阳光油砂
SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

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

(HKEX: 2012)

2019 INTERIM REPORT

**For identification purpose only*

MESSAGE TO SHAREHOLDERS

For three months ended June 30, 2019, the Corporation's average bitumen production was 2,044 bbls/day. Diluent was blended at 18.2% volumetric rate with the bitumen as part of the production process to create the marketable "Dilbit" blend product, and the average Dilbit sales volume was 2,506 bbls/day in the second quarter of 2019. The bitumen production and sales for 2Q19 have increased significantly compared with 1Q19.

SUNSHINE'S CAPITAL RAISING ACTIVITIES DURING 2Q19

On June 17, 2019, the Corporation entered into a subscription agreement for convertible bonds in the principal amount of USD 10.45 million (approximately CAD $13.68 million) with an independent third party. With an initial conversion price of HKD $0.0822 per share (approximately CAD $0.014 per share), a maximum of 990,347,263 Class "A" common shares will be allotted and issued upon the full conversion of the convertible bonds. The convertible bonds interest rate is 10.0% per annum and required repayment in full within two years from the issuance date. All the subscription proceeds were subsequently received on 29 July 2019. The entire proceeds will be used to financing its general working capital and capital expenditure for its West Ells project.

On May 15, 2019, the Board of the Corporation approved the payment of director fee of certain directors (the "Connected Directors") for the period from October 1, 2017 to April 30, 2019 in shares in lieu of cash, subject to Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. On June 24, 2019, the proposed issuance of 21,779,902 new Shares to the Connected Directors as payment of director fee has been approved by the independent shareholders at the Special General Meeting. The completion took place on July 11, 2019. An aggregate of 21,779,902 new Shares were allotted and issued to the Connected Directors at an Issue Price of HK$0.092 (approximately CAD $0.015 per share) per Share.

During the six months ended June 30, 2019, the Corporation issued no new Common Shares.

The US$ 200 million senior notes matured on August 1, 2019 (New York time). As at the date of this report, the Company is in negotiation with the noteholders on further forbearance.

Summary of Financial Figures

For 2Q19, net Dilbit sales increased by 56% to CAD $14.2 million from CAD $9.1 million mainly due to higher bitumen sales volume and production. Net loss declined by 69% to CAD $9.8 million from CAD $31.1 million in 2Q18.

2Q19 bitumen production was 2,044 bbl/day.

As at June 30, 2019 and December 31, 2018, the Corporation notes the following selected balance sheet figures.

(Canadian $000s)	**June 30, 2019**	December 31, 2018
Cash	555	583
Trade and other receivables	15,761	13,457
Prepaid expense and deposits	5,315	3,208
Exploration and evaluation assets	269,860	269,218
Property, plant and equipment	487,229	492,815
Total liabilities	563,662	527,328
Shareholders' equity	217,723	251,953

2019 Outlook

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

Kwok Ping Sun

Executive Chairman

Gloria Ho

Chief Financial Officer

Management's Discussion and Analysis

*This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("*Sunshine*" ,the "Company" or the "Corporation") for the three and six months ended June 30, 2019 is dated August 20, 2019, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and six months period ended June 30, 2019 and with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.*

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.99 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2018 was approximately 1.78 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. 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. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

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

As at June 30, 2019, the Company had invested approximately $2.38 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at June 30, 2019, the Company had $0.56 million in cash.

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

Operational Update

West Ells

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

For three and six months ended June 30, 2019, the Company's average bitumen production was 2,044 bbls/day and 1,526 bbls/day respectively. Diluent was blended at 18.2% and 17.8% volumetric rate for the same time periods with the bitumen as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 2,506 bbls/day and 1,844 bbls/day for the three and six months ended June 30, 2019.

Thickwood and Legend

The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2019. Once the Thickwood and Legend Lake's projects are sanctioned for development and construction, additional significant financing will need to be secured to proceed.

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

As at the date of this report, Muskwa has no production. Development of Muskwa area is expected to be reactivated in 2019 under new ownership of Renergy, at no cost to Sunshine.

Summary of Quarterly Results

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

($ thousands except per share & bbl/d)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Bitumen sales (bbl/d)	2,049	999	1,153	1,757	1,540	2,174	2,253	1,781
Petroleum sales	14,434	6,017	4,772	12,286	9,252	11,258	13,209	8,781
Royalties	277	68	28	270	149	114	126	36
Diluent	3,747	1,491	2,016	2,681	2,708	3,896	4,395	2,551
Transportation	4,140	2,321	3,757	4,047	3,086	4,527	4,391	3,272
Operating costs	5,616	4,581	4,609	5,030	5,392	5,671	5,733	5,547
Finance cost	9,433	22,734	9,386	13,824	16,791	15,348	21,095	11,687
Net loss	9,799	25,116	46,731	16,287	31,147	32,831	228,443	12,761
Per share - basic and diluted	0.00	0.00	0.01	0.00	0.01	0.01	0.04	0.00
Capital expenditures[1]	493	342	195	521	803	1,381	860	1,815
Total assets	781,385	781,366	769,468	774,885	781,130	781,639	785,356	980,947
Working capital deficiency[2]	489,793	483,933	461,341	423,360	412,067	385,244	368,593	343,136
Shareholders' equity	217,723	227,171	251,953	292,394	307,203	336,858	356,569	581,687

1. Includes payments for exploration and evaluation, property, plant and equipment.
2. The working capital deficiency includes the USD current portion of the Notes converted to CAD at each period end exchange rate.

