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SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

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

(Stock Code: 2012)

First Quarter 2012 Unaudited Financial Results

Sunshine Oilsands Ltd. (the "Corporation" or "Sunshine") is pleased to announce its unaudited financial results for the three month period ended March 31, 2012. Please see the attached announcement for further information.

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

Hong Kong, May 15, 2012

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

**For identification purposes only*

Sunshine Oilsands Ltd.

First Quarter 2012 Unaudited Financial Results

HONG KONG - Sunshine (HK: 2012) today announced its unaudited financial results for the three month period ended March 31, 2012. All figures are in Canadian dollars unless otherwise stated.

Highlights

The Corporation's highlights for the first quarter ended March 31, 2012 are as follows:

- On March 1, 2012, Sunshine Oilsands Ltd. (the "Corporation" or "Sunshine") successfully completed its global initial public offering ("IPO") and listed on the Stock Exchange of Hong Kong Limited. The Corporation issued 923,299,500 shares at a share price of HK\$4.86 for gross IPO proceeds of HK\$4.5 billion (approximately \$570.0 million).
- Immediately prior to the IPO closing and listing, the redeemable Class "B" common shares converted to common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO and listing. With the extinguishment of the redemption rights, 433,884,300 common shares were reclassified from non-current liabilities to shareholders' equity.
- The Corporation's proved plus probable ("2P") reserves and best estimate contingent resources have increased in 2011 as follows:
 - 2P reserves increased to 419 million barrels of oil in 2011 compared to 54 million barrels of oil in 2010;
 - Best estimate contingent resources increased to 3,066 million barrels of oil in 2011, compared to 2,184 million barrels of oil in 2010.

Operational update for the first quarter of 2012

- On January 26, 2012, Sunshine received regulatory approval for the West Ells 10,000 bbls/d commercial application.
- To support planned West Ells development activities, the Corporation jointly constructed 50 kilometres of high grade road with an industry player into the West Ells area.
- The Corporation also constructed 1.6 kilometres of high grade spur road to our West Ells facility site.
- The Corporation's civil work is 50% complete for Pad1, the Central Facility Processor, the corridor and the borrow pits at West Ells.
- The Corporation completed the procurement of all long lead equipment for West Ells Phase one, and has procured 70% of the secondary equipment for West Ells Phase one.
- The Corporation continues its 200,000 barrel per day project area environmental impact assessments for West Ells, Thickwood and Legend Lake with detailed baseline environmental data collection expected to be completed by year end.
- The Corporation drilled 57 clastic exploration/observation wells to progress the future phases for West Ells, Thickwood and Legend Lake application submissions.
- The Corporation drilled two horizontal wells, two saline water source/water disposal wells, and seven fresh water source wells.
- Sunshine reactivated and successfully production tested previously drilled well bores from the 2010/2011 winter program.
- The Corporation perforated and put on production three additional exploration test wells in Muskwa, plus one well in Godin and one well in Harper for cold flow evaluation and all of these wells proved that the oil was mobile.

- The Corporation perforated and evaluated Leduc saline water zones for production and injection potential and developed and flow tested seven water wells in Thickwood, West Ells and Legend Lake; all results proved successful.
- The Corporation completed 3D seismic programs in Thickwood and Legend Lake and a 2D seismic program in Opportunity.
- The Corporation also completed and put on production nine wells on our 13-4 pad at Muskwa, completed construction of our water disposal facility and commenced produced water disposal at our 13-4 facility at Muskwa.
- The Corporation continued activities on the 11-21 Harper Grosmont Carbonate Cyclic Steam Stimulation pilot well, setting up for planned steam operations in 2012-2013.

The Board of Directors of the Corporation is pleased to announce the results of the Corporation and its subsidiary, Fern Energy Ltd. ("Fern") for the three month period ended March 31, 2012 together with comparative figures for the corresponding period in 2011 as follows:

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

| | Three months ended March 31 | |
|---|-----------------------------|-------------------|
| | 2012 | 2011 |
| Other income | | |
| Foreign exchange gain | \$ 6,979,595 | \$ - |
| Interest income | 81,488 | 425,873 |
| | 7,061,083 | 425,873 |
| Salaries, consulting and benefits | 2,452,178 | 1,133,303 |
| Rent | 261,480 | 94,251 |
| Legal and audit | 211,233 | 220,537 |
| Depreciation | 60,374 | 37,362 |
| Share-based payment expense | 2,217,983 | 1,551,036 |
| Expense portion of IPO costs | 16,213,418 | - |
| Fair value adjustment on warrants | - | 36,784,263 |
| Finance costs | 17,098,169 | 5,323,009 |
| Other | 876,977 | 468,417 |
| | 39,391,812 | 45,612,178 |
| Loss before income taxes | 32,330,729 | 45,186,305 |
| Income tax expense | - | 1,022,620 |
| Net loss and comprehensive loss for the period attributable to equity holders of the Corporation | \$ 32,330,729 | 46,208,925 |
| Loss per share | | |
| Basic and diluted | \$ 0.02 | \$ 0.03 |

Condensed Interim Consolidated Statements of Financial Position

| | March 31, 2012 | December 31, 2011 |
|--|-------------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 529,118,490 | \$ 84,957,414 |
| Trade and other receivables | 4,004,647 | 3,582,953 |
| Prepaid expenses and deposits | 1,366,517 | 797,718 |
| | 534,489,654 | 89,338,085 |
| Non-Current Assets | | |
| Exploration and evaluation | 499,665,797 | 382,277,258 |
| Property and equipment | 839,172 | 718,785 |
| Other assets | - | 3,379,627 |
| | 500,504,969 | 386,375,670 |
| | \$ 1,034,994,623 | \$ 475,713,755 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Trade and other payables | \$ 103,266,215 | \$ 33,365,438 |
| Provisions for decommissioning obligation | 1,213,600 | 68,365 |
| Fair value of warrants | - | 63,000,304 |
| | 104,479,815 | 96,434,107 |
| Non-Current Liabilities | | |
| Share repurchase obligation | - | 224,362,115 |
| Provisions for decommissioning obligation | 15,951,962 | 6,331,883 |
| | 15,951,962 | 230,693,998 |
| | 120,431,777 | 327,128,105 |
| Net current (liabilities)/assets | 430,009,839 | (7,096,022) |
| Total assets less current liabilities | 930,514,807 | 379,279,648 |
| Shareholders' Equity | | |
| Share capital | 1,019,552,891 | 219,173,885 |
| Reserve for share based compensation | 33,731,274 | 30,074,070 |
| Deficit | (138,721,320) | (100,662,305) |
| | 914,562,846 | 148,585,650 |
| | \$ 1,034,994,623 | \$ 475,713,755 |

Notes

1. Basis of preparation

These condensed interim consolidated financial statements are prepared in accordance with the IFRS as issued by the International Accounting Board. The condensed interim consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK.

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

The condensed interim consolidated financial statements incorporate the financial statements of the Corporation and the Corporation's wholly owned subsidiary, Fern.

Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the condensed interim consolidated financial statements when control is achieved and until control is lost.

All inter-Corporation transactions, balances, revenues and expenses are eliminated in full on consolidation.

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

2. Segment Information

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

3. Trade Receivables

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

| | As at March 31 2012 | As at December 31 2011 |
|-------------------------------------|------------------------|---------------------------|
| Trade and other receivables | \$ 2,162,697 | \$ 2,047,804 |
| Goods and Services Taxes receivable | 1,811,780 | 1,522,985 |
| Other receivables | 30,170 | 12,164 |
| | <u>\$ 4,004,647</u> | <u>\$ 3,582,953</u> |

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

| | As at March 31 2012 | As at December 31 2011 |
|--------------|------------------------|---------------------------|
| 0 - 30 days | \$ 856,777 | \$ 1,259,911 |
| 31 - 60 days | 1,305,920 | 781,194 |
| 61 - 90 days | - | 6,699 |
| | <u>\$ 2,162,697</u> | <u>\$ 2,047,804</u> |

As at March 31, 2012, included in the Corporation's trade receivables were debtors with an aggregate carrying amount of \$1,305,920 (December 31, 2011 - \$787,893), which was past due as at the reporting date and for which the Corporation had not provided for impairment loss. The Corporation does not hold any collateral over these balances.

4. Trade Payables

Trade payables mainly represent payables to subcontractors for exploration and evaluation services. The Corporation has financial risk management policies in place to ensure that all payables are paid within pre-agreed credit terms. The following is an aged analysis of trade payables based on invoices dates at the end of the reporting periods:

| | As at March 31 2012 | As at December 31 2011 |
|-----------------------------|------------------------|---------------------------|
| 0 - 30 days | \$ 19,034,950 | \$ 7,225,897 |
| 31 - 60 days | 30,041,973 | 4,066,802 |
| 61 - 90 days | 30,330,274 | 448,245 |
| >91 days | 21,880,655 | 210,558 |
| | 101,287,852 | 11,951,502 |
| Other payables and accruals | 1,978,363 | 21,413,936 |
| | <u>\$ 103,266,215</u> | <u>\$ 33,365,438</u> |

5. Income Taxes

Income tax recognised in the Statement of Operations

| | Three months ended March 31 | |
|--|-----------------------------|---------------------|
| | 2012 | 2011 |
| Tax expense comprises: | | |
| Tax expense in respect of the current year | \$ - | \$ 919,351 |
| Effect of changes in tax rates and laws | - | 103,269 |
| Total tax expense | <u>\$ -</u> | <u>\$ 1,022,620</u> |

Deferred tax balances

| | Recognised in | | | | | | | |
|--|------------------------|-----------------------|--------------------------------|-------------------------------------|--|---------------------------|-----------------------|------------------------|
| | Opening Balance | Recognised in loss | other comprehensive loss | Recognised directly in equity | Reclassified from equity to loss | Acquisition/ Disposals | Other | Closing Balance |
| March 31, 2012 | | | | | | | | |
| Temporary differences | | | | | | | | |
| Exploration and evaluation | \$ (32,593,406) | \$ (1,913,060) | \$ - | \$ - | \$ - | \$ - | \$ (2,747,682) | \$ (37,254,148) |
| Property and equipment | (31,476) | 3,445 | - | - | - | - | - | (28,031) |
| Other financial liabilities | 755,155 | (17,844) | - | - | - | - | 2,747,682 | 3,484,993 |
| Share issue expenses | 871,668 | (871,668) | - | - | - | - | - | - |
| | <u>\$ (30,998,059)</u> | <u>\$ (2,799,127)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (33,797,186)</u> |
| Unused tax losses and credits | | | | | | | | |
| Tax losses | 30,998,059 | 2,799,127 | - | - | - | - | - | 33,797,186 |
| Deferred tax assets (liabilities) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| March 31, 2011 | | | | | | | | |
| Temporary differences | | | | | | | | |
| Exploration and evaluation | \$ (15,458,127) | \$ (7,334,274) | \$ - | \$ - | \$ - | \$ - | \$ (2,761,444) | \$ (25,553,845) |
| Property and equipment | (4,093) | 9,258 | - | - | - | - | - | 5,165 |
| Other financial liabilities | 498,289 | (7,310) | - | - | - | - | 49,417 | 540,396 |
| Share issue expenses | 1,895,725 | (862,978) | - | 134,507 | - | - | - | 1,167,254 |
| | <u>\$ (13,068,206)</u> | <u>\$ (8,195,304)</u> | <u>\$ -</u> | <u>\$ 134,507</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,712,027)</u> | <u>\$ (23,841,030)</u> |
| Unused tax losses and credits | | | | | | | | |
| Tax losses | 12,176,944 | 9,217,925 | - | - | - | - | - | 21,394,869 |
| Deferred tax assets (liabilities) | <u>\$ (891,262)</u> | <u>\$ 1,022,621</u> | <u>\$ -</u> | <u>\$ 134,507</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,712,027)</u> | <u>\$ (2,446,161)</u> |

6. Dividends

The Corporation has not declared or paid any dividends in respect of the three month period ended March 31, 2012 (December 31, 2011 - \$Nil).

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 "Corporation") for the three month period ended March 31, 2012 is dated May 15, 2012. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2011. All amounts and tabular amounts are stated in Canadian dollars unless indicated otherwise.

Forward-Looking Information

Certain statements in this MD&A are forward-looking statements that are, by their nature, subject to significant risks and uncertainties and the Corporation hereby cautions investors about important factors that could cause the Corporation'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 Corporation'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 Corporation 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 certain 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 Corporation 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. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statement except as required by law.

Non-IFRS Financial Measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry, such as net bitumen revenue, operating earnings, cash flow from operations and cash operating netback. These financial measures are not defined by IFRS as issued by the International Accounting Standards Board and therefore are referred to as non-IFRS measures. The non-IFRS measures used by the Corporation may not be comparable to similar measures presented by other companies. The Corporation uses these non-IFRS measures to help evaluate its performance. Management considers net bitumen revenue, operating earnings and cash operating netback important measures as they indicate profitability relative to current commodity prices. Management uses cash flow from operations to measure the Corporation's ability to generate funds to finance capital expenditures and repay debt.

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS, as an indication of the Corporation's performance. The non-IFRS operating earnings and cash operating netback measures are reconciled to net income, while cash flow from operations is reconciled to net cash provided by operating activities, as determined in accordance with IFRS, under the heading "Non-IFRS Measurements" below.

