SUNSHINE OILSANDS LTD.

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

(HKEx: 2012; TSX: SUO)

2015 INTERIM REPORT

MESSAGE TO SHAREHOLDERS

In the second quarter of 2015, Sunshine continued to focus on financing initiatives and on West Ells construction and achieved progress in the following areas:

- Obtained equity commitments for HK$393.6 million (approximately CDN$ 63.3 million as at May 31, 2015)
- Achieved substantial completion of West Ells construction activities;
- Installed all major modules at West Ells site;
- Finished all central processing facility and well pad inspections; and
- Continued with pre-commissioning assessments and start-up preparation activities.

Sunshine currently expects first steam in September of 2015 and first oil production in December of 2015.

Sunshine's Capital Raising and Joint Ventures Activities

During the second quarter, Sunshine obtained equity subscription commitments for HK$393.6 million (approximately CDN$ 63.3 million as at May 31, 2015) priced at HK$0.75 per share. On July 12, 2015, additional equity subscriptions for HK$155.0 million (approximately CDN$ 25.4 million as at July 12, 2015) were obtained at a price of HK$0.61 per share. Closings of these subscriptions are scheduled to commence on August 20, 2015 and be completed by September 30, 2015.

Sunshine has been positively examining opportunities, by various means and through various channels, to secure additional debt capital to fund Phase 2 expansion of West Ells. The target is to raise US$150 million to US$200 million of incremental debt capital. Sunshine is now intensively discussing with several potential investors on possible financing plan and solution in detail.

Summary of Financial Figures

As at June 30, 2015 and December 31, 2014, the Corporation notes the following selected balance sheet figures:

(Canadian $000s)		**June 30, 2015**		**December 31, 2014**
Cash	$	35,179	$	136,097
Current restricted cash and cash equivalents		25,434		23,467
Non-current restricted cash and cash equivalents		-		11,601
Exploration and evaluation assets		379,960		379,403
Property and equipment		789,462		701,736
Total liabilities		314,340		288,044
Shareholders' equity		924,219		972,016

For the second quarter of 2015, the Corporation had a net loss of $19.1 million compared to $8.9 million for the same period in 2014, representing a net loss per share of $0.00 for the 2015 period and $0.00 for the 2014 period.

2015 Outlook

The current board approved schedule for West Ells startup is targeting first steam commencing in September 2015, and first oil production in December 2015.

As at the date of this announcement, construction of the West Ells facilities is substantially complete. Sunshine is fully committed to advancing its corporate initiatives to ensure that West Ells achieves a smooth startup of the Phase 1 facilities and achievement of nameplate capacity of 5,000 bbls/day.

Hong Luo
CEO

Dr. Qi Jiang
President & COO

MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("*Sunshine*" or the "Company") for the three and six month periods ended June 30, 2015 is dated August 12, 2015. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three and six month periods ended June 30, 2015 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Forward-Looking Information

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

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

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

Overview

Sunshine is a major holder and a developer of Athabasca region oil sands resources with approximately 3.6 billion barrels of best estimate contingent resources, 436 million barrels of proved plus probable ("2P") reserves and 602 million barrels of proved plus probable plus possible ("3P"). The Company has significant commercial development potential. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere and the third largest oil resource in the world, with an estimated 169 billion barrels of recoverable resource. Canadian oil sands represent the largest single source of supply of oil imported into the United States.

The Company's focus is on evaluating and developing its oil sands assets with the first significant project targeting an initial production rate of 10,000 barrels per day at West Ells (the "Project"). Phase 1 of West Ells is designed for 5,000 barrels per day while Phase 2 will add an additional 5,000 barrels per day.

As at June 30, 2015, the Company had invested approximately $1.2 billion in oil sands leases, drilling operations, project engineering, procurement and construction, regulatory application processing and other assets. As at June 30, 2015, the Company had $35.2 million in cash and $25.4 million in restricted cash.

Overview (continued)

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

Operational Update

West Ells

Construction of Phase 1 and 2 of Sunshine's West Ells steam assisted gravity drainage ("SAGD") 10,000 barrel per day project was suspended in August 2013. Following the August 2014 debt closing, Sunshine terminated its strategic alternatives review process and refocused on achieving completion of Phase 1, the first 5,000 barrels per day of production from the West Ells Project. For the quarter ended June 30, 2015, the Company achieved progress in the following areas:

- Significant progress in construction activities;
- Installed all major modules at West Ells site;
- Finished all CPF and well pad inspections; and
- Continued pre-commissioning assessment and start-up preparation activities.

Sunshine has progressed the construction phase and expects first steam in September 2015 and first oil production in December 2015.

Thickwood and Legend

The Thickwood and Legend projects are each planned for first phase delivery of 10,000 barrels per day of production. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2015.

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

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

Sunshine is continuing with thermal technology evaluation for potential use in the Muskwa and Godin areas. The first thermal single well pilot project application was submitted in July, 2014, and approved on January 26, 2015. During the final quarter of 2014 Muskwa cold production wells were suspended due to low oil prices.

Non-IFRS Financial Measures

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

These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance

Non-IFRS Financial Measures (continued)

prepared in accordance with IFRS. The non-IFRS measure of cash flow from operations can be reconciled to net cash provided by operating activities, as determined in accordance with IFRS. Cash flow used in operations is a non-GAAP measure that adjusts a GAAP measure (net cash used in operating activities) for changes in non-cash working capital.

Operational and Financial Highlights

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

	For the three months ended June 30,		For the six months ended, June 30	
Financial Highlights	**2015**	**2014**	**2015**	**2014**
Other income	$ (840)	$ 2,864	$ (154)	$ 6,648
Finance costs	9,891	3,279	19,045	5,150
Net loss	19,122	8,897	49,961	13,149
Basic and diluted loss per share	0.00	0.00	0.01	0.00
Payments for exploration and evaluation assets	439	424	639	3,214
Payments for property, plant and equipment	50,983	54,085	94,801	83,499

For the three and six month periods ended June 30, 2015, the Company had a net loss of $19.1 million and $50.0 million compared to $8.9 million and $13.1 million in 2014, respectively. The net loss for the respective three and six month periods ended June 30, 2015 was primarily affected by a foreign exchange gain of $3.2 million and a foreign exchange loss $13.4 million, general administration costs of $4.3 million and $9.6 million, $0.5 million and $1.0 million for share-based payment expense, finance costs of $9.9 million and $19.0 million, losses of $1.1 million and $0.7 million on the fair value adjustment on share purchase warrants and contract provision expense of $6.6 million. For the three and six month periods ended June, 2014, the net loss was primarily attributed to general administration costs of $5.0 and $9.1 million, $0.7 million and $0.8 million for share-based payment expense, finance costs of $3.3 million and $5.2 million, and $2.2 million and $4.0 million of suspension costs, offset by a gain of $2.8 million and $6.6 million on a fair value adjustment on share purchase warrants, respectively for each period.

	June 30, 2015	**December 31, 2014**
Cash	$ 35,179	$ 136,097
Current restricted cash and cash equivalents	25,434	23,467
Non-current restricted cash and cash equivalents	-	11,601
Working capital	37,565	138,249
Total assets	1,238,559	1,260,060
Total liabilities	314,340	288,044

At June 30, 2015, the Company had a cash balance of $60.6 million including restricted cash compared to $171.2 million at December 31, 2014. The decrease of $110.6 million in the cash balance can be primarily attributed to payments of $94.8 million in property, plant and equipment and $9.4 million used in corporate operating activities, $11.2 million for finance costs offset by a gain of $4.3 million on unrealized foreign exchange gain on cash held in foreign currencies. At June 30, 2015, the Company's working capital was $37.6 million, compared to a $138.2 million working capital at December 31, 2014.

Operational and Financial Highlights (continued)

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Net loss	$ (19,122)	$ (8,897)	$ (49,961)	$ (13,149)
Finance costs	9,891	3,279	19,045	5,150
Unrealized foreign exchange loss/ (gain)	(3,160)	471	12,167	421
Contract provision expense	6,600	-	6,600	-
Interest income	(100)	(15)	(410)	(72)
Gain on sale of assets	(174)	-	(174)	-
Fair value adjustment on share purchase warrants	1,114	(2,849)	738	(6,576)
Depreciation	136	175	277	348
Share-based payment expense	528	674	954	845
Employee share savings plan	135	96	267	202
Cash flow used in operations	$ (4,152)	$ (7,066)	$ (10,497)	$ (12,831)

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

Cash flow used in operations in the three and six month periods ended June 30, 2015 totalled $4.2 million and $10.5 million compared to $7.1 million and $12.8 million for the same period in 2014. For the three month period ended June 30, 2015, the decrease of $2.9 million compared to the same period in 2014, is primarily due to an a decrease in legal and audit expenses of $0.7 million and a decrease in suspension costs, related to the West Ells project, of $2.2 million. For the six month period ended June 30, 2015, the decrease in cash flow used in operations of $2.3 million is primarily due to an increase in salaries, consulting and benefits of $1.6 million offset by a decrease in suspension costs, related to the West Ells project, of $4.0 million. After the construction on the West Ells project recommenced in Q3, 2014, staff levels increased and suspension costs decreased as suspension ended.

Summary of Quarterly Results

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

('000s except for per share amounts)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Other income	(840)	686	401	6,465	2,393	3,834	661	118
Finance costs	9,891	9,154	8,735	2,031	3,279	1,871	743	1,475
Net loss for the period	19,122	30,839	12,280	1,337	8,897	4,253	7,515	8,681
Loss per share	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Capital investments	51,422	44,018	27,510	31,987	54,509	32,204	42,701	53,324

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Finance Expense

	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Interest expense on senior notes	$ 6,147	$ -	$ 12,352	$ -
Amortization of financing transaction costs and discount	3,549	-	6,225	-
Financing related costs/(recovery)	(48)	3,098	(45)	4,789
Unwinding of discounts on provisions	243	181	513	361
	$ 9,891	$ 3,279	$ 19,045	$ 5,150

For the three month period ended June 30, 2015, finance expense increased by $6.6 million primarily as a result of $6.1 million interest expense on the US$200 million senior secured notes (the "Notes"), $3.5 million of amortization of financing transaction costs on the Notes, an increase of $0.1 million on unwinding of discounts on provisions compared to the same period in 2014 offset by a decrease of $3.1 million in finance related costs. Finance expense for the six month period ended June 30, 2015 increased by $13.9 million primarily as a result of $12.4 million interest expense on the Notes, $6.2 million of amortization of financing transaction costs on the Notes, an increase of $0.1 million on unwinding of discounts on provisions compared to the same period in 2014, offset by a decrease of $4.8 million in finance related costs.

