CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2013

(Unaudited)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in thousands of Canadian dollars, except for per share amounts)
(Unaudited)

	Notes	Three months ended March 31, 2013	2012
Other income			
Foreign exchange gain		$ 46	$ 6,980
Interest income		772	81
		818	7,061
Expenses			
Salaries, consulting and benefits		3,052	2,452
Rent		224	262
Legal and audit		177	211
Depreciation	8	104	60
Share-based payment expense	13	2,640	2,218
Expense portion of IPO costs		-	16,214
Finance costs	15	1,741	17,098
Other general administration		1,137	877
		9,075	39,392
Loss before income taxes		8,257	32,331
Income taxes	11	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Corporation		$ 8,257	$ 32,331
Loss per share			
Basic and diluted	16	$ 0.00	$ 0.02

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

(Unaudited)

	Notes		March 31, 2013		December 31, 2012
Assets					
Current Assets					
Cash and cash equivalents	4	$	199,151	$	282,231
Trade and other receivables	5		4,618		2,155
Prepaid expenses and deposits	6		1,353		701
			205,122		285,087
Non-Current Assets					
Exploration and evaluation	7		380,664		366,668
Property and equipment	8		436,902		327,971
			817,566		694,639
		$	1,022,688	$	979,726
Liabilities and Shareholders' Equity					
Current Liabilities					
Trade and other payables	9	$	108,267	$	68,821
Provisions for decomissioning obligation	10		1,163		795
			109,430		69,616
Non-Current Liabilities					
Provisions for decomissioning obligation	10		39,565		39,034
			148,995		108,650
Shareholders' Equity					
Share capital	12		1,001,321		991,798
Reserve for share based compensation			48,746		47,395
Deficit			(176,374)		(168,117)
			873,693		871,076
		$	1,022,688	$	979,726

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes	Reserve for share based compensation**	Share capital	Deficit	Total
		For the three month period ended March 31, 2013			
Balance at December 31, 2012		$ 47,395	$ 991,798	$ (168,117)	$ 871,076
Net loss and comprehensive loss for the period		-	-	(8,257)	(8,257)
Recognition of share-based payments	13	4,039	-	-	4,039
Issue of shares upon exercise of share options	12	-	6,835	-	6,835
Share option transferred on exercise of share options		(2,688)	2,688	-	-
Balance at March 31, 2013		$ 48,746	$ 1,001,321	$ (176,374)	$ 873,693

	Notes	Reserve for share based compensation**	Share capital	Deficit	Total
		For the three month period ended March 31, 2012			
Balance at December 31, 2011		$ 30,074	$ 219,174	$ (100,662)	$ 148,586
Net loss and comprehensive loss for the period		-	-	(32,331)	(32,331)
Recognition of share-based payments	13	3,657	-	-	3,657
Issue of common shares		-	569,880	-	569,880
Reclassification of share repurchase obligation		-	247,957	-	247,957
Issue of common shares for services	18.1	-	8,378	-	8,378
Repurchase and cancellation of warrants		-	-	(5,994)	(5,994)
Recognition of credit on credit facility	18.1	-	-	266	266
Share issue costs, net of deferred tax ($Nil)		-	(25,836)	-	(25,836)
Balance at March 31, 2012		$ 33,731	$ 1,019,553	$ (138,721)	$ 914,563

** 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 thousands of Canadian dollars)
(Unaudited)

	Notes	Three months ended March 31, 2013	2012
Cash flows from operating activities			
Loss before income taxes		$ (8,257)	$ (32,331)
Finance costs		1,741	17,098
Expense portion of IPO costs		-	10,863
Unrealized foreign exchange gain		(46)	(6,451)
Interest income		(772)	(81)
Depreciation		104	60
Share-based payment expense		2,640	2,218
Movements in non-cash working capital	21	693	7,731
Net cash used in operating activities		(3,897)	(893)
Cash flows from investing activities			
Interest received		772	81
Capital investments	21	(85,892)	(42,477)
Net cash used in investing activities		(85,120)	(42,396)
Cash flows from financing activities			
Proceeds from issue of common shares	12	6,835	569,880
Payment for share issue costs		-	(19,577)
Payment for finance costs	21	(944)	-
Payment for advisory fee	18.1	-	(441)
Payment for warrant settlement		-	(68,863)
Net cash provided in financing activities		5,891	480,999
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		46	6,451
Net (decrease)/increase in cash and cash equivalents		(83,080)	444,161
Cash and cash equivalents, beginning of period		282,231	84,957
Cash and cash equivalents, end of period		$ 199,151	$ 529,118