Results of Operations

Operating Netback

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2019	2018	2019	2018
Realized bitumen revenue	$ 10,687	$ 6,544	$ 15,213	$ 13,906
Transportation	(4,140)	(3,086)	(6,461)	(7,613)
Royalties	(277)	(149)	(345)	(263)
Net bitumen revenues	$ 6,270	$ 3,309	$ 8,407	$ 6,030
Operating costs	(5,616)	(5,392)	(10,197)	(11,063)
Operating cash flow	$ 654	$ (2,083)	$ (1,790)	$ (5,033)
Operating netback ($ / bbl)	3.55	(14.86)	(6.53)	(14.99)

1. Operating cash flow is a non-GAAP measure which is defined in the Advisory section of this MD&A.

The Operating cash flow for the three months ended June 30, 2019 was a net gain of $0.7 million compared to a net loss of $2.1 million for the three months ended June 30, 2018. Operating netback on a per barrel basis increased $18.41/bbl to a gain of $3.55/bbl from the loss of $14.86/bbl. The increase in the operating cash flow per barrel was primarily due to 24.07% increase realized sales price per barrel (net of diluent) and 20.87% decrease operating costs per barrel, offset by 1.91% increase of transportation costs per barrel.

The Operating cash flow for the six months ended June 30, 2019 was a net loss of $1.8 million compared to a net loss of $5.0 million for the six months ended June 30, 2018. Operating netback loss per barrel basis narrowed by $8.46/bbl to $6.53/bbl from a loss of $14.99/bbl. The decrease of the operating cash flow deficiency is primarily due to 33.91%

increase blending sales price per barrel, which was partially offset by 3.88% increase of transportation expense per barrel and 19.03% increase of operating costs per barrel.

Bitumen Production

	For the three months ended June 30,		For the six months ended June 30,	
(Barrels/day)	2019	2018	2019	2018
Bitumen production	2,044	1,610	1,526	1,822

Bitumen production at West Ells for the three and six months ended June 30, 2019 averaged 2,044 bbls/day and 1,526 bbls/day compared to 1,610 bbls/day and 1,822 bbls/day for the three and six months ended June 30, 2018, respectively. Bitumen production increased by 434 bbls/day for the three months ended June 30, 2019 compared to the same period in 2018 and it was the improvement in the production performance. For the six months ended June 30, 2019, bitumen production decreased by 296 bbls/day compared to the same period in 2018. The Company will continue to focus on carefully improving production performance.

Bitumen Sales

	For the three months ended June 30,		For the six months ended June 30,	
(Barrels/day)	2019	2018	2019	2018
Bitumen Sales	2,049	1,540	1,516	1,855

Bitumen sales at West Ells for the three and six months ended June 30, 2019 averaged 2,049 bbls/day and 1,516 bbls/day compared to 1,540 bbls/day and 1,855 bbls/day for the three and six months ended June 30, 2018, respectively. Bitumen sales increased by 509 bbls/day for the three months ended June 30, 2019 compared to the same period in 2018 due to higher bitumen production. For the six months ended June 30, 2019, Bitumen sales decreased by 339 bbls/day compared to the same period in 2018 due to lower production in 1Q19.

Petroleum Sales, net of royalties

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2019	2018	2019	2018
Petroleum sales	$ 14,434	$ 9,252	$ 20,451	$ 20,510
Royalties	(277)	(149)	(345)	(263)
Petroleum sales, net of royalties	$ 14,157	$ 9,103	$ 20,106	$ 20,247
$ / bbl	76.75	64.96	73.27	60.29

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended June 30, 2019 increased $5.1 million to $14.2 million from $9.1 million for the same period of 2018. Petroleum sales per barrel increased $11.79/bbl to $76.75/bbl from $64.96/bbl for the same period of 2018. The increase of $5.1 million sales (net of royalties) is mainly due to higher bitumen production and thus sales volume.

Petroleum sales, net of royalties for the six months ended June 30, 2019 decreased $0.1 million to $20.1 million from $20.2 million for the six months ended June 30, 2018. Petroleum sales per barrel increased by $12.98/bbl to $73.27/bbl from $60.29/bbl for the same period of 2018. Petroleum sales decreased by $0.1 million primarily due to lower Bitumen sales volume and lower production in 1Q19.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently at pre-payout. Royalties for the three and six months ended June 30, 2019 increased $0.13 million and $0.08 million compared to the same period of 2018. The increases are mainly due to increased Dilbit sales.

Bitumen Realization

($ thousands, except $/bbl)	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Dilbit revenue	$ 14,434	$ 9,252	$ 20,451	$ 20,510
Diluent blended	(3,747)	(2,708)	(5,238)	(6,604)
Realized bitumen revenue[1]	$ 10,687	$ 6,544	$ 15,213	$ 13,906
($ / bbl)	57.94	46.70	55.44	41.40

1. Realized bitumen revenue is used to calculate operating netbacks.

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

During the three months ended June 30, 2019, the Company's bitumen realization revenue increased by $4.2 million to $10.7 million from $6.5 million for the three months ended June 30, 2018. The bitumen realized price per barrel increased $11.24/bbl to $57.94/bbl from $46.70/bbl. The increase in bitumen realization per barrel was mainly due to increased bitumen production with increased Dilbit sales at higher prices.