General and Administrative Costs

For the three months ended June 30,	2015 Total	2015 Capitalized	2015 Expensed	2014 Total	2014 Capitalized	2014 Expensed
Salaries, consulting and benefits	$ 3,537	1,350	2,187	$ 2,850	1,132	1,718
Rent	573	228	345	566	249	317
Legal and audit	591	-	591	1,333	-	1,333
Other	1,188	34	1,154	1,652	60	1,592
	$ 5,889	1,612	4,277	$ 6,401	1,441	4,960

For the six months ended June 30,	2015 Total	2015 Capitalized	2015 Expensed	2014 Total	2014 Capitalized	2014 Expensed
Salaries, consulting and benefits	$ 7,683	2,746	4,937	$ 6,305	3,012	3,293
Rent	1,157	466	691	1,135	513	622
Legal and audit	949	-	949	2,060	-	2,060
Other	3,067	70	2,997	3,197	109	3,088
	$ 12,856	3,282	9,574	$ 12,697	3,634	9,063

General and administrative expense, which include salaries, consulting and benefits, rent, legal and audit, and other general administrative costs, for the three month period ended June 30, 2015 decreased by $0.7 million to $4.3 million compared to $5.0 million for the same period in 2014. The decrease is primarily a result of an increase in salaries, consulting and benefits of $0.5 million, compared to the same period in 2014, offset by decreases in other costs of $0.4 million and legal and audit costs of $0.7 million. For the six month period ended June 30, 2015, general and administrative expense increased by $0.5 million to $9.6 million compared to $9.1 million for the same period in 2014. The increase is primarily a result of an increase in salaries, consulting and benefits of $1.6 million, compared to the same period in 2014 and offset by a decrease in legal and audit costs of $1.1 million. During the three and six month periods ended June 30, 2015, the Company capitalized salaries, consulting and benefits, rent and other general administrative costs related to capital investment of $1.6 million and $3.3 million compared to $1.4 million and $3.6 million for the same period in 2014, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contract provision

During the three and six month periods ended June 30, 2015, the Company recognized a full liability provision related to obligations under a drilling rig contract of $6.6 million (December 31, 2014 - $ Nil). The provision represents the maximum payments required if the drilling rig is not utilized over the remaining term of the contract, which ends in the fourth quarter of 2016. Based on current market conditions and low utilization rates for drilling rigs, management concluded the future benefits of the contract are not currently quantifiable to offset its obligations under the contract. In future periods if the drilling rig is utilized the provision will be adjusted accordingly.

Share-based payments

	For the three months ended June 30,					
	2015			2014		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	900	372	528	729	55	674

	For the six months ended June 30,					
	2015			2014		
	Total amount	Capitalized portion	Expensed	Total amount	Capitalized portion	Expensed
Share-based payments expense	1,589	635	954	702	(143) [1]	845

1. Reflects a reversal of share based payment expense previously recognized prior to the vesting date due to forfeitures of stock options in the period

Share-based compensation expense for the three and six month periods ended June 30, 2015 was $0.5 million and $1.0 million compared to $0.7 million and $0.8 million for the same period in 2014, respectively. The fair value of share-based payments associated with the granting of stock options is recognized by the Company in its consolidated financial statements. Fair value is determined using the Black-Scholes option pricing model.

The Company capitalizes a portion of the share-based compensation expense using the same methodology associated with capitalized salaries and benefits. For the three and six month periods ended June 30, 2015, the Company capitalized $0.4 million and $0.6 million, compared to $0.1 million and $(0.1) million of share-based payments for the same period in 2014.

Other Income

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Interest income	$ 100	$ 15	$ 410	$ 72
Gain on sale of assets	174	-	174	-
Fair value adjustment on share purchase warrants	(1,114)	2,849	(738)	6,576
	$ (840)	$ 2,864	$ (154)	$ 6,648

Other income for the three month period ended June 30, 2015 decrease by $3.8 million to $(0.9) million from $2.9 million and for six month period ended June 30, 2015 decrease by $6.8 million to $(0.2) million from $6.6 million for the same period in 2014. The change was primarily due to a fair value adjustment on share purchase warrants of $(1.1) million and $(0.7) million compared to $2.8 million and $6.6 million for the same period in 2014 offset by increases in interest income of $0.1 million and $0.3 million and gain on sale of assets $0.2 million and $0.2 million. The decrease in fair value gain on share purchase warrants for the three and six month periods ended June 30, 2015, is due to the increase in the Company’s stock price and a reduction in the time to expiry since Q1, 2014.

Depreciation

Depreciation expense was $0.1 million for the three month period ended June 30, 2015 compared to $0.2 million for the same period in 2014. For the six month period ended June 30, 2015, depreciation expense was $0.3 million compared to $0.3 million for the same period in 2014. Since the Company is a development stage company, its oil assets are not yet ready for use and therefore, not subject to depletion and depreciation.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, as at June 30, 2015 and December 31, 2014. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At June 30, 2015, the Company had total available tax deductions of approximately $1.2 billion, with unrecognized tax losses that expire between 2028 and 2034.

Liquidity and Capital Resources

		June 30, 2015		December 31, 2014
Working capital surplus[1]	$	(37,565)	$	(138,249)
Senior secured notes		232,652		210,050
Shareholders' equity		930,819		972,016
	$	1,125,906	$	1,043,817

1. Included in working capital surplus at June 30, 2015, is restricted cash of $25.4 million (December 31, 2014, $35.1 million). Refer to Note 4 "cash and cash equivalents" in the condensed interim consolidated financial statements for additional disclosure on restricted cash.

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the "Notes") at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and have a final maturity date of August 1, 2017.

If by February 1, 2016, the Company has not: (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited in escrow, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield maintenance premium, then the final maturity date of the Notes shall be August 1, 2016. The Company is required to pay to the holders of any Notes outstanding on August 1, 2016 a yield maintenance premium of 7.298% of the aggregate principal amount of Notes. If the Notes are outstanding at August 1, 2017, there will be an exit premium paid of 7.298% on the aggregate principal amount of the Notes outstanding.

The Notes are senior secured obligations over the Company's assets. Transaction costs in relation to the issuance of the Notes were $11.9 million. Transaction costs are capitalized against the long term debt and amortized using the effective interest rate method. The effective annualized interest rate for the six months ended June 30, 2015, was 16.9% which includes interest and amortization of the applicable financing costs and discount. The Notes are redeemable by the Company at any time prior to maturity. Prior to August 1, 2015, Notes are redeemable at par plus applicable premium payment calculated to August 1, 2015. Thereafter, the Notes are redeemable subject to the payment of principal amount plus the applicable call premiums to the holders of the Notes ranging from zero to 7%.

Upon change of control of the Company, the Notes require the Company to make an offer of repayment in cash equal to 101% of the aggregate principal amount of the Notes outstanding plus the applicable accrued and unpaid interest. No value was ascribed to the repayment option as the fair value of this option was not significant at the date of issue and as at June 30, 2015.

The Notes contain various non-financial covenants which, among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires standard reporting in line with a reporting issuer on the TSX and includes timely reporting of material changes. The Company is in compliance with all covenants under the Notes as at June 30, 2015.

Liquidity and Capital Resources (continued)

As at June 30, 2015, US$20 million of proceeds from the Notes are held in a separate escrow account with a trustee. These funds are restricted to cover the second and third interest payments. Interest payments are payable semi-annually on February 1 and August 1 of each year.
Working capital surplus as at June 30, 2015 of $37.6 million is comprised of $60.6 million of cash including restricted cash, offset by a non-cash working capital deficiency of $23.0 million. The Company's strategy is to access sufficient capital, through equity issuances, monetization, joint ventures and the utilization of debt, in order to maintain a capital base that properly supports the objectives of maintaining financial flexibility and of sustaining future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company's liquidity may be adversely affected if the Company's access to the capital markets is hindered, either as a result of financial market conditions generally or as a result of conditions specific to the Company.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of West Ells, successful completion of financing or monetizing assets. There is no certainty that these and other strategies will be successful.

For the three and six month periods ended June 30, 2015, the Company reported a net loss of $19.1 million and $50.0 million, respectively. At June 30, 2015, the Company had positive working capital of $37.6 million and an accumulated deficit of $277.6 million.

The Company's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 25% for the six month period ended June 30, 2015, compared to 7% in the same period in 2014.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long-term debt, which is denominated in US dollars.

For the three and six month periods ended June 30, 2015, the Company had a foreign exchange gain of $3.2 million and $13.4 million loss compared to $0.5 million and $0.5 million loss in the same period in 2014. The change in foreign exchange for three month periods ended June 30, 2015, was primarily due to $3.9 million unrealized gain on translation of the US denominated senior secured notes offset by $0.8 million unrealized loss on US denominated cash balances. The increase in foreign exchange loss for six month periods ended June 30, 2015, was primarily due to $16.4 million unrealized loss on translation of the US denominated senior secured notes offset by $4.3 million unrealized gain on US denominated cash balances.

The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three and six month periods ended June 30, 2015. If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2015 would have been impacted by approximately $0.4 million. At June 30, 2015, the Company held approximately US$35.4 million or $44.2 million using the June 30, 2015 exchange rate of 1.2474, as cash in the Company's US bank account.

The Company's $35.2 million in unrestricted cash as at June 30, 2015, is held in accounts with third party financial institutions consisting of cash in the Company's operating accounts. Cash is also held by the Company's legal counsel, within a trust account established by the Company for general corporate matters. To date, the Company has experienced no loss or lack of access to its cash in operating accounts. However, the Company

Liquidity and Capital Resources (continued)

can provide no assurance that access to its invested cash will not be affected by adverse conditions in the financial markets or actions of creditors. While the Company monitors the cash balances in its operating and investment accounts and adjusts the cash balances as appropriate, these cash balances could be affected if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets. The Company had $25.4 million in restricted cash as at June 30, 2015, held in two treasury notes.

Cash Flows Summary

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Cash used in operating activities	$ (3,830)	$ (9,225)	$ (9,361)	$ (22,830)
Cash used in investing activities	(50,763)	(54,494)	(85,396)	(86,641)
Cash generated/(used) by financing activities	671	75,248	(10,415)	118,474
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(758)	(471)	4,254	(421)
Net (decrease) / increase in cash	(54,680)	11,058	(100,918)	8,582
Cash and cash equivalents, beginning of period	89,859	13,378	136,097	15,854
Cash and cash equivalents, end of period	$ 35,179	$ 24,436	$ 35,179	$ 24,436

Operating Activities

Net cash used for operating activities for the three and six month periods ended June 30, 2015 was $3.8 million and $9.4 million compared to cash used of $9.2 million and $22.8 million in 2014, a change of $5.4 million and $13.4 million, respectively. Net cash used for operating activities includes movement in working capital of $0.3 million and $1.1 million for the three and six month periods ended June 30, 2015 compared to movement of $(2.2) million and $(10.0) million for the same period in 2014.

