阳光油砂
SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

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

(HKEX: 2012)

2018 INTERIM REPORT

For identification purpose only

MESSAGE TO SHAREHOLDERS

For three months ended June 30, 2018, the Company's average bitumen production was 1,610 bbls/day. Diluent was blended at a 16.9% volumetric rate with the bitumen as part of the production process to create the marketable "Dilbit" blend product, and the average Dilbit sales volume was 1,850 bbls/day in the second quarter of 2018. Both production and sales in the second quarter were impacted by the planned facility turnaround and lower sales nominations resulting from temporarily constrained pipeline capacity.

Sunshine's Capital Raising Activities during 2Q18
On June 7, 2018 the Company entered into a settlement agreement for a total of 30,765,000 class "A" common shares at a price of HKD $0.214 per share (approximately CAD $0.035 per common share), for gross proceeds of HKD $6.6 million (approximately CAD $1.1 million). On June 15, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class "A" common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and requires repayment in full within three months from the maturity date. On July 5, 2018 the Company did a partial completion of the convertible bonds in the amount of HKD $10,917,500 (approximately CAD $1.8 million), which represents 53,140,097 shares if fully converted. In addition, a placing commission of HKD $0.8 million (approximately CAD $0.13 million) was incurred in relation to the placement closing. The subscription agreement lapsed and the time to close the remaining convertible bonds lapsed. The net proceeds from the placing convertible bonds were used as general working capital.

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class "A" common shares at a price of HKD $0.192 per share (approximately CAD $0.032 per common share), for gross proceeds of HKD $2.75 million (approximately CAD $0.46 million). This settlement agreement was entered into for settlement of indebtedness with an independent third party.

Summary of Financial Figures
For 2Q18, dilbit sales lowered by 18% to CAD $9.1 million from CAD $11.1 million mainly due to constrained pipeline capacity and planned facility maintenance in May 2018. Despite the drop in revenue, recurring loss declined 5% to CAD $31.1 million, excluding one-off and non-cash items, 2Q18 non-cash recurring net loss was CAD $22.3 million.
1H18 bitumen production was 1,822 bbl/day.

As at June 30, 2018 and December 31, 2017, the Corporation notes the following selected balance sheet figures.

(Canadian $000s)	**June 30, 2018**	**December 31, 2017**
Cash	1,726	3,671
Trade and other receivables	6,353	4,932
Prepaid expense and deposits	2,692	1,110
Exploration and evaluation assets	268,945	268,227
Property, plant and equipment	501,414	507,416
Total liabilities	473,927	428,787
Shareholders' equity	307,203	356,569

2018 Outlook
Sunshine sees a brightening outlook as international oil prices stabilize and steadily increase and the heavy price differential narrows. The Company will continue to focus on cost controls and on carefully improving production performance as SAGD chambers mature, which will increase production at West Ells. Since the end of the first quarter, realizable Dilbit prices have increased significantly. The Company intends to ramp up production in an environment that is expected to achieve increasingly positive operating Dilbit netbacks. In addition, the Company sees potentially significant benefits resulting from re-activation of the Muskwa and Godin Area activities under a revised joint venture with new owners of the joint venture operator.

Kwok Ping Sun
Executive Chairman

Gloria Ho
Chief Financial Officer

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 months ended June 30, 2018 is dated August 9, 2018, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and six months period ended June 30, 2018 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 1.24 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2017 was approximately 2.07 billion barrels. The Company also has 264 million barrels of proved plus probable ("2P") reserves and 373 million barrels of proved plus probable plus possible ("3P") in the Cretaceous Sandstone formations as evaluated at December 31, 2017. The Company did not conduct an evaluation of its Carbonate assets given the expected commodity prices and the introduction of risk factors to the contingent resources, which would deem the Carbonates to be uneconomic. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production and is ramping up to meet the designed plant capacity. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the Western Hemisphere and the third largest oil resource in the world, with an estimated 166 billion barrels of recoverable resources. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

The Company's focus is on evaluating and developing its oil sands assets with the completion and operation of the 5,000 bbls/day Phase I commercial West Ells (the "Project"). When financing is available, the Company plans to add an additional 5,000 barrels per day of production capacity at Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at June 30, 2018, the Company had invested approximately $1.29 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at June 30, 2018, the Company had $1.7 million in cash.

The Company relies on its ability to obtain various forms of financing and cash flow from operations to fund administration expenses and future exploration and development cost of its projects. The Company's ability to continue as a going concern is dependent on continuing operations and development in West Ells, marketing bitumen blends at favorable prices, achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that the steps management takes will be successful. As such, there is significant doubt and there can be no assurance that the Company will be able to continue as a going concern.

Operational Update

West Ells

On March 1, 2017, the Company achieved a key milestone. The Project commenced commercial production. Hence, effective March 1, 2017, the Company started recording revenue, royalties, expenses and depletion of the West Ells Project.

For three and six months ended June 30, 2018, the Company's average bitumen production was 1,610 bbls/day and 1,822 bbls/day respectively. Diluent was blended at a 16.9% and 17.6% volumetric rate for the same time periods with the bitumen as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 1,850 bbls/day and 2,253 bbls/day for the three and six months ended June 30, 2018. Both production and sales in the second quarter were impacted by the planned facility turnaround and lower sales nominations resulting from temporarily constrained pipeline capacity.

Operational Update (continued)

Thickwood and Legend

The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2018. Once the Thickwood and Legend Lake's projects are sanctioned for development and construction, significant additional financing will need to be secured to proceed.

Muskwa and Godin Clastics Operations (Non-Operated 50% working interest)

A thermal single well pilot project application was submitted in July 2014, and approved on January 26, 2015. As at the date of this report, Muskwa has no production. Please refer the details of re-activation of Muskwa and Godin area in the subsequent events.

Summary of Quarterly Results

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

($ thousands except per share & bbl/d)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Bitumen sales (bbl/d)[1]	1,540	2,174	2,253	1,781	1,696	1,837	-	-
Petroleum sales	9,252	11,258	13,209	8,781	8,907	3,005	-	-
Royalties	149	114	126	36	86	20	-	-
Diluent	2,708	3,896	4,395	2,551	2,723	1,090	-	-
Transportation	3,086	4,527	4,391	3,272	3,264	1,153	-	-
Operating costs	5,392	5,671	5,733	5,547	6,360	2,216	-	-
Finance cost	16,791	15,348	21,095	11,687	13,974	14,467	13,901	18,606
Net loss	31,147	32,831	228,443	12,761	19,479	21,169	23,237	26,564
Per share - basic and diluted	0.01	0.01	0.04	0.00	0.00	0.00	0.01	0.01
Capital expenditures[2]	803	1,381	860	1,815	1,862	4,679	8,690	12,038
Total assets	781,130	781,639	785,356	980,947	991,696	1,000,484	997,590	985,274
Working capital deficiency[3]	412,067	385,244	368,593	343,136	333,488	325,736	319,304	314,853
Shareholders' equity	307,203	336,858	356,569	581,687	593,820	603,580	607,455	603,348

1. Bitumen sales volume for Q1 2017 only includes one month from March 1, 2017 to March 31, 2017.
2. Includes payments for exploration and evaluation, property, plant and equipment.
3. The working capital deficiency includes the UScurrent portion of the Notes converted to CAD at each period end exchange rate.

Results of Operations

Operating Netback

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2018	2017	2018	2017
Realized bitumen revenue	$ 6,544	$ 6,184	$ 13,906	$ 8,099
Transportation	(3,086)	(3,264)	(7,613)	(4,417)
Royalties	(149)	(86)	(263)	(106)
Net bitumen revenues	$ 3,309	$ 2,834	$ 6,030	$ 3,576
Operating costs	(5,392)	(6,360)	(11,063)	(8,576)
Operating cash flow	$ (2,083)	$ (3,526)	$ (5,033)	$ (5,000)
Operating netback ($ / bbl)	(14.86)	(18.63)	(14.99)	(19.17)

1. Operating netback calculation for six month ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.
2. Operating cash flow is a non-GAAP measure which is defined in the Advisory section of this MD&A.

Operating Netback (continued)

The Operating cash flow for the three months ended June 30, 2018 was a net loss of $2.1 million compared to a net loss of $3.5 million for the three months ended June 30, 2017. Operating netback loss on a per barrel basis decreased $3.77/bbl to the loss of $14.86/bbl from the loss of $18.63/bbl. The decrease in the operating cash flow deficiency was primarily due to a 40% blending sales price increase quarter-over-quarter, partially offset by the higher transportation expense and a higher diluent expense due to an increase in condensate prices.

The Operating cash flow for the six months ended June 30, 2018 was a net loss of $5.0 million, which was consistent compared to the six months ended June 30, 2017. Operating netback loss per barrel basis decreased $4.18/bbl to a loss of $14.99/bbl from a loss of $19.17/bbl. The decrease of the operating cash flow deficiency is primarily due to the 34% realized average price increase, which was partially offset by the higher transportation expense and a higher diluent expense due to an increase in condensate prices.

Bitumen Production

	For the three months ended June 30,		For the six months ended June 30,	
(Barrels/day)	2018	2017	2018	2017
Bitumen production	1,610	1,754	1,822	1,765

1. Bitumen production for six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.

Bitumen production at West Ells for the three and six months ended June 30, 2018 averaged 1,610 Bbls/day and 1,822 Bbls/day compared to 1,754 Bbls/day and 1,765 Bbls/day for the three and six months ended June 30, 2017, respectively. Bitumen production decreased by 144 Bbls/day for the three months ended June 30, 2018 compared to the same period in 2017 due to the planned facility turnaround that occurred in the second quarter of 2018 which halted production for seven days, and the lower sales nominations resulting from temporarily constrained pipeline capacity. For the six months ended June 30, 2018, bitumen production increased 57 Bbls/day compared to the same period last year. The company is continuing to focus on carefully improving production performance as the SAGD chambers mature.

Bitumen Sales

	For the three months ended June 30,		For the six months ended June 30,	
(Barrels/day)	2018	2017	2018	2017
Bitumen Sales	1,540	2,080	1,855	2,138

1. Bitumen sales for three and six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.

Bitumen sales at West Ells for the three and six months ended June 30, 2018 averaged 1,540 Bbls/day and 1,855 Bbls/day compared to 2,080 Bbls/day and 2,138 Bbls/day for the three and six months ended June 30, 2017, respectively. Bitumen sales decreased by 540 Bbls/day and 283 Bbls/day for the three and six months ended June 30, 2018 compared to the same periods in 2017 due to the planned facility turnaround that occurred in the second quarter of 2018 which halted production, and lower sales nominations resulting from temporarily constrained pipeline capacity.

Petroleum Sales, net of royalties

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2018	2017	2018	2017
Petroleum sales	$ 9,252	$ 8,907	$ 20,510	$ 11,912
Royalties	(149)	(86)	(263)	(106)
Petroleum sales, net of royalties	$ 9,103	$ 8,821	$ 20,247	$ 11,806
$ / bbl	64.96	46.60	60.29	45.26

1. Petroleum sales, net of royalties for six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended June 30, 2018 increased $0.3 million to $9.1 million from $8.8 million for the same period of 2017. Petroleum sales per barrel increased $18.36/bbl to $64.96/bbl from $46.60/bbl for the same period of 2017. The $0.3 million sales increase is mainly due to the 40% increase of realized bitumen price because of the quarter-over-quarter increase in the average petroleum benchmarking prices, which is partially offset by the 26% bitumen sales decrease discussed above.