Overview

The Corporation is headquartered in Calgary, Alberta, Canada. Sunshine's principal operations are the exploration, development and production of its diverse portfolio of oilsands leases. The Corporation's seven principal operating regions in the Athabasca area are at West Ells, Thickwood, Legend Lake, Harper, Muskwa, Goffer and Portage.

The Corporation is one of the largest holders of non-partnered Oil Sands Leases by area in the Athabasca oil sands region, with over 1,148,785 acres of oilsands leases, which includes 7,591 acres of Petroleum and Natural Gas ("PNG") licenses. The oil sand leases are equal to approximately 7% of all granted leases in this area. Athabasca 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 terms of oil resources in the world, with 169 billion barrels of estimated resources. Moreover, the Canadian oil sands provide the largest supply of oil to the United States.

On March 1, 2012, the Corporation became a publicly-traded company on the Stock Exchange of Hong Kong Limited ("SEHK"). Sunshine trades under the stock code symbol "2012". Concurrent with the global initial public offering ("IPO" or the "Global Offering"), the Corporation issued 923,299,500 shares at HK\$4.86 per share for gross IPO proceeds of HK\$4.5 billion (approximately \$570.0 million).

As at March 31, 2012, the Corporation had invested \$499.7 million in oilsands leases, drilling operations, project planning and regulatory application processing. As at March 31, 2012, the Corporation had \$529.1 million in cash and cash equivalents (term deposits). The Corporation has raised approximately \$1.0 billion in equity proceeds, including the proceeds from its IPO.

Operations Summary – First Quarter of 2012

2011/2012 Winter Drilling Program

The Corporation drilled 57 classic exploration/observation wells to progress the future phases for West Ells, Thickwood and Legend Lake application submissions. The Corporation drilled two horizontal wells, two saline water source/water disposal wells, and seven fresh water source wells. Sunshine reactivated and successfully production tested previously drilled well bores from the 2010/2011 winter program.

The Corporation perforated and put on production three additional exploration test wells in Muskwa, plus one well in Godin and one well in Harper for cold flow evaluation and all of these wells proved that the oil was mobile. The Corporation perforated and evaluated Leduc saline water zones for production and injection potential and developed and flow tested seven water wells in Thickwood, West Ells and Legend Lake; all results proved successful.

The Corporation completed 3D seismic programs in Thickwood and Legend Lake and a 2D seismic program in Opportunity. The Corporation also completed and put on production nine wells on our 13-4 pad at Muskwa, completed construction of our water disposal facility and commenced produced water disposal at our 13-4 facility at Muskwa.

The Corporation continued activities on the 11-21 Harper Grosmont Carbonate Cyclic Steam Stimulation pilot well, setting up for planned steam operations in 2012-2013.

West Ells Development

On January 26, 2012, Sunshine received regulatory approval for the West Ells 10,000 bbls/d commercial application. To support planned West Ells development activities, the Corporation jointly constructed 50 kilometres of high grade road with an industry player into the West Ells area. The Corporation also constructed 1.6 kilometres of high grade spur road to our West Ells facility site.

The Corporation's civil work is 50% complete for Pad1, the Central Facility Processor, the corridor and the borrow pits at West Ells. The Corporation completed the procurement of all long lead equipment for West Ells Phase one, and has procured 70% of the secondary equipment for West Ells Phase one. The Corporation continues its 200,000 barrel per day project area environmental impact assessments for West Ells, Thickwood and Legend Lake with detailed baseline environmental data collection expected to be completed by year end.

Non-IFRS Measurements

The following table reconciles the non-IFRS measurements "Net loss for the period" to "Net loss excluding specific items" the nearest IFRS measures. Net loss excluding specific items is defined as net loss as reported, excluding the allocation of IPO costs, finance costs on share repurchase obligation and fair value adjustment on warrants included within finance costs.

Operational and Financial Highlights

The following table summarizes selected operational and financial information of the Corporation for the periods presented:

| | For the three months ended March 31 | |
|--|-------------------------------------|--------------------------|
| | 2012 | 2011 |
| Financial Highlights | | |
| Other income | \$ 7,061,083 | \$ 425,873 |
| Expensed portion of IPO costs | 16,213,418 | - |
| Fair value of warrants | - | 36,784,263 |
| Finance costs | 17,098,169 | 5,323,009 |
| Net loss | 32,330,729 | 46,208,925 |
| Basic and diluted loss per share | 0.02 | 0.03 |
| Expenditures on exploration and evaluation | 42,296,066 | 106,023,563 |
| | | |
| | As at March 31 | As at December 31 |
| | 2012 | 2011 |
| Cash and cash equivalents | \$ 529,118,490 | \$ 147,381,228 |
| Total assets | 1,034,994,623 | 477,252,427 |
| Total liabilities | 120,431,777 | 236,658,513 |

The Corporation uses these non-IFRS measurements for its own performance measures and to provide its shareholders and investors with a measurement of the Corporation's ability to internally fund future growth expenditures. These "Non-IFRS Measurements" are reconciled to net income and net cash provided by operating activities in accordance with IFRS under the heading "Non-IFRS Measurements".

The Corporation recognized a net loss for the three month period ended March 31, 2012 of \$32.3 million compared to a net loss of \$46.2 million for the three month period ended March 31, 2011. The net loss in the three month period ended March 31, 2012 was primarily attributable to finance costs of \$17.1 million and the expensed portion of IPO costs of \$16.2 million compared to finance costs of \$5.3 million and fair value adjustment on warrants of \$36.8 million for the same period in 2011. For the three month period ended March 31, 2012, expensed finance costs included \$13.0 million for the expensed portion of share issue costs related to the redeemable shares, \$3.9 million related to finance costs on share repurchase obligation (\$2.0 million was capitalized to qualifying assets), \$0.3 million related to finance costs on a credit facility and \$71,373 related to accretion on decommissioning obligation. In the first three months of 2011, \$5.3 million related to finance costs on share repurchase obligation (\$0.2 million was capitalized to qualifying assets), and \$29,242 was attributable to accretion on decommissioning obligation. The first quarter 2011 loss on mark to market adjustment on warrants of \$36.8 million related to the Corporation's 6,235,995 purchase warrants and 1,709,707 fee warrants, which were accounted for using the liability method due to a cash-settlement option. The mark to market adjustment on warrants for the first quarter of 2012 was \$Nil since all warrants were repurchased and cancelled on January 4, 2012.

Excluding the effect of these finance costs, the expensed portion of IPO costs and the fair value adjustment on warrants, changes in net loss for the first quarter 2012 and the first quarter 2011 are as follows:

- Other income increased by \$6.7 million from \$0.4 million in 2011 to \$7.1 million in 2012 as a result of a foreign exchange gain of \$7.0 million offset by a \$0.3 million reduction in interest income due to lower average cash equivalents balance in 2012 compared to 2011;
- Stock-based compensation expense increased by \$0.6 million from \$1.6 million in 2011 to \$2.2 million in 2012 primarily as a result of higher staffing levels.
- Salaries, consulting and benefits increased by \$1.4 million from \$1.1 million in 2011 to \$2.5 million in 2012 as a result of higher staffing levels as the Corporation prepares for development at West Ells, Thickwood and Legend Lake SAGD projects and the continued development of its Muskwa project.
- Other general administrative costs and rent increased from \$0.5 million and \$0.1 million, respectively, in 2011 to \$0.9 million and \$0.3 million, respectively, in 2012 due to higher office costs as a result of increased staffing levels and additional leased office space.
- Legal and audit costs remained constant at \$0.2 million in 2012 and 2011 with costs associated with general corporate legal matters and audit fees.
- Depreciation expense on computer equipment increased from \$37,362 in 2011 to \$60,374 in 2012.
- Deferred income tax expense decreased by \$1.0 million from \$1.0 million in 2011 to \$Nil in 2012.

The Corporation had a combined cash and short-term investment balance of \$529.1 million as at March 31, 2012 compared to a combined cash and short-term investment balance of \$85.0 million as at December 31, 2011. The increase in these balances was due primarily to proceeds from the Corporation's IPO of HK\$4.5 billion (approximately \$570.0 million) and the issuance of 923,299,500 shares during the first quarter of 2012 partially offset by capital investments.

| | For the three months ended March 31 | |
|----------------------------------|--|-----------------------|
| | 2012 | 2011 |
| Loss before income taxes | \$ (32,330,729) | \$ (45,186,305) |
| Addback/Deduct | | |
| Expense portion of IPO costs | 10,863,418 | - |
| Fair value loss on warrants | - | 36,784,263 |
| Finance costs | 17,098,169 | 5,323,009 |
| Unrealized foreign exchange gain | (6,451,167) | - |
| Interest income | (81,488) | (425,873) |
| Depreciation | 60,374 | 37,362 |
| Share-based payment expense | 2,217,983 | 1,551,036 |
| Cash flow used in operations | <u>\$ (8,623,440)</u> | <u>\$ (1,916,508)</u> |

Cash flow used in operations for the three month period ended March 31, 2012 totaled \$8.5 million compared to \$1.5 million for the same period in 2011. The increase resulted from higher general administrative costs in 2012 compared to 2011 due to IPO related expenditures and bonuses as well as costs attributable to higher staffing levels as the Corporation continues to accelerate its growth activities.

Summary of Quarterly Results

The following table summarizes selected unaudited financial information for the Corporation for the eight preceding quarter periods:

| | Q1 2012 | Q4 2011 | Q3 2011 | Q2 2011 |
|---|--------------|--------------|-------------|------------|
| Other income | \$ 6,979,595 | \$ 257,256 | \$ 425,124 | \$ 516,254 |
| Expense portion of IPO costs | 16,213,418 | 1,852,202 | 1,694,883 | - |
| Fair value adjustment on warrants | - | (11,790,933) | (2,440,363) | 37,565,863 |
| Finance costs | 17,098,169 | 7,028,767 | 6,278,206 | 6,839,668 |
| Net loss for the period | 32,330,729 | 2,473,536 | 10,229,036 | 48,248,883 |
| Loss per share | 0.02 | 0.01 | 0.01 | 0.03 |
| Exploration and evaluation expenditures | 42,296,066 | 31,621,540 | 17,905,945 | 61,378,807 |
| | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 |
| Other income | \$ 425,873 | 116,289 | 128,833 | 13,514 |
| Expense portion of IPO costs | - | - | - | - |
| Fair value adjustment on warrants | (3,037,000) | - | - | - |
| Finance costs | 5,323,009 | 56,659 | 4,011 | 4,651 |
| Net loss for the period | 6,441,085 | 3,509,435 | 1,742,866 | 1,398,634 |
| Loss per share | 0.00 | 0.01 | 0.00 | 0.00 |
| Exploration and evaluation expenditures | 44,654,567 | 12,896,883 | 9,275,742 | 13,411,184 |

Results of Operations

Finance Expense

| | Three months ended March 31 | |
|--|-----------------------------|--------------|
| | 2012 | 2011 |
| Finance cost on share repurchase obligation | \$ 5,864,052 | \$ 5,509,454 |
| Expensed portion of share issue costs | 13,012,014 | - |
| Finance cost on credit facility | 266,090 | - |
| Unwinding of discounts on provisions | 71,373 | 29,242 |
| Less: Amounts capitalized in exploration and evaluation assets | (2,115,361) | (215,687) |
| | \$ 17,098,169 | \$ 5,323,009 |

Total finance expense for the three month period ended March 31, 2012 increased by \$11.8 million from \$5.3 million to \$17.1 million compared to the same period in 2011, primarily due to non-cash finance costs attributable to the share repurchase obligation and the expensed portion of share issue costs on the redeemable shares. For the first quarter 2012, the Corporation recorded finance costs of \$5.9 million in total on the share repurchase obligation compared to \$5.5 million for the same period in 2011. Of this amount, \$3.9 million was capitalized in exploration and evaluation assets in the first quarter 2012 compared to \$5.3 million for the same period 2011. The remaining amount of \$2.0 million was expensed in the three month period ended March 31, 2012 compared to \$0.2 million in the same period in 2011. The finance cost associated with the redeemable shares is a result of the accounting treatment of these shares. In conjunction with an equity financing completed in February 2011, common shares were issued to subscribers whereby a put right ("Share Redemption Rights") was agreed to pursuant to the terms and conditions of the subscription agreements ("Subscription Agreements"). According to the Share Redemption Rights, the subscribers, in specific circumstances and at the option of the subscribers, could have required the Corporation to repurchase, for cancellation, all common shares issued under the Subscription Agreements at a redemption price equivalent to the subscription price plus a 15% annual rate of return, compounded annually, if the Corporation did not complete an IPO no later than December 31, 2013. As a consequence, the put right in the Subscription Agreements resulted in these shares being presented as financial liabilities in the Corporation's statement of financial position in

2011. The redeemable shares were accounted for using amortized cost and the effective interest on the redeemable shares for the period was included in finance expense up to March 1, 2012, the date on which the put right was extinguished with the closing of the Qualifying IPO and listing on the SEHK.