Investing Activities

Net cash used for investing activities for the three month period ended June 30, 2015 decreased by $3.7 million to $50.8 million compared to $54.5 million for the three month ended June 30, 2014. For the six month period ended June 30, 2015 net cash used for investing activities decreased by $1.2 million to $85.4 million compared to $86.6 million for the six month period in 2014. The decrease was primarily due to payments for property, plant and equipment for the three month ended June 30, 2015 of $51.0 million, related to the West Ells project, a decrease of $3.1 million from the same period in 2014. The decrease was primarily due to payments for property, plant and equipment for the six month ended June 30, 2015 of $94.8 million, related to the West Ells project, an increase of $11.3 million from the same period in 2014, partially offset by a change in restricted cash of $9.6 million due to the first interest payment on the Notes.

Financing Activities

Net cash generated for financing activities for the three month periods ended June 30, 2015 totalled $0.8 million, which consisted of proceeds from sale of assets of 0.5 million and proceeds from issue of common shares of $0.2 million. Financing activities for the six month periods ended June 30, 2015 used $10.4 million, which consisted of payment for finance costs of $11.2 million, offset by proceeds from issue of common shares of $0.3 million. Financing activities for the three and six month periods ended June 30, 2014 generated cash of $75.2 million and $118.5 million, which consisted of proceeds received from private placements completed of $75.4 million and $119.1 million offset by $0.2 million and $0.9 million of share issue and finance related costs paid in the period.

Commitments and contingencies

Information presented in the table below reflects management's estimate of the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. As at June 30, 2015, the Company's estimated commitments are as follows:

	Total	2015	2016	2017	2018	2019	There after
Repayment of long-term debt[1]	$ 249,480	$ -	$ 249,480	$ -	$ -	$ -	$ -
Interest payments on long-term debt[2]	37,422	12,474	24,948	-	-	-	-
Drilling, other equipment and contracts	11,913	7,474	4,269	134	36	-	-
Lease rentals[3]	9,462	618	1,194	1,176	1,176	1,169	4,129
Office leases	10,667	1,509	3,018	2,885	2,604	651	-
	$ 318,944	$ 22,075	$ 282,909	$ 4,195	$ 3,816	$ 1,820	$ 4,129

1. Principal amount of Notes based on the period end exchange rate of $1 US = 1.2474 CDN and a maturity date of August 1, 2016, as the conditions to extend to August 1, 2017, have not yet been satisfied.
2. Based on 10% per annum and a maturity date of August 1, 2016, at the period exchange rate of $1 US = 1.2474 CDN.
3. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

Following suspension of construction at the Company's West Ells SAGD project in August 2013, many suppliers, following normal practice in Canada, placed builders' liens on the West Ells property to secure past due and unpaid invoices. Through the normal course of business, the Company recorded the unpaid invoices in trade and accrued liabilities.

During 2014 the Company raised equity funds and completed additional financing, through the $20 million sale of assets and the issuance of US$200 million Senior Secured notes, to enable it to meet these obligations and clear up these issues and continue developing its business. The Company obtained discharge of outstanding liens by October 7, 2014, thus satisfying the condition in the Notes. The aggregate value of the claims outstanding against Sunshine related to disputed claims for payment for unpaid invoices was approximately $1.3 million as at June 30, 2015. Sunshine continues to work toward resolution of these claims.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require Sunshine to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the share subscription agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. Management considers the Action to be unfounded. No amounts have been accrued in the consolidated financial statements for the six month period ended June 30, 2015 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

Transactions with related parties

Balances and transactions between the Company and its subsidiary, which is a related party, have been eliminated on consolidation. There were no other transactions between the Company and related parties for the six month period ended June 30, 2015.

Transactions with related parties (continued)

During the year ended December 31, 2014 the Company had transactions, totaling $1.5 million, with a law firm in which Mr. Turnbull, a former director of the Company, is a partner. Mr. Turnbull was a director until the time of his resignation on November 28, 2014. On this date the law firm ceased to be a related party of the Company. The legal costs incurred were in the normal course of operations and were based on the exchange value of the services provided, which approximates those amounts of consideration with third parties.

Off-balance sheet arrangements

The Company has certain lease agreements which are reflected in the table above under the heading “Commitments and contingences”. No asset or liability value was assigned to these agreements on the Company’s balance sheet. As at June 30, 2015, the Company did not have any other off-balance sheet arrangements.

Subsequent events

Private placements under specific mandate

On May 31, 2015, the Company entered into subscription agreements pursuant to which subscribers agreed to subscribe, and the Company agreed to allot and issue, an aggregate of 524,734,210 subscription shares at the price of HK$0.75 (approximately CDN$0.12 on May 31, 2015), for aggregate cash consideration of HK$393,550,658 (approximately CDN$ 63.3 million on May 31, 2015). The subscription shares will be issued pursuant to the specific mandate approved by independent shareholders at a special general meeting of shareholders (the “SGM”) held on July 20, 2015.

On July 27, 2015, the Company entered into subscription amending agreements with subscribers to extend the closing schedule of subscription shares. Pursuant to the terms of the subscription amending agreements, the first closing will be completed on August 20, 2015 for an aggregate of 111,214,210 shares (approximately CDN$ 13.4 million). The remaining 413,520,000 shares (approximately CDN$ 49.9 million) will be closed in one or more tranches after August 20, 2015, with the last tranche closing no later than September 30, 2015.

Private placements under general mandate

On July 12, 2015, the Company entered into subscription agreements for an aggregate total of 254,144,262 class “A” common shares for gross proceeds of HK$155.0 million (approximately CDN$ 25.4 million on July 12, 2015).

Completion of the private placement will take place on August 25, 2015 (or such date as the Company may agree).

The July 12, 2015, private placements do not require the approval of the Company’s shareholders as the common shares under the placements will be allotted and issued under the general mandate.

New accounting pronouncements and changes in accounting policies

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), amendments and related Interpretations ("IFRIC") (hereinafter collectively referred to as the "New IFRSs"), which are effective for the Company's financial period beginning on January 1, 2018. The Company has reviewed new and revised accounting pronouncements that have been issued. The impact of these standards are disclosed in Note 3, “new accounting pronouncements and changes in accounting policies” in the condensed interim consolidated financial statements.

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Going concern

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

Joint Control

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

Oil and gas reserves

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

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

Reserve estimates are critical to many accounting estimates including:

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

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

Critical accounting judgments and key sources of estimation uncertainty (continued)

Impairment of non-financial assets

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

Recoverability of exploration and evaluation costs

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

Decommissioning costs

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

Share purchase warrants

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

Share-based payments

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

Fair Value Measurement

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

Deferred income taxes

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

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2014, which is available at www.sedar.com. The 2014 annual report of the Company is available at the Company's website, www.sunshineoilsands.com, and the website of the HKEX, www.hkexnews.hk. The Company's 2014 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures

Michael Hibberd, Vice-Chairman of the Board (acting in the capacity of Chief Executive Officer at June 30, 2015) and Qiping Men, Interim Chief Financial Officer, have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Vice-Chairman and Interim CFO by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

Michael Hibberd, Vice-Chairman of the Board (acting in the capacity of Chief Executive Officer at June 30, 2015) and Qiping Men, Interim Chief Financial Officer, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Company used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

No material changes in the Company's ICFR were identified during the three and six month periods ended June 30, 2015 that have materially affected, or is reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

Additional Stock Exchange Information

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

Code of Corporate Governance Practice (the "Code")

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

Code of Corporate Governance Practice (the "Code") (continued)

The Company confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the HKEX (the "Hong Kong Listing Rules"), has been complied with following its public listing, save that the Company has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4 of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis by the shareholders of the Company at each annual general meeting, which is consistent with the market practice in Canada. The Company has deviated from Code Provision A.5.1 which provides that the Company's Corporate Governance Committee should be chaired by the Chairman of the Board or an Independent Non-Executive Director and comprised of a majority of Independent Non-Executive Directors. The Corporate Governance Committee is chaired by the Vice-Chairman and is comprised of two Non-Executive Directors and two Independent Non-Executive Directors.

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

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

Purchase, sale or redemption of Sunshine's listed securities

Class "A" Common Shares

During the six month period ended June 30, 2015, the Company did not issue any Class "A" common shares in private placements.

During the three and six month periods ended June 30, 2015, the Company issued 1,998,388 and 5,121,840 Class "A" common shares, from the Company's employee share savings plan for gross proceeds of $0.3 million and $0.5 million.

At the Annual and Special Meeting of Shareholders of the Company held on June 25, 2014, shareholders approved the option of payment of 50% of the directors' base retainer fees to the directors in shares in lieu of cash in respect of the period from October 1, 2013 to June 25, 2014 and future base retainer fees. Shareholders also approved the option of payment of 50% of the base fees payable to the co-chairmen in shares in lieu of cash in respect of the period from April 1, 2014 to June 25, 2014 and in relation to future base co-chairman fees. During the six month period ended June 30, 2015, no shares were issued in lieu of cash. The Director Share Compensation Arrangement expired June 23, 2015.

Neither the Company, nor its subsidiary re-purchased, sold or redeemed any of the listed shares of the Company during the six month period ended June 30, 2015. During the six month period ended June 30, 2014 neither the Company, nor any of its subsidiaries re-purchased, sold or redeemed any of the listed shares of the Company.

Post-IPO Stock Option Plan

For the three and six month periods ended June 30, 2015, the Company granted 5,306,962 and 9,065,387 Post-IPO stock options. During the three and six month periods ended June 30, 2015, there were 19,899,476 and 27,095,850 forfeitures of stock options. During the three and six month periods ended June 30, 2015, there were 388,333 and 388,333 stock options exercised.