During the six months ended June 30, 2019, the Company's bitumen realization revenue increased $1.3 million to $15.2 million from $13.9 million for the same period in 2018. The bitumen realized price per barrel increased $14.04/bbl to $55.44 /bbl from $41.40/bbl.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Diluent	$ 3,747	$ 2,708	$ 5,238	$ 6,604
$/bbl	20.31	19.32	19.09	19.67
Blend ratio	18.2%	16.9%	17.8%	17.6%

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

Diluent costs per barrel for the three and six months ended June 30, 2019 was $20.31 and $19.09 compared to $19.32 and $19.67 for the three and six months ended June 30, 2018.

Transportation

($ thousands, except $/bbl)	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Transportation	$ 4,140	$ 3,086	$ 6,461	$ 7,613
$ / bbl	22.44	22.02	23.55	22.67

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the three and six months ended June 30, 2019 was $22.44/bbl and $23.55/bbl compared to $22.02/bbl and $22.67/bbl for the three and six months ended June 30, 2018, respectively. The increase in the transportation cost per barrel was mainly due to increased transportation rates charged by the third party trucking companies.

Operating Costs

($ thousands, except $/bbl)	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Energy operating costs	$ 1,655	$ 900	$ 3,006	$ 2,274
Non-energy operating costs	3,961	4,492	7,191	8,789
Operating costs	$ 5,616	$ 5,392	$ 10,197	$ 11,063
$ / bbl	30.45	38.48	37.16	32.94

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

The operating expense per barrel for the three and six months ended June 30, 2019 was $30.45/bbl and $37.16/bbl compared to $38.48/bbl and $32.94/bbl for the three and six months ended June 30, 2018, respectively. For the three months ended June 30, 2019, the operating costs per barrel decrease from the prior period is primarily due to the higher bitumen production. For the six months ended June 30, 2019, the operating costs per barrel increase from the prior period is primarily due to the lower bitumen production in 1Q19. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production ramps up at West Ells.

General and Administrative Costs

	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Salaries, consultants and benefits	$ 1,494	$ 1,503	$ 3,030	$ 3,119
Rent	14	519	265	1,073
Legal and audit	156	224	452	354
Other	427	744	966	1,457
Balance, end of period	$ 2,091	$ 2,990	$ 4,713	$ 6,003

The Company's general and administrative costs were $2.1 million and $4.7 million for the three and six months ended June 30, 2019 compared to $3.0 million and $6.0 million for the same periods in 2018. General and administrative costs decreased by $0.9 million and $1.3 million for the three and six months ended June 30, 2019 compared to the same periods in 2018 primarily due to workforce reductions and the Company's continued focus on cost management.

Finance Costs

($ thousands)	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Interest expense on senior notes	$ 8,169	$ 11,086	$ 27,056	$ 20,029
Interest expense on other loans	582	75	1,028	176
Redemption/yield maintenance premium	287	5,108	2,477	9,755
Financing related costs	6	149	10	149
Other interest expense	27	92	894	1,479
Other interest expense-leases	73	-	129	-
Unwinding of discounts on provisions	289	281	573	551
Finance costs	$ 9,433	$ 16,791	$ 32,167	$ 32,139

The Company's finance costs were $9.4 million and $32.2 million for the three and six months ended June 30, 2019 compared to $16.8 million and $32.1 million for the three and six months ended June 30, 2018. For the three months ended June 30, 2019, finance costs decreased by $7.4 million compared to the same period in 2018 as a result of an decrease of $2.9 million attributed to interest expense on senior notes and a decrease of $4.8 million attributed to yield maintenance premium. For the six months ended June 30, 2019, finance costs increased by $0.1 million compared to the same period in 2018 as a result of an increase of $7.1 million attributed to interest expense on senior notes and an increase of $0.9 million attributed to interest expense on other loans; offset by a decrease of $7.3 million relating to yield maintenance premium and a decrease of $0.6 million on other interest expenses.

Share-based Compensation

			Three months ended June 30, 2019			**Three months ended June 30, 2018**
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 351	$ -	$ 351	$ 404	$ -	$ 404

			Six months ended June 30, 2019			**Six months ended June 30, 2018**
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 685	$ -	$ 685	$ 772	$ -	$ 772

Share-based compensation expense for the three and six months ended June 30, 2019 was $0.4 million and $0.7 million compared to $0.4 million and $0.8 million for the same periods in 2018. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Depletion, Depreciation and Impairment

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2019	2018	2019	2018
Depletion	$ 4,220	$ 3,226	$ 6,338	$ 7,263
Depreciation	395	128	744	262
Depletion and depreciation	$ 4,615	$ 3,354	$ 7,082	$ 7,525
Depletion ($ / bbl)	25.02	23.02	25.81	21.63

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

Depletion and depreciation expense was $4.6 million and $7.1 million for the three and six months ended June 30, 2019 compared to $3.4 million and $7.5 million for the three and six months ended June 30, 2018, respectively. Depletion and depreciation expense increased by $1.2 million for the three months ended June 30, 2019 compared to the same period in 2018 due to higher bitumen production. Depletion and depreciation expense decreased by $0.4 million for the six months ended June 30, 2019 mainly due to lower bitumen production in Q1.

Starting January 1, 2019 the Company started to record depreciation for long-term leases that are calculated on a straight-line basis over the lease term, so depreciation for the three and six months ended June 30, 2019 has increased $0.3 million and $0.4 million compared to the same periods in 2018.

As at June 30, 2019, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets or the West Ells CGU.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three and six months ended June 30, 2019 and 2018. 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, 2019, the Company had total available tax deductions of approximately $1.57 billion, with unrecognized tax losses that expire between 2029 and 2038.

