
Calgary, Alberta
T2P 4K9 Canada

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:
8504A, 85/F, International Commerce Centre,
1 Austin Road West, Kowloon
Hong Kong

SHARE REGISTRAR IN ALBERTA:
Alliance Trust Company

SHARE REGISTRAR IN HONG KONG:
Computershare Hong Kong Investor Services Limited