Petroleum Sales, net of royalties (continued)

Petroleum sales, net of royalties for the six months ended June 30, 2018 increased $8.4 million to $20.2 million from $11.8 million for the six months ended June 30, 2017. Petroleum sales per barrel increased $15.03/bbl to $60.29 from $45.26/bbl for the same period of 2017. Petroleum sales increased by $8.4 million primarily due to having six months of production ended June 30, 2018 compared to the four months of production ended June 30, 2017, and a 34% increase of realized bitumen price because of the quarter-over-quarter increase in average petroleum benchmarking prices.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently at pre-payout. Royalties for the three and six months ended June 30, 2018 increased $0.06 million and $0.16 million compared to the same period of 2017. The increases are mainly due to higher WTI crude oil prices.

Bitumen Realization

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2018	2017	2018	2017
Dilbit revenue	$ 9,252	$ 8,907	$ 20,510	$ 11,912
Diluent blended[1]	(2,708)	(2,723)	(6,604)	(3,813)
Realized bitumen revenue[2]	$ 6,544	$ 6,184	$ 13,906	$ 8,099
($ / bbl)	46.70	32.66	41.40	31.05

1. Bitumen realization calculation for six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.
2. Realized bitumen revenue is used to calculate operating netbacks.

Bitumen realization represents the Company's realized petroleum revenue ("Dilbit revenue"), net of diluent expenses. Dilbit revenue represents the Company's revenue from its bitumen produced at West Ells project blended with purchased diluent. The cost of blending is impacted by the amount of diluent required and the Company's cost of purchasing and transporting the diluent. A portion of the diluent expense is effectively recovered in the sales price of the blended product.

During the three months ended June 30, 2018, the Company's bitumen realization revenue increased by $0.4 million to $6.5 million from $6.2 million for the three months ended June 30, 2017. The bitumen realized price per barrel increased $14.04/bbl to $46.70/bbl from $32.66/bbl. The increase in bitumen realization per barrel was primarily the result of a 40% quarter-over-quarter realized bitumen price increase linked to average crude oil benchmark pricing, which is partially offset by an increase in diluent prices.

During the six months ended June 30, 2018, the Company's bitumen realization revenue increased $5.8 million and $13.9 million from $8.1 million for the same period in 2017. The bitumen realized price per barrel increased $10.35/bbl to $41.40 /bbl from $31.05/bbl. The increase in bitumen realization per barrel was primarily the result of a 34% quarter-over-quarter realized bitumen price increase, which is partially offset by an increase in diluent prices.

Diluent Costs

($ thousands, except $/bbl	For the three months ended June 30,		For the six months ended June 30,	
and blend ratio)	2018	2017	2018	2017
Diluent	$ 2,708	$ 2,723	$ 6,604	$ 3,813
$/bbl	19.32	14.39	19.67	14.62
Blend ratio	16.9%	18.6%	17.6%	19.2%

1. Diluent purchased for six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.

At West Ells, diluent is blended with the bitumen as part of the production process to create a marketable Dilbit blend product at West Ells. Diluent expense is mainly impacted by the required amount, cost of purchasing and transporting diluent, Canadian and U.S. benchmark pricing, the timing of diluent inventory purchases and changes in value of the Canadian dollar relative to the U.S. dollar.

Diluent Costs (continued)

Diluent costs per barrel for the three and six months ended June 30, 2018 was $19.32 and $19.67 compared to $14.39 and $14.62 for the three and six months ended June 30, 2017. The increase in the diluent expense per barrel was primarily the result of a quarter-over-quarter increase in the average condensate benchmark pricing, which was partially offset by the lower blending ratio.

Transportation

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2018	2017	2018	2017
Transportation	$ 3,086	$ 3,264	$ 7,613	$ 4,417
$ / bbl	22.02	17.24	22.67	16.93

1. Transportation costs for six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the three and six months ended June 30, 2018 was $22.02/bbl and $22.67/bbl compared to $17.24/bbl and $16.93/bbl for the three and six months ended June 30, 2017, respectively. The increase in the transportation cost per barrel was mainly due to higher pipeline terminal costs and increased transportation rates charged by the third party trucking companies.

Operating Costs

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2018	2017	2018	2017
Energy operating costs	$ 900	$ 1,829	$ 2,274	$ 2,337
Non-energy operating costs	4,492	4,531	8,789	6,239
Operating costs	$ 5,392	$ 6,360	$ 11,063	$ 8,576
$ / bbl	38.48	33.60	32.94	32.88

1. Operating costs for six months ended June 30, 2017 only includes four months from March 1, 2017 to June 30, 2017.

Operating costs are comprised of the sum of non-energy operating costs and energy costs. Non-energy operating costs represent production-related operating activities, excluding energy operating costs. Energy operating costs represent the cost of natural gas for the production of steam and power at the West Ells facilities.

The operating expense per barrel for the three and six months ended June 30, 2018 was $38.48/bbl and $32.94/bbl compared to $33.60/bbl and $32.88/bbl for the three and six months ended June 30, 2017, respectively. The operating costs increase per barrel from the prior periods is primarily due to increased work over costs, and lower production, which is partially offset by lower natural gas costs. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production ramps up at West Ells.

General and Administrative Costs

	For the three months ended June 30,					
	2018			2017		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 1,503	-	1,503	$ 1,810	-	1,810
Rent	519	-	519	571	-	571
Legal and audit	224	-	224	293	-	293
Other	744	-	744	1,166	-	1,166
Total	$ 2,990	-	2,990	$ 3,840	-	3,840

General and Administrative Costs (continued)

	For the six months ended June 30,					
	2018			2017		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 3,119	-	3,119	$ 4,428	232	4,196
Rent	1,073	-	1,073	1,186	151	1,035
Legal and audit	354	-	354	857	-	857
Other	1,457	-	1,457	2,085	17	2,068
Total	$ 6,003	-	6,003	$ 8,556	400	8,156

Effective March 1, 2017, the Company ceased the capitalization of portions of general and administrative costs. The Company capitalized a portion of general and administrative costs related to capital investment for the first two months of 2017. For the three and six months ended June 30, 2018, the amount of $Nil was capitalized compared $Nil and $0.4 million for the same periods in 2017.

The Company's general and administrative costs were $3.0 million and $6.0 million for the three and six months ended June 30, 2018 compared to $3.8 million and $8.2 million for the three and six months ended June 30, 2017. General and administrative costs decreased by $0.9 million and $2.2 million for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily due to workforce reductions and the Company's continued focus on cost management.

Finance Costs

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2018	2017	2018	2017
Interest expense on senior notes	$ 11,086	$ 8,635	$ 20,029	$ 17,595
Interest expense on other loans	75	4	176	4
Redemption/yield maintenance premium	5,108	4,979	9,755	9,701
Financing related costs	149	85	149	596
Other interest expense	92	-	1,479	-
Unwinding of discounts on provisions	281	271	551	545
Finance costs	$ 16,791	$ 13,974	$ 32,139	$ 28,441

The Company's finance costs were $16.8 million and $32.1 million for the three and six months ended June 30, 2018 compared to $14.0 million and $28.4 million for the three and six months ended June 30, 2017. For the three months ended June 30, 2018, finance costs increased by $2.8 million compared to the same period in 2017 mainly as a result of an increase of $2.5 million attributed to interest expense on senior notes. For the six months ended June 30, 2018, finance costs increased by $3.7 million compared to the same period in 2017 as a result of an increase of $2.4 million attributed to interest expense on senior notes and an increase of $1.5 million attributed to other interest expense; offset by a decrease of $0.4 million relating to finance related costs.

Share-based Compensation

	For the three months ended June 30,					
	2018			2017		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Share-based compensation	$ 404	-	404	$ 1,229	-	1,229

	For the six months ended June 30,					
	2018			2017		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Share-based compensation	$ 772	-	772	$ 2,225	17	2,208

Share-based Compensation (continued)
Share-based compensation expense for the three and six months ended June 30, 2018 was $0.4 million and $0.8 million compared to $1.2 million and $2.2 million for the same periods in 2017. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Effective March 1, 2017, the Company ceased the capitalization of portions of the share-based compensation costs. The Company capitalized a portion of the share-based compensation using the same methodology associated with capitalized salaries and benefits. For the three and six months ended June 30, 2018, the Company capitalized $Nil compared to $Nil and $0.02 million of share-based compensation for the same periods in 2017.

Depletion, Depreciation and Impairment

	For the three months ended June 30,				For the six months ended June 30,			
($ thousands, except $/bbl)		2018		2017		2018		2017
Depletion	$	3,226	$	3,468	$	7,263	$	5,211
Depreciation		128		130		262		253
Depletion and depreciation	$	3,354	$	3,598	$	7,525	$	5,464
Depletion ($ / bbl)		23.02		18.32		21.63		19.98

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at that time, the Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. The depletion rate is based on unit-of-production.

Depletion and depreciation expense was $3.4 million and $7.5 million for the three and six months ended June 30, 2018 compared to $3.6 million and $5.5 million for the three and six months ended June 30, 2017, respectively. Depletion and depreciation expense decreased by $0.2 million for the three months ended June 30, 2018 compared to the same period in 2017 due to lower future development costs and slightly lower bitumen production. Depletion and depreciation expense increased by $2.1 million for the six months ended June 30, 2018 mainly due to having six months of production ended June 30, 2018 compared to the four months of production ended June 30, 2017.

As at June 30, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets or the West Ells CGU.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three and six months ended June 30, 2018 and 2017. 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, 2018, the Company had total available tax deductions of approximately $1.54 billion, with unrecognized tax losses that expire between 2029 and 2038.

Liquidity and Capital Resources

		June 30, 2018		December 31, 2017
Working capital deficiency	$	412,067	$	368,593
Shareholders' equity		307,203		356,569
	$	719,270	$	725,162

1. Senior secured notes in the amount of $261.6 million, plus accrued and unpaid amounts are currently owed as at June 30, 2018 and have been included in the working capital deficit based on the Sep. 27, 2017 conditions to extend the maturity date to August 1, 2018.

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

The conditions were that if by February 1, 2016, the Company had not: (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

Liquidity and Capital Resources (continued)

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "Agreement"). The principal terms of the Agreement included: (a) payment on October 17, 2016 of the yield maintenance premium payment of $19.1 million due on August 1, 2016; (b) payment of the coupon interest accruing on the Notes and repurchase of US$22.5 million in principal amount of the Notes on February 1, 2017; (c) payment of the principal of the Notes and the coupon interest on the Notes on August 1, 2017; (d) payment of forbearance fees accruing at 2.50% on the principal amount of the Notes held by the Forbearing Holders; (e) payment of a fee equal to 7.298% of the outstanding principal amount of the Notes held by the Forbearing Holders on August 1, 2017 and proportionately smaller fees if the Notes are repurchased or redeemed prior to that date; (f) covenants relating to minimum liquidity to be maintained by the Company for specified periods; (g) board of director observation rights for certain significant noteholders; (h) use of proceeds restrictions for the proceeds of any asset sales completed by the Company; (i) budget approval rights; and (j) requirements that the Company raise additional capital and provide additional security for the Notes.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement ("FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations listed above and fully reinstate the Forbearance Agreement, provided that Sunshine made the following payments on or before March 27, 2017:

- Payment of US$2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of US$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment US$5.2 million was paid;
- Sunshine agreed to repurchase and the Forbearing Holders agreed to sell up to 80% of the YMP (US$11.2 million) of Senior Notes in exchange for Common Shares of Sunshine, pending on conditions.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the YMP to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of US$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Forbearing Holders of US$5.0 million on April 30, 2017, US$10.0 million on June 30, 2017, and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "Amended FA"). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that:
- Repayment of US$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of US$1.8 million by October 30, 2017; repayment of US$5.0 million and US$15.0 million on February 1, 2018 and May 1, 2018 respectively; and if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company is to obtain financing of US$5.0 million within 45 days after signing the Amended FA;
- The Company is to obtain financing of US$5.0 million every quarter.