Shares Outstanding

As at August 12, 2015, the Company had the following shares issued and outstanding:

Class "A" common shares	3,903,039,949

Directors' and Chief Executive's Interest in Shares and Share Options as at June 30, 2015

Common shares

Name	Company	Nature of Interest	Number of common shares held	Approximate % interest in Common shares
Mr. Kwok Ping Sun [1]	Sunshine Oilsands Ltd.	Direct/indirect	548,407,000	14.06%
Mr. Tingan Liu [2]	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct/indirect	99,207,085	2.54%
Dr. Qi Jiang	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Jin Hu	Sunshine Oilsands Ltd.	Personal	43,478	0.00%
Mr. Hok Ming Tseung	Sunshine Oilsands Ltd.	Direct/indirect	295,383,656	7.57%
Mr. Haotian Li	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Raymond Fong	Sunshine Oilsands Ltd.	Direct/indirect	8,250,621	0.21%
Mr. Robert Herdman	Sunshine Oilsands Ltd.	Personal	150,621	0.00%
Mr. Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	184,621	0.00%
Mr. Zhefei Song	Sunshine Oilsands Ltd.	Personal	315,000	0.01%
Mr. Hong Luo	Sunshine Oilsands Ltd.	Personal	-	0.00%

1. Commenced as director in May 2015.
2. Ceased as director in June 2015.

Stock Options

Name	Company	Nature of Interest	Number of Stock options held	Approximate % interest in Stock options
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Tingan Liu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Personal	11,760,000	10.02%
Dr. Qi Jiang	Sunshine Oilsands Ltd.	Personal	10,000,000	8.52%
Mr. Jin Hu	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Hok Ming Tseung	Sunshine Oilsands Ltd.	Personal	510,000	0.43%
Mr. Haotian Li	Sunshine Oilsands Ltd.	Personal	1,510,000	1.29%
Mr. Raymond Fong	Sunshine Oilsands Ltd.	Personal	510,000	0.43%
Mr. Robert Herdman	Sunshine Oilsands Ltd.	Personal	1,510,000	1.29%
Mr. Gerald Stevenson	Sunshine Oilsands Ltd.	Personal	1,510,000	1.29%
Mr. Zhefei Song	Sunshine Oilsands Ltd.	Personal	-	0.00%
Mr. Hong Luo	Sunshine Oilsands Ltd.	Personal	3,000,000	2.56%

Directors' and Chief Executive's Interest in Shares and Share Options as at June 30, 2015 (continued)

Movement in stock options

Name	Opening balance	Granted	Exercised	Forfeited	Expired	Ending balance
Mr. Kwok Ping Sun	-	-	-	-	-	-
Mr. Tingan Liu	-	-	-	-	-	-
Mr. Michael Hibberd	14,160,000	-	-	-	(2,400,000)	11,760,000
Dr. Qi Jiang	10,000,000	-	-	-	-	10,000,000
Mr. Jin Hu	-	-	-	-	-	-
Mr. Hok Ming Tseung	1,510,000	-	-	-	(1,000,000)	510,000
Mr. Haotian Li	1,510,000	-	-	-	-	1,510,000
Mr. Raymond Fong	910,000	-	-	-	(400,000)	510,000
Mr. Robert Herdman	1,510,000	-	-	-	-	1,510,000
Mr. Gerald Stevenson	1,510,000	-	-	-	-	1,510,000
Mr. Zhefei Song	-	-	-	-	-	-
Mr. Hong Luo	3,000,000	-	-	-	-	3,000,000
Total	34,110,000	-	-	-	(3,800,000)	30,310,000

As at period end, the shareholding of the substantial shareholders were as follows:

Name of shareholder	Nature of Interest	Number of Common shares held	Approximate % interest in Common shares
Mr. Kwok Ping Sun	Beneficial	548,407,000	14.06%
China Life Insurance	Beneficial	334,822,600	8.58%
Tseung Hok Ming	Beneficial	295,383,656	7.57%
Goldview Development Ltd.	Beneficial	266,666,640	6.83%
Sinopec Century Bright Capital Investment Limited [1]	Beneficial	239,197,500	6.13%
Charter Globe Limited	Beneficial	206,611,560	5.30%

1. Subsidiary of Sinopec Group.

As at this MD&A date, the shareholding of the substantial shareholders were as follows:

Name of shareholder	Nature of Interest	Number of Common shares held	Approximate % interest in Common shares
Mr. Kwok Ping Sun	Beneficial	572,579,500	14.67%
China Life Insurance	Beneficial	334,822,600	8.58%
Tseung Hok Ming	Beneficial	295,383,656	7.57%
Goldview Development Ltd.	Beneficial	266,666,640	6.83%
Sinopec Century Bright Capital Investment Limited	Beneficial	239,197,500	6.13%
Charter Globe Limited	Beneficial	206,611,560	5.29%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Financial Statements and Notes

The Board of Directors of the Company announces the results of the Company and its wholly owned subsidiaries, for the three and six month periods ended June 30, 2015 together with comparative figures for the corresponding periods in 2014 as follows:

Consolidated Statements of Financial Position

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash	$ 35,179	$ 136,097
Restricted cash and cash equivalents	25,434	23,467
Trade and other receivables	2,807	1,913
Prepaid expenses and deposits	5,717	5,843
	69,137	167,320
Non-current assets		
Restricted cash and cash equivalents	-	11,601
Exploration and evaluation	379,960	379,403
Property, plant and equipment	789,462	701,736
	1,169,422	1,092,740
	$ 1,238,559	$ 1,260,060
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and accrued liabilities	$ 24,589	$ 28,128
Provisions	5,863	834
Share purchase warrants	1,120	109
	31,572	29,071
Non-current liabilities		
Long-term debt	232,652	210,050
Provisions	50,116	48,650
Share purchase warrants	-	273
	314,340	288,044
Net current assets	37,565	138,249
Total assets less current liabilities	1,206,987	1,230,989
Shareholders' Equity		
Share capital	1,139,617	1,139,022
Reserve for share-based compensation	62,227	60,658
Deficit	(277,625)	(227,664)
	924,219	972,016
	$ 1,238,559	$ 1,260,060

Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Other income				
Interest income	$ 100	$ 15	$ 410	$ 72
Gain on sale of assets	174	-	174	-
Fair value adjustment on share purchase warrants gains / (losses)	(1,114)	2,849	(738)	6,576
	(840)	2,864	(154)	6,648
Expenses				
Salaries, consulting and benefits	2,187	1,718	4,937	3,293
Rent	345	317	691	622
Legal and audit	591	1,333	949	2,060
Depreciation	136	175	277	348
Share-based payments	528	674	954	845
Suspension and preservation costs	-	2,202	-	3,970
Finance costs	9,891	3,279	19,045	5,150
Foreign exchange (gains)/losses	(3,150)	471	13,357	421
Contract provision expense	6,600	-	6,600	-
Other	1,154	1,592	2,997	3,088
	$ 18,282	$ 11,761	$ 49,807	$ 19,797
Loss before income taxes	19,122	8,897	49,961	13,149
Income taxes	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company	$ 19,122	$ 8,897	$ 49,961	$ 13,149
Basic and diluted loss per share	$ 0.00	$ 0.00	$ 0.01	$ 0.00

Notes

1. Basis of preparation

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

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

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

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

2. Segment Information

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

3. Trade Receivables

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

	June 30, 2015	December 31, 2014
Trade	$ 1,102	$ 1,035
Accruals and other receivables	42	22
Goods and services taxes receivable	1,663	856
	$ 2,807	$ 1,913

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

	June 30, 2015	December 31, 2014
0 - 30 days	$ 48	$ 74
31 - 60 days	1	12
61 - 90 days	13	11
>90 days	1,040	938
	$ 1,102	$ 1,035

As at June 30, 2015, included in the Company's trade receivables were debtors with an aggregate carrying amount of $1 million (December 31, 2014 - $1.0 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances. Management believes the past due amounts will be collected.

4. Trade Payables

Trade payables and accrued liabilities mainly represent payables to subcontractors for development, engineering, procurement and construction services. The Company has financial risk management policies in place to ensure that payables are generally paid within pre-agreed credit terms. The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting periods:

	June 30, 2015	December 31, 2014
Trade		
0 - 30 days	$ 3,892	$ 3,007
31 - 60 days	281	180
61 - 90 days	158	172
> 91 days	831	662
	5,162	4,021
Accrued liabilities	19,427	24,107
	$ 24,589	$ 28,128

5. Dividends

The Company has not declared or paid any dividends in respect of the three and six month periods ended June 30, 2015 (three and six month periods ended June 30, 2014 - $Nil).

6. Income Taxes

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

		June 30, 2015		December 31, 2014
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(146,705)	$	(137,644)
Decommissioning liabilities		12,344		12,371
Share issue costs		8,883		10,159
Non-capital losses		152,834		130,061
Deferred tax benefits not recognized		(27,356)		(14,947)
	$	-	$	-

The Company's non-capital losses of $611,334 (December 31, 2014 - $520,247), expire between 2028 and 2034.

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 25.0%. The Company had no assessable profit in Canada for the three and six month periods ended June 30, 2015. The Company files all required income tax returns and believes that it is in full compliance with the provisions, tax interpretations, regulations and legislation of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authorities. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable. The estimated tax deductions available to the Company in Canada are approximately $1.2 billion. The Company's tax losses will begin expiring in 2028.

The Company's subsidiary, Sunshine Hong Kong, is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Company had no assessable profit arising in or derived from Hong Kong for the three and six month periods ended June 30, 2015.

Review of interim results

The condensed interim consolidated financial statements for the Company for the three and six month periods ended June 30, 2015, were reviewed by the Audit Committee of the Company, the Company's external auditor and approved by the Board.

Publication of information

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

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

SUNSHINE OILSANDS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes		June 30, 2015		December 31, 2014
Assets					
Current assets					
Cash	4	$	35,179	$	136,097
Restricted cash and cash equivalents	4		25,434		23,467
Trade and other receivables	5		2,807		1,913
Prepaid expenses and deposits	6		5,717		5,843
			69,137		167,320
Non-current assets					
Restricted cash and cash equivalents	4		-		11,601
Exploration and evaluation	7		379,960		379,403
Property, plant and equipment	8		789,462		701,736
			1,169,422		1,092,740
		$	1,238,559	$	1,260,060
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and accrued liabilities	9	$	24,589	$	28,128
Provisions	11		5,863		834
Share purchase warrants	13.2		1,120		109
			31,572		29,071
Non-current liabilities					
Long-term debt	10		232,652		210,050
Provisions	11		50,116		48,650
Share purchase warrants	13.2		-		273
			314,340		288,044
Shareholders' Equity					
Share capital	13		1,139,617		1,139,022
Reserve for share-based compensation			62,227		60,658
Deficit			(277,625)		(227,664)
			924,219		972,016
		$	1,238,559	$	1,260,060

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

Approved by the Board

"Robert J. Herdman"
Director

"Michael J. Hibberd"
Director

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Operations and Comprehensive Loss

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

		For the three months ended June 30,		For the six months ended June 30,	
	Notes	**2015**	**2014**	**2015**	**2014**
Other income					
Interest income		$ 100	$ 15	$ 410	$ 72
Gain on sale of assets	8	174	-	174	-
Fair value adjustment on share purchase warrants (losses)/gains	13.2	(1,114)	2,849	(738)	6,576
		(840)	2,864	(154)	6,648
Expenses					
Salaries, consulting and benefits		2,187	1,718	4,937	3,293
Rent		345	317	691	622
Legal and audit		591	1,333	949	2,060
Depreciation	8	136	175	277	348
Share-based payments	14.6	528	674	954	845
Suspension and preservation costs	8	-	2,202	-	3,970
Finance costs	15	9,891	3,279	19,045	5,150
Foreign exchange (gains)/losses	17.6	(3,150)	471	13,357	421
Contract provision expense	11.2	6,600	-	6,600	-
Other		1,154	1,592	2,997	3,088
		$ 18,282	$ 11,761	$ 49,807	$ 19,797
Loss before income taxes		19,122	8,897	49,961	13,149
Income taxes	12	-	-	-	-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 19,122	$ 8,897	$ 49,961	$ 13,149
Basic and diluted loss per share	16	$ 0.00	$ 0.00	$ 0.01	$ 0.00