Pursuant to this event, immediately prior to the IPO closing and listing, the redeemable Class "B" common shares converted to Class "A" common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO and listing. Total transaction costs of \$17,769,848, which were netted against the share repurchase obligation, included cash fees paid of \$11,391,611 and \$6,378,237 assigned as fair value of fee warrants issued to finders. The carrying value of these transaction costs was allocated to share issue costs for \$4,718,679. The remainder of \$13,012,015 was included in finance costs as the expensed portion of share issue costs for the three month period ended March 31, 2012.

During the three month period ended March 31, 2012, the Corporation drew and repaid \$30.0 million on an available \$100.0 million credit facility. The credit facility was signed in the third quarter of 2011 with an effective date of October 31, 2011. The loan was classified as a financial liability and accounted for as other liabilities at amortized cost. During the three month period ended March 31, 2012, total finance costs of \$266,090 were recognized, of which \$236,873 was capitalized in exploration and evaluation assets with the remaining \$29,217 expensed in finance costs.

Accretion for the unwinding of decommissioning obligation was \$71,373 for the first quarter 2012 compared to \$29,242 in the same period 2011.

Fair Value Adjustment on Warrants

A mark to market loss on warrants of \$36.8 million for the three month period ended March 31, 2011 was recorded compared to \$Nil for the three month period ended March 31, 2012. All warrants were repurchased and cancelled on January 4, 2012.

Expensed portion of IPO costs

The expensed portion of IPO costs was \$16.2 million in the three month period ended March 31, 2012 compared to \$Nil for the three month period ended March 31, 2011. Of this amount, \$5.3 million was a bonus and the remaining \$10.9 million was the expensed portion of IPO related costs such as legal and audit fees.

Share-based Compensation

| | For the three months ended March 31 | | | | | |
|-----------------------------|-------------------------------------|---------------------|--------------|----------------------------------|---------------------|--------------|
| | 2012 | | | 2011 | | |
| | General and Administrative Costs | Capitalized portion | Expensed | General and Administrative Costs | Capitalized portion | Expensed |
| Share-based payment expense | \$ 3,657,204 | \$ 1,439,221 | \$ 2,217,983 | \$ 3,083,312 | \$ 1,532,276 | \$ 1,551,036 |

The fair value of share-based compensation associated with the granting of stock options and preferred shares is recognized by the Corporation in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model. Share-based compensation expense for the three month period ended March 31, 2012 was \$2.2 million compared to \$1.6 million for the three month period ended March 31, 2011. The increase in share-based compensation expense is primarily the result of the Black-Scholes valuations for the Corporation's stock options granted in the fourth quarter of 2011. The Corporation capitalizes a portion of the share-based compensation expense associated with capitalized salaries and benefits. For the three month period ended March 31, 2012, the Corporation capitalized \$1.4 million of share-based compensation to exploration and evaluation assets compared to \$1.5 million for the same period in 2011.

General and Administrative Costs

| | Three months ended March 31, | | | | | |
|-----------------------------------|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| | 2012 | | | 2011 | | |
| | General and Administrative Costs | Capitalized portion | Expensed | General and Administrative Costs | Capitalized portion | Expensed |
| Salaries, consulting and benefits | \$ 4,534,363 | \$ 2,082,185 | \$ 2,452,178 | \$ 2,141,916 | \$ 1,008,613 | \$ 1,133,303 |
| Rent | 512,228 | 250,748 | 261,480 | 195,835 | 101,584 | 94,251 |
| Other | 1,133,246 | 256,269 | 876,977 | 608,709 | 140,292 | 468,417 |
| | <u>\$ 6,179,837</u> | <u>\$ 2,589,202</u> | <u>\$ 3,590,635</u> | <u>\$ 2,946,460</u> | <u>\$ 1,250,489</u> | <u>\$ 1,695,971</u> |

General and administrative expense, which includes salaries, consulting and benefits, rent, and other general administrative costs, for the three month period ended March 31, 2012 increased by \$1.9 million to \$3.6 million, compared with \$1.7 million for the three month period ended March 31, 2011. The increase in expense is primarily the result of planned growth in the Corporation's professional staff and office costs to support the operation and development of our oil sands assets. The head office employee headcount grew from 55 as of March 31, 2011 to 79 as at March 31, 2012. During the three month period ended March 31, 2012, the Corporation capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of \$2.6 million compared to \$1.3 million for the three month period ended March 31, 2011.

Depreciation

Depreciation expense increased by \$23,012 to \$60,374 for the three month period ended March 31, 2012. This compared to depreciation expense of \$37,362 for the three month period ended March 31, 2011. The increase was primarily due to increased computer equipment purchases.

Other Income

Other income for the three month period ended March 31, 2012 increased by \$6.7 million to \$7.1 million compared to \$0.4 million for the same period in 2011. The increase was due to a foreign exchange gain of \$7.0 million on foreign held cash funds offset by a \$0.3 million reduction in interest income due to a lower average cash equivalents balance in 2012 as compared to 2011.

Income Taxes

The Corporation's deferred income tax expense for the three month period ended March 31, 2012 decreased by \$1.0 million to \$Nil compared to \$1.0 million for the three month period ended March 31, 2011. The change in deferred income tax expense in 2012 compared to 2011 relates primarily to unrecognized tax losses. Recognition of tax losses is based on the Corporation's consideration of its internal development plan for its asset base and the assumption that these tax losses will be utilized before their expiry dates.

Non-IFRS Measurements

The following table reconciles the non-IFRS measurements "Cash used in operations" to "Net cash provided by operating activities". Cash flow from operations excludes non-cash finance costs and allocation of IPO costs, interest income, depreciation, share-based payment expense and the net change in non-cash operating working capital, while the IFRS measurement "Net cash provided by operating activities" includes these items.

Liquidity and Capital Resources

| | March 31, 2012 | December 31, 2011 |
|--------------------------------------|-----------------------|-----------------------|
| Working capital (surplus)/deficiency | \$ (430,009,840) | 7,096,022 |
| Share repurchase obligation | - | 224,362,115 |
| Shareholders' equity | 914,562,846 | 148,585,650 |
| | <u>\$ 484,553,006</u> | <u>\$ 380,043,787</u> |

With the close of its IPO and listing on March 1, 2012 on the SEHK, the Corporation has sufficient capital to go beyond its current obligations and does not anticipate raising new equity capital in the near future. Management believes its current capital resources and its ability to manage cash flow and working capital levels will allow the Corporation to meet its current and future obligations and to fund the development of its 2011/2012 capital program and the other needs of the business for at least the next 12 months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary. As of March 31, 2012, the Corporation's capital resources included \$430.0 million of working capital surplus. The Corporation also has an available \$100 million credit facility, of which \$Nil had been drawn at March 31, 2012. Working capital surplus of \$430.0 million comprised \$529.1 million of cash and cash equivalents, offset by a non-cash working capital deficiency of \$99.1 million.

During the three month period end March 31, 2012, the Corporation closed its IPO and listed on the SEHK where the Corporation issued 923,299,500 at HK\$4.86 per share raising gross proceeds of HK\$4.5 billion (approximately \$570.0 million). Immediately prior to the IPO closing and listing, the redeemable Class "B" common shares converted to common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO and listing.

The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. The Corporation manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. Thus, exchange rate fluctuations can affect the fair value of future cash flows.

The Corporation had no forward exchange rate contracts in place as at or during the three month period ended March 31, 2012. If exchange rates to convert from HK dollars to Canadian dollars had been \$0.10 higher or lower with all other variables held constant, foreign cash held at March 31, 2012 would have been impacted by approximately \$6,400,000. At March 31, 2012, the Corporation held HK\$3,836,487,882 as cash in the Corporation's Hong Kong bank accounts.

The Corporation's \$529.1 million in cash and cash equivalents as at March 31, 2012, are held in accounts with a diversified group of highly rated third party financial institutions and consist of invested cash and cash in the Corporation's operating accounts. The cash equivalents portion is invested in high grade liquid term deposits. To date, the Corporation has experienced no loss or lack of access to its cash in operating accounts, invested cash or cash equivalents. However, the Corporation can provide no assurance that access to its invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets. While the Corporation monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets.

Cash Flows Summary

| | For the three months ended March 31 | |
|--|--|--------------|
| | 2012 | 2011 |
| Cash used in operating activities | \$ 893,919 | \$ 2,800,545 |
| Cash used in investing activities | 42,395,339 | 43,269,600 |
| Cash generated by financing activities | 480,999,167 | 216,683,556 |
| Increase in cash and cash equivalents | 444,161,076 | 170,613,411 |
| Cash and cash equivalents, beginning of period | 84,957,414 | 41,540,387 |
| Cash and cash equivalents, end of period | 529,118,490 | 212,153,798 |

Operating Activities

Net cash used in operating activities decreased by \$1.9 million to \$0.9 million for the three month period ended March 31, 2012 compared to \$2.8 million for the three month period ended March 31, 2011. Cash flow from operating activities, which was \$8.6 million for the first quarter of 2012 compared to \$1.9 million for the same period 2011, was impacted by the net change in non-cash working capital. During the three month period ended March 31, 2012, the net change in non-cash working capital items resulted in an increase in cash from operating activities of \$7.7 million compared to a decrease of \$0.9 million for the three month period ended March 31, 2011.

Investing Activities

Net cash used for investing activities for the three month period ended March 31, 2012 decreased to \$42.4 million compared to \$43.3 million for the three month period ended March 31, 2011. This decrease of \$0.9 million is primarily attributed to the decrease of \$1.3 million in investing activities for exploration and evaluation assets, offset by a \$0.3 million reduction in interest received and an increase in property and equipment expenditures of \$0.1 million. The decrease in net cash expenditures for exploration and evaluation expenditures is offset by an increase for \$12.0 million in total investing to \$103.2 million, which includes a non cash working capital amount of \$60.8 million in the first quarter of 2012. This compares to total investing of \$91.2 million in exploration and evaluation assets, which includes a non cash working capital amount of \$47.5 million in the first quarter of 2011. Capital investment in the first three months of 2012 has focused on resource delineation and further development at Muskwa and other resource properties as well as the construction of the West Ells access road.

Financing Activities

Financing activities for the three month period ended March 31, 2012, consisted of gross proceeds received from the IPO approximating \$570.0 million, partially offset by \$20.0 million for share issue costs, which includes a payment of \$0.5 million for IPO advisory fee. Net cash provided by financing activities for the three month period ended March 31, 2012, also included \$68.9 million for the payment to repurchase and cancel all warrants issued and outstanding.

On October 18, 2011, the Corporation negotiated and signed an agreement with a non-arm's length lender in which a credit facility for general working capital purposes will be made available of up to a maximum of \$100 million. The credit facility is interest free until May 31, 2012, after which, interest of 5% is due on a semi-annual basis. The loan is unsecured and subordinated and can be repaid at anytime without penalty. The effective date of the agreement is October 31, 2011, and has a term of 2 years from the date of initial drawdown. Amounts drawn on the loan were accounted for as a related party transaction, since a director of the Corporation is also the controlling shareholder of the lending company. During the first quarter of 2012, the Corporation drew and repaid \$30.0 million on the credit facility. As at March 31, 2012, and as at the date of this MD&A, \$Nil is outstanding on this credit facility.

Contractual obligations and commitments

The information presented in the table below reflects management's estimate of the contractual maturities of the Corporation's obligations. These maturities may differ significantly from the actual maturities of these obligations.

As at March 31, 2012, the Corporation's commitments are as follows:

| | Due within the next 12 months | Due in the next 2 to 5 years | Over 5 years |
|--|-------------------------------|------------------------------|----------------------|
| Drilling and other equipment and contracts | \$ 59,183,000 | \$ - | \$ - |
| Lease rentals | 1,625,910 | 6,482,136 | 10,063,500 |
| Office leases ¹ | 1,182,381 | 8,621,010 | 4,305,931 |
| | <u>\$ 61,991,291</u> | <u>\$ 15,103,146</u> | <u>\$ 14,369,431</u> |

1. Office leases only include minimum lease commitments for the first 38 months up to October 31, 2014 for the Hong Kong office lease.

Shares Outstanding

As at May 15, 2012, the Corporation had the following shares issued and outstanding:

| | |
|----------------------------|---------------|
| Class "A" common shares | 2,840,921,435 |
| Class "G" preferred shares | 64,140,000 |
| Class "H" preferred shares | 22,200,000 |

Transactions with related parties

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

- Orient International Resources Group Limited ("Orient") is a private company controlled by Mr. Hok Ming Tseung, a significant shareholder and director of the Corporation. At March 31, 2012, Orient owned approximately 14.01% of the outstanding shares of the Corporation. Orient has provided a credit facility to the Corporation and provides advisory services with respect to various IPO related matters and other strategic topics.
- MJH Services Ltd. ("MJH Services") is a private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors and an Executive Director. MJH Services provides overall operational services to the Corporation.
- 1226591 Alberta Inc. ("1226591 AB Co.") is private company wholly owned by one of Sunshine's Co-Chairmen of the Board of Directors and an Executive Director. 1226591 AB Co. provides overall operational services to the Corporation.
- McCarthy Tetrault LLP ("McCarthy's") is a law firm in which a director of the Corporation is a partner. McCarthy's provides legal counsel to the Corporation.