Liquidity and Capital Resources

		June 30, 2019		December 31, 2018
Working capital deficiency	$	489,793	$	461,341
Shareholders' equity		217,723		251,953
	$	707,516	$	713,294

1. Senior secured notes in the amount of $260.0 million, plus accrued interest and unpaid amounts are considered current as at June 30, 2019 and have been included in the working capital deficit based on the October 31, 2018 conditions to extend the maturity date to August 1, 2019.

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

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

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

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

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

Other payments contemplated in the FRA included:

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

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

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

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

On August 1, 2018, the Company was required, amongst other matters, repay notes principal, and any previous outstanding payment commitments. Sunshine did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the Noteholders signed a Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company was to obtain financing of at least US $5 million from the date of signing until April 30, 2019 to maintain sufficient liquidity.

As at the date of this report, the Company is in negotiation with the noteholders on further forbearance.

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

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US$5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US$5.0 million to US$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of June 30, 2019, the Company had incurred unsecured third party debt for a total of US$16.5 million (CDN$21.6 million equivalent). (Permitted Debt limit is US$15.0 million.)

For the six months ended June 30, 2019, the Company issued various unsecured bonds for a total proceeds of $1.8 million (2018: $21.0 million). These amounts were mainly received in RMB/HKD. The instruments bear interest of 10% to 20% per annum and have a potential maturity date of December 31, 2019. These bonds and loan balances are not subject to any financial covenants. For the six months ended June 30, 2019, the Company had repaid bonds principal of $6.7 million plus interests.

On February 27, 2019, the Company received another notice from the Alberta Court of Queen's Bench. As a result, CAD$0.7 million of cash was to be put aside for creditor repayment subsequent to the year end. The Company is planning to file an appeal against such notice and will be contesting this notice in Court. On June 19, 2019, the Company received another notice from the Alberta Court of Queen's Bench. As a result, CAD$0.54 million of cash was to be put aside for creditor repayment subsequent to the year end.

The Company received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2018 municipal property taxes of $7.48 million. The Company was also charged with overdue penalties of $2.85 million. Since then the Company was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Company has commenced a judicial review to have tax notices issued by RMWB in 2016-2019 declared void. The Company believes that it has made adequate provision in the financial statements against this demand notice.

The Company is involved in various claims. including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims, as noted in note 10. At June 30, 2019, the Company had incurred $6.99 million (US $5.34 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.3087 CAD.

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

For the three and six months ended June 30, 2019, the Company reported a net loss of $9.4 million and $34.6 million, respectively. At June 30, 2019, the Company had a working capital deficiency of $489.8 million including senior notes of $260.0 million and an accumulated deficit of $1,150.5 million.

The Company's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 72% as at June 30, 2019, compared to 68% as at December 31, 2018.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long-term debt, which are denominated in US dollars, HK dollars and/or Chinese Renmibi. For the three and six months ended June 30, 2019, the Company had a foreign exchange gain of $6.2 million and $11.6 million compared to a $5.5 million and $12.5 million loss in the same periods in 2018. The changes in foreign exchange for the three and six months ended June 30, 2019 are primarily due to the unrealized gain or loss on the translation of the US denominated Notes.

The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the three and six months ended June 30, 2019. 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, 2019 would have been impacted by Nil and the carrying value of the debt at June 30, 2019 would have been impacted by $2.6 million. At June 30, 2019, the Company held approximately US $0.01 million or $0.014 million of cash, using the June 30, 2019 exchange rate of 1.3087, as cash in the Company's USD bank accounts.

For Hong Kong dollar amounts, exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2019 would have been impacted by Nil and the carrying value of the debt at June 30, 2019 would have been impacted by $0.17 million. At June 30, 2019, the Company held, after recent equity and bond closings, approximately HKD $0.9 million or $0.15 million using the June 30, 2019 exchange rate of 5.9678, as cash in the Company's HKD bank accounts.

For Chinese renminbi ("CNY") amounts, exchange rates to convert from Chinese renminbi to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2019 would have been impacted by approximately Nil the carrying value of the debt at June 30, 2019 would have been impacted by Nil. At June 30, 2019, the Company held approximately CNY $0.073 million or $0.014 million using the June 30, 2019 exchange rate of 5.2466, as cash in the Company's CNY bank accounts.

Commitments and Contingencies

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company's commitments and contingencies, please refer to the Company's Unaudited Condensed Consolidated interim Financial Statements and notes thereto for the three and six months period ended June 30, 2019 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2018.

Transactions with Related Parties

For the six months ended June 30, 2019, a consulting company, to which a director of Sunshine is related, charged the Company $0.28 million (June 30, 2018 – $0.30 million) for management and advisory services.

Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 1,698,077,000 common shares of the Company which represents approximately 27.67% of the Company's outstanding common shares.

On March 25, 2019, The Company signed a supplementary agreement with Renergy Petroleum (Canada) Co., Ltd, owed by Mr. Kwok Ping Sun, regarding the proposed Amendment of the Joint Operating Agreements on Muskwa and Godin area oil sands leases.

For the six months ended June 30, 2019, the Company had obtained the loans from shareholders for HKD $71.0 million (approximately CAD $11.9 million) with the loan interest rate of 10% per annum, and required repayment in full by the end of the year of 2019.

Off-balance Sheet Arrangements

The Company has certain lease agreements which are reflected in the table above under the heading “Commitments and Contingences”. As at June 30, 2019, the Company did not have any other off-balance sheet arrangements.