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes	Reserve for share based compensation	Share capital	Deficit	Total
Balance, December 31, 2014		$ 60,658	$ 1,139,022	$ (227,664)	$ 972,016
Net loss and comprehensive loss for the period		-	-	(49,961)	(49,961)
Issue of shares under employee share savings plan	13.1	-	535	-	535
Recognition of share-based payments	14.6	1,589	-	-	1,589
Issue of shares upon exercise of share options	13.1	-	40	-	40
Reserve transferred on exercise of share options	13.1	(20)	20	-	-
Balance, June 30, 2015		$ 62,227	$ 1,139,617	$ (277,625)	$ 924,219
Balance, December 31, 2013		$ 57,447	$ 1,024,423	$ (200,897)	$ 880,973
Net loss and comprehensive loss for the period		-	-	(13,149)	(13,149)
Issue of common shares		-	114,372	-	114,372
Issue of shares under employee share savings plan		-	405	-	405
Recognition of share-based payments	14.6	702	-	-	702
Share issue costs, net of deferred tax ($Nil)		-	(869)	-	(869)
Balance, June 30, 2014		$ 58,149	$ 1,138,331	$ (214,046)	$ 982,434

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Notes	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Cash flows from operating activities					
Net loss		$ (19,122)	$ (8,897)	$ (49,961)	$ (13,149)
Finance costs		9,891	3,279	19,045	5,150
Unrealized foreign exchange losses/(gains)	17.6	(3,160)	471	12,167	421
Contract provision expense	11	6,600	-	6,600	-
Interest income		(100)	(15)	(410)	(72)
Gain on sale of assets	8	(174)	-	(174)	-
Fair value adjustment on share purchase warrants		1,114	(2,849)	738	(6,576)
Depreciation		136	175	277	348
Share-based payment expense		528	674	954	845
Employee share savings plan		135	96	267	202
		(4,152)	(7,066)	(10,497)	(12,831)
Movement in non-cash working capital	21	322	(2,159)	1,136	(9,999)
Net cash used in operating activities		(3,830)	(9,225)	(9,361)	(22,830)
Cash flows from investing activities					
Interest received		100	15	410	72
Payments for exploration and evaluation assets	21	(439)	(424)	(639)	(3,214)
Payments for property, plant and equipment	21	(50,983)	(54,085)	(94,801)	(83,499)
Release of restricted cash to fund long-term debt interest payments	4	559	-	9,634	-
Net cash used in investing activities		(50,763)	(54,494)	(85,396)	(86,641)
Cash flows from financing activities					
Proceeds from issue of common shares	13.1	176	75,468	308	119,326
Proceeds from sale of assets	8	447		447	
Payment for share issue costs	21	-	(1)	-	(574)
Payment for finance costs	21	48	(219)	(11,170)	(278)
Net cash provided in financing activities		671	75,248	(10,415)	118,474
Effect of exchange rate changes on cash held in foreign currency		(758)	(471)	4,254	(421)
Net (decrease) / increase in cash		(54,680)	11,058	(100,918)	8,582
Cash, beginning of period		89,859	13,378	136,097	15,854
Cash, end of period		$ 35,179	$ 24,436	$ 35,179	$ 24,436

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015
(Expressed in thousands of Canadian dollars, unless otherwise indicated)
(Unaudited)

1. Company information

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

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

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

2. Basis of preparation

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the six month period ended June 30, 2015, the Company reported a net loss of $50.0 million. At June 30, 2015, the Company had positive working capital of $37.6 million and an accumulated shareholder's deficit of $277.6 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development, achieving profitable operations and the ability to access additional financing. As such there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the annual Consolidated Financial Statements for the year ended December 31, 2014.

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2014.

2.1 Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 17). The condensed interim consolidated financial statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. New accounting pronouncements and changes in accounting policies

3.1 Future accounting changes

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers" replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or applying a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the Consolidated Financial Statements.

The IASB issued a number of new and revised IAS, IFRS, amendments and related Interpretations ("IFRIC") (hereinafter collectively referred to as the "New IFRS") which are effective for the Company's financial period beginning on January 1, 2018. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and these standards are not expected to have a material impact on its condensed interim consolidated financial statements.

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments" which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporting issuers to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. The Company does not employ hedge accounting for its risk management contracts currently in place. On February 20, 2014 there was an update on the mandatory adoption date for IFRS 9 which changed the effective date from January 1, 2017 to January 1, 2018. The Company is currently assessing and quantifying the effect on its financial statements.

3.2 Changes in accounting policies

For the six month period ended June 30, 2015 there has been no change in accounting policy from the policies adopted by the Company in the Consolidated Financial Statements for the year ended December 31, 2014.

4. Cash and cash equivalents

		June 30, 2015		December 31, 2014
Current asset				
Cash[1]	$	35,179	$	136,097
Current restricted cash and cash equivalents[2]		25,434		23,467
		60,613		159,564
Non-current asset				
Non-current restricted cash and cash equivalents[2]		-		11,601
	$	60,613	$	171,165

1. The Company's cash consists of cash held in bank accounts that earn interest at varying interest rates of between 0.01% and 1.30%.
2. The US$200 million senior secured notes issued in August 2014 required US$30 million of proceeds to be held in a restricted escrow account to cover the first three interest payments on the notes. There are two interest payments remaining of US$10 million each, due on August 1, 2015 and February 1, 2016. The Company's restricted cash for interest payments consists of cash held in two treasury notes.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. Trade and other receivables

		June 30, 2015		December 31, 2014
Trade	$	1,102	$	1,035
Accruals and other receivables		42		22
Goods and Services Taxes receivable		1,663		856
	$	2,807	$	1,913

As at June 30, 2015, included in the Company's trade receivables was an aggregate carrying amount of $1.1 million (December 31, 2014 - $1.0 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances. Management believes the past due amounts will be collected.

6. Prepaid expenses and deposits

		June 30, 2015		December 31, 2014
Prepaid expenses	$	218	$	132
Deposits[1]		5,499		5,711
	$	5,717	$	5,843

1. Included in deposits at June 30, 2015 is $4.5 million held with the Alberta Energy Regulator for the License Liability Rating Program.

7. Exploration and evaluation

Balance, December 31, 2013	$	376,912
Capital expenditures		5,232
Non-cash expenditures[1]		4,025
Disposal		(6,766)
Balance, December 31, 2014	$	379,403
Capital expenditures		639
Non-cash expenditures[1]		(82)
Balance, June 30, 2015	$	379,960

1. Non-cash expenditures include capitalized share-based payments/(recovery) and decommissioning obligations.

The Company is a development stage entity and, as a result, no depletion expense has been recorded for exploration and evaluation assets for any period. During the three and six month periods ended June 30, 2015, the Company capitalized directly attributable costs including $Nil for share-based payment expense (three and six month periods ended June 30, 2014 – $Nil and $(0.2) million) and $Nil of general and administrative costs (three and six month periods ended June 30, 2014 - $0.1 million and $2.3 million).

On July 17, 2014, the Company entered into a petroleum, natural gas and general conveyance agreement for the 100% sale of the Pelican Lake asset, which relates to, among other things, lands and petroleum and natural gas rights, to a third party for total consideration of $20.0 million. Total carrying value of the asset of $6.8 million was removed from the Company's exploration and evaluation account resulting in a $13.3 million gain on the sale of the asset for the year ended December 31, 2014. The asset had a provision for decommissioning obligation of $41,900 which was removed from the Company's future Asset Retirement Obligation cost account.

Exploration and evaluation costs are comprised of the following:

		June 30, 2015		December 31, 2014
Intangibles	$	272,053	$	272,469
Tangibles		18,683		18,682
Land and lease costs		89,224		88,252
	$	379,960	$	379,403

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2013	$	632,249	$	3,685	$	635,934
Capital expenditures		46,491		63		46,554
Non-cash expenditures[1]		21,208		-		21,208
Balance, December 31, 2014	$	699,948	$	3,748	$	703,696
Capital expenditures		87,430		746		88,176
Disposal of asset		-		(446)		(446)
Non-cash expenditures[1]		100		-		100
Balance, June 30, 2015	$	787,478	$	4,048	$	791,526

1. Non-cash expenditures include capitalized share-based payments/(recovery) and decommissioning obligations.

		Crude oil assets		Corporate assets		Total
Accumulated depreciation						
Balance, December 31, 2013	$	-	$	1,262	$	1,262
Depreciation expense		-		698		698
Balance, December 31, 2014	$	-	$	1,960	$	1,960
Disposal of asset				(173)		(173)
Depreciation expense		-		277		277
Balance, June 30, 2015	$	-	$	2,064	$	2,064
Carrying value, June 30, 2015	$	787,478	$	1,984	$	789,462
Carrying value, December 31, 2014	$	699,948	$	1,788	$	701,736

At June 30, 2015, the crude oil assets included in the above property, plant and equipment were not subject to depletion since they are not ready for use in the manner intended by management.

During the second quarter of 2015, the Company was reimbursed for leasehold improvement expenditures that had previously been capitalized. Pursuant to the sublease agreement, the Company received proceeds of $0.4 million which resulted in derecognition of the asset and a gain of $0.2 was recognized.

During the three and six month periods ended June 30, 2015, the Company capitalized directly attributable costs including $0.3 million and $0.6 million for share-based payment expense (three and six month periods ended June 30, 2014 - $0.1 million and $0.1 million), and $1.6 million and $3.3 million for general and administrative costs (three and six month periods ended June 30, 2014 – $1.4 million and $1.4 million).

Costs directly related to the suspension, which totaled $Nil for the six month period ended June 30, 2015 (six month period ended June 30, 2014 - $4.0 million), are recognized as suspension and preservation costs in the Consolidated Statements of Operations and Comprehensive Loss. After completion of transactions during July and August 2014, the suspension was lifted and construction of the West Ells SAGD project recommenced.

9. Trade and other payables

		June 30, 2015		December 31, 2014
Trade	$	5,162	$	4,021
Accrued liabilities		19,427		24,107
	$	24,589	$	28,128

10. Long-term debt

		June 30, 2015		December 31, 2014
Senior secured notes (US$200,000,000)	$	249,480	$	232,020
Discount on notes		(15,466)		(14,383)
Financing transaction costs on notes		(11,846)		(11,846)
Amortization of financing transaction costs		10,484		4,259
Balance, end of period	$	232,652	$	210,050

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the "Notes") at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and have a final maturity date of August 1, 2017.

If by February 1, 2016, the Company has not: (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield maintenance premium, then the final maturity date of the notes shall be August 1, 2016. The Company is required to pay to the holders of any Notes outstanding on August 1, 2016 a yield maintenance premium of 7.298% of the aggregate principal amount of Notes. If the Notes are outstanding at August 1, 2017, there will be an exit premium paid of 7.298% on the aggregate principal amount of the Notes outstanding.