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

Advisory Fee Agreement (the "Agreement")

During 2010, the Corporation entered into the Agreement with Orient, in which the Corporation has agreed to pay a fee for services to be rendered in connection with an initial filing of an IPO prospectus and listing. The fee is equal to 0.75% of the number of common shares issued and outstanding at the time of the initial filing of an IPO and may be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the Agreement expires January 20, 2013. On March 1, 2012, the Corporation successfully closed its Qualifying IPO and listing on the SEHK. Pursuant to this event, the obligation owing for the advisory fee was recognized and 13,566,395 common shares were issued for \$8,377,723 and cash fee of \$440,933 was paid. The service provider is a company which is controlled by a director who is a principal of a significant shareholder of the Corporation, and who also holds a senior management position with the service provider company.

Credit Facility Agreement (the "Credit Facility Agreement")

The Corporation entered into the Credit Facility Agreement with Orient, a non-arm's length lender, in which a credit facility for general working capital purposes is available of up to a maximum of \$100 million. The credit facility is interest free until May 31, 2012, after which, interest of 5% is due on a semi-annual basis on the outstanding principal. The loan is unsecured and subordinated and can be repaid at anytime without penalty. The effective date of the agreement is October 31, 2011, and has a term of two years from the date of initial drawdown, which was January 13, 2012. Amounts drawn on the loan will be accounted for as a related party transaction since a director of the Corporation is also the controlling shareholder of the lending company. During the three months ended March 31, 2012, the Corporation drew \$30.0 million on the credit facility and subsequently repaid the balance prior to period end. As at March 31, 2012, \$Nil was outstanding on this credit facility.

For the three month period ended March 31, 2012, total finance costs were \$266,090, of which \$29,217 was expensed and \$236,873 was capitalized as the funds are directly attributable to the development of the Corporation's qualifying assets. Upon repayment of the outstanding balance owing on this credit facility, \$266,090 was recorded to Other Reserve due to the related party nature of this transaction.

The Corporation incurred consulting fees, share-based compensation and performance related incentive payments to MJH Services and 1226591 AB Co. of \$0.4 million each, respectively, for the three month period ended March 31, 2012 (three month period ended March 31, 2011 - \$0.4 million each, respectively).

During the period, the Corporation entered into the following trading transactions with McCarthy Tetrault LLP:

| | Three months ended March 31 | | | |
|------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | 2012 | | 2011 | |
| | Sales of goods and services | Purchases of goods and services | Sales of goods and services | Purchases of goods and services |
| Share issue costs | \$ - | \$ 271,331 | \$ - | \$ 115,520 |
| Legal expense | \$ - | \$ 80,733 | \$ - | \$ 83,159 |
| Expense portion of IPO costs | - | 551,444 | - | - |
| | \$ - | \$ 632,177 | \$ - | \$ 83,159 |

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

| | As at March 31, 2012 | As at December 31, 2011 |
|-------|----------------------|-------------------------|
| Legal | \$ 903,508 | \$ 362,903 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense was recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Off-balance sheet arrangements

At March 31, 2012, the Corporation did not have any off-balance sheet arrangements.

Recent accounting pronouncements issued but not yet adopted

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on January 1, 2013. For the purpose of preparing and presenting the Financial Information of the relevant periods, the Corporation has consistently adopted all these new IFRSs for the relevant periods.

At the date of this report, the IASB has not issued any new or revised standards, amendments and interpretations.

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Oil and gas reserves

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

Reserve estimates are critical to many accounting estimates including:

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

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

Bitumen Reserves

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

Recoverability of exploration and evaluation costs

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

Decommissioning costs

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

Share repurchase obligation

The Corporation had a share repurchase obligation pursuant to the accounting treatment required under IAS 32. In order to calculate a value for the share repurchase obligation, the effective interest method was applied which is based on estimates and assumptions to determine the effective interest rate. These effects of a change in these estimates or assumptions could result in a materially different amount.

Share-based payments

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

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Corporation, their potential impact and the Corporation’s principal risk management strategies are substantially unchanged from those disclosed in the Corporation’s MD&A for the year ended December 31, 2011, which is available at www.sedar.com. The 2011 annual report of the Corporation is available at the Company’s website, www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Corporation’s 2011 Annual Information Form is available at www.sedar.com.

Code of Corporate Governance Practice (the “Code”)

The Corporation is committed to maintaining high standards of corporate governance. The Corporation 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.

Since the Corporation became a publicly listed company during the reporting period on March 1, 2012, the Corporation confirms that the Code was complied with following its public listing, save that the Corporation has not entered into formal letter of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Corporation will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis at each annual general meeting, which is consistent with market practice in Canada.

Internal controls over financial reporting

There was no change in the Corporation’s internal controls over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”)

The Corporation confirms that it complied with the Model Code following its public listing.

Purchase, sale or redemption of Sunshine’s listed securities

There was no purchase or redemption of any of the Corporation’s listed securities by the Corporation or its subsidiary during the three month period ended March 31, 2012.

Class “A” Common Shares

On March 1, 2012, the Corporation successfully closed a Qualifying IPO on the SEHK, issuing 923,299,500 shares at HK\$4.86 per share, raising gross proceeds of HK\$4,487,235,570. Pursuant to this event, the Corporation recognized an advisory fee owing for HK\$69,402,821 (approximately \$8,818,656). The obligation was settled through the issuance of 13,566,395 common shares for \$8,377,723 and cash paid of \$440,933.

Immediately prior to the IPO closing and listing, the redeemable Class “B” common shares converted to common shares and the redemption rights of all redeemable common shares were removed with the completion of the Qualifying IPO and listing. In addition, the Corporation’s share repurchase obligation was extinguished and 433,884,300 common shares were reclassified to shareholders’ equity.

Class “G” Preferred Shares

For the three month period ended March 31, 2012, the Corporation issued 830,000 Class “G” preferred shares.

Class “H” Preferred Shares

For the three month period ended March 31, 2012, the Corporation issued Nil Class “H” preferred shares.

Pre-IPO Stock Option Plan

For the three month period ended March 31, 2012, the Corporation granted 1,730,000 stock options at a weighted average exercise price of \$0.48 per stock option. There were also 624,460 forfeitures of stock options during the first quarter period ended March 31, 2012.

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan (the “Post-IPO Stock Option Plan”) dated January 26, 2012, was approved and adopted by shareholders at the Corporation’s Annual General and Special Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Corporation’s listing on the SEHK, March 1, 2012. The maximum number of Class “A” common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. Options granted under the Post-IPO Stock Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of the closing price and the five day average closing price of Class “A” common shares, listed on the SEHK. As at March 31, 2012, no options had been issued under the Post-IPO Stock Option Plan.

Review of interim results

The unaudited condensed interim consolidated financial statements for the Corporation for the three month period ended March 31, 2012, were reviewed by the Audit Committee of the Corporation and the Corporation’s external auditor.

Publication of information on SEDAR, the Stock Exchange of Hong Kong’s website and the Corporation’s website

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



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss*(Expressed in Canadian dollars)**(Unaudited)*

| | Notes | Three months ended March 31 | |
|---|-------|-----------------------------|------------|
| | | 2012 | 2011 |
| Other income | | | |
| Foreign exchange gain | | \$ 6,979,595 | \$ - |
| Interest income | | 81,488 | 425,873 |
| | | 7,061,083 | 425,873 |
| Salaries, consulting and benefits | 7 | 2,452,178 | 1,133,303 |
| Rent | 7 | 261,480 | 94,251 |
| Legal and audit | | 211,233 | 220,537 |
| Depreciation | 8 | 60,374 | 37,362 |
| Share-based payment expense | 13 | 2,217,983 | 1,551,036 |
| Expense portion of IPO costs | | 16,213,418 | - |
| Fair value adjustment on warrants | | - | 36,784,263 |
| Finance costs | 15 | 17,098,169 | 5,323,009 |
| Other | 7 | 876,977 | 468,417 |
| | | 39,391,812 | 45,612,178 |
| Loss before income taxes | | 32,330,729 | 45,186,305 |
| Income tax expense | 11 | - | 1,022,620 |
| Net loss and comprehensive loss for the period attributable to equity holders of the Corporation | | \$ 32,330,729 | 46,208,925 |
| Loss per share | | | |
| Basic and diluted | 16 | \$ 0.02 | \$ 0.03 |

See accompanying notes to the condensed interim consolidated financial statements.

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

| | <u>Notes</u> | <u>As at March 31,</u> <u>2012</u> | <u>As at December 31,</u> <u>2011</u> |
|---|--------------|---------------------------------------|--|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | \$ 529,118,490 | \$ 84,957,414 |
| Trade and other receivables | 5 | 4,004,647 | 3,582,953 |
| Prepaid expenses and deposits | 6 | 1,366,517 | 797,718 |
| | | <u>534,489,654</u> | <u>89,338,085</u> |
| Non-Current Assets | | | |
| Exploration and evaluation | 7 | 499,665,797 | 382,277,258 |
| Property and equipment | 8 | 839,172 | 718,785 |
| Other assets | | - | 3,379,627 |
| | | <u>500,504,969</u> | <u>386,375,670</u> |
| | | <u>\$ 1,034,994,623</u> | <u>\$ 475,713,755</u> |
| Liabilities and Shareholders' Equity | | | |
| Current Liabilities | | | |
| Trade and other payables | 9 | \$ 103,266,215 | \$ 33,365,438 |
| Provisions for decommissioning obligation | 10 | 1,213,600 | 68,365 |
| Fair value of warrants | | - | 63,000,304 |
| | | <u>104,479,815</u> | <u>96,434,107</u> |
| Non-Current Liabilities | | | |
| Share repurchase obligation | 14 | - | 224,362,115 |
| Provisions for decommissioning obligation | 10 | 15,951,962 | 6,331,883 |
| | | <u>15,951,962</u> | <u>230,693,998</u> |
| | | <u>120,431,777</u> | <u>327,128,105</u> |
| Shareholders' Equity | | | |
| Share capital | 12 | 1,019,552,891 | 219,173,885 |
| Reserve for share based compensation | | 33,731,274 | 30,074,070 |
| Deficit | | (138,721,320) | (100,662,305) |
| | | <u>914,562,846</u> | <u>148,585,650</u> |
| | | <u>\$ 1,034,994,623</u> | <u>\$ 475,713,755</u> |

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity*(Expressed in Canadian dollars)**(Unaudited)***For the three months ended March 31, 2012**

| | Notes | **Reserve for share based compensation | Share capital | Deficit | Total |
|---|--------------|---|----------------------|------------------|----------------|
| Balance at December 31, 2011 | | \$ 30,074,070 | \$ 219,173,885 | \$ (100,662,305) | \$ 148,585,650 |
| Net loss and comprehensive loss for the period | | - | - | (32,330,729) | (32,330,729) |
| Recognition of share-based payments | 13 | 3,657,204 | - | - | 3,657,204 |
| Issue of common shares | 12 | - | 569,880,057 | - | 569,880,057 |
| Issue of preferred shares | 12 | - | 415 | - | 415 |
| Reclassification of share repurchase obligation | 14 | - | 247,956,860 | - | 247,956,860 |
| Issue of common shares for services | 18.1 | - | 8,377,723 | - | 8,377,723 |
| Repurchase and cancellation of warrants | 12 | - | - | (5,994,375) | (5,994,375) |
| Recognition of credit on credit facility | 18.1 | - | - | 266,090 | 266,090 |
| Share issue costs, net of deferred tax (\$Nil) | 12 | - | (25,836,049) | - | (25,836,049) |
| Balance at March 31, 2012 | | \$ 33,731,274 | \$ 1,019,552,891 | \$ (138,721,320) | \$ 914,562,846 |

For the three months ended March 31, 2011

| | Notes | **Reserve for share based compensation | Share capital | Deficit | Total |
|---|--------------|---|----------------------|-----------------|----------------|
| Balance at December 31, 2010 | | \$ 17,642,606 | \$ 224,526,472 | \$ (19,736,288) | \$ 222,432,790 |
| Net loss and comprehensive loss for the period | | - | - | (46,208,925) | (46,208,925) |
| Recognition of share-based payments | 13 | 3,083,312 | - | - | 3,083,312 |
| Issue of common shares | 12 | - | 7,469,466 | - | 7,469,466 |
| Common shares issued on a flow-through basis | 12 | - | 6,471,475 | - | 6,471,475 |
| Issue of preferred shares | 12 | - | 4,500 | - | 4,500 |
| Issues of shares under employee share option plan | 12 | - | 19,500 | - | 19,500 |
| Share option transferred on exercise of share options | 12 | (7,250) | 7,250 | - | - |
| Reclassification of fair value of warrants | 12 | (2,277,223) | (20,513,800) | (13,533,477) | (36,324,500) |
| Share issue costs, net of deferred tax (\$136,120) | 12 | - | (401,907) | - | (401,907) |
| Balance at March 31, 2011 | | \$ 18,441,445 | \$ 217,582,956 | \$ (79,478,690) | \$ 156,545,711 |

** Reserve for share based compensation includes recognition of share-based payments on stock options as well as share-based payments on fee warrants.