Some of the Company's loan agreements are subjected to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfil the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended and Restated Forbearance Agreement. Furthermore, Sunshine did not fulfill repayment requirements of US$1.8 million on October 30, 2017, US$5.0 million on February 1, 2018 and US$15.0 million on May 1, 2018.

On June 19, 2018 The company received a notice from the Alberta Court of Queen's Bench. As a result, CAD$2.1 million of cash was to be put aside for creditor repayment.

On August 1, 2018, the Company was required, amongst other matters, to repay the principal amount owing under the notes, and any previous outstanding payment commitments. As at the date of this MD&A the Company is still in negotiation with the Forbearing Holders in relation to the repayment commitments as Sunshine did not fulfill the repayment requirements. The Forbearing Holders have not requested repayment of the senior notes as of the date when these condensed consolidated interim financial statements were approved by the Board of Directors.

Liquidity and Capital Resources (continued)

The Notes contain various non-financial covenants, which, among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires reporting to be in line with a reporting issuer under Canadian Securities Legislation and includes timely reporting of material changes.

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US$5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority of note holders, effective as of April 14, 2016, to amend the Note indenture to increase the amount of Permitted Debt from US$5.0 million to US$15.0 million. A majority of the note holders agreed to this amendment as of May 11, 2016. As of June 30, 2018, the Company had incurred unsecured Permitted Debt for a total of US$7.4 million (CAD$9.7 million equivalent). As at June 30, 2018, a related party debt of US$4.3 million (CAD$5.4 million equivalent) and interest and a loan of US$1.3 million (CAD$1.7 million) and interest were paid in full.

The Company has presented the Notes, Loans and Bonds as a current liability on the Condensed Consolidated Interim Statements of Financial Position as at June 30, 2018.

From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At June 30, 2018, the Company had incurred CAD $11.6 million (US $8.8 million equivalent using the period end exchange rate) in liens during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD= $1.3168 CAD.

The Company's strategy is to access sufficient capital, through equity issuances, monetization, joint ventures and the utilization of debt, in order to maintain a capital base that properly supports the objectives of maintaining financial flexibility and of sustaining future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital deficiency levels. The Company's liquidity may be adversely affected if the Company's access to the capital markets is hindered because of financial market conditions generally, or as a result of conditions specific to the Company.

For the three and six months ended June 30, 2018, the Company reported a net loss of $31.1 million and $64.0 million, respectively. At June 30, 2018, the Company had a working capital deficiency of $412.1 million including senior notes of $261.6 million and an accumulated deficit of $1,052.9 million.

The Company's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 61% as at June 30, 2018, compared to 55% as at December 31, 2017.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long-term debt, which are denominated in US dollars, HK dollars and/or Chinese Renmibi. For the three and six months ended June 30, 2018, the Company had a foreign exchange loss of $5.5 million and $12.5 million compared to a $6.7 million and $8.6 million gains in the same periods in 2017. The changes in foreign exchange for the three and six months ended June 30, 2018 are primarily due to the unrealized gain or loss on the translation of the US denominated Notes.

The Company manages foreign exchange 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, 2018. If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2018 would have been impacted by $Nil and the carrying value of the senior notes at June 30, 2018 would have been impacted by $2.6 million. At June 30, 2018, the Company held approximately US $0.01 million or $0.014 million of cash, using the June 30, 2018 exchange rate of $1USD= $1.3168CAD, as cash in the Company's US bank account.

For Hong Kong dollar amounts, if exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2018 would have been impacted by approximately $0.015 million and the carrying value of the debt at June 30, 2018 would have been impacted by $0.10 million. At June 30, 2018, the Company held, after recent equity and bond closings, approximately HKD $9.3 million or

Liquidity and Capital Resources (continued)

$1.56 million using the June 30, 2018 exchange rate of $1CAD=$5.9595HKD, as cash in the Company's HKD bank account.

For Chinese Renminbi ("CNY") amounts, if exchange rates to convert from Chinese Renminbi to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2018 would have been impacted by approximately $Nil. At June 30, 2018, the Company held approximately CNY $0.19 million or $0.04 million using the June 30, 2018 exchange rate of $1CAD=$5.0277CNY, as cash in the Company's CNY bank account.

Commitments and Contingencies

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company's commitments and contingencies, please refer to the Company's Unaudited Condensed Consolidated interim Financial Statements and notes thereto for the three and six months period ended June 30, 2018 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2017.

Transactions with Related Parties

For the six months ended June 30, 2018, a consulting company, to which a director of Sunshine is related, charged the Company $0.30 million (June 30, 2017 – $0.30 million) for management and advisory services.

Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 1,673,517,000 common shares of the Company which represents approximately 27.99% of the Company's outstanding common shares.

On August 24, 2017, November 16, 2017 and November 28, 2017, the Company signed loan agreements with Prime Union. The Loan interest rate was 6.0% per annum and required repayment in full within three months from the date of the receipt of the loan, the total loans amount were HKD $33.3 million (approximately CAD $5.4 million). As at June 30, 2018, all the Loan and interests were paid in full.

On June 1, 2018, the Company signed a loan agreement with Prime Union with the loan interest rate being 10.0% per annum and required repayment in full within three months from the date of the receipt of the loan. The total loan amount was HKD $14.2 million (approximately CAD $2.4 million).

Off-balance Sheet Arrangements

The Company has certain lease agreements which are reflected in the table above under the heading "Commitments and Contingences". No asset or liability value was assigned to these agreements on the Company's balance sheet. As at June 30, 2018, the Company did not have any other off-balance sheet arrangements.

Subsequent Events

On July 5, 2018, the Company granted share options to acquire an aggregate total of 315,000,000 Class "A" common shares in the capital of the Company to certain directors of the Company under its Share Option Scheme at a price of HKD $0.236 per share (approximately CAD $0.040 per common share). The grant of the 300,000,000 Class "A" common shares to Mr. Kwok Ping Sun is conditional upon the approval by the independent shareholders of the Company at its next general meeting and such grant shall not take effect or be exercisable until such approval is obtained. The stock options vest over a two year period and expire five years after the date of the grant.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class "A" common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and requires repayment in full within three months from the maturity date. On July 5, 2018 the Company did a partial completion of the convertible bonds in the amount of HKD $10,917,500 (approximately CAD $1.8 million), which represents 53,140,097 shares if fully converted. In addition, a placing commission of HKD $0.8 million (approximately CAD $0.13 million) was incurred in relation to the placement closing. The subscription agreement lapsed and the time to close the remaining convertible bonds lapsed. The net proceeds from the placing convertible bonds were used as general working capital.

Subsequent Events (continued)

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class "A" common shares at a price of HKD $0.192 per share (approximately CAD $0.032 per common share), for gross proceeds of HKD $2.75 million (approximately CAD $0.46 million). This settlement agreement was entered into for settlement of indebtedness with an independent third party. The entire gross proceeds were used to set off the indebtedness.

On July 27, 2018, the Company announced that a company affiliated (the "Affiliate") with Kwok Ping Sun ("Mr. Sun"), the Executive Chairman and a Substantial Shareholder of the Corporation and Nobao Energy Holding (China) Company Limited("Nobao") (a company under the control of Mr. Sun) has conditionally acquired Changjiang's interest in Renergy. The Affiliate has received the Board's conditional approval for this acquisition and has requested amendments to certain terms in the Agreements with an aim to simplify the working relationship between contracting parties in the Agreements, subject to satisfying all legal and consent requirements, receiving Independent Shareholders' approval and complying with the provisions of Chapter 14A of the HKEX Listing Rules.

Changes in Accounting Policies

On June 20, 2016, the IASB issued amendments to IFRS 2, relating to classification and measurement of particular share-based payment transactions. The amendments are effective for periods beginning on or after January 1, 2018. The Company adopted IFRS 2 on January 1, 2018 and did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. The Company requires additional disclosures to disclose disaggregated revenue by product type which is presented in the Condensed Consolidated Interim Financial Statements in Note 14.

Revenue from the sale of crude oil is recognized based on the consideration specified in contracts with customers and when control of the product transfers to the customer and collection is reasonably assured. The crude oil revenue is based on floating prices specified in the contract and the revenue is recognized when it transfers control of the product to a customer. The sales or transaction price of the Company's crude oil to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalization adjustments. The revenue is collected on the 25^{th} day of the month following production.

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments", which details the new general hedge accounting model. On February 20, 2014 there was an update on the mandatory adoption date for IFRS 9 which changed the effective date from January 1, 2017 to January 1, 2018. The Company adopted IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 has three principal classification categories for financial assets being measured at amortized costs, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

Under IFRS 9, financial assets such as cash and cash equivalents and trade and other receivables are classified and measured at amortized cost; financial assets such as financial instrument commodity contracts and financial instrument contracts are classified and measured at FVOCI as the assets are held with the objective to both collect contractual cash flows and sell the financial instrument; and all other financial assets are classified and measured at FVTPL. Financial liabilities are classified and measured at amortized costs or FVTPL. The Company's trade payables, accrued liabilities, loans and senior notes are classified and measured at amortized costs. There were no adjustments to the carrying values of the Company's financial instruments with the change in classification to IFRS 9. The classification and measurement of financial instruments did not have an impact on the Company's retained earnings as at January 1, 2018.

Changes in Accounting Policies (continued)

On December 8, 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration which is a new interpretation and clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The adoption of IFRIC 22 did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.

Future accounting policy changes

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019. IFRS 16 will be applied by the Company on January 1, 2019 and the Company is currently evaluating the impact of the standard on the Company's financial statements.

Critical Accounting Policies and Estimates

The Company's critical accounting estimates are those estimates having a significant impact on the Company's financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgements, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgements, assumptions and estimates may be subject to change.

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to the Company's 2017 annual MD&A.

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, 2017, which is available at www.sedar.com. The 2017 annual report of the Company is available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Company's 2017 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures

Kwok Ping Sun, Executive Director of the Board and Chief Executive Officer, and Gloria Ho, Executive Director of the Board and Chief Financial Officer, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") 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 and quarterly 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

Kwok Ping Sun, Executive Director of the Board and Chief Executive Officer, and Gloria Ho, Executive Director of the Board and Chief Financial Officer, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") 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. Furthermore, the Company used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

No material changes in the Company's ICFR were identified during the three and six months period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. 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.

ADVISORY SECTION

Non-GAAP Measures

This MD&A includes references to certain measures which do not have a standardized meaning as prescribed by IFRS, such as "operating netbacks" and "funds from operations", and therefore are considered non-GAAP measures. These non-GAAP measures are commonly used in the oil and gas industry and the Company believes including such measures is useful to investors. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to measures calculated in accordance with IFRS as, given the non-standardized meanings, these measures may not be comparable to similar measures presented by other issuers.

Cash Flow Used in Operations

Cash flow used in operations is non-GAAP measure utilized by the Company to analyze operating performance and liquidity. Cash flow used in operations excludes the net change in non-cash operating working capital and decommissioning expenditures while the IFRS measurement "Net cash used in operating activities" includes these items. Cash flow used in operations is reconciled to Net cash used in operating activities in the table below:

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2018	2017	2018	2017
Net cash used in operating activities	$ (6,696)	$ (8,866)	$ (14,679)	$ (11,343)
Add (deduct)				
Net change in non-cash operating working capital items	(1,702)	(1,499)	(3,812)	1,824
Cash flow used in operations	$ (4,994)	$ (7,367)	$ (10,867)	$ (13,167)

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.