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, 2013
(Expressed in thousands of Canadian dollars, unless otherwise indicated)
(Unaudited)

1. General information

Sunshine Oilsands Ltd. (the “Corporation”) was incorporated under the laws of the Province of Alberta on February 22, 2007. The address of its principal place of business is 1020, 903 - 8 Avenue S.W., Calgary, Alberta, T2P 0P7, Canada. The Corporation’s shares were listed on the Stock Exchange of Hong Kong Limited (“SEHK”) on March 1, 2012 pursuant to an initial public offering (“IPO”) and trades under the stock code symbol of “2012”. On January 26, 2012, shareholders of the 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. On November 16, 2012, the Corporation completed a listing of its common shares on the Toronto Stock Exchange (“TSX”) and trades under the symbol of “SUO”.

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited (“Sunshine Hong Kong”) was incorporated in Hong Kong under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and is a wholly-owned subsidiary of the Corporation. The address of the principal place of business for Sunshine Hong Kong is Unit 8504A, 85/F, International Commerce Centre 1 Austin Road West, Kowloon.

The Corporation is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada. The 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 anticipates incurring substantial expenditures to further its capital development programs.

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, 2012. 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, 2012.

3. New Accounting Pronouncements and Changes in Accounting Policies

The IASB issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Corporation's financial period beginning on January 1, 2013. The Corporation has reviewed new IFRSs and the impact of these standards is noted below.

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

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

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

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

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

4. Cash and cash equivalents

	March 31, 2013	December 31, 2012
Cash	$ 5,181	$ 13,966
Term deposits	193,970	268,265
Cash and cash equivalents	$ 199,151	$ 282,231

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

5. Trade and other receivables

	March 31, 2013	December 31, 2012
Trade	$ 510	$ 297
Accruals and other	960	387
Goods and Services Taxes receivable	3,148	1,471
	$ 4,618	$ 2,155

6. Prepaid expenses and deposits

	March 31, 2013	December 31, 2012
Prepaid expenses	$ 959	$ 276
Deposits	394	425
	$ 1,353	$ 701

7. Exploration and evaluation assets

Balance, December 31, 2011	$	382,277
Capital expenditures		269,348
Non-cash expenditures[1]		41,845
Transferred to PPE		(326,802)
Balance, December 31, 2012		366,668
Capital expenditures		13,500
Non-cash expenditures[1]		496
Transferred to PPE		-
Balance, March 31, 2013	$	380,664

1. Non-cash expenditures include capitalized stock-based compensation, financing costs and decommissioning obligations.

The Corporation is a development stage entity and, as a result, no depletion expense has been recorded for exploration and evaluation assets for any period. During the three months ended March 31, 2013, the Corporation capitalized directly attributable costs including $0.2 million for share-based payment expense (March 31, 2012 - $1.4 million), $0.6 million of pre-production operating loss (March 31, 2012 - $0.1 million), $Nil million of finance costs (March 31, 2012 - $2.1 million) and $0.3 million of general and administrative costs (March 31, 2012 - $2.6 million).

Exploration and evaluation costs are comprised of the following:

		March 31, 2013		December 31, 2012
Intangibles	$	272,020	$	258,664
Tangibles		17,413		17,200
Land and lease costs		91,231		90,804
	$	380,664	$	366,668

8. Property and equipment

		Crude Oil Assets		Corporate Assets		Total
Cost						
Balance, December 31, 2011	$	-	$	1,208	$	1,208
Capital expenditures		-		740		740
Non-cash expenditures[1]		-		-		-
Transferred from E&E		326,802		-		326,802
Balance, December 31, 2012		326,802		1,948		328,750
Capital expenditures		104,700		449		105,149
Non-cash expenditures[1]		3,886		-		3,886
Transferred from E&E		-		-		-
Balance, March 31, 2013	$	435,388	$	2,397	$	437,785
Accumulated Depreciation						
Balance, December 31, 2011	$	-	$	489	$	489
Depreciation expense		-		290		290
Balance, December 31, 2012		-		779		779
Depreciation expense		-		104		104
Balance, March 31, 2013	$	-	$	883	$	883
Carrying value, March 31, 2013	$	435,388	$	1,514	$	436,902
Carrying value, December 31, 2012	$	326,802	$	1,169	$	327,971

1. Non-cash expenditures include capitalized stock-based compensation, financing costs and decommissioning obligations.

At March 31, 2013, the crude oil assets included in the above property and equipment, were not subject to depletion since they are not ready for use in the manner intended by management.