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows*(Expressed in Canadian dollars)**(Unaudited)*

| | Notes | Three months ended March 31 | |
|--|-------|-----------------------------|-----------------|
| | | 2012 | 2011 |
| Cash flows from operating activities | | | |
| Loss before income taxes | | \$ (32,330,729) | \$ (45,186,305) |
| Finance costs | 15 | 17,098,169 | 5,323,009 |
| Expense portion of IPO costs | | 10,863,418 | - |
| Fair value adjustment on warrants | | - | 36,784,263 |
| Unrealized foreign exchange gain | | (6,451,167) | - |
| Interest income | | (81,488) | (425,873) |
| Depreciation | 8 | 60,374 | 37,362 |
| Share-based payment expense | 13 | 2,217,983 | 1,551,036 |
| | | (8,623,440) | (1,916,508) |
| Movements in working capital | | | |
| Increase in trade and other receivables | 21 | (200,740) | (507,675) |
| Increase in prepaids and deposits | 21 | (568,801) | (79,614) |
| Increase/(decrease) in trade and other payables | 21 | 8,499,062 | (296,748) |
| | | (893,919) | (2,800,545) |
| Cash flows from investing activities | | | |
| Interest received | | 81,488 | 425,873 |
| Payments for exploration and evaluation assets | 21 | (42,296,066) | (43,625,844) |
| Payments for property and equipment | 8 | (180,761) | (69,629) |
| | | (42,395,339) | (43,269,600) |
| Cash flows from financing activities | | | |
| Payment for deferred portion of IPO costs | | - | - |
| Proceeds from issue of preferred shares | | 415 | 4,500 |
| Proceeds from issue of common shares | 12 | 569,880,057 | 14,608,927 |
| Payment for share issue costs and IPO costs | 21 | (19,577,698) | (538,028) |
| Proceeds from share repurchase obligation | 14 | - | 210,000,001 |
| Payment for transaction costs on share repurchase obligation | | - | (7,391,844) |
| Advance from credit facility | 18.1 | 30,000,000 | - |
| Repayment of credit facility | 18.1 | (30,000,000) | - |
| Payment for advisory fee | | (440,933) | - |
| Payment for warrant settlement | | (68,862,674) | - |
| | | 480,999,167 | 216,683,556 |
| Effect of exchange rate changes on cash and cash equivalents held in foreign currency | | | |
| | | 6,451,167 | - |
| Net increase in cash and cash equivalents | | | |
| | | 444,161,076 | 170,613,411 |
| Cash and cash equivalents, beginning of period | | | |
| | | 84,957,414 | 41,540,387 |
| Cash and cash equivalents, end of period | | | |
| | | \$ 529,118,490 | \$ 212,153,798 |

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2012

(Expressed in Canadian dollars, unless otherwise indicated)
(Unaudited)

1. General information

Sunshine Oilsands Ltd. (the "Corporation"), which includes its subsidiary, Fern Energy Ltd. ("Fern"), were incorporated under the laws of the Province of Alberta on February 22, 2007. The address of the Corporation's principal place of business is 1020, 903 - 8 Avenue S.W., Calgary, Alberta, T2P 0P7, Canada. The Corporation's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on March 1, 2012 and trade under the stock code symbol "2012". On January 26, 2012, shareholders of the Corporation authorized the Corporation to complete up to a 25:1 share split. The Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding amounts. All share and stock option information is therefore presented on a post split basis.

The Corporation is engaged in the exploration for, and the development of oil properties for the future production of bitumen in the Athabasca oil sands region in Alberta, Canada.

The Corporation is a development stage company. The continued existence of the Corporation is dependent on its ability to maintain capital funding to further development and to meet obligations. In the event that such capital is not available to the Corporation, it will be necessary to prioritize activities, which may result in delaying and potentially losing business opportunities and cause potential impairment to recorded assets. The Corporation currently anticipates incurring substantial expenditures to further its capital development program.

2. Basis of Preparation

The condensed interim consolidated financial information included in this report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature. This report should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2011. The Corporation prepares its consolidated interim financial statements in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), have been omitted or condensed. Accordingly, these consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2011.

3. Recent accounting pronouncements issued but not yet adopted

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on January 1, 2013. For the purpose of preparing and presenting the Financial Information of the relevant periods, the Corporation has consistently adopted all these new IFRSs for the relevant periods.

At the date of this report, the IASB has not issued any new or revised standards, amendments and interpretations.

4. Cash and cash equivalents

| | March 31, 2012 | December 31, 2011 |
|---------------------------|-----------------------|----------------------|
| Cash | \$ 529,093,490 | \$ 3,906,318 |
| Term deposits | 25,000 | 81,051,096 |
| Cash and cash equivalents | <u>\$ 529,118,490</u> | <u>\$ 84,957,414</u> |

The Corporation's cash equivalents comprises of term deposits which have maturity range of less than one week to three months and an interest rate range of 0.95% to 1.30%.

5. Trade and other receivables

| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|-------------------------------------|-----------------------|--------------------------|
| Trade and other | \$ 2,192,867 | \$ 2,059,968 |
| Goods and Services Taxes receivable | 1,811,780 | 1,522,985 |
| | <u>\$ 4,004,647</u> | <u>\$ 3,582,953</u> |

6. Prepaid expenses and deposits

| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|------------------|-----------------------|--------------------------|
| Prepaid expenses | \$ 931,105 | \$ 344,912 |
| Deposits | 435,412 | 452,806 |
| | <u>\$ 1,366,517</u> | <u>\$ 797,718</u> |

7. Exploration and evaluation assets

| | <u>Intangible Assets</u> | <u>Tangible Assets</u> | <u>Land and Leaseholds</u> | <u>Total</u> |
|---------------------------------|--------------------------|------------------------|----------------------------|-----------------------|
| Cost | | | | |
| Balance, January 1, 2012 | \$ 294,054,419 | \$ 13,568,491 | \$ 74,654,348 | \$ 382,277,258 |
| Additions | 109,143,830 | 7,799,880 | 444,829 | 117,388,539 |
| Balance, March 31, 2012 | <u>\$ 403,198,249</u> | <u>\$ 21,368,371</u> | <u>\$ 75,099,177</u> | <u>\$ 499,665,797</u> |

| | <u>Intangible Assets</u> | <u>Tangible Assets</u> | <u>Land and Leaseholds</u> | <u>Total</u> |
|-----------------------------------|--------------------------|------------------------|----------------------------|-----------------------|
| Cost | | | | |
| Balance, January 1, 2011 | \$ 125,560,650 | \$ 4,056,655 | \$ 68,219,040 | \$ 197,836,345 |
| Additions | 168,493,769 | 9,511,836 | 6,435,308 | 184,440,913 |
| Balance, December 31, 2011 | <u>\$ 294,054,419</u> | <u>\$ 13,568,491</u> | <u>\$ 74,654,348</u> | <u>\$ 382,277,258</u> |

The Corporation is a development stage entity and as a result, no depletion expense has been recorded for any period. During the three month periods ended March 31, 2012 and 2011, the Corporation capitalized the following costs:

| | <u>Three months ended March 31,</u> | | | | | |
|---|-------------------------------------|----------------------------|----------------------|---------------------|----------------------------|---------------------|
| | <u>2012</u> | | | <u>2011</u> | | |
| | <u>Total amount</u> | <u>Capitalized portion</u> | <u>Expensed</u> | <u>Total amount</u> | <u>Capitalized portion</u> | <u>Expensed</u> |
| Share-based payment expense (Note 13.6) | \$ 3,657,204 | \$ 1,439,221 | \$ 2,217,983 | \$ 3,083,312 | \$ 1,532,276 | \$ 1,551,036 |
| Pre-production operating loss | 129,568 | 129,568 | - | 495,600 | 495,600 | - |
| Finance costs (Note 15) | 19,213,530 | 2,115,361 | 17,098,169 | 5,538,696 | 215,687 | 5,323,009 |
| | <u>\$ 23,000,302</u> | <u>\$ 3,684,150</u> | <u>\$ 19,316,152</u> | <u>\$ 9,117,608</u> | <u>\$ 2,243,563</u> | <u>\$ 6,874,045</u> |

During the three month periods ended March 31, 2012 and 2011, the Corporation capitalized the following in general and administrative costs:

| | Three months ended March 31, | | | | | |
|-----------------------------------|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| | 2012 | | | 2011 | | |
| | General and Administrative Costs | Capitalized portion | Expensed | General and Administrative Costs | Capitalized portion | Expensed |
| Salaries, consulting and benefits | \$ 4,534,363 | \$ 2,082,185 | \$ 2,452,178 | \$ 2,141,916 | \$ 1,008,613 | \$ 1,133,303 |
| Rent | 512,228 | 250,748 | 261,480 | 195,835 | 101,584 | 94,251 |
| Other | 1,133,246 | 256,269 | 876,977 | 608,709 | 140,292 | 468,417 |
| | <u>\$ 6,179,837</u> | <u>\$ 2,589,202</u> | <u>\$ 3,590,635</u> | <u>\$ 2,946,460</u> | <u>\$ 1,250,489</u> | <u>\$ 1,695,971</u> |

8. Property and equipment

Computer & Office Equipment

Cost

| | |
|-----------------------------------|---------------------|
| Balance, January 1, 2011 | \$ 776,968 |
| Additions | 430,463 |
| Balance, December 31, 2011 | 1,207,431 |
| Additions | 180,761 |
| Balance, March 31, 2012 | <u>\$ 1,388,192</u> |
| Accumulated Depreciation | |
| Balance, January 1, 2011 | \$ 302,917 |
| Depreciation expense | 185,729 |
| Balance, December 31, 2011 | 488,646 |
| Depreciation expense | 60,374 |
| Balance, March 31, 2012 | <u>\$ 549,020</u> |
| Carrying value, March 31, 2012 | <u>\$ 839,172</u> |
| Carrying value, December 31, 2011 | <u>\$ 718,785</u> |

9. Trade and other payables

| | March 31, 2012 | December 31, 2011 |
|--------------------------------|-----------------------|----------------------|
| Trade and accruals | \$ 101,287,852 | \$ 28,590,297 |
| Other liabilities and accruals | 1,978,363 | 4,775,141 |
| | <u>\$ 103,266,215</u> | <u>\$ 33,365,438</u> |

10. Provisions for decommissioning obligation

At March 31, 2012, the estimated total undiscounted cash flows required to settle asset decommissioning obligations was \$25,592,000. Expenditures to settle asset decommissioning obligations are estimated to be incurred between 2012 and 2037. Decommissioning costs are based on estimated cash flows discounted using an annual risk-free interest rate between 1.11% to 2.53% per annum and inflated using an inflation rate of 2.0% per annum.

| | March 31, 2012 | December 31, 2011 |
|--|----------------------|---------------------|
| Balance, beginning of period | \$ 6,400,248 | \$ 2,169,064 |
| Additional provisions recognised | 10,413,481 | 3,728,617 |
| Effect of changes in the discount rate | 280,460 | 374,004 |
| Unwinding of discount rate and effect | 71,373 | 128,563 |
| | <u>17,165,562</u> | <u>6,400,248</u> |
| Current portion | (1,213,600) | (68,365) |
| Balance, end of period | <u>\$ 15,951,962</u> | <u>\$ 6,331,883</u> |

11. Income taxes

11.1 Income tax recognised in the Statement of Operations

| | Three months ended March 31 | |
|--|-----------------------------|---------------------|
| | 2012 | 2011 |
| Tax expense comprises: | | |
| Tax expense in respect of the current year | \$ - | \$ 919,351 |
| Effect of changes in tax rates and laws | - | 103,269 |
| Total tax expense | <u>\$ -</u> | <u>\$ 1,022,620</u> |

11.2 Deferred tax balances

| March 31, 2012 | Opening Balance | Recognised in loss | Recognised in other comprehensive loss | | Reclassified from equity to loss | Acquisition/ Disposals | Other | Closing Balance |
|--|------------------------|-----------------------|--|-------------|----------------------------------|------------------------|----------------|------------------------|
| | | | Recognised directly in equity | | | | | |
| Temporary differences | | | | | | | | |
| Exploration and evaluation | \$ (32,593,406) | \$ (1,913,060) | \$ - | \$ - | \$ - | \$ - | \$ (2,747,682) | \$ (37,254,148) |
| Property and equipment | (31,476) | 3,445 | - | - | - | - | - | (28,031) |
| Other financial liabilities | 755,155 | (17,844) | - | - | - | - | 2,747,682 | 3,484,993 |
| Share issue expenses | 871,668 | (871,668) | - | - | - | - | - | - |
| | <u>\$ (30,998,059)</u> | <u>\$ (2,799,127)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (33,797,186)</u> |
| Unused tax losses and credits | | | | | | | | |
| Tax losses | 30,998,059 | 2,799,127 | - | - | - | - | - | 33,797,186 |
| Deferred tax assets (liabilities) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| March 31, 2011 | Opening Balance | Recognised in loss | Recognised in other comprehensive loss | | Reclassified from equity to loss | Acquisition/ Disposals | Other | Closing Balance |
|--|------------------------|-----------------------|--|-------------------|----------------------------------|------------------------|-----------------------|------------------------|
| | | | Recognised directly in equity | | | | | |
| Temporary differences | | | | | | | | |
| Exploration and evaluation | \$ (15,458,127) | \$ (7,334,274) | \$ - | \$ - | \$ - | \$ - | \$ (2,761,444) | \$ (25,553,845) |
| Property and equipment | (4,093) | 9,258 | - | - | - | - | - | 5,165 |
| Other financial liabilities | 498,289 | (7,310) | - | - | - | - | 49,417 | 540,396 |
| Share issue expenses | 1,895,725 | (862,978) | - | 134,507 | - | - | - | 1,167,254 |
| | <u>\$ (13,068,206)</u> | <u>\$ (8,195,304)</u> | <u>\$ -</u> | <u>\$ 134,507</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,712,027)</u> | <u>\$ (23,841,030)</u> |
| Unused tax losses and credits | | | | | | | | |
| Tax losses | 12,176,944 | 9,217,925 | - | - | - | - | - | 21,394,869 |
| Deferred tax assets (liabilities) | <u>\$ (891,262)</u> | <u>\$ 1,022,621</u> | <u>\$ -</u> | <u>\$ 134,507</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,712,027)</u> | <u>\$ (2,446,161)</u> |

12. Share capital

On January 26, 2012, shareholders of the Corporation authorized the Corporation to complete up to a 25:1 share split. Prior to closing the IPO, the Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding amounts. All share and stock option information is therefore presented on a post split basis. In addition, the Articles of Incorporation were amended to remove the voting rights from the Class "G" preferred shares.