Subsequent Events

On July 11, 2019 The Company completed the issuance of Shares to Connected Directors as payment for director fees for the period from October 2017 to April 2019. An aggregate of 21,779,902 new Shares were allotted and issued to the Connected Directors at an Issue Price of HK$0.092 per Share.

On August 9, 2019 the Company entered into a settlement agreement for a total of 57,690,480 class “A” common shares at a price of HKD $0.077 per share for gross proceeds of HKD $4,442,166.93. On August 16, 2019 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of debt with independent third party.

On August 16, 2019 the Company entered into a settlement agreement for a total of 100,900,000 class “A” common shares at a price of HKD $0.070 per share for gross proceeds of HKD $7,062,978.22. This settlement agreement was entered into for settlement of trade payable with independent third party.

Changes in Accounting Policies

In January 2016, the IASB issued IFRS 16 Leases (“IFRS 16”), which replaces the existing IFRS guidance on leases: IAS 17 Leases (“IAS 17”). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases are recognized on the balance sheet while operating leases are recognized in the Consolidated Statements of Income when the expense is incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease contracts. The recognition of the present value of minimum lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, depreciation and amortization, and interest expense.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company’s financial statements are not restated.

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company’s incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability. For leases previously classified as operating leases, the Company applied the exemption not to recognize right-of-use assets and liabilities for leases with a lease term of less than 12 months, excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and applied a single discount rate to a portfolio of leases with similar characteristics.

Financial Statement Impact

The recognition of the present value of minimum lease payments resulted in an additional $2.7 million of right-of-use assets and associated lease liabilities. The Company has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon recognition, the Company’s discounted rates used in measuring lease liabilities was 7.9% for trucks and trailers and 10% for the offices. The nature of the Company’s long-term leasing activities includes trucks, trailers and the offices in Calgary, Shanghai and Hong Kong.

Critical Accounting Policies and Estimates

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

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to the Company's 2018 annual MD&A.

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2018, which is available at www.sedar.com. The 2018 annual report of the Company is available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Company's 2018 Annual Information Form is available at www.sedar.com.

Disclosure Controls and Procedures

Horst Wunschelmeier, Chief Executive Officer, and Gloria Ho, Executive Director of the Board and Chief Financial Officer, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

Horst Wunschelmeier, Chief Executive Officer, and Gloria Ho, Executive Director of the Board and Chief Financial Officer, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Company used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

No material changes in the Company's ICFR were identified during the three and six months period ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

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

Cash Flow Used in Operations

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

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2019	2018	2019	2018
Net cash used in operating activities	$ (819)	$ (6,696)	$ (6,006)	$ (14,679)
Deduct (add) Net change in non-cash operating working capital items	764	(1,702)	638	(3,812)
Cash flow used in operations	$ (1,583)	$ (4,994)	$ (6,644)	$ (10,867)

Forward-Looking Information

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

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

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

Additional Stock Exchange Information

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

Code of Corporate Governance Practice (the "Code")

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

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

- The Company has not entered into formal letters of appointment with its Directors. Consistent with the market practice in Canada, each of the Company's Directors are appointed on an annual basis by the shareholders of the Company at each annual general meeting. This is a deviation from D.1.4 of the Code.

- The Company has established the Corporate Governance Committee ("CG Committee") which perform the same functions as a nomination committee as quoted in the Code. During the period under review, following the retirement of Ms. Joanne Yan's after the annual general meeting held on June 24, 2019 (Hong Kong time) and the passed away of Mr. Raymond Shengti Fong per the announcement dated June 23, 2019 (Hong Kong time), the Company deviated from the Code A.5.1 and the CG Committee's terms of reference that requires its membership should comprise a majority of independent non-executive directors. The Company re-complied with this Code through the appointment of Mr. Guangzhong Xing and Mr. Alfa Li as members of the CG Committee on June 25, 2019 and July 29, 2019 respectively.

- Ms. Joanne Yan (independent non-executive Director) was unable to attend the annual general meeting of the Company held on June 24, 2019 due to another important engagement at the relevant time. This deviates from Code provision A.6.7 which stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings to gain and develop a balanced understanding of the views of shareholders. However, the Company considers that this is immaterial as Ms. Yan will didn't stand for re-election in the AGM. Notwithstanding, Chairman of the Board and members of other Board committees of the Company attended the said annual general meeting.

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

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

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Company during the period ended June 30, 2019.

Name	December 31, 2018	Granted	Exercised	Forfeited	Expired	June 30, 2019
Kwok Ping Sun	346,679,000	-	-	-	-	346,679,000
Michael Hibberd	46,679,000	-	-	-	-	46,679,000
Hong Luo(1)	23,000,000	-	-	-	-	23,000,000
Gloria Ho	20,000,000	-	-	-	-	20,000,000
Raymond Fong(2)	2,500,000	-	-	-	-	2,500,000
Yi He	2,500,000	-	-	-	-	2,500,000
Joanne Yan(3)	2,500,000	-	-	-	-	2,500,000
Linna Liu	-	-	-	-	-	-
Jingfeng Liu(4)	-	-	-	-	-	-
Xijuan Jiang	1,000,000	-	-	-	-	1,000,000
Guangzhong Xing (5)	-	-	-	-	-	-
Alfa Li (6)	-	-	-	-	-	-
Sub-total for Directors	444,858,000	-	-	-	-	444,858,000
Sub-total for other share option holders	46,147,881	-	-	- -	-	46,147,881
Total	491,005,881	-	-	-	-	491,005,881

1. Mr. Hong Luo ceased as the non-executive Director of the Company on June 3, 2019.
2. Per the Company' s announcement dated June 23, 2019, Mr. Raymond Fong passed away.
3. Ms. Joanne Yan retired and ceased as independent non-executive Director of the Company at the AGM held on June 24, 2019.
4. Mr. Jingfeng Liu ceased as independent non-executive Director of the Company on March 7, 2019.
5. Mr. Guangzhong Xing was appointed as independent non-executive Director of the Company on June 25, 2019.
6. Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.