During the three months ended March 31, 2013, the Corporation capitalized directly attributable costs including $1.2 million for share-based payment expense (March 31, 2012 - $Nil) and $2.7 million of general and administrative costs (March 31, 2012 - $Nil).

9. Trade and other payables

	March 31, 2013	December 31, 2012
Trade	$ 8,206	$ 6,815
Accrued liabilities	100,061	62,006
	$ 108,267	$ 68,821

10. Provisions for decommissioning obligations

At March 31, 2013, the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $76.9 million (December 31, 2012 - $73.4 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free interest rate between 1.02% to 2.35% per annum and inflated using an inflation rate of 2.0% per annum.

	March 31, 2013	December 31, 2012
Balance, beginning of period	$ 39,829	$ 6,400
Additional provisions recognised	3,194	32,346
Effect of changes in the discount rate	(3,118)	322
Unwinding of discount rate and effect	823	761
	40,728	39,829
Current portion	(1,163)	(795)
Balance, end of period	$ 39,565	$ 39,034

11. Income taxes

11.1 Income tax recognised in the Statement of Operations

	Three months ended March 31, 2013	2012
Income taxes comprises:		
Tax recovery in respect of the current year	$ -	$ -
Effect of changes in tax rates and laws	-	-
Total income taxes	$ -	$ -

11.2 Deferred tax balances

March 31, 2013	Opening Balance	Recognised in loss	Recognised in other comprehen-sive loss	Recognised directly in equity	Reclassified from equity to loss	Acquisition/ Disposals	Other	Closing Balance
Temporary differences								
Exploration and evaluation	$ (56,087)	$ (18,490)	$ -	$ -	$ -	$ -	$ (9,627)	$ (84,204)
Property and equipment	129	226	-	-	-	-	-	355
Other financial liabilities	9,961	(206)	-	-	-	-	9,627	19,382
Share issue expenses	22,059	15,514	-	-	-	-	-	37,573
	$ (23,938)	$ (2,956)	$ -	$ -	$ -	$ -	$ -	$ (26,894)
Tax losses	23,938	2,956	-	-	-	-	-	26,894
Deferred tax assets (liabilities)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

11.2 Deferred tax balances

March 31, 2012		Opening Balance		Recognised in loss		Recognised in other comprehen-sive loss		Recognised directly in equity		Reclassified from equity to loss		Acquisition/ Disposals		Other		Closing Balance
Temporary differences																
Exploration and evaluation	$	(32,593)	$	(1,913)	$	-	$	-	$	-	$	-	$	(2,748)	$	(37,254)
Property and equipment		(32)		3		-		-		-		-		-		(29)
Other financial liabilities		755		(18)		-		-		-		-		2,748		3,485
Share issue expenses		872		(872)		-		-		-		-		-		-
	$	(30,998)	$	(2,800)	$	-	$	-	$	-	$	-	$	-	$	(33,798)
Unused tax losses and credits																
Tax losses		30,998		2,800		-		-		-		-		-		33,798
Deferred tax assets (liabilities)	$	-	$	-	$	-	$	-	$	-	$	-	$	-	$	-

12. Share capital

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, which 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		As at March 31, 2013		As at December 31, 2012
Common shares	$	1,001,282	$	991,758
Class "G" preferred shares		28		29
Class "H" preferred shares		11		11
Issued capital	$	1,001,321	$	991,798

12.1 Class "A" common shares	As at March 31, 2013 Number of shares		As at March 31, 2013 $	As at December 31, 2012 Number of shares		As at December 31, 2012 $
Balance, beginning of period	2,831,713,161	$	991,758	1,470,171,240	$	216,761
Issued for cash	-		-	923,299,500		569,880
Issued for services	-		-	13,566,395		8,378
Reclassification of share repurchase obligation	-		-	433,884,300		247,957
Repurchase of common shares	-		-	(85,091,500)		(38,731)
Repurchase of purchase warrants	-		-	-		2,371
Conversion of preferred shares	710,000		1	1,450,800		2
Issue of shares upon exercise of share options	38,915,000		6,835	74,432,426		8,052
Share option reserve transferred on exercise of stock options	-		2,688	-		3,124
Share issue costs	-		-	-		(26,036)
Balance, end of period	2,871,338,161		1,001,282	2,831,713,161		991,758