The Corporation's authorized share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and
- an unlimited number of Class "G" non-voting preferred shares to be issued shall not exceed 10% of the issued and outstanding number of common shares including any common shares that have been authorized for issuance. The authorized number of preferred shares shall not be considered a rolling 10% available number and any preferred shares that are redeemed or converted in accordance with their terms shall permanently reduce the number available; and
- an unlimited number of Class "H" non-voting preferred shares.

Issued capital

| | March 31, 2012 (unaudited) | December 31, 2011 |
|----------------------------|-------------------------------|-----------------------|
| Common shares | \$ 1,019,509,721 | \$ 216,760,629 |
| Class "G" preferred shares | 32,070 | 31,655 |
| Class "H" preferred shares | 11,100 | 11,100 |
| Purchase warrants | - | 2,370,501 |
| Issued capital | <u>\$ 1,019,552,891</u> | <u>\$ 219,173,885</u> |

Common shares

| | March 31, 2012 | | December 31, 2011 | |
|---|----------------------|----------------------|----------------------|--------------------|
| | Number of shares | \$ | Number of shares | \$ |
| 12.1 Fully paid Class "A" common shares | | | | |
| Balance, beginning of period | 1,470,171,240 | \$ 216,760,629 | 1,423,298,640 | \$ 196,318,022 |
| Issued for cash | 923,299,500 | 569,880,057 | 15,432,780 | 7,469,466 |
| Issued for services | 13,566,395 | 8,377,723 | - | - |
| Reclassification of share repurchase obligation | 433,884,300 | 247,956,860 | - | - |
| Repurchase of purchase warrants | - | 2,370,501 | - | - |
| Common shares issued on a flow-through basis | - | - | 13,370,820 | 6,471,476 |
| Exercise of flow-through warrants | - | - | 11,215,000 | 5,293,314 |
| Issue of shares under employee share option plan | - | - | 6,854,000 | 1,263,050 |
| Share option reserve transferred on exercise of stock options | - | - | - | 511,626 |
| Share issue costs | - | (25,836,049) | - | (566,325) |
| Balance, end of period | <u>2,840,921,435</u> | <u>1,019,509,721</u> | <u>1,470,171,240</u> | <u>216,760,629</u> |

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.

On January 4, 2012, the Corporation completed the repurchase and cancellation of all purchase warrants. As a result, 14,412,160 purchase warrants with a value of \$2,370,501 were transferred to common shares.

On March 1, 2012, the Corporation successfully closed a Qualifying IPO on the SEHK, issuing 923,299,500 common shares at HK\$4.86 per share, raising gross proceeds of HK\$4,487,235,570 (approximately \$569,880,057) (Note 14). Pursuant to this event, the Corporation recognized an advisory fee owing (Note 18) of HK\$69,402,821 (approximately \$8,818,656). The obligation was settled through the issuance of 13,566,395 common shares for \$8,377,723 and cash paid of \$440,933.

Also in conjunction with the Qualifying IPO, the balance of \$230,226,167 of the share repurchase obligation (net of transaction costs of \$17,769,848), including 433,884,300 common shares (originally comprised of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares), were reclassified to share capital as the terms of the Subscription Agreements were agreed with the subscription holders to have been met and the share repurchase obligation was extinguished. Prior to closing of the IPO, 144,628,100 Class "B" common shares were exchanged for Class "A" common shares on a one for one basis and then cancelled. Total transaction costs of \$17,769,848, which were netted against the share repurchase obligation, included cash fees paid of \$11,391,611 and \$6,378,237 assigned as fair value of fee warrants issued to finders. The carrying value of these transaction costs was allocated to share issue costs for \$4,718,679. The remainder of \$13,012,014 has been included in finance costs (Note 15) for the three month period ended March 31, 2012.

For the three month period ended March 31, 2012, pursuant to total costs incurred for its IPO, the Corporation recognized an allocation amount of share issue costs of \$21,117,370.

Class "G" preferred shares

The Corporation's Board of Directors has authorized for issuance a maximum of 65,000,000 Class "G" preferred shares. The Class "G" preferred shares are non-voting and were issued at \$0.0005 per Class "G" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

| | March 31, 2012 | | | December 31, 2011 | | |
|------------------------------|----------------------------|-----------|---|----------------------------|-----------|---|
| | Class "G" preferred shares | \$ | Weighted average fair value per share price | Class "G" preferred shares | \$ | Weighted average fair value per share price |
| Balance, beginning of period | 63,310,000 | \$ 31,655 | \$ 0.33 | 54,470,000 | \$ 27,235 | \$ 0.31 |
| Issued | 830,000 | 415 | 0.48 | 10,800,000 | 5,400 | 0.48 |
| Cancelled | - | - | - | (1,960,000) | (980) | 0.46 |
| Balance, end of period | 64,140,000 | \$ 32,070 | \$ 0.33 | 63,310,000 | \$ 31,655 | \$ 0.33 |
| Convertible, end of period | 19,242,000 | \$ 9,621 | \$ 0.33 | - | \$ - | \$ - |

For the three month period ended March 31, 2012, the Corporation issued 830,000 Class "G" preferred shares. The fair value of the Class "G" preferred shares was estimated to be \$0.48 per Class "G" preferred share, using the Black Scholes pricing model with the following assumptions:

| | Three months ended March 31, 2012 |
|--|--------------------------------------|
| Weighted average expected volatility (%) | 75% |
| Risk-free rate of return (%) | 1.1% |
| Expected life (years) | 1.89 - 1.99 |
| Expected forfeitures | Nil |
| Dividends | Nil |

Class "H" preferred shares

The Corporation's Board of Directors has authorized for issuance a maximum of 25,000,000 Class "H" preferred shares. The Class "H" preferred shares were issued at \$0.0005 per Class "H" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

| | March 31, 2012 | | | December 31, 2011 | | |
|------------------------------|----------------------------|-----------|------------------------|----------------------------|-----------|------------------------|
| | Class "H" preferred shares | \$ | Weighted average price | Class "H" preferred shares | \$ | Weighted average price |
| Balance, beginning of period | 22,200,000 | \$ 11,100 | \$ 0.42 | 7,200,000 | \$ 3,600 | \$ 0.28 |
| Issued | - | - | - | 15,000,000 | 7,500 | 0.48 |
| Balance, end of period | 22,200,000 | \$ 11,100 | \$ 0.42 | 22,200,000 | \$ 11,100 | \$ 0.42 |
| Convertible, end of period | 6,660,000 | \$ 3,330 | \$ 0.42 | - | \$ - | \$ - |

For the three month period ended March 31, 2012, the Corporation issued Nil Class "H" preferred shares.

The term, conversion rights and conversion schedule are the same for both the Class "G" and the Class "H" preferred shares. The preferred shares have a term commencing from the date of issue until the date ("expiry date") that is the earlier of the date that is 24 months after the date that the Corporation completes an initial public offering ("IPO") and listing on the SEHK (or other going public transaction or listing as determined and at the sole discretion of the Board of Directors of the Corporation) or December 31, 2013. The Corporation completed its IPO and listing on March 1, 2012.

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

| Time Period | Preferred Shares Conversion Schedule % | Class "G" and "H" Preferred Shares Outstanding | Class "A" Common Shares Issuable on Conversion |
|---|--|--|--|
| Date of issuance to initial public offering (IPO) less a day | 0% | 86,340,000 | - |
| IPO date to 6 months after IPO date less a day | 30% | 86,340,000 | 25,902,000 |
| 6 months after IPO date to 12 months after IPO date less a day | 46% | 86,340,000 | 39,716,400 |
| 12 months after IPO date to 18 months after IPO date less a day | 62% | 86,340,000 | 53,530,800 |
| 18 months after IPO date to 21 months after IPO date less a day | 78% | 86,340,000 | 67,345,200 |
| 21 months after IPO date to 24 months after IPO date | 100% | 86,340,000 | 86,340,000 |
| Expiry Date | 100% | 86,340,000 | 86,340,000 |

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

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

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

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

Warrants

In September 2011, in conjunction with the Corporation's preliminary prospectus filing for an IPO and pursuant to certain conditions and requirements of this filing for a public listing on the SEHK, the Corporation, through its independent directors, commenced negotiations with significant warrant holders, who are also shareholders of the Corporation, to repurchase and cancel all issued and outstanding purchase and fee warrants. The reference price for the repurchase of all warrants was determined by a committee of independent directors of the Corporation.

(a) Purchase warrants

| Purchase warrants | March 31, 2012 | | December 31, 2011 | |
|---------------------------------------|--------------------|--------------|--------------------|---------------|
| | Number of warrants | \$ | Number of warrants | \$ |
| Balance, beginning of period | 14,412,160 | \$ 2,370,501 | 139,132,060 | \$ 22,884,301 |
| Repurchased and cancelled | (14,412,160) | (2,370,501) | - | - |
| Reclassification of purchase warrants | - | - | (124,719,900) | (20,513,800) |
| Balance, end of period | - | \$ - | 14,412,160 | \$ 2,370,501 |

On January 4, 2012, the Corporation completed the repurchase and cancellation of all purchase warrants. For the three month period ended March 31, 2012, the Corporation recognized \$Nil fair value adjustment on the purchase warrants since the fair value of the warrants was based on the settlement amount paid to warrant holders.

(b) Fee Warrants

On January 4, 2012, the Corporation completed the repurchase and cancellation of all fee warrants. For the three month period ended March 31, 2012, the Corporation recognized \$Nil fair value adjustment on the fee warrants since the fair value of the warrants was based on the settlement amount paid to warrant holders.

13. Share-based payments**13.1 Employee stock option plans***Pre-IPO Stock Option Plan:*

The Corporation's pre-IPO stock option plan is for directors, officers, employees, consultants and advisors of the Corporation. The options vest over a period ranging up to three years from the date of grant. Options granted under the Stock Option Plan will have an exercise price that is not less than the price of the most recent private placement, or, if the common shares are listed on a stock exchange, the price which is, from time to time, permitted under the rules of any stock exchange or exchanges on which the Class "A" common shares are then listed.

On September 9, 2010, the 2009 Stock Option Plan dated May 7, 2009 (the "Pre-IPO Stock Option Plan"), was amended, approved, ratified and adopted by shareholders at the Corporation's Annual General and Special Meeting. The amendment increased the maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Pre-IPO Stock Option Plan from 169,289,160 to the greater of 210,000,000 or 10% of the total number of issued and outstanding shares. Following the IPO listing on March 1, 2012, no further options will be issued under the Pre-IPO Stock Option Plan.

13.2 Fair value of stock options granted in the period

The weighted average fair value of the stock options granted for the three month period ended March 31, 2012: \$0.26; (year ended December 31, 2011: \$0.27). Options were priced using the Black Scholes model. From inception of the Corporation to March 31, 2012, the cumulative weighted average fair value per option is \$0.10. 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 behavioural considerations. Expected volatility is based on the historical share price volatility from a peer group of listed companies. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 1%.

The table below details the input variables used in the Black Scholes model to determine the fair value for share-based compensation for the three month period ended March 31, 2012:

| 2012 | Series 35b | Series 35c | Series 36b | Series 36c | Series 37 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Grant date share price (\$) | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 |
| Exercise price (\$) | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 |
| Expected volatility (%) | 77.6 | 77.6 | 77.6 | 77.6 | 77.6 |
| Option life (years) | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Dividend yield (%) | - | - | - | - | - |
| Risk-free interest rate (%) | 0.96 - 1.26 | 0.96 - 1.26 | 0.96 - 1.26 | 0.96 - 1.26 | 0.96 - 1.26 |
| Expected forfeitures (%) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |

13.3 Movements in stock options during the period

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

| | Three months ended March 31, 2012 | | Year ended December 31, 2011 | |
|------------------------------|-----------------------------------|--------------------------------------|------------------------------|--------------------------------------|
| | Number of Options | Weighted Average Exercise Price (\$) | Number of Options | Weighted Average Exercise Price (\$) |
| Balance, beginning of period | 202,958,540 | 0.22 | 189,723,980 | 0.18 |
| Granted | 1,730,000 | 0.48 | 23,313,540 | 0.48 |
| Forfeited | (624,460) | 0.48 | (3,224,980) | 0.40 |
| Exercised | - | - | (6,854,000) | 0.18 |
| Balance, end of period | <u>204,064,080</u> | 0.22 | <u>202,958,540</u> | 0.22 |
| Exercisable, end of period | <u>183,740,233</u> | 0.19 | <u>170,785,520</u> | 0.18 |

The stock options outstanding as at March 31, 2012, had a weighted average remaining contractual life of 1.69 years (December 31, 2011 – 1.92 years).