The Notes are senior secured obligations over the Company's assets. Transaction costs in relation to the issuance of the Notes were $11.9 million. Transaction costs are capitalized against the long term debt and amortized using the effective interest rate method. The effective annualized interest rate for the six month period ended June 30, 2015, was 16.9% which includes interest and amortization of the applicable financing costs and discount. The Notes are redeemable by the Company at any time prior to maturity. Prior to August 1, 2015, Notes are redeemable at par plus applicable premium payment calculated to August 1, 2015. Thereafter, the Notes are redeemable subject to the payment of principal amount plus the applicable call premiums to the holders of the Notes ranging from zero to 7%. Upon change of control of the Company, the Notes require the Company to make an offer of repayment in cash equal to 101% of the aggregate principal amount of the Notes outstanding plus the applicable accrued and unpaid interest. No value was ascribed to the repayment option as the fair value of this option was not significant at the date of issue and as at June 30, 2015.

The Notes contain various non-financial covenants which, among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business and undertaking certain corporate transactions. A reporting covenant also exists which requires standard reporting in line with a reporting issuer on the TSX and includes timely reporting of material changes. The Company is in compliance with all covenants under the Notes as at June 30, 2015.

As at June 30, 2015, US$20 million of proceeds from the Notes are held is a separate escrow account with a trustee. These funds are restricted to cover the payments for the second and third interest payments. Interest payments are payable semi-annually on February 1 and August 1 of each year.

The Notes are translated into Canadian dollars at the period end exchange rate of $1 US = 1.2474 CDN

11. Provisions

		June 30, 2015		December 31, 2014
Decommissioning obligations (Note 11.1)	$	49,379	$	49,484
Contract provision (Note 11.2)		6,600		-
	$	55,979	$	49,484
Presented as:				
Provisions (current)	$	5,863	$	834
Provisions (non-current)	$	50,116	$	48,650

11.1 Decommissioning obligations

As at June 30, 2015, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $81.7 million (December 31, 2014 - $83.3 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate between 0.59% to 2.29% per annum and inflated using an inflation rate of 2.0% per annum.

		June 30, 2015		December 31, 2014
Balance, beginning of period	$	49,484	$	24,469
Additional provision recognized		-		3
Disposal of Asset (Note 7)		-		(42)
Effect of changes in discount rate		(618)		24,293
Unwinding of discount rate		513		761
	$	49,379	$	49,484
Current portion		(863)		(834)
Balance, end of period	$	48,516	$	48,650

11.2 Contract provision

As at June 30, 2015, the Company recognized a full liability provision related to obligations under a drilling rig contract of $6.6 million (December 31, 2014 - $ Nil). The provision represents the maximum payments required if the drilling rig is not utilized over the remaining term of the contract, which ends in the fourth quarter of 2016. Based on current market conditions and low utilization rates for drilling rigs, management concluded the future benefits of the contract are not currently quantifiable to offset its obligations under the contract. In future periods if the drilling rig is utilized the provision will be adjusted accordingly.

As at June 30, 2015, $5.0 million of the provision has been presented as current.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. Income taxes

12.1 Deferred tax balances

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

		June 30, 2015		December 31, 2014
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(158,442)	$	(137,644)
Decommissioning liabilities		13,332		12,371
Share issue costs		9,594		10,159
Non-capital losses		165,060		130,061
Deferred tax benefits not recognized		(29,544)		(14,947)
	$	-	$	-

12.2 Tax pools

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

		June 30, 2015		December 31, 2014
Canadian development expense	$	37,099	$	39,455
Canadian exploration expense		230,885		214,890
Undepreciated capital cost		314,618		276,217
Non-capital losses		611,334		520,247
Share issue costs		35,533		40,638
	$	1,229,469	$	1,091,447

The Company's non-capital losses of $611,334 (December 31, 2014 - $520,247), expire between 2028 and 2034.

13. Share capital

The Company's authorized share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and,
- an unlimited number of Class "G" and Class "H" non-voting preferred shares.

Issued Capital

		June 30, 2015		December 31, 2014
Common shares	$	1,139,617	$	1,139,022

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

13.1 Common shares

	June 30, 2015		December 31, 2014	
	Number of shares	$	Number of shares	$
Balance, beginning of period	3,896,103,191	1,139,022	3,067,167,791	1,024,423
Private placement	-	-	821,242,193	119,123
Issue of shares under employee share savings plan (Note 14.2)	5,121,840	535	5,772,789	835
Director share arrangement (Note 14.3)	-	-	1,920,418	261
Reclassification of share purchase warrants (Note 13.2)	-	-	-	(4,751)
Issue of shares under share option plan (Note 14.5)	388,333	40	-	-
Share option reserve transferred on exercise of stock options	-	20	-	-
Share issue costs, net of deferred tax ($Nil)	-	-		(869)
Balance, end of period	3,901,613,364	1,139,617	3,896,103,191	1,139,022

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

During the six month period ended June 30, 2015, the Company did not issue any Class “A” common shares in private placements.

During the six month period ended June 30, 2015, the Company issued 5,121,840 Class “A” common shares, from the Company’s employee share savings plan for gross proceeds of $0.5 million.

During the six month period ended June 30, 2015 there were no share repurchases (June 30, 2014 - $Nil).

During the year ended December 31, 2014, the Company issued 640,000,000 Class “A” common shares in private placements at a price of HK$0.85 per share (approximately $0.12 per share) for gross proceeds of HK$544.0 million or approximately $75.4 million.

During the year ended December 31, 2014, the Company completed closings of equity private placements, totaling 181,242,193 Units at a price of HK$1.70 per Unit (approximately $0.24 per Unit) for gross proceeds of HK$308.1 or approximately $43.8 million. Each Unit is comprised of one Class “A” common share and one-third of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of HK$1.88 per common share (approximately $0.28 per common share) for a period of 24 months following the closing date. These warrants were valued at an average of $0.04 per warrant for a total of $2.2 million. As part of a finders’ fee, the Company issued two-fifths of a warrant for each purchased Unit. These finders’ fee warrants were valued at $0.04 per warrant for a total of $2.6 million. Total value of warrants granted during the year ended December 31, 2014, was $4.8 million (refer Note 13.2). The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 0.98-1.05%, expected volatility of 43.01% and an expected life of two years.

The total cost to complete the private placements was $0.9 million which includes a 3% finders’ fee of HK$4.6 million (approximately $0.7 million) to the finder of 90,588,235 Units.

As the exercise price of the share purchase warrants is fixed in Hong Kong dollars and the functional currency of the Company is in the Canadian dollar, the warrants are considered a derivative, as a variable amount of cash in the Company’s functional currency will be received on exercise. The fair value of share purchase warrants is reclassified to equity upon exercise. The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in the consolidated statements of

13.1 Common shares (continued)

operations and comprehensive loss. For the six month period ended June 30, 2015, the Company recognized a loss of $0.7 million related to the re-measurement of the fair value of share purchase warrants in the consolidated statements of operations and comprehensive loss (refer Note 13.2).

13.2 Share purchase warrants

	June 30, 2015		**December 31, 2014**	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	211,230,941	0.28	78,320,000	0.26
Issued under private placement	-	-	132,910,941	0.27
Balance, end of period	211,230,941	0.30	211,230,941	0.28
Exercisable, end of period	211,230,941	0.30	211,230,941	0.28

As at June 30, 2015, the share purchase warrants outstanding had a weighted average remaining contractual life of 0.6 years (December 31, 2014 – 1.04 years).

The table below details the fair value of warrants during the periods noted:

		June 30, 2015		**December 31, 2014**
Balance, beginning of period	$	382	$	3,832
Issued under private placement		-		4,751
Fair value adjustment		738		(8,201)
Balance, end of period	$	1,120	$	382

14. Share-based payments

14.1 Employee stock option plan

Post-IPO Stock Option Plan:

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Company's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the Annual and Special Meeting of Shareholders on May 7, 2013. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan will have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date.

14.2 Employee share savings plan

The Company's Board of Directors and shareholders approved the establishment of an employee share savings plan ("ESSP") on May 7, 2013. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the ESSP is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the ESSP and the shares issuable on the exercise of options granted under the Post IPO Share Option Plan and the Pre IPO Plan. Under the terms of the ESSP, the Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

14.2 Employee share savings plan (continued)

matches 100% of a participating employee's contributions to the ESSP up to a set maximum. Contributions made by the Company and employees are used to purchase Company shares. Compensation expense is recognized based on the fair value of the award on the ESSP contribution date.

14.3 Director Share Arrangements

At the Annual and Special Meeting of Shareholders of the Company held on June 25, 2014, shareholders approved the option of payment of 50% of the directors' base retainer fees to the directors in shares in lieu of cash in respect of the period from October 1, 2013 to June 25, 2014 and future base retainer fees. Shareholders also approved the option of payment of 50% of the base fees payable to the co-chairmen in shares in lieu of cash in respect of the period from April 1, 2014 to June 25, 2014 and in relation to future base co-chairman fees.

Upon approval, at the discretion of the Board, the option of payment of shares in lieu of cash results in an expense to share based payments and reversal of directors and/or employment or consulting fees as applicable. For the six month period ended June 30, 2015, no shares were issued in lieu of cash. The Director Share Compensation Arrangement expired June 23, 2015 and was not renewed.

14.4 Fair value of share options granted in the period

The weighted average fair value of the share options granted for the six month period ended June 30, 2015 was $0.07 (year ended December 31, 2014 - $0.06). Options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2015 and 2014. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 11.01 to 11.51%.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted in the period for share-based compensation:

Input Variables	**Six months ended June, 2015**	**Year ended December 31, 2014**
Grant date share price ($)	0.10-0.14	0.09-0.135
Exercise Price ($)	0.10-0.14	0.09-0.135
Expected volatility (%)	67.01-73.99	64.84-65.84
Option life (years)	4.10-4.11	4.1
Dividend yield (%)	-	-
Risk-free interest rate (%)	0.68-0.90	1.21-1.40
Expected forfeitures (%)	11.01-11.51	11.04-11.13

14.5 Movements in stock options during the period

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

	Three months ended June 30, 2015		Six months ended June 30, 2015		Year Ended December 31, 2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	132,289,340	0.30	135,727,289	0.30	135,145,593	0.43
Granted	5,306,962	0.14	9,065,387	0.12	70,619,940	0.13
Exercised	(388,333)	0.10	(388,333)	0.10	-	-
Forfeited	(19,899,476)	0.28	(27,095,850)	0.26	(70,038,244)	0.37
Balance, end of period	117,308,493	0.29	117,308,493	0.29	135,727,289	0.30
Exercisable, end of period	60,566,951	0.39	60,566,951	0.39	81,378,764	0.36

As at June 30, 2015, stock options outstanding had a weighted average remaining contractual life of 3.4 years (December 31, 2014 – 3.3 years).

The Company granted 5,306,962 and 9,065,387 stock options during the three and six month periods ended June 30, 2015, respectively. The stock options were granted to certain officers and employees. No substantial shareholder, chief executive or associate of any of those parties were granted options.