12.2 Class "G" preferred shares

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

	As at March 31,			As at December 31,		
	2013			2012		
	Class "G" preferred shares	$	Weighted average price	Class "G" preferred shares	$	Weighted average price
Balance, beginning of period	60,440,000	$ 29	$ 0.33	63,310,000	$ 31	$ 0.33
Issued	-	-	-	830,000	-	0.48
Converted	(1,300,000)	(1)	-	(3,700,000)	(2)	0.39
Cancelled	(250,000)	-	-	-	-	-
Balance, end of period	58,890,000	$ 28	$ 0.33	60,440,000	$ 29	$ 0.33
Convertible, end of period	36,511,800	$ 18	$ 0.33	27,802,400	$ 14	$ 0.33

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

	Three months ended March 31,	
	2013	2012
Weighted average expected volatility (%)	-	75.00%
Risk-free rate of return (%)	-	1%
Expected life (years)	-	1.89 - 1.99
Expected forfeitures	-	Nil
Dividends	-	Nil

12.3 Class "H" preferred shares

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

	As at March 31,			As at December 31,		
	2013			2012		
	Class "H" preferred shares	$	Weighted average price	Class "H" preferred shares	$	Weighted average price
Balance, beginning of period	22,200,000	$ 11	$ 0.42	22,200,000	$ 11	$ 0.42
Issued	-	-	-	-	-	-
Balance, end of period	22,200,000	$ 11	$ 0.42	22,200,000	$ 11	$ 0.42
Convertible, end of period	13,764,000	$ 7	$ 0.42	10,212,000	$ 5	$ -

13. Share-based payments

13.1 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, 2013		Year ended December 31, 2012	
	Number of Options	Weighted Average Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)
Balance, beginning of period	192,505,688	0.37	202,958,540	0.22
Granted	-	-	70,194,338	0.55
Exercised	(38,915,000)	0.18	(74,432,426)	0.11
Forfeited	(1,831,227)	0.49	(6,214,764)	0.51
Balance, end of period	151,759,461	0.42	192,505,688	0.37
Exercisable, end of period	92,114,023	0.34	129,172,529	0.29

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

13.2 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, 2013

		Expensed		Capitalized		Total
Stock options	$	1,042	$	529	$	1,571
Preferred shares		1,598		870		2,468
	$	2,640	$	1,399	$	4,039

Three months ended March 31, 2012

		Expensed		Capitalized		Total
Stock options	$	557	$	497	$	1,054
Preferred shares		1,661		942		2,603
	$	2,218	$	1,439	$	3,657

14. Credit facility

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

The amount available for draw under the facility depends on the value attributed to the Company's Proved reserves by its independent engineers, while drawdown is subject to, among other things, demonstrating sufficient funding (including draws under the Credit Facility) to complete the West Ells project to a defined stage. Subsequent to period end, the Credit Facility was amended to defer the regular reporting of the sufficient funding test to June 30, 2013.

15. Finance costs

	Three months ended March 31,			
		2013		**2012**
Finance cost on share repurchase obligation [1]	$	-	$	5,864
Expensed portion of share issue costs [2]		-		13,012
Finance cost on related party loan [3]		-		266
Finance costs on credit facility [4]		496		-
Financing related costs [5]		422		-
Unwinding of discounts on provisions		823		71
Less: Amounts capitalized in exploration and evaluation assets [6]		-		(2,115)
	$	1,741	$	17,098

1. There were no finance costs associated with the share repurchase obligation for the three months ended March 31, 2013. Finance costs on share repurchase obligation relate to the $210.0 million common share subscriptions, which closed in February 2011. These finance costs relate to accretion of the common share subscriptions, which had a share repurchase right, and have been accounted for using the effective interest method. During the three months ended March 31, 2012, total finance costs of $5.9 million were recognized, of which $1.9 million was capitalized in exploration and evaluation assets with the remaining $4.0 million expensed in finance costs. On March 1, 2012, the share repurchase obligation was reclassified to equity.