Please refer to our consolidated financial statements included in the 2018 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2018.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended June 30, 2019 was Nil (year ended December 31, 2018 - $0.04). 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 2019 and 2018.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the six months ended June 30, 2019 and year ended December 31, 2018.

Input Variables	**Six month period ended June 30, 2019**	**Year ended December 31, 2018**
Grant date share price ($)	-	0.04-0.04
Exercise price ($)	-	0.04-0.04
Expected volatility (%)	-	61.87-61.87
Option life (years)	-	2.88-2.88
Risk-free interest rate (%)	-	1.95-1.95
Expected forfeitures (%)	-	15.39-15.39

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

2019 Activities

On June 17, 2019, the Company entered into a subscription agreement for convertible bonds in the principal amount of USD 10.45 million (approximately CAD $13.68 million) with an independent third party. With an initial conversion price of HKD $0.0822 per share (approximately CAD $0.014 per share), a maximum of 990,347,263 Class "A" common shares will be allotted and issued upon the full conversion of the convertible bonds. The convertible bonds interest rate is 10.0% per annum and required repayment in full within two years from the issuance date. On July 5 2019, the Company partially completed the convertible bonds amounting to HK$10.92 million (approximately CAD$1.8 million). The entire gross proceeds will be used to financing its general working capital and capital expenditure for its West Ells project. All the subscription proceeds were subsequently received in 29 July 2019.

On May 15, 2019, the Board of the Company approved the payment of the director fees of certain directors (the "Connected Directors") for the period from October 1, 2017 to April 30, 2019 in shares in lieu of cash, subject to Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. On June 24, 2019, the proposed issuance of 21,779,902 new Shares to the Connected Directors as payment of director fee has been approved by the independent shareholders at the Special General Meeting. The completion took place on July 11, 2019. An aggregate of 21,779,902 new Shares were allotted and issued to the Connected Directors at an Issue Price of HK$0.092 (approximately CAD $0.015 per share) per Share.

During the six months ended June 30, 2019, the Company issued no new Common Shares.

2018 Activities

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

On February 5, 2018 the Company entered into a subscription agreement for a total of 122,951,000 class "A" common shares at a price of HKD $0.244 per share (approximately CAD $0.039 per common share), for gross proceeds of HKD $30.0 million (approximately CAD $4.79 million). On February 13, 2018 the Company completed the closing of

116,803,500 class "A" common shares at a price of HKD $0.244 per share for gross proceeds of HKD $28.5 million (approximately CAD $4.6 million) of this subscription agreement. In addition, a placing commission of HKD $0.9 million (approximately CAD $0.14 million) was incurred in relation to the Closing. The subscription agreement expired on February 13, 2018 and consequently the time to close the remaining 6,147,500 class "A" common shares lapsed.

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

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

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

On July 6, 2018, the Company entered into a settlement agreement for a total of 14,322,500 class "A" common shares at a price of HKD $0.192 per share (approximately CAD $0.032 per common share), for gross proceeds of HKD $2.75 million (approximately CAD $0.46 million). A payment of CAD $51,117 cash is to be made. This agreement was entered into for settlement of indebtedness with an independent third party. The entire gross proceeds were used to set off the indebtedness.

On September 11, 2018, the Company entered into a settlement agreement for a total of 11,868,000 class "A" common shares at a price of HKD $0.159 per share (approximately CAD $0.026 per common share), for gross proceeds of HKD $1.89 million (approximately CAD $0.31 million). On September 20, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On September 17, 2018, the Company entered into a settlement agreement for a total of 8,247,500 class "A" common shares at a price of HKD $0.166 per share (approximately CAD $0.028 per common share), for gross proceeds of HKD $1.37 million (approximately CAD $0.23 million). On September 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class "A" common shares were to be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 5.0% per annum and required repayment in full within three months from the maturity date. On July 5, 2018, the Company completed the placing of convertible bonds. The Conversion Period expired on September 30, 2018 and no conversion right attached to the Placing CB was exercised. As such, all Placing CBs were redeemed by the Company and were cancelled.

On September 28, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.81 million) with independent third parties. With an initial conversion price of HKD $0.210 per share (approximately CAD $0.036 per share), a maximum of 52,380,952 Class "A" common shares were to be allotted and issued upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 13.7% per annum and required repayment in full within two months from the maturity date. On October 5, 2018, the Company completed the placing of convertible bonds. On November 30, 2018, the Company received conversion notices from all Placees and they exercised all the Conversion Rights attached to the Placing CB to convert the whole principal amount of the Placing CB into Shares at the Conversion Price of HK$0.210 per share(approximately CAD $0.036 per share). Accordingly, 52,380,952 Class "A" common shares were allotted and issued to the Placees pursuant to the terms and conditions of the Placing CB.