14.6 Share-based compensation

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

	Three months ended June 30, 2015			Three months ended June 30, 2014		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 528	$ 372	$ 900	$ 674	$ 55	$ 729

	Six months ended June 30, 2015			Six months ended June 30, 2014		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 954	$ 635	$ 1,589	$ 845	$ (143)	$ 702

15. Finance costs

	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Interest expense on senior notes	$ 6,147	$ -	$ 12,352	$ -
Amortization of financing transaction costs and discount	3,549	-	6,225	-
Financing related costs/(recovery)	(48)	3,098	(45)	4,789
Unwinding of discounts on provisions	243	181	513	361
	$ 9,891	$ 3,279	$ 19,045	$ 5,150

16. Loss per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Basic and Diluted – Class "A" common shares	3,900,059,091	3,292,100,210	3,898,550,986	3,237,466,763

17. Financial instruments

17.1 Capital risk management

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

The Company's strategy is to access sufficient capital, through equity issuances, joint ventures and the utilization of debt, in order to maintain a capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to manage risk, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company expects its current capital resources will not be sufficient to complete its development plans through the next twelve months and will be required to raise additional funds through future equity or debt financings, a joint venture or a sale of assets. The Company's ability to continue as a going concern is therefore dependent on its ability to raise additional funds.

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

		June 30, 2015		**December 31, 2014**
Working capital surplus	$	(37,565)	$	(138,249)
Senior secured notes		232,652		210,050
Shareholders' equity		930,819		972,016
	$	1,125,906	$	1,043,817

There is no change in the Company's objectives and strategies of capital management for the three and six month periods ended June 30, 2015.

17.2 Categories of financial instruments

	June 30, 2015		**December 31, 2014**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash, restricted cash and cash equivalents, deposits and other receivables	$ 68,919	$ 68,919	$ 178,789	$ 178,789
Financial liabilities				
Other liabilities	24,589	24,589	28,128	23,828
Share purchase warrants (Note 13.2)	1,120	1,120	382	382
Long-term debt	232,652	192,367	210,050	180,850

17.3 Fair value of financial instruments

The fair value of cash, restricted cash and cash equivalents, deposits, trade and other receivables and trade and accrued liabilities approximate their carrying values due to their short term maturity.

The fair value of share purchase warrants and long term debt have been assessed on a level 2 fair value measurement.

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

17.4 Financial risk management

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

17.5 Market risk

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

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

17.6 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars and/or HK dollars. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the six month period ended June 30, 2015.

If exchange rates to convert from US dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash and restricted cash held at June 30, 2015 would have been impacted by approximately $0.4 million and the carrying value of the long term debt at June 30, 2015 would have been impacted by approximately $2.3 million. At June 30, 2015, the Company held approximately US$35.4 million or $44.2 million using the June 30, 2015 exchange rate of 1.2474, as cash, restricted cash and cash equivalents in the Company's US bank account.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17.6 Currency risk (continued)

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

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Unrealized foreign exchange loss (gain) on translation of:				
U.S. denominated senior secured notes	$ (3,920)	-	$ 16,378	-
Foreign currency denominated cash balances	758	458	(4,254)	311
Foreign currency denominated accounts payable balances	2	13	43	110
	(3,160)	471	12,167	421
Realized foreign exchange loss	10	-	1,190	-
Total foreign exchange loss (gain)	$ (3,150)	471	$ 13,357	421

17.7 Interest rate risk management

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at June 30, 2015, the Company does not have any floating rate debt.

The Company's cash and cash equivalents consists of cash held in bank accounts that earn interest at varying interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. For the three and six month periods ended June 30, 2015, the interest rate earned on cash was between 0.01% and 1.30%.

17.8 Credit risk management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, deposits and receivables and GST receivables. As at June 30, 2015, the Company's receivables consisted of 59% from Goods and Services Tax receivable, 29% joint interest billing receivable and 12% from other receivables (December 31, 2014 – 45% from Goods and Services Tax receivable, 37% from joint interest billing receivable and 18% from other receivables).

The Company's unrestricted cash as at June 30, 2015, is held in accounts with third party financial institutions and consists of invested cash and cash in the Company's operating accounts.

The Company is exposed to credit risk from the purchasers of its crude oil. At June 30, 2015, there was no allowance for doubtful accounts receivable and the Company did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered impaired (December 31, 2014 - $Nil). The Company considers any amounts outstanding in excess of 30 days past due.

17.9 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. At June 30, 2015, the Company had positive working capital of $37.6 million and an accumulated deficit of $277.6 million. The Company's ability to continue as a going concern is dependent on completion of West Ells development and the ability to access additional financing.

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

17.9 Liquidity risk management (continued)

The timing of cash outflows (excluding interest) relating to financial liabilities as at June 30, 2015, are as follows:

		Total		Less than 1 year		1-2 years
Trade and accrued liabilities	$	24,589	$	24,589	$	-
Long-term debt[1]		249,480		-		249,480
	$	274,069	$	24,589	$	249,480

1. Principal amount of Notes based on the period end exchange rate of $1 US = 1.2474 CDN

18. Related party transactions

Balances and transactions between the Company and its subsidiary, who is a related party, have been eliminated on consolidation.

18.1 Trading transactions

During the year ended December 31, 2014 the Company had transactions, totaling $1.5 million, with a law firm in which Mr. Turnbull, a former director of the Company, is a partner. Mr. Turnbull was a director until the time of his resignation on November 28, 2014. On this date the law firm ceased to be a related party of the Company. The legal costs incurred were in the normal course of operations and were based on the exchange value of the services provided, which approximates those amounts of consideration with third parties.

18.2 Compensation of key management personnel and directors

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

	For the three months ended June 30,				For the six months ended June 30,			
		2015		2014		2015		2014
Directors' fees[1]	$	(17)	$	182	$	163	$	380
Salaries and allowances		472		127		1,354		331
Share-based payments		245		644		480		702
Consulting fees		-		212		-		438
	$	700	$	1,165	$	1,997	$	1,851

1. For the six months period ended June 30, 2015, this number reflects accrued fees of $0.4 million less reversal of prior period accruals aggregating to $0.2 million. Refer to appendix A2 for additional director frees disclosure.

19. Operating lease arrangements

Payments recognised as an expense

	For the three months ended June 30,				For the six months ended June 30,			
		2015		2014		2015		2014
Minimum lease payments	$	383	$	548	$	950	$	1,101

20. Commitments and contingencies

As at June 30, 2015, the Company's commitments are as follows:

		Total	2015	2016	2017	2018	2019	Thereafter
Repayment of long-term debt[1]	$	249,480	-	249,480	-	-	-	-
Interest payments on long-term debt[2]		37,422	12,474	24,948	-	-	-	-
Drilling, other equipment and contracts		11,913	7,474	4,269	134	36	-	-
Lease rentals[3]		9,462	618	1,194	1,176	1,176	1,169	4,129
Office leases		10,667	1,509	3,018	2,885	2,604	651	-
	$	318,944	22,075	282,909	4,195	3,816	1,820	4,129

1. Principal amount of Notes based on the period exchange rate of $1US=1.2474CDN and a maturity date of August 1, 2016, as the conditions to extend to August 1, 2017, have not yet been satisfied.
2. Based on 10% per annum and a maturity date of August, 2016, at the period exchange rate of $1US=1.2474CDN.
3. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

Following suspension of construction at the Company's West Ells SAGD project in August 2013, many suppliers, following normal practice in Canada, placed builders' liens on the West Ells property to secure past due and unpaid invoices. Through the normal course of business, the Company recorded the unpaid invoices in trade and accrued liabilities.

During 2014, the Company raised equity funds disclosed in Note 13 and completed additional financing, through the $20 million sale of assets and the issuance of US$200 million Senior Secured notes (Note 10), to enable it to meet obligations and continue developing its business. The Company obtained discharge of outstanding liens by October 7, 2014, thus satisfying the condition in the Notes (Note 10). The aggregate value of the claims outstanding against Sunshine related to disputed claims for payment for unpaid invoices was approximately $1.3 million as at June 30, 2015. Sunshine continues to work toward resolution of these claims.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. Management considers the Action to be unfounded. No amounts have been accrued in the condensed interim consolidated financial statements for the six month period ended June 30, 2015 as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

21. Supplemental cash flow disclosures

Non-cash transactions

For the three and six month periods ended June 30, 2015, and June 30, 2014, the Company had the following non-cash transactions:

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

Supplemental cash flow disclosures

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Cash provided by (used in):				
Trade and other receivables	$ 40	$ 59	$ (894)	$ 167
Prepaid expenses and deposits	199	(1,870)	126	(4,788)
Trade and other payables	(5,860)	(44,793)	(3,584)	(77,663)
	$ (5,621)	$ (46,604)	$ (4,352)	$ (82,284)
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (27)	$ 198	$ (248)	$ (1,370)
Prepaid expenses and deposits	199	(1,870)	126	(4,788)
Trade and other payables	150	(487)	1,258	(3,841)
	$ 322	$ (2,159)	$ 1,136	$ (9,999)
Investing activities				
Exploration and evaluation	$ -	$ -	$ -	$ -
Property, plant and equipment	(12,090)	(47,452)	(6,625)	(77,094)
	$ (12,090)	$ (47,452)	$ (6,625)	$ (77,094)
Financing activities				
Share issue costs and finance costs	$ 6,147	$ 3,007	$ 1,137	$ 4,809
	$ (5,621)	$ (46,604)	$ (4,352)	$ (82,284)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. Supplemental cash flow disclosures (continued)

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

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Reconciliation of:				
Exploration and evaluation assets	$ 439	$ 424	$ 639	$ 3,214
Changes in non-cash working capital	-	-	-	-
Payments for exploration and evaluation assets	$ 439	$ 424	$ 639	$ 3,214
Reconciliation of:				
Property, plant and equipment	$ 38,893	$ 6,633	$ 88,176	$ 6,405
Changes in non-cash working capital	12,090	47,452	6,625	77,094
Payments for property, plant and equipment	$ 50,983	$ 54,085	$ 94,801	$ 83,499
Reconciliation of:				
Share issue costs and finance costs	$ 6,099	$ 3,227	$ 12,307	$ 5,661
Changes in non-cash working capital	(6,147)	(3,007)	(1,137)	(4,809)
Payments for share issue costs and finance costs	$ (48)	$ 220	$ 11,170	$ 852

22. Subsequent events

Private placements under specific mandate

On May 31, 2015, the Company entered into subscription agreements pursuant to which subscribers agreed to subscribe, and the Company agreed to allot and issue, an aggregate of 524,734,210 subscription shares at the price of HK$0.75 (approximately CDN$0.12 on May 31, 2015), for aggregate cash consideration of HK$393,550,658 (approximately CDN$ 63.3 million on May 31, 2015). The subscription shares will be issued pursuant to the specific mandate approved by independent shareholders at a special general meeting of shareholders (the "SGM") held on July 20, 2015.