2. There were no share issue costs expensed in the first three months of 2013. For the three months ended March 31, 2012, expensed portion of share issue costs of $13.0 million relates to the allocation portion of transaction costs incurred in relation to 433,884,300 common shares issued in February 2011 for $210.0 million, which were previously netted against the share repurchase obligation.

3. The related party loan was terminated in October 2012; as such, there were no finance costs for the three months ended March 31, 2013. 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 $0.3 million were recognized, of which $0.2 million was capitalized in exploration and evaluation assets with the remaining $0.1 million expensed in finance costs.

4. For the three months ended March 31, 2013, finance costs on Credit Facility of $0.5 million were incurred for standby fees (March 31, 2012 - $Nil).

5. For the three months ended March 31, 2013, financing related costs of $0.4 million are for legal and other professional expenses incurred (March 31, 2012 - $Nil).

6. No finance costs were capitalized for the three months ended March 31, 2013. For the three months ended March 31, 2012, amount consists of $1.9 million for capitalized portion of finance costs on the share repurchase obligation and $0.2 million capitalized finance costs on the credit facility.

16. Loss per share

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

	Three months ended March 31,	
	2013	**2012**
Basic - Class "A" common shares	**2,859,711,450**	1,922,215,990
Diluted - Class "A" common shares	**2,859,711,450**	1,922,215,990
Class "G" preferred shares	**58,890,000**	64,140,000
Class "H" preferred shares	**22,200,000**	22,200,000
Stock Options	**151,759,461**	204,064,080

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.

The Corporation's strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Corporation manages its capital structure and makes adjustments relative to changes in economic conditions and the Corporation's risk profile. In order to manage risk, the Corporation may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Corporation's capital structure currently includes shareholders' equity and working capital as follows:

	March 31, 2013	December 31, 2012
Working capital surplus	$ 95,692	$ 215,471
Shareholders' equity	873,693	871,076
	$ 778,001	$ 655,605

There is no change in the Corporation's objectives and strategies of capital management for the three months ended March 31, 2013. In October 2012, the Corporation negotiated and signed a $200 million Credit Facility (the "Credit Facility") with a syndicate of financial institutions (Note 14). The available amount under the Credit Facility is undrawn at March 31, 2013 and the available amount has been excluded from the capital structure. The Corporation is subject to financial covenants under the terms and conditions of a Credit Facility agreement (Note 14).

17.2 Categories of financial instruments

	March 31, 2013		December 31, 2012	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets				
Cash, loans and other receivables	204,162	204,162	284,811	284,811
Financial Liabilities				
Other liabilities	108,267	108,267	68,821	68,821

17.3 Fair value of financial instruments

The fair value of cash, term deposits, trade and other receivables, trade and other payables and accrued liabilities approximate their carrying values due to their short term maturity. These financial instruments have been assessed on a Level 1 fair value measurement.

Level 1 fair value measurements are based on quoted prices in active markets. Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices. Level 3 fair value measurements are based on unobservable information.

17.4 Financial risk management

Financial risks include market risk (including currency risk, interest rate risk, and price risk), credit risk, liquidity risk and cash flow interest rate risk. The 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 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. Thus, exchange rate fluctuations can affect the fair value of future cash flows. 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. The Corporation had no forward exchange rate contracts in place as at or during the three months ended March 31, 2013. If exchange rates to convert from HK dollars to Canadian dollars had been $0.10 higher or lower with all other variables held constant, foreign cash held at March 31, 2013 would have been impacted by approximately $10,000. At March 31, 2013, the Corporation held approximately HK$6.2 million or $0.8 million using the March 31, 2013 exchange rate of 7.6434, 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 or physical delivery sales contracts.

17.6 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2013, the Corporation does not have any floating rate debt.

The Corporation's cash and cash equivalents consists of cash held in bank accounts and term deposits that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Corporation manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. For the three months ended March 31, 2013, the interest income earned on cash equivalents was between 0.5% and 1.35%.

17.7 Credit risk management

Credit risk is the risk of financial loss to the 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 receivables. As at March 31, 2013, the Corporation's receivables consisted of 68% from Goods and Services Tax receivable, 17% from oil sale receivables and 15% from other receivables (December 31, 2012 – 68% from oil sale receivables, 26% from Goods and Services Tax receivable and 6% from other receivables).

The Corporation's cash and cash equivalents as at March 31, 2013, 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 yield savings and high grade liquid term deposits.