Additional Stock Exchange Information

Additional information required by the SEHK and not shown elsewhere in this report is as follows:

Code of Corporate Governance Practice (the "Code")

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

The Company confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Hong Kong Listing Rules"), has been complied with following its public listing, save that:

- On May 6, 2018, Mr. Qiping Men resigned as Chief Executive Officer ("CEO") of the Company and Mr. Kwok Ping Sun, the Executive Chairman of the Board, assumed direct responsibility for all CEO tasks and functions since then. The Company deviated from Code Provision A.2.1 of the CG Code. Since A.2.1 of the CG Code requires that the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company is in course of identifying suitable caliber for the post of CEO.
- 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 by the shareholders of the Company at each annual general meeting, which is consistent with the market practice in Canada.
- Mr. Hong Luo (non-executive Director), Ms. Linna Liu (non-executive Director) and Mr. Raymond Shengti Fong (independent non-executive Director) were unable to attend the annual general meeting of the Company held on June 25, 2018 due to another important engagement at the relevant time. This deviates from Code provision A.6.7 which stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings of the company and develop a balanced understanding of the views of shareholders. Notwithstanding, Chairman of the Board and members of other Board committees of the Company attended the said annual general meeting.

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, as set out in Appendix 10 to the Hong Kong Listing Rules, following its public listing. Having made specific enquiries with all directors, the directors have confirmed and compiled with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Company during the period ended June 30, 2018.

Name	December 31, 2017	Granted	Exercised	Forfeited	Expired	June 30, 2018
Kwok Ping Sun	46,679,000	-	-	-	-	46,679,000
Michael Hibberd	46,679,000	-	-	-	-	46,679,000
Hong Luo	23,000,000	-	-	-	-	23,000,000
Gloria Ho	5,000,000	-	-	-	-	5,000,000
Raymond Fong	2,500,000	-	-	-	-	2,500,000
Yi He	2,500,000	-	-	-	-	2,500,000
Joanne Yan	2,500,000	-	-	-	-	2,500,000
Linna Liu	-	-	-	-	-	-
Jingfang Liu	-	-	-	-	-	-
Xijuan Jiang	1,000,000	-	-	-	-	1,000,000
Qiping Men(1)	22,555,556	-	-	-	-	22,555,556
Sub-total for Directors	152,413,556	-	-	-	-	152,413,556
Sub-total for other share option holders	43,021,969	-	-	(5,440,215)	(48,954)	36,532,800
Total	195,435,525	-	-	(5,440,215)	(48,954)	189,946,356

Note 1: Mr. Men resigned as CEO and Executive Director of the Company on May 7, 2018.

Movements in Stock Options (continued)

Please refer to our consolidated financial statements included in the 2017 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2017.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended June 30, 2018 was Nil (year ended December 31, 2017 - $0.05). Options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non- transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2018 and 2017.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the three months ended March 31, 2018 and year ended December 31, 2017.

Input Variables	**Six month period ended June 30, 2018**	**Year ended December 31, 2017**
Grant date share price ($)	-	0.044-0.05
Exercise price ($)	-	0.044-0.05
Expected volatility (%)	-	73.22-74.72
Option life (years)	-	3.76-3.79
Risk-free interest rate (%)	-	0.93-1.23
Expected forfeitures (%)	-	14.64-14.76

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

On January 16, 2018 the Company entered into a subscription agreement for a total of 80,882,500 class "A" common shares at a price of HKD $0.272 per share (approximately CAD $0.043 per common share), for gross proceeds of HKD $22.0 million (approximately CAD $3.5 million). On January 22, 2018 the Company completed the closing of this subscription agreement. In addition, a placing commission of HKD $0.7 million (approximately CAD $0.1 million), was incurred in relation to the Closing.

On February 5, 2018 the Company entered into a subscription agreement for a total of 122,951,000 class "A" common shares at a price of HKD $0.244 per share (approximately CAD $0.039 per common share), for gross proceeds of HKD $30.0 million (approximately CAD $4.75 million). On February 13, 2018 the Company completed the closing of 116,803,500 class "A" common shares at a price of HKD $0.244 per share for gross proceeds of HKD $28.3 million (approximately CAD $4.6 million) of this subscription agreement. In addition, a placing commission of HKD $0.9 million (approximately CAD $0.14 million) was incurred in relation to the Closing. The subscription agreement expired on February 13, 2018 and consequently the time to close the remaining 6,147,500 class "A" common shares lapsed.

On February 28, 2018 the Company entered into a settlement agreement for a total of 102,436,500 class "A" common shares at a price of HKD $0.245 per share (approximately CAD $0.040 per common share), for gross proceeds of HKD $25.1 million (approximately CAD $4.1 million). This agreement was entered into for settlement of indebtedness with two independent third parties. The cash payment was paid in full.

On March 2, 2018 the Company entered into a settlement agreement for a total of 20,393,059 class "A" common shares at a price of HKD $0.245 per share (approximately CAD $0.040 per common share), for gross proceeds of HKD $5.0 million (approximately CAD $0.8 million). On March 14, 2018 the Company completed the closing of this settlement agreement. This agreement was entered into for settlement of indebtedness with independent third parties.

On June 7, 2018 the Company entered into a settlement agreement for a total of 30,765,000 class "A" common shares at a price of HKD $0.214 per share (approximately CAD $0.035 per common share), for gross proceeds of HKD $6.6 million (approximately CAD $1.1 million). On June 15, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

Purchase, Sale or Redemption of Sunshine's Listed Securities (continued)

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class "A" common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and requires repayment in full within three months from the maturity date. On July 5, 2018 the Company did a partial completion of the convertible bonds in the amount of HKD $10,917,500 (approximately CAD $1.8 million), which represents 53,140,097 shares if fully converted. In addition, a placing commission of HKD $0.8 million (approximately CAD $0.13 million) was incurred in relation to the placement closing. The subscription agreement lapsed and the time to close the remaining convertible bonds lapsed. The net proceeds from the placing convertible bonds were used as general working capital.

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class "A" common shares at a price of HKD $0.192 per share (approximately CAD $0.032 per common share), for gross proceeds of HKD $2.75 million (approximately CAD $0.46 million). This agreement was entered into for settlement of indebtedness with an independent third party. The entire gross proceeds were used to set off the indebtedness.

Shares Outstanding

As at August 9, 2018, the Company has 5,993,480,672 Class "A" common shares issued and outstanding.

Employees

As at June 30, 2018, the Company has 56 full-time employees. For the three and six months ended June 30, 2018, total staff costs amounted to $2.1 million and $4.4 million, respectively.

Dividends

The Company has not declared or paid any dividends in respect of the six months period ended June 30, 2018 (six months period ended June 30, 2017 - $Nil).

Disclosure of interests

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at June 30, 2018, the interests and short positions of the Directors and chief executive of the Corporation in the shares of the Corporation or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Director's long position in the Company

(i) Common Shares

Name	Company	Nature of Interest	Number of Common Shares Held	Approximate % interest in the options
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	1,673,517,000	27.99%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	104,774,685	1.75%
Mr. Hong Luo	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Qiping Men(1)	Sunshine Oilsands Ltd.	Direct	1,049,541	0.02%
Ms. Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Raymond Fong	Sunshine Oilsands Ltd.	Direct/Indirect	9,250,621	0.15%
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	1,600,000	0.03%
Ms. Joanne Yan	Sunshine Oilsands Ltd.	N/A	-	0.00%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct/Indirect	300,000	0.01%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Jingfeng Liu	Sunshine Oilsands Ltd.	Direct	600,000	0.01%

Notes:

1. Mr. Qiping Men ceased to be the CEO and Executive Director of the company on May 7, 2018.

Disclosure of interests (continued)

(ii) Stock Options

Name	Company	Nature of Interest	Number of Options Held	Approximate % interest in the options
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct	46,679,000	24.57%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct	46,679,000	24.57%
Mr. Hong Luo	Sunshine Oilsands Ltd.	Direct	23,000,000	12.11%
Mr. Qiping Men[(1)]	Sunshine Oilsands Ltd.	Direct	22,555,556	11.87%
Ms. Gloria Ho	Sunshine Oilsands Ltd.	Direct	5,000,000	2.63%
Mr. Raymond Fong	Sunshine Oilsands Ltd.	Direct	2,500,000	1.32%
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	2,500,000	1.32%
Ms. Joanne Yan	Sunshine Oilsands Ltd.	Direct	2,500,000	1.32%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	1,000,000	0.53%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Jingfeng Liu	Sunshine Oilsands Ltd.	N/A	-	0.00%

Notes:

1. Mr. Qiping Men ceased to be the CEO and Executive Director of the company on May 7, 2018.

Save as disclosed above, as at June 30, 2018, none of the Directors or chief executive of the Corporation had interests or short positions in the shares, underlying shares or debentures of the Corporation and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at June 30, 2018, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, save as disclosed above, none of the substantial shareholders of the Corporation had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the nominal value of any (a) Director's Share Options class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three and six months ended June 30, 2018, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

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

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

Outlook

Sunshine sees a brightening outlook as international oil prices stabilize and steadily increase and the heavy price differential narrows. The Company will continue to focus on cost controls and on carefully improving production performance as SAGD chambers mature, which will increase production at West Ells. Since the end of the first quarter, realizable Dilbit prices have increased significantly. The Company intends to ramp up production in an environment that is expected to achieve increasingly positive operating Dilbit netbacks. In addition, the Company sees potentially significant benefits resulting from re-activation of the Muskwa and Godin Area activities under a revised joint venture with new owners of the joint venture operator. Please refer details in the subsequent events.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Statements of Financial Position
(Unaudited, expressed in thousands of Canadian dollars)

	Notes		June 30, 2018		December 31, 2017
Assets					
Current assets					
Cash	4	$	1,726	$	3,671
Trade and other receivables	5		6,353		4,932
Prepaid expenses and deposits			2,692		1,110
			10,771		9,713
Non-current assets					
Exploration and evaluation	6		268,945		268,227
Property, plant and equipment	7		501,414		507,416
			770,359		775,643
		$	781,130	$	785,356
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and accrued liabilities	8	$	151,584	$	120,316
Loans	9		3,773		3,452
Bonds	9		3,524		-
Shareholders loans	19		2,383		5,339
Senior notes	9		261,574		249,199
			422,838		378,306
Non-current liabilities					
Provisions	10		51,089		50,481
			473,927		428,787
Shareholders' Equity					
Share capital	12		1,288,848		1,275,008
Reserve for share-based compensation	13		71,294		70,522
Deficit			(1,052,939)		(988,961)
			307,203		356,569
		$	781,130	$	785,356

Going concern (Note 2)
Commitments and contingencies (Note 21)
Subsequent events (Note 23)

Approved by the Board

"Joanne Yan"
Independent Non-Executive Director

"Kwok Ping Sun"
Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues and Other Income					
Petroleum sales, net of royalties	14.1	$ 9,103	$ 8,821	$ 20,247	$ 11,806
Other income	14.2	2	5	3	10
		9,105	8,826	20,250	11,816
Expenses					
Diluent		2,708	2,723	6,604	3,813
Transportation		3,086	3,264	7,613	4,417
Operating		5,392	6,360	11,063	8,576
Depletion and depreciation	6,7	3,354	3,598	7,525	5,464
General and administrative	15	2,990	3,840	6,003	8,156
Finance costs	16	16,791	13,974	32,139	28,441
Stock based compensation	13.2	404	1,229	772	2,208
Foreign exchange (gains)/losses	18.3	5,527	(6,683)	12,509	(8,611)
		$ 40,252	$ 28,305	$ 84,228	$ 52,464
Loss before income taxes		31,147	19,479	63,978	40,648
Income taxes	11	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 31,147	$ 19,479	$ 63,978	$ 40,648
Basic and diluted loss per share	17	$ (0.01)	$ 0.00	$ (0.01)	$ (0.01)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited, expressed in thousands of Canadian dollars)