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan (the “Post-IPO Stock Option Plan”) dated January 26, 2012, was approved and adopted by shareholders at the Corporation’s Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Corporation’s listing on the SEHK, March 1, 2012. The maximum number of Class “A” common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. Options granted under the Post-IPO Stock Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of the closing price and the five day average closing price of Class “A” common shares, listed on the SEHK. As at March 31, 2012, no options had been issued under the Post-IPO Stock Option Plan.

13.4 Share-based compensation

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

| Three months ended March 31, 2012 | | | |
|--|--------------|--------------|--------------|
| | Expensed | Capitalized | Total |
| Stock options | \$ 557,444 | \$ 497,407 | \$ 1,054,851 |
| Preferred shares | 1,660,539 | 941,814 | 2,602,353 |
| | \$ 2,217,983 | \$ 1,439,221 | \$ 3,657,204 |
| Three months ended March 31, 2011 | | | |
| | Expensed | Capitalized | Total |
| Stock options | \$ 702,495 | \$ 731,063 | \$ 1,433,558 |
| Preferred shares | 848,541 | 801,213 | 1,649,754 |
| | \$ 1,551,036 | \$ 1,532,276 | \$ 3,083,312 |

14. Share repurchase obligation

| | March 31, 2012 | December 31, 2011 |
|-------------------------------------|-----------------------|--------------------------|
| Balance, beginning of period | \$ 224,362,115 | \$ - |
| Issue of subscriptions for cash | - | 210,000,001 |
| Transaction costs | - | (17,769,848) |
| Accretion | 5,864,052 | 32,131,962 |
| Reclassification to common shares | (230,226,167) | - |
| Balance, end of period | \$ - | \$ 224,362,115 |

On March 1, 2012, the Corporation successfully closed a Qualifying IPO and listing on the SEHK. Pursuant to this event, the balance of the share repurchase obligation of \$230,226,167 (net of total transaction costs of \$17,769,848), including 433,884,300 common shares comprising of 289,256,200 Class “A” common shares and 144,628,100 Class “B” common shares, has been reclassified to share capital as the terms of the Subscription Agreements were agreed with the subscription holders to have been met and the share repurchase obligation has been extinguished. The Class “B” common shares were surrendered for cancellation and exchanged for Class “A” common shares.

For the three month period ended March 31, 2012, finance costs expensed were \$3,985,564 (2011 - \$5,293,767) and finance costs of \$1,878,488 (2011 - \$215,687) were capitalized as the funds are directly attributable to the development of the Corporation’s qualifying assets.

Of the total transaction costs which were netted against the obligation, \$4,718,679 has been proportionately allocated to share issue costs with the remainder \$13,012,014 expensed for the three month period ended March 31, 2012.

15. Finance costs

| | Three months ended March 31 | |
|---|-----------------------------|---------------------|
| | 2012 | 2011 |
| Finance cost on share repurchase obligation ¹ | \$ 5,864,052 | \$ 5,509,454 |
| Expensed portion of share issue costs ² | 13,012,014 | - |
| Finance cost on credit facility ³ | 266,090 | - |
| Unwinding of discounts on provisions | 71,373 | 29,242 |
| Less: Amounts capitalized in exploration and evaluation assets ⁴ | (2,115,361) | (215,687) |
| | \$ 17,098,169 | \$ 5,323,009 |

1. Finance costs on share repurchase obligation relate to the \$210 million common share subscriptions, which closed in February 2011. These finance costs relate to accretion of the common share subscriptions, which had a share repurchase right, and have been accounted for using the effective interest method (Note 14). During the three months ended March 31, 2012, total finance costs of \$5,864,052 (2011 - \$5,509,454) were recognized, of which \$1,878,488 (2011 - \$215,687) was capitalized in exploration and evaluation assets with the remaining \$3,985,564 (2011 - \$5,293,767) expensed in finance costs. On March 1, 2012, the share repurchase obligation was reclassified to equity (Note 14).

2. For the three months ended March 31, 2012, expensed portion of share issue costs of \$13,012,014 (2011 - \$Nil) relates to the allocation portion of transaction costs incurred in relation to 433,884,300 common shares issued in February 2011 for \$210 million, which were previously netted against the share repurchase obligation (Note 14).

3. During the three month period ended March 31, 2012, the Corporation drew and repaid \$30.0 million on an available \$100.0 million credit facility. The loan was accounted for using the effective interest method (Note 18). During the three month period ended March 31, 2012, total finance costs of \$266,090 (2011 - \$Nil) were recognized, of which \$236,873 (2011 - \$Nil) was capitalized in exploration and evaluation assets with the remaining \$29,217 (2011 - \$Nil) expensed in finance costs.

4. For the three months ended March 31, 2012, amount comprises of \$1,878,488 (2011 - \$215,687) for capitalized portion of finance costs on share repurchase obligation and \$236,873 (2011 - \$Nil) capitalized finance costs on credit facility.

16. Loss per share

The weighted average number for basic Class "A" common shares for the three month period ended March 31, 2012 and 2011 is presented below. 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 Corporation was in a loss position for the periods presented.

| | Three months ended March 31 ¹ | |
|--|--|---------------|
| | 2012 | 2011 |
| Basic - Class "A" common shares ² | 1,922,215,990 | 1,441,441,220 |
| Diluted - Class "A" common shares | 1,922,215,990 | 1,441,441,220 |
| Redeemable Class "A" common shares | - | 289,256,200 |
| Redeemable Class "B" common shares | - | 144,628,100 |
| Class "G" preferred shares | 64,140,000 | 56,470,000 |
| Class "H" preferred shares | 22,200,000 | 14,200,000 |
| Stock Options | 204,064,080 | 194,223,980 |
| Warrants | - | 173,326,200 |

1. On January 26, 2012, shareholders of the Corporation authorized the Corporation to complete up to a 25:1 share split. The Board of Directors of the Corporation concluded that a 20:1 share split was appropriate, increasing the number of common shares, preferred shares and stock options to 20 times their previous outstanding amounts. All share and stock option information is therefore presented on a post split basis.

2. The number of Class "A" common shares presented is the weighted average number of shares for the three month period ended March 31, 2012. Prior to the closing of the IPO on March 1, 2012, 289,256,200 redeemable Class "A" common shares and 144,628,100 redeemable Class "B" common shares were excluded from the weighted average calculation.

3. A total of 320,000 and 1,000,000 Class "G" preferred shares are set to expire in April 2012 and on June 30, 2012, respectively. In accordance with the conversion schedule disclosed in Note 12, these Class "G" preferred shares will be convertible to 96,000 and 300,000, respectively, Class "A" common shares.

17. Financial instruments

17.1 Capital risk management

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

The Corporation's strategy is to access capital, through equity issuances and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Corporation manages its capital structure and makes adjustments relative to changes in economic conditions and the Corporation's risk profile. In order to maintain the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Corporation monitors its working capital in order to assess capital efficiency. The Corporation's capital structure currently includes shareholders' equity and working capital. The Corporation is not subject to any externally imposed financial covenants.

On March 1, 2012, the Corporation successfully closed a Qualifying IPO and listing on the SEHK. Pursuant to this event, the balance of the share repurchase obligation, including 433,884,300 common shares (originally comprised of 289,256,200 Class "A" common shares and 144,628,100 Class "B" common shares), were reclassified as the terms of the Subscription Agreements were agreed with the subscription holders to have been met. All Class "B" common shares were exchanged for Class "A" common shares prior to the closing of the IPO and then were cancelled.

There is no change in the Corporation's objectives and strategies of capital management for the three month period ended March 31, 2012.

The Corporation's capital structure is described below:

| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|--------------------------------------|-----------------------|--------------------------|
| Working capital (surplus)/deficiency | \$ (430,009,840) | 7,096,022 |
| Share repurchase obligation | - | 224,362,115 |
| Shareholders' equity | 914,562,846 | 148,585,650 |
| | <u>\$ 484,553,007</u> | <u>\$ 380,043,787</u> |

17.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3 of the annual consolidated financial statements for the year ended December 31, 2011.

17.3 Categories of financial instruments

| | <u>March 31, 2012</u> | | <u>December 31, 2011</u> | |
|---|-----------------------|----------------|--------------------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents | \$ 529,118,490 | \$ 529,118,490 | \$ 84,957,414 | \$ 84,957,414 |
| Loans and receivables | 4,004,647 | 4,004,647 | 3,582,953 | 3,582,953 |
| Deposits | 435,412 | 435,412 | 452,806 | 452,806 |
| Financial liabilities | | | | |
| Fair value through profit or loss (FVTPL) | - | - | 63,000,304 | 63,000,304 |
| Other liabilities | \$ 103,266,215 | \$ 103,266,215 | \$ 257,727,553 | \$ 257,727,553 |

17.4 Financial risk management

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

17.5 Market risk

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

The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to certain expenditure commitments, deposits, accounts receivable and accounts payable which are denominated in US dollars and/or HK dollars. The Corporation manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. Thus, exchange rate fluctuations can affect the fair value of future cash flows. The Corporation had no forward exchange rate contracts in place as at or during the three month period ended March 31, 2012. If exchange rates to convert from HK dollars to Canadian dollars had been \$0.10 higher or lower with all other variables held constant, foreign cash held at March 31, 2012 would have been impacted by approximately \$6,400,000.

On March 1, 2012, the Corporation listed on the SEHK, closed its IPO and issued 923,299,500 shares at HK\$4.86 per share for gross proceeds of HK\$4,487,235,570. At March 31, 2012, the Corporation held HK\$3,836,487,882 as cash in the Corporation's Hong Kong bank account.

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

17.6 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2012, the Corporation does not have any floating rate debt.

17.7 Credit risk management

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, deposits and receivables and GST receivable. As at March 31, 2012, the Corporation's receivables consisted of 56.9% from oil sale receivables, 42.4% from GST receivable and 0.7% from other receivables.

The Corporation is exposed to credit risk on amounts held in individual banking institutions for balances that are above nominal guaranteed amounts. The Corporation periodically monitors published and available credit information of all its banking institutions.

The Corporation is exposed to credit risk from the Corporation's receivables from purchasers of the Corporation's crude oil. At March 31, 2012, there was no allowance for impairment of accounts receivable and the Corporation did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered past due or impaired. The Corporation considers any amounts in excess of 120 days past due.

17.8 Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or bank debt proceeds. The Corporation expects to settle all trade and other payable within 90 days.

The Corporation utilizes authorizations for expenditures to manage its planned capital expenditures and actual expenditures are regularly monitored and modified as considered necessary.

17.9 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

The fair value of cash, term deposits, trade and other receivables, trade and other payables and accrued liabilities approximate their carrying values due to their short term maturity. The Corporation's financial instruments have been assessed on their fair value hierarchy described below.

18. Related party transactions

Balances and transactions between the Corporation and its subsidiary, who are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

18.1 Trading transactions

The Corporation had transactions with a law firm in which a director of the Corporation is a partner. The Corporation also paid consulting fees to two directors of the Corporation.

During the period, the Corporation entered into the following trading transactions with related parties:

| | Three months ended March 31 | | | |
|------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | 2012 | | 2011 | |
| | Sales of goods and services | Purchases of goods and services | Sales of goods and services | Purchases of goods and services |
| Share issue costs | \$ - | \$ 271,331 | \$ - | \$ 115,520 |
| Legal expense | \$ - | \$ 80,733 | \$ - | \$ 83,159 |
| Expense portion of IPO costs | - | 551,444 | - | - |
| | \$ - | \$ 632,177 | \$ - | \$ 83,159 |

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

| | As at March 31, 2012 | As at December 31, 2011 |
|-------|----------------------|-------------------------|
| Legal | \$ 903,508 | \$ 362,903 |

Advisory Fee Agreement (the "Agreement")

During 2010, the Corporation entered into the Agreement in which the Corporation has agreed to pay a fee for services to be rendered in connection with an initial filing of an IPO prospectus and listing. The fee is equal to 0.75% of the number of common shares issued and outstanding at the time of the initial filing of an IPO and may be settled at the option of the Corporation by either issuing up to 95% of the fee due in common shares plus cash or 100% of the fee due in cash. The term of the Agreement expires January 20, 2013. On March 1, 2012, the Corporation successfully closed its Qualifying IPO and listing on the SEHK. Pursuant to this event, the obligation was settled through the issuance of 13,566,395 common shares for \$8,377,723 and cash paid of \$440,933. The service provider is a company which is controlled by a director who is a principal of a significant shareholder of the Corporation, and who also holds a senior management position with the service provider company.

Credit Facility Agreement (the "Credit Facility Agreement")

The Corporation entered into the Credit Facility Agreement with a non-arm's length lender in which a credit facility for general working capital purposes is available of up to a maximum of \$100 million. The credit facility is interest free until May 31, 2012, after which, interest of 5% is due on a semi-annual basis on the outstanding principal. The loan is unsecured and subordinated and can be repaid at anytime without penalty. The effective date of the agreement is October 31, 2011, and has a term of two years from the date of initial drawdown, which was January 13, 2012. Amounts drawn on the loan will be accounted for as a related party transaction since a director of the Corporation is also the controlling shareholder of the lending company. During the three months ended March 31, 2012, the Corporation drew \$30.0 million on the credit facility and subsequently repaid the balance prior to period end. As at March 31, 2012, \$Nil was outstanding on this credit facility.