The Corporation is exposed to credit risk from the Corporation's receivables from purchasers of the Corporation's crude oil. At March 31, 2013, 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 (December 31, 2012 - $Nil). The Corporation considers any amounts outstanding 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 risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. The Corporation expects to settle all trade and other payables 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.

18. Related party transactions

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

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,	
	2013	2012
Share issue costs	$ -	$ 271
Legal expense	$ 47	$ 81
Finance fees	165	-
Expense portion of IPO costs	-	551
	$ 212	$ 632

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

	March 31, 2013	December 31, 2012
Legal	$ 89	$ 136

Advisory Fee Agreement (the "Agreement")

During 2010, the Corporation entered into the Agreement in which the Corporation agreed to pay a fee for services to be rendered in connection with an initial filing of an IPO prospectus and listing. On March 1, 2012, the 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 $8.4 million and cash paid of $0.4 million. The service provider is a company which is controlled by a director who is a principal of a significant shareholder of the Corporation, and who also holds a senior management position with the service provider company.

Credit Facility Agreement (the "Credit Facility Agreement")

The Corporation had a Credit Facility Agreement with a non-arm's length lender in which a credit facility for general working capital purposes was available of up to a maximum of $100 million. During the 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. The loan was a financial liability and was classified as other liabilities and recorded at amortised cost, using the effective interest method. For the three month period ended March 31, 2012, total finance costs were $0.3 million, of which $0.1 million was expensed and $0.2 million 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, $0.3 million was recorded to Other Reserve due to the related party nature of this transaction. In the fourth quarter of 2012, this Credit Facility Agreement was terminated.

18.2 Compensation of key management personnel and directors

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

	Three months ended March 31, 2013	2012
Directors' fees	$ 166	$ 179
Salaries and allowances	380	369
Share-based payments	2,256	1,733
Consulting fees	225	225
Performance related incentive payments	-	5,000
	$ 3,027	$ 7,506

19. Operating lease arrangements

Payments recognised as an expense

	Three months ended March 31, 2013	2012
Minimum lease payments	$ 537	$ 505

20. Commitments for expenditure

As at March 31, 2013, 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, equipment and contracts	$ 108,677	$ -	$ -
Lease rentals	1,840	7,225	10,593
Office leases[1]	2,155	8,494	2,278
	$ 112,672	$ 15,719	$ 12,871

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

21. Supplemental cash flow disclosures

Non-cash transactions

For the three month period ended March 31, 2013, the Corporation had the following non-cash transactions:

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

For the three 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 $8.4 million (Note 18.1);
- the share repurchase obligation has been reclassified to share capital for $0.3 million (Note 12); and
- capitalized general and administrative costs including share-based payments and finance costs (Notes 7 and 8).

Supplemental cash flow disclosures

	Three months ended March 31, 2013	2012
Cash provided by (used in):		
Trade and other receivables	$ (2,463)	$ (421)
Prepaid expenses and deposits	(651)	(568)
Trade and other payables	39,450	69,901
	$ 36,336	$ 68,912
Changes in non-cash working capital relating to:		
Operating activities		
Trade and other receivables	$ (474)	$ (200)
Prepaid expenses and deposits	(651)	(568)
Trade and other payables	1,818	8,499
	$ 693	$ 7,731
Investing activities		
Exploration and evaluation assets	$ 35,669	$ 60,844
Financing actitivies		
Share issue costs, IPO costs and finance costs	$ (26)	$ 337
	$ 36,336	$ 68,912
Reconciliation of certain amounts disclosed in the Condensed Interim Consolidated Statements of Cash Flows		
Reconciliation of:		
Exploration and evaluation assets	$ 121,561	$ 103,321
Changes in non-cash working capital	(35,669)	(60,844)
Capital investments	$ 85,892	$ 42,477
Reconciliation of:		
Share issue costs, IPO costs and finance costs	$ 918	$ 19,914
Changes in non-cash working capital	26	(337)
Payment for share issue costs, IPO costs and finance costs	$ 944	$ 19,577

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 14, 2013.

Appendix to the Condensed Interim Consolidated Financial Statements

Additional Stock Exchange Information

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

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

The Corporation's statement of financial position is on a non-consolidated basis which excludes the Corporation's wholly owned subsidiary, Sunshine Hong Kong. The Corporation's wholly owned subsidiary, Fern Energy Ltd., was wound up during the three months ended March 31, 2013.