	Notes	Share capital	Reserve for share based compensation	Deficit	Total
Balance, December 31, 2017		$ 1,275,008	$ 70,522	$ (988,961)	$ 356,569
Net loss and comprehensive loss for the period		-	-	(63,978)	(63,978)
Issue of common shares	12.1	14,084	-	-	14,084
Share issue costs, net of deferred tax ($Nil)	12.1	(244)	-	-	(244)
Recognition of share-based compensation	13.2	-	772	-	772
Balance, June 30, 2018		$ 1,288,848	$ 71,294	$ (1,052,939)	$ 307,203
Balance, December 31, 2016		$ 1,247,302	$ 67,262	$ (707,109)	$ 607,455
Net loss and comprehensive loss for the period		-	-	(40,648)	(40,648)
Issue of common shares	12.1	25,315	-	-	25,315
Share issue costs, net of deferred tax ($Nil)	12.1	(527)	-	-	(527)
Recognition of share-based compensation	13.2	-	2,225	-	2,225
Balance, June 30, 2017		$ 1,272,090	$ 69,487	$ (747,757)	$ 593,820

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited, expressed in thousands of Canadian dollars)

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017 Restated	Six months ended June 30, 2018	Six months ended June 30, 2017 Restated
Cash flows from operating activities					
Net loss		$ (31,147)	$ (19,479)	$ (63,978)	$ (40,648)
Finance costs		16,791	13,974	32,139	28,441
Unrealized foreign exchange losses/(gains)	18.3	5,606	(6,684)	12,678	(8,622)
Other income		(2)	(5)	(3)	(10)
Depletion and depreciation	6,7	3,354	3,598	7,525	5,464
Share-based compensation	13.2	404	1,229	772	2,208
Movement in non-cash working capital	22	(1,702)	(1,499)	(3,812)	1,824
Net cash used in operating activities		(6,696)	(8,866)	(14,679)	(11,343)
Cash flows from investing activities					
Other income received		2	5	3	10
Payments for exploration and evaluation assets	6	(477)	(601)	(710)	(828)
Payments for property, plant and equipment	7	(326)	(1,261)	(1,474)	(5,713)
Movement in non-cash working capital	22	987	(5,559)	789	(7,460)
Net cash provided by (used in) investing activities		186	(7,416)	(1,392)	(13,991)
Cash flows from financing activities					
Proceeds from issue of common shares	12.1	1,088	8,574	14,084	25,315
Interest and premiums paid	9	(50)	(223)	(80)	(7,443)
Payment for the notes principal	9	-	(1,832)		(1,832)
Proceeds from issue of bonds	9	3,524	-	3,524	-
Payment for share issue costs	12.1	-	(84)	(244)	(527)
Proceeds of loans	9	51	1,733	51	1,733
(Payment) / proceeds of shareholders loan	19	2,354	-	(2,985)	-
Net cash provided by financing activities		6,967	8,168	14,350	17,246
Effect of exchange rate changes on cash held in foreign currency	18.3	(249)	(218)	(224)	(1,003)
Net (decrease) / increase in cash		208	(8,332)	(1,945)	(9,091)
Cash, beginning of period		1,518	12,876	3,671	13,635
Cash, end of period		$ 1,726	$ 4,544	$ 1,726	$ 4,544

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

1. Company information

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

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited ("Sunshine Hong Kong") was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Sunshine Hong Kong is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong.

On July 14, 2015, Boxian Investments Limited ("Boxian") was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Boxian is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. As of June 30, 2018, no activity has occurred in Boxian. The purpose of Boxian is to pursue new investment opportunities.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited ("Sunshine Shanghai") was incorporated in China and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Sunshine Shanghai is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. The purpose of Shanghai is to pursue new investment opportunities.

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

2. Basis of preparation

Going Concern

These Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. The Company has historically met its day to day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt.

There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 9). Management continually monitors the Company's financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following June 30, 2018.

The timing and extent of forecast capital and operating expenditures is based on the Company's 2018 budget and on management's estimate of expenditures expected to be incurred beyond 2018. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at June 30, 2018, the availability of additional financing, and the timing and extent of capital and operating expenditures.

2. Basis of preparation (continued)

The Company's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. These uncertainties may cast significant doubt about the Group's ability to continue as a going concern.

On September 9, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with Wells Fargo Bank N.A., as administrative agent, and certain bondholders (collectively "the Bondholders") in respect of US $200 million of notes made under a note agreement dated August 8, 2014. Under the terms of the Forbearance Agreement, the Lenders agreed to, among other things, forbear from exercising the rights and remedies arising from the Company's failure to pay cash interest and principal payments due on August 1, 2016.

On January 31, 2017, the Company updated the Forbearance Agreement and Sunshine was required to make a payment of coupon interest accruing on the Senior Notes and repurchase US $25 million in principal amount on February 1, 2017. These payments were not made.

Sunshine was in violation of the Forbearance Agreement including the following financial related termination:

- Sunshine had failed to pay the Yield Maintenance Premium ("YMP") of US $14,596,000 payable on October 16, 2016;
- Sunshine failed to repay US $25,000,000 of the Senior Notes principal balance payable on February 1, 2017;
- Sunshine failed to pay the 2.50% Forbearance Fees of US $2,400,000 payable on February 1, 2017;
- Sunshine failed to pay accrued interest equal in aggregate to US $10,000,000 payable on February 1, 2017 as contemplated by the Forbearance Agreement;
- Sunshine did not maintain minimum liquidity levels of US $10,000,000 as contemplated in the Forbearance Agreement.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement (the "FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. They agreed to waive the liability of the Company in relation to previous violations listed above and fully reinstate the Forbearance Agreement, provided that Sunshine made the following payments on or before March 27, 2017:

- Payment of US $2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of US $2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment US $5.2 million was paid;
- Sunshine agreed to repurchase and the Forbearing Holders agreed to sell up to 80% of the YMP (US $11.2 million) of Senior Notes in exchange for Common Shares of Sunshine, pending on conditions.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which were paid on March 21, 2017;
- 80% of the YMP to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of US $9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Bondholders of US $5.0 million on April 30, 2017, US $10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "Amended FA"). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of US $0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of US $1.8 million by October 30, 2017;
- Repayment of US $5.0 million and US $15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company is to obtain financing of US $5.0 million within 45 days after signing the Amended FA; and the Company is to obtain financing of US $5.0 million every quarter.

2. Basis of preparation (continued)

Some of the Company's loan agreements are subjected to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfil the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended and Restated Forbearance Agreement. Furthermore, Sunshine did not fulfill the repayment requirements of US $1.8 million on October 30, 2017, US $5.0 million on February 1, 2018 and US $15.0 million on May 1, 2018. As Sunshine did not meet the aforementioned covenants and payment requirements, the senior notes contractually become due. The outstanding balance is presented as a current liability as at June 30, 2018.

On June 19, 2018 The Company received a notice from the Alberta Court of Queen's Bench. As a result, CAD$2.1 million of cash was to be put aside for creditor repayment.

On August 1, 2018, the Company was required, amongst other matters, repay notes principal, and any previous outstanding payment commitments. As at the date of this report, the Company is still in negotiation with the Forbearing Holders in relation to the repayment commitments as Sunshine did not fulfill the repayment requirements. The Forbearing Holders have not requested repayment of the senior notes as of the date when these condensed consolidated interim financial statements were approved by the Board of Directors.

On March 1, 2017, the West Ells Phase I project, located in the Athabasca region of Alberta, commenced commercial production. This marked a key milestone for the Company, following which the Project is treated as a fully operational and commercialized project.

The Condensed Consolidated Interim Financial Statements have been prepared on a basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Company is unable to meet its obligations as they fall due the preparation of these Financial Statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material. Specifically, in the absence of additional financing and the restructuring of current debt (Note 9) the Company would be unlikely to be able to continue the development of the West Ells project and the Company would be required to consider divestiture of the West Ells project and other assets. Such curtailment of activity would likely materially and negatively impact the Company's assessment of the carrying values of assets and liabilities associated with the West Ells project.

These Condensed Consolidated Interim Financial Statements reflect management's best estimates after giving consideration to likely outcomes. The Condensed Consolidated Interim Financial Statements continue to be prepared in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Company's accounting policies as outlined in financial statement Note 3.

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2017. The Condensed Consolidated Interim Financial Statements are in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 18). The Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

The Company has consistently applied the accounting policies to all periods presented in these financial statements. Certain information and disclosures normally included in the audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted, except for the adoption of IFRS 15 Revenue From Contracts With Customers, IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited annual Consolidated Financial Statements for the year ended December 31, 2017.

2.1 Statement of compliance (continued)

Going concern

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date these Condensed Consolidated Interim Financial Statements, in determining the ability of the Company to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2018. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgment.

3. Significant accounting policies

On June 20, 2016, the IASB issued amendments to IFRS 2, relating to classification and measurement of particular share-based payment transactions. The amendments are effective for periods beginning on or after January 1, 2018. The Company adopted IFRS 2 on January 1, 2018 and did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.

In May 2014, the IASB published IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. The Company requires additional disclosures to disclose disaggregated revenue by product type and is presented in the Condensed Consolidated Interim Financial Statements in Note 14.

Revenue from the sale of crude oil is recognized based on the consideration specified in contracts with customers and when control of the product transfers to the customer and collection is reasonably assured. The crude oil revenue is based on floating prices specified in the contract and the revenue is recognized when it transfers control of the product to a customer. The sales or transaction price of the Company's crude oil to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalization adjustments. The revenue is collected on the 25th day of the month following production.

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments" which details the new general hedge accounting model. On February 20, 2014 there was an update on the mandatory adoption date for IFRS 9 which changed the effective date from January 1, 2017 to January 1, 2018. The Company adopted IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 has three principal classification categories for financial assets being measured at amortized costs, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

Under IFRS 9, financial assets such as cash and cash equivalents and trade and other receivables are classified and measured at amortized cost; financial assets such as financial instrument commodity contracts and financial instrument contracts are classified and measured at FVOCI as the assets are held with the objective to both collect contractual cash flows and sell the financial instrument; and all other financial assets are classified and measured at FVTPL. Financial liabilities are classified and measured at amortized costs or FVTPL. The Company's trade payables, accrued liabilities, loans, bonds and senior notes are classified and measured at amortized costs. There were no adjustments to the carrying values of the Company's financial instruments with the change in classification to IFRS 9. The classification and measurement of financial instruments did not have an impact on the Company's retained earnings as at January 1, 2018.

On December 8, 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration which is a new interpretation and clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The adoption of IFRIC 22 did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.

3. Significant accounting policies (continued)

Future accounting policy changes

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019. IFRS 16 will be applied by the Company on January 1, 2019 and is currently evaluating the impact of the standard on the Company's financial statements.

4. Cash

		June 30, 2018		December 31, 2017
Cash	$	1,726	$	3,671
	$	1,726	$	3,671

5. Trade and other receivables

		June 30, 2018		December 31, 2017
Trade	$	1,750	$	1,548
Accruals and other receivables		4,576		3,377
Goods and services taxes receivable		27		7
	$	6,353	$	4,932

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 period:

		June 30, 2018		December 31, 2017
0 - 30 days	$	110	$	119
31 - 60 days		117		-
61 - 90 days		-		3
>90 days		1,523		1,426
	$	1,750	$	1,548
Accrued and GST receivables		4,603		3,384
	$	6,353	$	4,932

As at June 30, 2018, included in the Company's trade receivables was an aggregate carrying amount of $1.8 million (December 31, 2017 - $1.5 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances.