On November 2, 2018, the Company entered into a settlement agreement for a total of 32,832,000 class "A" common shares at a price of HKD $0.146 per share (approximately CAD $0.0246 per common share), for gross proceeds of HKD $4.79 million (approximately CAD $0.81 million). On November 16, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 14, 2018, the Company entered into a settlement agreement for a total of 2,199,500 class "A" common shares at a price of HKD $0.152 per share (approximately CAD $0.0257 per common share), for gross proceeds of HKD $0.33 million (approximately CAD $0.06 million). On November 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 23, 2018, the Company entered into a settlement agreement for a total of 1,000,500 class "A" common shares at a price of HKD $0.144 per share (approximately CAD $0.0245 per common share), for gross proceeds of HKD $0.14 million (approximately CAD $0.02 million). On November 29, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On December 5, 2018, the Company entered into a settlement agreement for a total of 27,983,000 class "A" common shares at a price of HKD $0.137 per share (approximately CAD $0.0234 per common share), for gross proceeds of HKD $3.83 million (approximately CAD $0.66 million). On December 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On December 20, 2018, the Company entered into a settlement agreement for a total of 5,854,500 class "A" common shares at a price of HKD $0.133 per share (approximately CAD $0.0232 per common share), for gross proceeds of HKD $0.78 million (approximately CAD $0.14 million). On December 28, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

Shares Outstanding

As at June 30, 2019, the Company had 6,135,846,624 Class "A" common shares issued and outstanding.

Employees

As at June 30, 2019, the Company has 54 full-time employees. For the three and six months ended June 30, 2019, total staff costs amounted to $1.5 million and $3.0 million, respectively.

Change in Directors' Information

During the period under review and up to the date of this report, the Directors and the Board have the following changes:

1. On March 7, 2019, Mr. Jeff Jingfeng Liu resigned as independent non-executive Director and ceased to be a member of Audit Committee and Reserves Committee.
2. Mr. Yi He was appointed a member of Reserves Committee on March 19, 2019.
3. On June 3, 2019, Mr. Hong Luo ceased to be non-executive Director of the Company.
4. Per the announcement dated June 23, 2019, Mr. Raymond Fong passed away.
5. Ms. Joanne Yan didn't stand for re-election at the annual general meeting held on June 24, 2019. Her offices in the Company, namely, Chair of Audit Committee and a member of Compensation Committee and Corporate Governance Committee ceased accordingly.
6. On June 25, 2019, Mr. Guangzhong Xing was appointed as independent non-executive Director and a member of each of the Audit Committee, Corporate Governance Committee, Reserves Committee and the Compensation Committee.
7. Mr. Yi He was appointed as Chair of Audit Committee and Reserves Committee on June 25, 2019.
8. On July 29, 2019, Mr. Alfa Li was appointed as independent non-executive Director and a member of Audit Committee, Corporate Governance Committee and the Compensation Committee.

As mentioned before, due to the passed away of Mr. Raymond Fong and the retirement of Ms. Joanne Yan at the annual general meeting, the Company failed to comply with the rules 3.10(1), 3.10(2) and 3.21 since June 23, 2019. On June 25, 2019, the Company appointed Guangzhong Xing as an independent non-executive Director. The Company further appointed Mr. Alfa Li as independent non-executive Director on July 29, 2019. Since then, the Company re-complied with rules 3.10(1), 3.10(2) and 3.21.

Disclosure of interests

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

As at June 30, 2019, the interests and short positions of the Directors and chief executive of the Corporation in the shares of the Corporation or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Director's long position in the Company

(i) Common Shares

Name	Company	Nature of Interest	Number of Common Shares Held	Approximate % interest in the Shares [7]
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	1,702,077,000	27.74%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	104,774,685	1.71%
Mr. Hong Luo [1]	Sunshine Oilsands Ltd.	N/A	-	-
Ms. Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Raymond Fong [2]	Sunshine Oilsands Ltd.	Direct/Indirect	9,250,621	0.15%
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	1,600,000	0.03%
Ms. Joanne Yan [3]	Sunshine Oilsands Ltd.	N/A	-	-
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct/Indirect	300,000	0.00%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Jingfeng Liu [4]	Sunshine Oilsands Ltd.	Direct	600,000	0.01%
Mr. Guangzhong Xing [5]	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Alfa Li [6]	Sunshine Oilsands Ltd.	N/A	-	-

Notes

1. *Mr. Hong Luo ceased as the non-executive Director of the Company on June 3, 2019.*
2. *Per the Company' s announcement dated June 23, 2019, Mr. Raymond Fong passed away.*
3. *Ms. Joanne Yan retired and ceased as independent non-executive Director of the Company at the AGM held on June 24, 2019.*
4. *Mr. Jingfeng Liu ceased as independent non-executive Director of the Company on March 7, 2019.*
5. *Mr. Guangzhong Xing was appointed as independent non-executive Director of the Company on June 25, 2019.*
6. *Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.*
7. *The above percentage figures are calculated based on the Issued share capital of the Company (i.e. 6,135,846,624) as at June 30, 2019.*

(ii) Stock Options

Name	Company	Nature of Interest	Number of Options Held	Approximate % interest in the options
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct	346,679,000	77.93%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct	46,679,000	10.49%
Mr. Hong Luo [1]	Sunshine Oilsands Ltd.	Direct	23,000,000	5.17%
Ms. Gloria Ho	Sunshine Oilsands Ltd.	Direct	20,000,000	4.50%
Mr. Raymond Fong [2]	Sunshine Oilsands Ltd.	Direct	2,500,000	0.57%
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	2,500,000	0.57%
Ms. Joanne Yan [3]	Sunshine Oilsands Ltd.	Direct	2,500,000	0.57%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	1,000,000	0.22%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Jingfeng Liu [4]	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Guangzhong Xing [5]	Sunshine Oilsands Ltd.	N/A	-	0.00%
Mr. Alfa Li [6]	Sunshine Oilsands Ltd.	N/A	-	0.00%