		March 31, 2013		**December 31, 2012**
Non-current assets				
Property and equipment	$	436,899		327,968
Exploration and evaluation assets		380,622		366,625
Other assets		-		-
Amount due from subsidiaries		406		293
Investment in subsidiaries		-		60
		817,927		694,946
Current Assets				
Other receivables		4,618		2,147
Prepaid expense and deposits		1,344		691
Cash and cash equivalents		199,144		282,230
		205,106		285,068
Current Liabilities				
Trade and other payables		108,229		68,782
Provision for decomissioning obligation		1,163		795
Fair value of warrants		-		-
Borrowings		-		-
		109,392		69,577
Net current assets (liabilities)		95,714		215,491
Total assets less current liabilities		913,641		910,437
Non-current liabilities				
Share repurchase obligation		-		-
Provision for decomissioning obligation		39,565		39,034
Deferred tax liabilities		-		-
		39,565		39,034
Net Assets	$	874,076	$	871,403
Capital and reserves				
Share capital		1,001,321		991,798
Reserve for share based compensation		48,746		47,395
Deficit		(175,991)		(167,790)
	$	874,076	$	871,403

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, 2013	2012
Directors' emoluments		
Directors' fees	$ 166	$ 180
Salaries and allowances	226	226
Contribution to retirement benefit scheme	-	-
Share-based payments	1,532	1,166
Performance related incentive payments	-	5,000
	1,924	6,572
Other staff costs		
Salaries and other benefits	4,951	4,001
Contribution to retirement benefit scheme	161	127
Share-based payments	2,507	2,491
Performance related incentive payments	-	-
	7,619	6,619
Total staff costs, including directors' emoluments	9,543	13,191
Less: bonus included with expensed portion of IPO costs	-	5,000
Less: staff costs capitalized in exploration and evaluation assets	3,851	3,521
	$ 5,692	$ 4,670

Details of the directors' emoluments are as follows:

For the three month period ended March 31, 2013

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	$ 113	$ -	$ 435	$ -	$ 568
Songning Shen	21	113	-	435	-	569
Tseung Hok Ming	14	-	-	586	-	600
Tingan Liu	14	-	-	-	-	14
Haotian Li	13	-	-	13	-	26
Raymond Fong	16	-	-	7	-	23
Wazir C. (Mike) Seth	17	-	-	7	-	24
Greg Turnbull	15	-	-	19	-	34
Robert Herdman	19	-	-	15	-	34
Gerald Stevenson	17	-	-	15	-	32
	$ 166	$ 226	$ -	$ 1,532	$ -	$ 1,924

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	$ 113	$ -	$ 251	$ -	$ 384
Songning Shen	21	113	-	251	-	385
Tseung Hok Ming	18	-	-	585	-	603
Tingan Liu	-	-	-	-	-	-
Haotian Li	15	-	-	17	-	32
Kevin Flaherty	-	-	-	2	-	2
Raymond Fong	22	-	-	2	-	24
Zhijan Qin	-	-	-	2	-	2
Wazir C. (Mike) Seth	20	-	-	2	-	22
Greg Turnbull	21	-	-	14	-	35
Robert Herdman	24	-	-	20	-	44
Gerald Stevenson	19	-	-	20	-	39
	$ 180	$ 226	$ -	$ 1,166	$ -	$ 1,572

A3. Five highest paid individuals

The five highest paid individuals includes three directors of the Corporation and two officers of the Corporation for the three month period ended March 31, 2013 (three months ended March 31, 2012 – three directors and two 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, 2013	2012
Salaries and other benefits	$ 176	$ 186
Contributions to retirement benefits schemes	7	5
Share based compensation	543	352
	$ 726	$ 543

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

	For the three months ended March 31, 2013	2012
HK$ nil to HK$1,000,000	-	-
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	-	-
HK$2,000,001 to HK$2,500,000	-	-
HK$2,500,001 to HK$3,000,000	-	2
HK$3,000,001 to HK$3,500,000	-	1
HK$3,500,001 to HK$4,000,000	-	-
HK$4,000,001 to HK$4,500,000	3	-
HK$4,500,001 to HK$5,000,000	1	1
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	-	-

For the three months ended March 31, 2013, the conversion factor used in the above table is 1C$ = 7.6887 HK$ (three months ended March 31, 2012 – 1C$ = 7.771 HK$)