6. Exploration and evaluation

Balance, December 31, 2016	$	291,716
Capital expenditures		1,562
Non-cash expenditures[1]		(51)
Impairment loss		(25,000)
Balance, December 31, 2017	$	268,227
Capital expenditures		710
Non-cash expenditures[1]		8
Balance, June 30, 2018	$	268,945

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

Exploration and evaluation ("E&E") assets are comprised of undeveloped land and oil sands evaluation projects pending the determination of technical feasibility and commercial viability. As at June 30, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets.

7. Property, plant and equipment

	Crude oil assets	Corporate assets	Total
Cost			
Balance, December 31, 2016	$ 887,821	$ 4,637	$ 892,458
Capital expenditures	6,984	670	7,654
Non-cash expenditures[1]	(33)	-	(33)
Balance, December 31, 2017	$ 894,772	$ 5,307	$ 900,079
Capital expenditures	1,457	17	1,474
Non-cash expenditures[1]	49	-	49
Balance, June 30, 2018	$ 896,278	$ 5,324	$ 901,602

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

	Crude oil assets	Corporate assets	Total
Accumulated depletion, depreciation and impairment			
Balance, December 31, 2016	$ 205,000	$ 2,927	$ 207,927
Depletion and depreciation expense	14,183	553	14,736
Impairment loss	170,000	-	170,000
Balance, December 31, 2017	$ 389,183	$ 3,480	$ 392,663
Depletion and depreciation expense	7,263	262	7,525
Balance, June 30, 2018	$ 396,446	$ 3,742	$ 400,188
Carrying value, December 31, 2017	$ 505,589	$ 1,827	$ 507,416
Carrying value, June 30, 2018	**$ 499,832**	**$ 1,582**	**$ 501,414**

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at that time, the Company ceased capitalization of petroleum revenue, royalties, diluent, transportation, and operating expenses relating to West Ells Project I and has included these amounts in the statement of comprehensive income (loss) for the three and six months ended June 30, 2018.

The Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. Prior to March 1, 2017, the West Ells Phase I assets of $687.1 million were not being depleted. In determining the unit-of-production depletion charge on recoverable reserves, future development costs of $2,400 million (2017 - $2,702 million) were included in property, plant and equipment.

During the six months ended June 30, 2018, the Company capitalized directly attributable costs of $Nil for share-based compensation (six months ended June 30, 2017 - $0.02 million) and $Nil for general and administrative costs (six months ended June 30, 2017 - $0.4 million).

As at June 30, 2018, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the West Ells Cash Generating Unit (CGU).

8. Trade and accrued liabilities

	June 30, 2018	December 31, 2017
Trade	$ 24,644	$ 23,506
Accrued liabilities	126,940	96,810
	$ 151,584	$ 120,316

Trade payables and accrued liabilities mainly represent payables to subcontractors for development, engineering, procurement, construction services, and interest and yield maintenance premiums on the senior notes. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting period:

8. Trade and accrued liabilities (continued)

	June 30, 2018	December 31, 2017
Trade		
0 - 30 days	$ 3,458	$ 2,163
31 - 60 days	2,294	117
61 - 90 days	1,634	222
> 90 days	17,258	21,004
	24,644	23,506
Accrued liabilities	126,940	96,810
	$ 151,584	$ 120,316

9. Senior Notes

	June 30, 2018	December 31, 2017
Senior secured notes	$ 261,574	$ 249,199
Discount on notes	(16,168)	(16,168)
Financing transaction costs on notes	(11,846)	(11,846)
Amortization of financing transaction costs and discount	28,014	28,014
Balance, end of period	$ 261,574	$ 249,199

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

The conditions were if by February 1, 2016, the Company had not: (1) received at least US $50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "Agreement"). The principal terms of the Agreement included: (a) payment on October 17, 2016 of the yield maintenance premium payment of $19.1 million due on August 1, 2016; (b) payment of the coupon interest accruing on the Notes and repurchase of US $22.5 million in principal amount of the Notes on February 1, 2017; (c) payment of the principal of the Notes and the coupon interest on the Notes on August 1, 2017; (d) payment of forbearance fees accruing at 2.50% on the principal amount of the Notes held by the Forbearing Holders; (e) payment of a fee equal to 7.298% of the outstanding principal amount of the Notes held by the Forbearing Holders on August 1, 2017 and proportionately smaller fees if the Notes are repurchased or redeemed prior to that date; (f) covenants relating to minimum liquidity to be maintained by the Company for specified periods; (g) board of director observation rights for certain significant noteholders; (h) use of proceeds restrictions for the proceeds of any asset sales completed by the Company; (i) budget approval rights; and (j) requirements that the Company raise additional capital and provide additional security for the Notes.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement ("FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations listed above and fully reinstate the Forbearance Agreement, provided that Sunshine made the following payments on or before March 27, 2017:

- Payment of US $2.8 million representing 20% of the YMP originally due on August 1, 2016;
- Payment of US $2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment US $5.2 million was paid;
- Sunshine agreed to repurchase and the Forbearing Holders agreed to sell up to 80% of the YMP (US $11.2 million) of Senior Notes in exchange for Common Shares of Sunshine, pending on conditions.

Other payments contemplated in the FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the YMP to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of US $9.6 million to be repaid on August 1, 2017 in cash;

9. Senior Notes (continued)

- Make principal repayments to the Forbearing Holders of US $5.0 million on April 30, 2017, US $10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the “Amended FA”). The principal terms of the Amended FA include:

- The Forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of US $0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of US $1.8 million by October 30, 2017;
- Repayment of US $5.0 million and US $15.0 million on February 1, 2018 and May 1, 2018 respectively, and if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company is to obtain financing of US $5.0 million within 45 days after signing the Amended FA;
- The Company is to obtain financing of US $5.0 million every quarter.

Some of the Company’s loan agreements are subjected to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfil the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended and Restated Forbearance Agreement. Furthermore, Sunshine did not fulfill the repayment requirements of US $1.8 million on October 30, 2017, US $5.0 million on February 1, 2018 and US $15.0 million on May 1, 2018.

As Sunshine did not meet the aforementioned covenants and payment requirements, the senior notes contractually become due. The outstanding balance is presented as a current liability as at June 30, 2018.

On August 1, 2018, the Company was required, amongst other matters, repay notes principal, and any previous outstanding payment commitments. As at the date of this report, the Company is still in negotiation with the Forbearing Holders in relation to the repayment commitments as Sunshine did not fulfill the repayment requirements. The Forbearing Holders have not requested repayment of the senior notes as of the date when these condensed consolidated interim financial statements were approved by the Board of Directors.

The Notes contain various non-financial covenants which, among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires reporting in line with a reporting issuer under Canadian Securities Legislation and includes timely reporting of material changes.

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US$5.0 million (the “Permitted Debt”). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US$5.0 million to US$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of June 30, 2018, the Company had incurred unsecured Permitted Debt for a total of US$7.4 million (CAD$9.7 million equivalent). As at June 30, 2018, a related party debt of US$4.3 million (CAD$5.4 million equivalent) and interest and a loan of US$1.3 million (CAD$1.7 million) and interest were paid in full.

From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At June 30, 2018, the Company had incurred $11.6 million (US $8.8 million equivalent using the period end exchange rate) in liens during the ordinary course of business.

The Notes and Permitted Debt are translated into Canadian dollars at the period end exchange rate of $1USD = $1.3168 CAD.

10. Provisions

		June 30, 2018		December 31, 2017
Decommissioning obligations (Note 10.1)	$	51,089	$	50,481
	$	51,089	$	50,481
Presented as:				
Provisions (current)	$	-	$	-
Provisions (non-current)	$	51,089	$	50,481

10.1 Decommissioning obligations

As at June 30, 2018, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $77.0 million (December 31, 2017 - $78.6 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 from 1.77% to 2.22% per annum and inflated using an inflation rate of 2.0% per annum.

		June 30, 2018		December 31, 2017
Balance, beginning of year	$	50,481	$	49,488
Effect of changes in discount rate		57		(102)
Unwinding of discount rate		551		1,095
Balance, end of period	$	51,089	$	50,481

11. Income taxes

11.1 Deferred tax balances

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the six months ended June 30, 2018 and year ended December 31, 2017. The components of the net deferred income tax asset are as follows:

		June 30, 2018		December 31, 2017
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(74,672)	$	(109,512)
Decommissioning liabilities		13,794		13,630
Share issue costs		1,170		1,705
Non-capital losses		280,769		258,818
Total debt		(2,630)		2,945
Deferred tax benefits not recognized		(218,431)		(167,586)
	$	-	$	-

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;
- 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, 2018		December 31, 2017
Common shares	$	1,288,848	$	1,275,008

12.1 Common shares

	June 30, 2018		December 31, 2017	
	Number of shares	$	Number of shares	$
Balance, beginning of year	5,627,877,613	1,275,008	5,002,601,358	1,247,302
Private placements – general mandate	351,280,559	14,084	625,276,255	28,311
Share issue costs, net of deferred tax ($Nil)	-	(244)	-	(605)
Balance, end of period	5,979,158,172	1,288,848	5,627,877,613	1,275,008

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

General mandate

On January 16, 2018 the Company entered into a subscription agreement for a total of 80,882,500 class “A” common shares at a price of HKD $0.272 per share (approximately CAD $0.043 per common share), for gross proceeds of HKD $22.0 million (approximately CAD $3.5 million). On January 22, 2018 the Company completed the closing of this subscription agreement. In addition, a placing commission of HKD $0.7 million (approximately CAD $0.1 million), was incurred in relation to the placement.

On February 5, 2018 the Company entered into a subscription agreement for a total of 122,951,000 class “A” common shares at a price of HKD $0.244 per share (approximately CAD $0.039 per common share), for gross proceeds of HKD $30.0 million (approximately CAD $4.75 million). On February 13, 2018 the Company completed the closing of 116,803,500 class “A” common shares at a price of HKD $0.244 per share for gross proceeds of HKD $28.3 million (approximately CAD $4.6 million) of this subscription agreement. In addition, a placing commission of HKD $0.9 million (approximately CAD $0.14 million), was incurred in relation to the Closing. The subscription agreement expired on February 13, 2018 and hence the time to close the remaining 6,147,500 class “A” common shares lapsed.

On February 28, 2018 the Company entered into a settlement agreement for a total of 102,436,500 class “A” common shares at a price of HKD $0.245 per share (approximately CAD $0.040 per common share), for gross proceeds of HKD $25.1 million (approximately CAD $4.1 million). On March 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with two independent third parties.

On March 2, 2018 the Company entered into a settlement agreement for a total of 20,393,059 class “A” common shares at a price of HKD $0.245 per share (approximately CAD $0.040 per common share), for gross proceeds of HKD $5.0 million (approximately CAD $0.8 million). On March 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with independent third parties.

On June 7, 2018 the Company entered into a settlement agreement for a total of 30,765,000 class “A” common shares at a price of HKD $0.214 per share (approximately CAD $0.035 per common share), for gross proceeds of HKD $6.6 million (approximately CAD $1.1 million). On June 15, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class “A” common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and requires repayment in full within three months from the maturity date. On July 5, 2018 the Company did a partial completion of the convertible bonds in the amount of HKD $10,917,500 (approximately CAD $1.8 million), which represents 53,140,097 shares if fully converted. In addition, a placing commission of HKD $0.8 million (approximately CAD $0.13 million) was incurred in relation to the placement closing. The subscription agreement lapsed and the time to close the remaining convertible bonds lapsed. The net proceeds from the placing convertible bonds were used as general working capital.