On July 27, 2015, the Company entered into subscription amending agreements with subscribers to extend the closing schedule of subscription shares. Pursuant to the terms of the subscription amending agreements, the first closing will be completed on August 20, 2015 for an aggregate of 111,214,210 shares (approximately CDN$ 13.4 million). The remaining 413,520,000 shares (approximately CDN$ 49.9 million) will be closed in one or more tranches after August 20, 2015, with the last tranche closing no later than September 30, 2015.

Private placements under general mandate

On July 12, 2015, the Company entered into subscription agreements for an aggregate total of 254,144,262 class "A" common shares for gross proceeds of HK$155.0 million (approximately CDN$ 25.4 million on July 12, 2015).

Completion of the private placement will take place on August 25, 2015 (or such date as the Company may agree).

The July 12, 2015, private placements do not require the approval of the Company's shareholders as the common shares under the placements will be allotted and issued under the general mandate.

23. Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 12, 2015.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Appendix to the Condensed interim consolidated financial statements

Additional Stock Exchange Information
(Unaudited)

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

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

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

		June 30, 2015		December 31, 2014
Non-current assets				
Property, plant and equipment	$	789,461	$	701,735
Exploration and evaluation assets		379,960		379,403
Restricted cash and cash equivalents		-		11,601
Amounts due from subsidiary		1,967		1,530
		1,171,388		1,094,269
Current assets				
Trade and other receivables		2,807		1,913
Prepaid expenses and deposits		5,717		5,843
Cash		35,170		136,087
Restricted cash and cash equivalents		25,434		23,467
		69,128		167,310
Current liabilities				
Trade and other payables		24,560		28,074
Provisions		5,863		834
Share purchase warrants		1,120		109
Amount due to subsidiary		1,685		1,567
		33,228		30,584
Net current assets		35,900		136,726
Total assets less current liabilities		1,207,288		1,230,995
Non-current liabilities				
Share purchase warrants		-		273
Long term debt		232,652		210,050
Provisions		50,116		48,650
		282,768		258,973
Net assets	$	924,520	$	972,022
Capital and reserves				
Share capital	$	1,139,617	$	1,139,022
Reserve for share-based compensation		62,227		60,658
Deficit		(277,324)		(227,658)
	$	924,520	$	972,022

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A2. Directors' emoluments and other staff costs

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

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Directors' emoluments				
Directors' fees	$ (17)	$ 182	$ 163	$ 380
Salaries and allowances	236	212	875	438
Share-based payments	176	589	346	1,164
	395	983	1,384	1,982
Other staff costs				
Salaries and other benefits	3,258	2,407	6,393	5,246
Contribution to retirement benefit scheme	60	49	252	241
Share-based payments	724	282	1,243	(319)
	4,042	2,738	7,888	5,168
Total staff costs, including directors' emoluments	4,437	3,721	9,272	7,150
Less: staff costs capitalized to qualifying assets	1,722	1,329	3,381	3,012
	$ 2,715	$ 2,392	$ 5,891	$ 4,138

Details of the Directors' emoluments are as follows:

For the three months ended June 30, 2015						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 25	$ 111	$ -	$ 77	$ -	$ 213
Tseung Hok Ming	15	-	-	6	-	21
Tingan Liu[1]	(197)	-	-	-	-	(197)
Haotian Li	12	-	-	6	-	18
Raymond Fong	17	-	-	6	-	23
Robert Herdman	21	-	-	6	-	27
Gerald Stevenson	22	-	-	6	-	28
Jimmy Hu	11	-	-	-	-	11
Zhefei Song	17	-	-	-	-	17
Hong Luo	17	-	-	16	-	33
Qi Jiang	17	126	-	53	-	196
Kwok Ping Sun	6	-	-	-	-	6
	$ (17)	$ 237	$ -	$ 176	$ -	$ 396

1. Upon receipt of a waiver from Mr. Liu, all prior period director entitlement accruals were reversed.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A2. Directors' emoluments and other staff costs (continued)

For the three months ended June 30, 2014						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation[1]	Performance related incentive payments	Total
Michael Hibberd	$ 22	$ 106	$ -	$ 249	$ -	$ 377
Songning Shen	22	106	-	249	-	377
Tseung Hok Ming	16	-	-	13	-	29
Tingan Liu	15	-	-	-	-	15
Haotian Li	11	-	-	13	-	24
Raymond Fong	18	-	-	13	-	31
Wazir (Mike) Seth	18	-	-	13	-	31
Greg Turnbull	18	-	-	13	-	31
Robert Herdman	22	-	-	13	-	35
Gerald Stevenson	19	-	-	13	-	32
Jin Hu[2]	1	-	-	-	-	1
Zhefei Song[2]	-	-	-	-	-	-
	$ 182	$ 212	$ -	$ 589	$ -	$ 983

1. Relates to expensing of options granted in prior periods.
2. Commenced as director in June, 2014.

For the six months ended June 30, 2015						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 45	$ 223	$ -	$ 152	$ -	$ 420
Tseung Hok Ming	30	-	-	12	-	42
Tingan Liu[1]	(178)	-	-	-	-	(178)
Haotian Li	24	-	-	12	-	36
Raymond Fong	36	-	-	12	-	48
Robert Herdman	41	-	-	12	-	53
Gerald Stevenson	41	-	-	12	-	53
Jimmy Hu	24	-	-	-	-	24
Zhefei Song	31	-	-	-	-	31
Hong Luo	30	-	-	31	-	61
Qi Jiang	33	652	-	103	-	788
Kwok Ping Sun	6	-	-	-	-	6
	$ 163	$ 875	$ -	$ 346	$ -	$ 1,384

1. Upon receipt of a waiver from Mr. Liu, all prior period director entitlement accruals were reversed.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A2. Directors' emoluments and other staff costs (continued)

For the six months ended June 30, 2014						
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Performance related incentive payments	Total
Michael Hibberd	$ 43	$ 219	$ -	$ 491	$ -	$ 753
Songning Shen	43	219	-	491	-	753
Tseung Hok Ming	31	-	-	26	-	57
Tingan Liu	27	-	-	-	-	27
Haotian Li	25	-	-	26	-	51
Raymond Fong	35	-	-	26	-	61
Wazir (Mike) Seth	45	-	-	26	-	71
Greg Turnbull	33	-	-	26	-	59
Robert Herdman	50	-	-	26	-	76
Gerald Stevenson	47	-	-	26	-	73
Jimmy Hu	1	-	-	-	-	1
Zhefei Song	-	-	-	-	-	-
	$ 380	$ 438	$ -	$ 1,164	$ -	$ 1,982

A3. Five highest paid individuals

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
HK$ nil to HK$1,000,000	3	3	-	1
HK$1,000,001 to HK$1,500,000	2	-	3	1
HK$1,500,001 to HK$2,000,000	-	-	-	1
HK$2,000,001 to HK$2,500,000	-	-	-	-
HK$2,500,001 to HK$3,000,000	-	2	1	-
HK$3,000,001 to HK$3,500,000	-	-	-	-
HK$3,500,001 to HK$4,000,000	-	-	-	-
HK$4,000,001 to HK$4,500,000	-	-	-	-
HK$4,500,001 to HK$5,000,000	-	-	1	-
HK$5,000,001 to HK$5,500,000	-	-	-	2

For the three and six month periods ended June 30, 2015, respectively, the conversion factor used in the above table is 1C$ = 6.31 HK$ and 1C$ = 6.28 HK$ (three and six month periods ended June 30, 2014 – 1C$ = 7.11 HK$ and 1C$ = 7.07 HK$, respectively)

The five highest paid individuals includes two directors of the Company and three key management executives of the Company for the three month period ended June 30, 2015 (three month period ended June 30, 2014– three directors and two officers). Since the directors' emoluments are disclosed above, the compensation of the three key management executives for the Company is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Salaries and other benefits	$ 236	$ 126	$ 474	$ 253
Contributions to retirement benefits scheme	-	-	5	2
Share-based payments	69	55	134	114
	$ 305	$ 181	$ 613	$ 369

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A4. Senior management remuneration by band

The emoluments fell within the following bands:

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
HK$ nil to HK$1,000,000	6	4	3	2
HK$1,000,001 to HK$1,500,000	2	-	3	1
HK$1,500,001 to HK$2,000,000	-	-	-	1
HK$2,000,001 to HK$2,500,000	-	-	-	-
HK$2,500,001 to HK$3,000,000	-	2	1	-
HK$3,000,001 to HK$3,500,000	-	-	-	-
HK$3,500,001 to HK$4,000,000	-	-	-	-
HK$4,000,001 to HK$4,500,000	-	-	-	-
HK$4,500,001 to HK$5,000,000	-	-	1	-
HK$5,000,001 to HK$5,500,000	-	-	-	-
HK$5,500,001 to HK$6,000,000	-	-	-	2

The table above includes the remuneration for the executive directors and executive officers of the Company. As at June 30, 2015, $0.6 million (2014 - $0.3 million) was the total payable to five members (2014 - four members) of senior management and included in trade and accrued liabilities.

Corporate Information

BOARD OF DIRECTORS:
Executive Directors:
Mr. Kwok Ping Sun (Chairman)
Mr. Hong Luo
Dr. Qi Jiang

Non-Executive Directors:
Mr. Michael J. Hibberd (Vice Chairman)
Mr. Haotian Li
Mr. Hok Ming Tseung
Mr. Jin Hu

Independent Non-Executive Directors:
Mr. Raymond S. Fong
Mr. Robert J. Herdman
Mr. Zhefei Song
Mr. Gerald F. Stevenson

AUTHORIZED REPRESENTATIVES:
Mr. Tingan Liu
Mr. Haotian Li

AUDITORS:
Deloitte LLP

LEGAL ADVISERS:
McCarthy Tétrault LLP
Freshfields Bruckhaus Deringer

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

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

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

WEBSITE:
www.sunshineoilsands.com

AUDIT COMMITTEE:
Mr. Robert J. Herdman (Chairman)
Mr. Gerald F. Stevenson
Mr. Zhefei Song
Mr. Raymond S. Fong

COMPENSATION COMMITTEE:
Mr. Robert J. Herdman (Chairman)
Mr. Kwok Ping Sun
Mr. Hok Ming Tseung
Mr. Raymond S. Fong
Mr. Zhefei Song

RESERVES COMMITTEE:
Mr. Gerald F. Stevenson (Chairman)
Mr. Raymond S.Fong
Dr. Qi Jiang

CORPORATE GOVERNANCE COMMITTEE:
Mr. Michael J. Hibberd (Chairman)
Mr. Haotian Li
Mr. Raymond S. Fong
Mr. Gerald F. Stevenson

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

REGISTERED OFFICE IN ALBERTA:
Suite 4000, 421 Seventh Avenue SW
Calgary, Alberta
T2P 4K9 Canada

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

SHARE REGISTRAR IN ALBERTA:
Alliance Trust Company

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