The loan is a financial liability and has been classified as other liabilities and recorded at amortised cost, using the effective interest method.

For the three month period ended March 31, 2012, total finance costs were \$266,090, of which \$29,217 was expensed and \$236,873 was capitalized as the funds are directly attributable to the development of the Corporation's qualifying assets. Upon repayment of the outstanding balance owing on this credit facility, \$266,090 was recorded to Other Reserve due to the related party nature of this transaction.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

18.2 Compensation of key management personnel and directors

| | Three months ended March 31 | |
|-------------------------|-----------------------------|---------------------|
| | 2012 | 2011 |
| Salaries and allowances | \$ 368,591 | \$ 214,963 |
| Consulting fees | 225,000 | 225,000 |
| Directors fees | 179,250 | - |
| Bonuses | 5,000,000 | - |
| Share-based payments | 1,732,406 | 1,714,681 |
| | <u>\$ 7,505,247</u> | <u>\$ 2,154,644</u> |

The remuneration of the Co-Chairmen, directors and key executives is determined by the Compensation Committee and approved by the Board of Directors with regard to the performance of individuals and market trends. Key management personnel includes the following executives of the Corporation: President and Chief Executive Officer, Chief Financial Officer and Vice President, Finance, Executive Vice President, Corporate Operations, Chief Operating Officer and Strategic Advisor.

19. Operating lease arrangements

19.1 Payments recognised as an expense

| | Three months ended March 31 | |
|------------------------|-----------------------------|------------|
| | 2012 | 2011 |
| Minimum lease payments | \$ 504,490 | \$ 165,452 |

20. Commitments for expenditure

For the three month period ended March 31, 2012, the Corporation's commitments are as follows:

| | Due within the next 12 | Due in the next 2 to 5 | Over 5 years |
|--|------------------------|------------------------|----------------------|
| | months | years | |
| Drilling and other equipment and contracts | \$ 59,183,000 | \$ - | \$ - |
| Lease rentals | 1,625,910 | 6,482,136 | 10,063,500 |
| Office leases ¹ | 1,182,381 | 8,621,010 | 4,305,931 |
| | <u>\$ 61,991,291</u> | <u>\$ 15,103,146</u> | <u>\$ 14,369,431</u> |

1. Office leases only includes minimum lease commitments for the first 38 months up to October 31, 2014 for the Hong Kong premise lease.

21. Supplemental cash flow disclosures

Non-cash transactions

For the three month period ended March 31, 2012, the Corporation had the following non-cash transactions:

- the settlement of the advisory fee through the issuance of 13,566,395 common shares for \$8,377,723 (Note 18.1);
- the share repurchase obligation has been reclassified to share capital for \$230,226 (Note 12); and
- capitalized general and administrative costs including share-based payments and finance costs (Note 9).

Supplemental cash flow disclosures

| | Three months ended March 31 | |
|---|-----------------------------|----------------------|
| | 2012 | 2011 |
| Cash provided by (used in): | | |
| Trade and other receivables | \$ (421,694) | \$ (4,941,030) |
| Prepaid expenses and deposits | (568,799) | 1,518,304 |
| Trade and other payables | 69,900,777 | 54,122,131 |
| | \$ 68,910,284 | \$ 50,699,405 |
| Changes in non-cash working capital relating to: | | |
| <i>Operating activities</i> | | |
| Trade and other receivables | \$ (200,740) | \$ (507,675) |
| Prepaid expenses and deposits | (568,801) | (79,614) |
| Trade and other payables | 8,499,062 | (296,748) |
| | \$ 7,729,521 | \$ (829,267) |
| <i>Investing activities</i> | | |
| Exploration and evaluation assets | \$ 60,843,951 | \$ 47,528,907 |
| <i>Financing activities</i> | | |
| Share issue costs and IPO costs | \$ 336,811 | \$ 3,999,767 |
| | \$ 68,910,283 | \$ 50,699,407 |

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

| | Three months ended March 31 | |
|--|-----------------------------|----------------------|
| | 2012 | 2011 |
| <i>Reconciliation of:</i> | | |
| Exploration and evaluation assets | \$ 103,140,017 | \$ 91,154,751 |
| Changes in non-cash working capital | (60,843,951) | (47,528,907) |
| Payments for exploration and evaluation assets | \$ 42,296,066 | \$ 43,625,844 |
| <i>Reconciliation of:</i> | | |
| Share issue costs and IPO costs | \$ 19,914,510 | \$ 4,537,795 |
| Changes in non-cash working capital | (336,811) | (3,999,767) |
| Payment for share issue costs and IPO costs | \$ 19,577,698 | \$ 538,028 |

22. Approval of interim consolidated financial statements

The interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 15, 2012.

Appendix to the Condensed Interim Consolidated Financial Statements

Additional Stock Exchange Information

Additional information required by the SEHK and not shown elsewhere in these Condensed Consolidated Interim Financial Statements is as follows:

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

The Corporation's statement of financial position is on a non-consolidated basis which excludes the Corporation's wholly owned subsidiary, Fern.

| | March 31, 2012 | December 31, 2011 |
|--|-----------------------|-----------------------|
| Non-current assets | | |
| Property and equipment | 839,172 | 718,785 |
| Exploration and evaluation assets | 499,622,955 | 382,234,416 |
| Other assets | - | 3,379,627 |
| Investment in subsidiary | 60,000 | 60,000 |
| | <u>500,522,127</u> | <u>386,392,828</u> |
| Current Assets | | |
| Other receivables | 4,003,767 | 3,582,073 |
| Prepaid expense and deposits | 1,366,517 | 797,718 |
| Cash and cash equivalents | 529,111,653 | 84,950,577 |
| | <u>534,481,937</u> | <u>89,330,368</u> |
| Current Liabilities | | |
| Trade and other payables | 103,266,215 | 33,365,438 |
| Provision for decommissioning obligation | 1,213,600 | 68,365 |
| Fair value of warrants | - | 63,000,304 |
| | <u>104,479,815</u> | <u>96,434,107</u> |
| Net current assets (liabilities) | <u>430,002,122</u> | <u>(7,103,740)</u> |
| Total assets less current liabilities | <u>930,524,249</u> | <u>379,289,089</u> |
| Non-current liabilities | | |
| Share repurchase obligation | - | 224,362,115 |
| Provision for decommissioning obligation | 15,951,962 | 6,331,883 |
| | <u>15,951,962</u> | <u>230,693,998</u> |
| Net Assets | <u>\$ 914,572,287</u> | <u>\$ 148,595,091</u> |
| Capital and reserves | | |
| Share capital | 1,019,552,891 | 219,173,885 |
| Reserve for share based compensation | 33,731,274 | 30,074,070 |
| Deficit | (138,711,878) | (100,652,864) |
| | <u>\$ 914,572,287</u> | <u>\$ 148,595,091</u> |

A2. Directors' emoluments and other staff costs

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

| | For the three month period ended March 31, | |
|--|---|---------------------|
| | 2012 | 2011 |
| <u>Directors emoluments</u> | | |
| Directors' fees | \$ 179,250 | \$ - |
| Salaries and allowances | 225,000 | 225,000 |
| Contribution to retirement benefit scheme | - | - |
| Bonuses | 5,000,000 | - |
| Share-based payments | 1,165,469 | 1,059,216 |
| | <u>6,569,719</u> | <u>1,284,216</u> |
| <u>Other staff costs</u> | | |
| Salaries and other benefits | 3,103,294 | 1,846,497 |
| Contribution to retirement benefit scheme | 126,819 | 70,419 |
| Share-based payments | 2,491,735 | 2,024,096 |
| Total other staff costs | <u>5,721,848</u> | <u>3,941,012</u> |
| Total staff costs, including director's emoluments | 12,291,567 | 5,225,228 |
| Less: bonus included with expensed portion of IPO costs | 5,000,000 | - |
| Less: staff costs capitalized in exploration and evaluation assets | 3,072,576 | 2,540,889 |
| | <u>\$ 4,218,991</u> | <u>\$ 2,684,339</u> |

For the three month period ended March 31, 2012, the Corporation accrued a bonus payable to directors of \$5,000,000. The bonus allocation has not yet been established.

Details of the directors' emoluments are as follows:

For the three month period ended March 31, 2012

| Name of Director | Director's Fees | Salaries and allowances | Contribution to retirement benefits schemes | Share based compensation | Performance related incentive payments | Total |
|----------------------|-------------------|-------------------------|---|--------------------------|--|---------------------|
| Michael Hibberd | \$ 20,000 | \$ 112,500 | \$ - | \$ 250,618 | \$ - | \$ 383,118 |
| Songning Shen | 21,000 | 112,500 | - | 250,618 | - | 384,118 |
| Tseung Hok Ming | 18,000 | - | - | 584,729 | - | 602,729 |
| Tingan Liu | - | - | - | - | - | - |
| Haotian Li | 15,000 | - | - | 16,903 | - | 31,903 |
| Kevin Flaherty | - | - | - | 2,011 | - | 2,011 |
| Raymond Fong | 22,000 | - | - | 2,011 | - | 24,011 |
| Zhijan Qin | - | - | - | 2,011 | - | 2,011 |
| Wazir C. (Mike) Seth | 20,250 | - | - | 2,011 | - | 22,261 |
| Greg Turnbull | 20,500 | - | - | 14,365 | - | 34,865 |
| Robert Herdman | 23,500 | - | - | 20,096 | - | 43,596 |
| Gerald Stevenson | 19,000 | - | - | 20,096 | - | 39,096 |
| | <u>\$ 179,250</u> | <u>\$ 225,000</u> | <u>\$ -</u> | <u>\$ 1,165,469</u> | <u>\$ -</u> | <u>\$ 1,569,719</u> |

For the three month period ended March 31, 2011

| Name of Director | Director's Fees | Salaries and allowances | Contribution to retirement benefits schemes | Share based compensation | Performance related incentive payments | Total |
|----------------------|-----------------|-------------------------|---|--------------------------|--|--------------|
| Michael Hibberd | \$ - | \$ 112,500 | \$ - | \$ 255,204 | \$ - | \$ 367,704 |
| Songning Shen | - | 112,500 | - | 255,204 | - | 367,704 |
| Tseung Hok Ming | - | - | - | 336,090 | - | 336,090 |
| Tingan Liu | - | - | - | - | - | - |
| Haotian Li | - | - | - | 175,968 | - | 175,968 |
| Kevin Flaherty | - | - | - | 5,019 | - | 5,019 |
| Raymond Fong | - | - | - | 4,786 | - | 4,786 |
| Zhijian Qin | - | - | - | 4,786 | - | 4,786 |
| Wazir C. (Mike) Seth | - | - | - | 4,786 | - | 4,786 |
| Greg Turnbull | - | - | - | 17,373 | - | 17,373 |
| Robert Herdman | - | - | - | - | - | - |
| Gerald Stevenson | - | - | - | - | - | - |
| | \$ - | \$ 225,000 | \$ - | \$ 1,059,216 | \$ - | \$ 1,284,216 |

A3. Five highest paid individuals

The five highest paid individuals includes four directors of the Corporation and one officer of the Corporation for the three month period ended March 31, 2012 (2011 – two directors and three officers). Since the directors' emoluments are disclosed above, the compensation of the remaining officers for the Corporation is as follows:

| | For the three months ended March 31, | |
|--|---|-------------------|
| | 2012 | 2011 |
| Salaries and other benefits | \$ 127,111 | \$ 159,042 |
| Contributions to retirement benefits schemes | 2,307 | 6,654 |
| Share based compensation | 266,145 | 518,873 |
| Performance related incentive payments | - | - |
| | <u>\$ 395,563</u> | <u>\$ 684,569</u> |

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

| | For the three months ended March 31, | |
|--------------------------------|---|----------|
| | 2012 | 2011 |
| HK\$ nil to HK\$1,000,000 | - | - |
| HK\$1,000,001 to HK\$1,500,000 | - | - |
| HK\$1,500,001 to HK\$2,000,000 | - | - |
| HK\$2,000,001 to HK\$2,500,000 | - | 2 |
| HK\$2,500,001 to HK\$3,000,000 | 2 | 3 |
| HK\$3,000,001 to HK\$3,500,000 | 1 | - |
| HK\$3,500,001 to HK\$4,000,000 | - | - |
| HK\$4,000,001 to HK\$4,500,000 | - | - |
| HK\$4,500,001 to HK\$5,000,000 | - | - |
| HK\$5,000,001 to HK\$5,500,000 | - | - |
| HK\$5,500,001 to HK\$6,000,000 | - | - |
| HK\$6,000,001 to HK\$6,500,000 | - | - |
| HK\$6,500,001 to HK\$7,000,000 | - | - |
| > HK\$7,000,000 | <u>2</u> | <u>-</u> |

For the three months ended March 31, 2012, the conversion factor used in the above table is 1C\$ = 7.771 HK\$ (three months ended March 31, 2011 – 1C\$ = 8.001)