13. Share-based compensation

13.1 Movements in stock options

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

	June 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	195,435,525	0.09	258,740,469	0.13
Granted	-	-	14,069,058	0.05
Forfeited	(48,954)	0.26	(62,604,342)	0.10
Expired	(5,440,215)	0.08	(14,769,660)	0.35
Balance, end of period	189,946,356	0.09	195,435,525	0.09
Exercisable, end of period	131,870,964	0.09	131,483,485	0.10

As at June 30, 2018, stock options outstanding had a weighted average remaining contractual life of 3.1 years (December 31, 2017 – 3.6 years). The Company granted Nil stock options during the six months ended June 30, 2018.

13.2 Share-based compensation

Share-based compensation has been recorded in the Condensed Consolidated Interim Financial Statements for the periods presented as follows:

	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 404	$ -	$ 404	$ 1,229	$ -	$ 1,229

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 772	$ -	$ 772	$ 2,208	$ 17	$ 2,225

14. Revenue

Revenues by classification

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Petroleum sales	$ 9,252	$ 8,907	$ 20,510	$ 11,912
	9,252	8,907	20,510	11,912
Other revenue	2	5	3	10
Balance, end of period	$ 9,254	$ 8,912	$ 20,513	$ 11,922

14.1 Petroleum revenue, net of royalties

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Petroleum sales	$ 9,252	$ 8,907	$ 20,510	$ 11,912
Royalties	(149)	(86)	(263)	(106)
Balance, end of period	$ 9,103	$ 8,821	$ 20,247	$ 11,806

1. Petroleum revenue, net of royalties for six month ended June 30, 2017 only includes four months from March 2017 to June 2017.

14.1 Petroleum revenue, net of royalties (continued)

The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently at pre-payout.

Petroleum sales by product

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Crude oil sales	$ 9,252	$ 8,907	$ 20,510	$ 11,912
Balance, end of period	$ 9,252	$ 8,907	$ 20,510	$ 11,912

The Company has no natural gas or natural gas liquid sales. The Company's petroleum sales is determined pursuant to the terms of the marketing agreements and spot sale agreements. The transaction price for crude oil is based on the commodity price in the month of production and adjusted for premiums, quality adjustments and equalization adjustments. Commodity prices are based on market indices that are determined on a daily or monthly basis. Petroleum sales are received one month after the crude oil is produced and shipped and typically collected on the 25th day of the month following production.

14.2. Other income

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Interest income	$ 2	$ 5	$ 3	$ 10
Balance, end of period	$ 2	$ 5	$ 3	$ 10

15. General and administrative costs

	Three months ended June 30,					
	2018			**2017**		
	Total	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 1,503	$ -	$ 1,503	$ 1,810	$ -	$ 1,810
Rent	519	-	519	571	-	571
Legal and audit	224	-	224	293	-	293
Other	744	-	744	1,166	-	1,166
Balance, end of period	$ 2,990	$ -	$ 2,990	$ 3,840	$ -	$ 3,840

	Six months ended June 30,					
	2018			**2017**		
	Total	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 3,119	$ -	$ 3,119	$ 4,428	$ 232	$ 4,196
Rent	1,073	-	1,073	1,186	151	1,035
Legal and audit	354	-	354	857	-	857
Other	1,457	-	1,457	2,085	17	2,068
Balance, end of period	$ 6,003	$ -	$ 6,003	$ 8,556	$ 400	$ 8,156

Effective March 1, 2017, the Company ceased the capitalization of portions of the general and administrative costs. For the three and six months ended June 30, 2018, the Company did not capitalize any general and administrative costs. For the three and six months ended June 30, 2017, the Company capitalized a portion of the general and administrative cost for the first two months of the year totalling $0.4 million.

16. Finance costs

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Interest expense on senior notes	$ 11,086	$ 8,635	$ 20,029	$ 17,595
Interest expense on other loans	75	4	176	4
Redemption/yield maintenance premium	5,108	4,979	9,755	9,701
Financing related costs	149	85	149	596
Other interest expense/(recovery)	92	-	1,479	-
Unwinding of discounts on provisions	281	271	551	545
Balance, end of period	$ 16,791	$ 13,974	$ 32,139	$ 28,441

17. Loss per share

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Basic and diluted – Class "A" common shares	5,956,168,941	5,487,763,721	5,864,538,300	5,278,630,225
Loss per share	$ (0.01)	$ 0.00	$ (0.01)	$ (0.01)

18. Financial instruments

18.1 Capital risk management

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

The Company's strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company expects its current capital resources will not be sufficient to complete its development plans through the next twelve months and will be required to raise additional funds through future equity or debt financings, a joint venture or a sale of assets. The Company's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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

	June 30, 2018	December 31, 2017
Working capital deficiency	$ 412,067	$ 368,593
Shareholders' equity	307,203	356,569
Balance, end of period	$ 719,270	$ 725,162

1. Senior secured notes in the amount of $261.6 million, plus accrued and unpaid amounts are considered current as at June 30, 2018 and have been included in the working capital deficit based on the Sep. 27, 2017 conditions to extend the maturity date to August 1, 2018.

The working capital deficiency of $412.1 million at June 30, 2018, includes the $261.6 million current portion of the Notes. There is no change in the Company's objectives and strategies of capital management for the six months ended June 30, 2018.

18.2 Categories of financial instruments

The Company's financial assets and liabilities comprise of cash, prepaid expenses, deposits, trade and other receivables, trade and accrued liabilities, loans, bonds and senior notes (debt). The carrying value or fair value of the Company's financial instruments carried on the Condensed Consolidated Interim Statements of Financial Position are classified in the following categories:

	June 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Cash, prepaid expenses, deposits and trade and other receivables	$ 10,771	$ 10,771	$ 9,713	$ 9,713
	$ 10,771	$ 10,771	$ 9,713	$ 9,713
Financial liabilities at amortized cost				
Trade and accrued liabilities	$ 151,584	$ 151,584	$ 120,316	$ 120,316
Debt	271,254	271,254	257,990	257,990
	$ 422,838	$ 422,838	$ 378,306	$ 378,306

18.3 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars, HK dollars and/or Chinese renminbi. 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 six months ended June 30, 2018.

If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2018 would have been impacted by Nil and the carrying value of the debt at June 30, 2018 would have been impacted by $2.6 million. At June 30, 2018, the Company held approximately US $0.01 million or $0.014 million of cash, using the June 30, 2018 exchange rate of 1.3168, as cash in the Company's USD bank accounts.

For Hong Kong dollar amounts, exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2018 would have been impacted by approximately $0.015 million and the carrying value of the debt at June 30, 2018 would have been impacted by $0.10 million. At June 30, 2018, the Company held, after recent equity and bond closings, approximately HKD $9.3 million or $1.56 million using the June 30, 2018 exchange rate of 5.9595, as cash in the Company's HKD bank accounts.

For Chinese renminbi ("CNY") amounts, exchange rates to convert from Chinese renminbi to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2018 would have been impacted by approximately Nil. At June 30, 2018, the Company held approximately CNY $0.19 million or $0.04 million using the June 30, 2018 exchange rate of 5.0277, as cash in the Company's CNY bank accounts.

18.3 Currency risk (Continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Unrealized foreign exchange loss/(gain) on translation of:				
U.S. denominated senior secured notes	$ 5,442	$ (6,802)	$ 12,375	$ (8,903)
H.K. denominated loan	219	(70)	299	(70)
Foreign currency denominated cash balances	249	218	224	1,003
Foreign currency denominated accounts payable balances	(304)	(30)	(220)	(652)
	5,606	(6,684)	12,678	(8,622)
Realized foreign exchange loss/(gain)	(79)	1	(169)	11
Total foreign exchange loss/(gain)	$ 5,527	$ (6,683)	$ 12,509	$ (8,611)

18.4 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, 2018, the Company had negative working capital of $412.1 million and an accumulated deficit of $1,052.9 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development, achieving profitable operations and the ability to refinance current debt and access additional financing.

The timing of cash outflows relating to financial liabilities as at June 30, 2018, are as follows:

	Total	**Less than 1 year**	**1-2 years**
Trade and accrued liabilities	$ 151,584	$ 151,584	$ -
Debt[1]	271,254	271,254	-
Balance, end of period	$ 422,838	$ 422,838	$ -

1. Principal amount of Notes, loans and bonds based on the June 30, 2018 exchange rate of $1 US = 1.3168 CAD and $1HKD = $0.1678 CAD. Debt is due on demand.

19. Related party transactions

19.1 Trading transactions

For the six months ended June 30, 2018, a consulting company, to which a director of Sunshine is related, charged the Company $0.30 million (June 30, 2017 – $0.30 million) for management and advisory services.

Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 1,673,517,000 common shares of the Company which represents approximately 27.99% of the Company's outstanding common shares.

On August 24, 2017, November 16, 2017 and November 28, 2017, the Company signed loan agreements with Prime Union. The Loan interest rate was 6.0% per annum and required repayment in full within three months from the date of the receipt of the loan, the total loans amount were HKD $33.3 million (approximately CAD $5.4 million). As at June 30, 2018, all the loans and interests were paid in full.

On June 1, 2018, the Company signed a loan agreement with Prime Union with the loan interest rate being 10.0% per annum and required repayment in full within three months from the date of the receipt of the loan. The total loan amount was HKD $14.2 million (approximately CAD $2.4 million).

19.2 Compensation of key management personnel and directors

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

	Three months ended June 30,				Six months ended June 30,			
		2018		2017		2018		2017
Directors' fees[1]	$	167	$	218	$	335	$	390
Salaries and allowances		670		663		1,213		2,072
Share-based compensation		353		1,049		689		1,968
	$	1,190	$	1,930	$	2,237	$	4,430

1. For the period ended June 30, 2018, this number reflects accrued fees of $0.2 million (2017 - $0.2 million). Refer to the appendix A2 for additional director fees disclosure.

20. Operating lease arrangements

Payments recognised as an expense

	Three months ended June 30,				Six months ended June 30,			
		2018		2017		2018		2017
Minimum lease payments	$	511	$	564	$	1,058	$	1,174

21. Commitments and contingencies

As at June 30, 2018, the Company's commitments are as follows:

		Total	2018	2019	2020	2021	2022	Thereafter
Repayment of debt[1]	$	261,574	261,574	-	-	-	-	-
Interest payments on debt[2]		2,703	2,703	-	-	-	-	-
Redemption premium[3]		3,521	3,521	-	-	-	-	-
Loans and bonds[4]		9,680	9,680	-	-	-	-	-
Equipment and contracts		1,575	572	247	247	247	132	130
Lease rentals[5]		7,283	829	1,395	1,395	1,395	1,253	1,016
Office leases		2,907	1,514	1,094	299	-	-	-
	$	289,243	280,393	2,736	1,941	1,642	1,385	1,146

1. Principal amount of Notes based on the period end exchange rate of $1US=$1.3168 CAD and a maturity date of August 1, 2018.
2. Based on 10% on principal amount and 2.5% on the principal amount of the notes held by the Forbearing Holders per annum and a maturity date of August 1, 2018 less the interest accrued to June 30, 2018, at the period end exchange rate of $1USD = $1.3168 CAD.
3. The redemption premium is based on the maximum premium paid if the Notes mature on August 1, 2018 less the 5.952% premium accrued to June 30, 2018. This premium (Yield Maintenance Premium) percentage is 7.298% of the aggregate principal amount of the Notes outstanding on August 1, 2018. Using the period end exchange rate of $1USD = $1.3168 CAD this premium amounts to $19,090. At June 30, 2018, the Company had the option to redeem the Notes at 5.952% of the aggregate principal amount of the Notes outstanding which amounts to $15,569 using the period end exchange rate. The Company can redeem the Notes at any time up to the August 1, 2018 maturity date, following the optional redemption schedule set out in the Notes indenture.
4. Principal of loans and bonds and its interest (5%, 6% and 10% on principal amount of the debt) based on the period exchange rate of $1 HKD = $0.1678 CAD.
5. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. No amounts have been accrued in the Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2018 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance.

22. Supplemental cash flow disclosures

Supplemental cash flow disclosures

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash provided by (used in):				
Trade and other receivables	$ (652)	$ (3)	$ (1,421)	$ (1,973)
Prepaid expenses and deposits	(1,076)	(297)	(1,582)	2,498
Trade and other payables	1,013	(6,758)	(20)	(6,161)
	$ (715)	$ (7,058)	$ (3,023)	$ (5,636)
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (652)	$ (3)	$ (1,421)	$ (1,973)
Prepaid expenses and deposits	(1,076)	(297)	(1,582)	2,498
Trade and other payables	26	(1,199)	(809)	1,299
	$ (1,702)	$ (1,499)	$ (3,812)	$ 1,824
Investing activities				
Property, plant and equipment	$ 987	$ (5,559)	$ 789	$ (7,460)
	$ (715)	$ (7,058)	$ (3,023)	$ (5,636)

The following table reconciles liabilities to cash flows arising from financing activities:

	2018
Balance, December 31, 2017	$ 257,990
Changes in cash items -	
Payment / (proceed) of shareholder loans	(2,985)
Issue of bonds	3,524
Payment / (proceed) of operating loans	51
Changes in non-cash items -	
Unrealized loss / (gain) on senior notes foreign exchange	12,375
Unrealized loss / (gain) on all loans/bonds foreign exchange	299
Balance, June 30, 2018	$ 271,254

23. Subsequent events

On July 5, 2018, the Company granted share options to acquire an aggregate total of 315,000,000 Class “A” common shares in the capital of the Company to certain directors of the Company under its Share Option Scheme at a price of HKD $0.236 per share (approximately CAD $0.040 per common share). The grant of the 300,000,000 Class “A” common shares to Mr. Kwok Ping Sun is conditional upon the approval by the independent shareholders of the Company at its next general meeting and such grant shall not take effect or be exercisable until such approval is obtained. The stock options vest over a two year period and expire five years after the date of the grant.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class “A” common shares will be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and requires repayment in full within three months from the maturity date. On July 5, 2018 the Company did a partial completion of the convertible bonds in the amount of HKD $10,917,500 (approximately CAD $1.8 million), which represents 53,140,097 shares if fully converted. In addition, a placing commission of HKD $0.8 million (approximately CAD $0.13 million) was incurred in relation to the placement closing. The subscription agreement lapsed and the time to close the remaining convertible bonds lapsed. The net proceeds from the placing convertible bonds were used as general working capital.

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class “A” common shares at a price of HKD $0.192 per share (approximately CAD $0.032 per common share), for gross proceeds of HKD $2.75 million (approximately CAD $0.46 million). This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On July 27, 2018, the Company announced that a company affiliated (the “Affiliate”) with Kwok Ping Sun (“Mr. Sun”), the Executive Chairman and a Substantial Shareholder of the Corporation and Nobao Energy Holding (China) Company Limited(“Nobao”) (a company under the control of Mr. Sun) has conditionally acquired Changjiang’s interest in Renergy. The Affiliate has received the Board’s conditional approval for this acquisition and has requested amendments to certain terms in the Agreements with an aim to simplify the working relationship between contracting parties in the Agreements, subject to satisfying all legal and consent requirements, receiving Independent Shareholders’ approval and complying with the provisions of Chapter 14A of the HKEX Listing Rules.

24. Comparative figures

For the three and six months ended June 30, 2017 statement of cash flows, the payment for finance costs included amounts which were accrued but not paid in 2017 and movement in non-cash working capital items were reclassified between operating, investing and financing activities. These adjustments do not impact the cash balance as at June 30, 2017. Such adjustments had no impact on the previously reported Consolidated Statement of Financial Position and Consolidated Statement of Operations and Comprehensive Loss. The changes to the Statement of Cash Flows for the periods ended June 30, 2017 are summarized in the following tables:

Related to June 30, 2017 Restatement	**Three months ended June 30, 2017 as Previously Reported**	**Adjustments**	**Three months ended June 30, 2017 Restated**
Cash flows provided by / (used in) operating activities			
Net loss	$ (19,479)	-	$ (19,479)
Finance Costs	13,974	-	13,974
Unrealized foreign exchange (gains)/losses	(6,684)	-	(6,684)
Contract provision expense	(581)	581	-
Interest income	(5)	-	(5)
Depletion and depreciation	3,598	-	3,598
Share based compensation	1,229	-	1,229
Movement in non-cash working capital	1,662	(3,161)	(1,499)
Net cash provided by / (used in) operating activities	(6,286)	(2,580)	(8,866)
Cash flows used in investing activities			
Interest received	5	-	5
Payments for exploration and evaluation assets	(601)	-	(601)
Payments for property, plant and equipment	(1,261)	-	(1,261)
Movement in non-cash working capital	(3,782)	(1,777)	(5,559)
Net cash used in investing activities	(5,639)	(1,777)	(7,416)
Cash flows provided in financing activities			
Proceeds from issue of common shares	8,574	-	8,574
Interest and premiums paid	-	(223)	(223)
Payment for share issue costs	(84)	-	(84)
Payment for finance costs	(13,703)	13,703	-
Payment for the notes principal	(1,832)	-	(1,832)
Proceeds from loan	1,733	-	1,733
Movement in non-cash working capital	9,124	(9,124)	-
Net cash provided by financing activities	3,812	4,356	8,168
Effect of exchange rate changes on cash held in foreign currency	(219)	1	(218)
Net increase / (decrease) in cash	(8,332)	-	(8,332)
Cash, beginning of period	12,876	-	12,876
Cash, end of period	**$ 4,544**	-	**$ 4,544**

24. Comparative figures (continued)

Related to June 30, 2017 Restatement	Six months ended June 30, 2017 as Previously Reported	Adjustments	Six months ended June 30, 2017 Restated
Cash flows provided by / (used in) operating activities			
Net loss	$ (40,648)	-	$ (40,648)
Finance Costs	28,441	-	28,441
Unrealized foreign exchange (gains)/losses	(8,622)	-	(8,622)
Contract provision expense	(581)	581	-
Interest income	(10)	-	(10)
Depletion and depreciation	5,464	-	5,464
Share based compensation	2,208	-	2,208
Movement in non-cash working capital	15,922	(14,098)	1,824
Net cash provided by / (used in) operating activities	2,174	(13,517)	(11,343)
Cash flows used in investing activities			
Interest received	10	-	10
Payments for exploration and evaluation assets	(828)	-	(828)
Payments for property, plant and equipment	(5,713)	-	(5,713)
Movement in non-cash working capital	(14,263)	6,803	(7,460)
Net cash used in investing activities	(20,794)	6,803	(13,991)
Cash flows provided in financing activities			
Proceeds from issue of common shares	25,315	-	25,315
Interest and premiums paid	-	(7,443)	(7,443)
Payment for share issue costs	(527)	-	(527)
Payment for finance costs	(27,896)	27,896	-
Payment for the notes principal	(1,832)	-	(1,832)
Proceeds from loan	1,733	-	1,733
Movement in non-cash working capital	13,740	(13,740)	-
Net cash provided by financing activities	10,533	6,713	17,246
Effect of exchange rate changes on cash held in foreign currency	(1,004)	1	(1,003)
Net increase / (decrease) in cash	(9,091)	-	(9,091)
Cash, beginning of period	13,635	-	13,635
Cash, end of period	**$ 4,544**	-	**$ 4,544**

25. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on August 9, 2018.

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

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 subsidiaries Sunshine Hong Kong, Boxian and Sunshine Shanghai.

	June 30, 2018	December 31, 2017
Non-current assets		
Property, plant and equipment	$ 500,835	$ 506,741
Exploration and evaluation assets	268,945	268,227
Amounts due from subsidiary	11,646	8,967
	781,426	783,935
Current assets		
Trade and other receivables	4,319	4,932
Prepaid expenses and deposits	2,377	813
Cash	156	1,404
	6,852	7,149
Current liabilities		
Trade and other payables	151,584	120,315
Amount due to subsidiary	2,660	2,544
Bonds	3,524	-
Loans	3,773	3,452
Shareholder loans	2,383	5,339
Senior notes	261,574	249,199
	425,498	380,849
Net current assets	(418,646)	(373,700)
Total assets less current liabilities	362,780	410,235
Non-current liabilities		
Provisions	51,089	50,481
	51,089	50,481
Net assets	$ 311,691	$ 359,754
Capital and reserves		
Share capital	$ 1,288,848	$ 1,275,008
Reserve for share-based compensation	71,294	70,522
Deficit	(1,048,451)	(985,776)
	$ 311,691	$ 359,754

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Directors' emoluments				
Directors' fees	$ 167	$ 218	$ 335	$ 390
Salaries and allowances	670	764	1,213	2,072
Share-based payments	353	1,068	689	1,968
	1,190	2,050	2,237	4,430
Other staff costs				
Salaries and other benefits	634	803	1,453	1,826
Contribution to retirement benefit scheme	31	25	118	140
Share-based payments	51	161	83	257
	716	989	1,654	2,223
Total staff costs, including directors' emoluments	1,906	3,039	3,891	6,653
Less: staff costs capitalized to qualifying assets	-	-	-	249
	$ 1,906	$ 3,039	$ 3,891	$ 6,404

CORPORATE INFORMATION

BOARD OF DIRECTORS:
Executive Directors:
Mr. Kwok Ping Sun (Chairman)
Ms. Gloria Pui Yun Ho

Non-Executive Directors:
Mr. Michael John Hibberd (Vice-Chairman)
Mr. Hong Luo
Ms. Linna Liu
Ms. Xijuan Jiang

Independent Non-Executive Directors:
Mr. Raymond Shengti Fong
Mr. Jeff Jingfeng Liu
Mr. Yi He
Ms. Joanne Yan

AUTHORIZED REPRESENTATIVES:
Mr. Kwok Ping Sun
Ms. Man Ngan Chow

AUDITORS:
PricewaterhouseCoopers LLP

LEGAL ADVISERS:
Dentons Canada LLP
Robertson Solicitors

COMPETENT PERSONS:
Boury Global Energy Consultants Ltd.
GLJ Petroleum Consultants Ltd.

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

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

WEBSITE:
www.sunshineoilsands.com

AUDIT COMMITTEE:
Ms. Joanne Yan (Chairlady)
Mr. Raymond Shengti Fong
Mr. Yi He
Mr. Jeff Jingfeng Liu

COMPENSATION COMMITTEE:
Mr. Kwok Ping Sun (Chairman)
Mr. Raymond Shengti Fong
Ms. Joanne Yan
Ms. Xijuan Jiang

RESERVES COMMITTEE:
Mr. Raymond Shengti Fong (Chairman)
Mr. Kwok Ping Sun
Mr. Jeff Jingfeng Liu

CORPORATE GOVERNANCE COMMITTEE:
Mr. Kwok Ping Sun (Chairman)
Mr. Michael John Hibberd
Mr. Raymond Shengti Fong
Ms. Joanne Yan
Mr. Yi He

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SHARE REGISTRAR IN ALBERTA:
Alliance Trust Company

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