Notes

1. *Mr. Hong Luo ceased as the non-executive Director of the Company on June 3, 2019.*
2. *Per the Company' s announcement dated June 23, 2019, Mr. Raymond Fong passed away.*
3. *Ms. Joanne Yan retired and ceased as independent non-executive Director of the Company at the AGM held on June 24, 2019.*
4. *Mr. Jingfeng Liu ceased as independent non-executive Director of the Company on March 7, 2019.*
5. *Mr. Guangzhong Xing was appointed as independent non-executive Director of the Company on June 25, 2019.*
6. *Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.*

Save as disclosed above, as at June 30, 2019, none of the Directors or chief executive of the Corporation had interests or short positions in the shares, underlying shares or debentures of the Corporation and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at June 30, 2019, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, save as disclosed above, none of the substantial shareholders of the Corporation had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the nominal value of any (a) Director's Share Options class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Dividends

The Company has not declared or paid any dividends in respect of the six months period ended June 30, 2019 (six months period ended June 30, 2018 - $Nil).

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three and six months ended June 30, 2019, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

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

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

Outlook

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

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

	Notes		June 30, 2019		December 31, 2018
Assets					
Current assets					
Cash	4	$	555	$	583
Trade and other receivables	5		15,761		13,457
Prepaid expenses and deposits			5,315		3,208
			21,631		17,248
Non-current assets					
Exploration and evaluation	6		269,860		269,218
Property, plant and equipment	7		487,229		492,815
Right-of-use assets	3,8		2,665		-
			759,754		762,033
		$	781,385	$	779,281
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and accrued liabilities	9	$	220,044	$	183,137
Bonds	10.2		19,470		24,462
Shareholders loans	20		11,945		-
Senior notes	10.1		259,965		270,990
			511,424		478,589
Non-current liabilities					
Lease Liabilities	3,8		2,759		-
Provisions	11		49,479		48,739
			563,662		527,328
Shareholders' Equity					
Share capital	13		1,293,379		1,293,379
Reserve for share-based compensation	14		75,216		74,531
Deficit			(1,150,872)		(1,115,957)
			217,723		251,953
		$	781,385	$	779,281

Going concern (Note 2)
Commitments and contingencies (Note 22)
Subsequent events (Note 24)

Approved by the Board

"David Yi He"
Independent Non-Executive Director

"Kwok Ping Sun"
Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2019**	**2018**	**2019**	**2018**
Revenues and Other Income					
Petroleum sales, net of royalties	15.1	$ 14,157	$ 9,103	$ 20,106	$ 20,247
Other income	15.2	34	2	35	3
		14,191	9,105	20,141	20,250
Expenses					
Diluent		3,747	2,708	5,238	6,604
Transportation		4,140	3,086	6,461	7,613
Operating		5,616	5,392	10,197	11,063
Depletion and depreciation	7,8	4,616	3,354	7,081	7,525
General and administrative	16	2,091	2,990	4,713	6,003
Finance costs	17	9,433	16,791	32,167	32,139
Stock based compensation	14.2	351	404	685	772
Foreign exchange (gains)/losses	19.3	(6,004)	5,527	(11,486)	12,509
		$ 23,990	$ 40,252	$ 55,056	$ 84,228
Loss before income taxes		9,799	31,147	34,915	63,978
Income taxes	12	-	-		-
Net loss and comprehensive loss for the period attributable to equity holders of the Company		$ 9,799	$ 31,147	$ 34,915	$ 63,978
Basic and diluted loss per share	18	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

	Notes		Share capital		Reserve for share based compensation		Deficit		Total
Balance, December 31, 2018		$	1,293,379	$	74,531	$	(1,115,957)	$	251,953
Net loss and comprehensive loss for the period			-		-		(34,915)		(34,915)
Issue of common shares	13.1		-		-		-		-
Share issue costs, net of deferred tax ($Nil)	13.1		-		-		-		-
Recognition of share-based compensation	14.2		-		685		-		685
Balance, June 30, 2019		$	1,293,379	$	75,216	$	(1,150,872)	$	217,723
Balance, December 31, 2017		$	1,275,008	$	70,522	$	(988,961)	$	356,569
Net loss and comprehensive loss for the period			-		-		(63,978)		(63,978)
Issue of common shares	13.1		14,084		-		-		14,084
Share issue costs, net of deferred tax ($Nil)	13.1		(244)		-		-		(244)
Recognition of share-based compensation	14.2		-		772		-		772
Balance, June 30, 2018		$	1,288,848	$	71,294	$	(1,052,939)	$	307,203

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows from operating activities					
Net loss		$ (9,799)	$ (31,147)	$ (34,915)	$ (63,978)
Finance costs		9,433	16,791	32,167	32,139
Unrealized foreign exchange (gains)/losses	19.3	(6,150)	5,606	(11,627)	12,678
Other income		(34)	(2)	(35)	(3)
Depletion and depreciation	7,8	4,616	3,354	7,081	7,525
Share-based compensation	14.2	351	404	685	772
Movement in non-cash working capital	23	764	(1,702)	638	(3,812)
Net cash used in operating activities		(819)	(6,696)	(6,006)	(14,679)
Cash flows from investing activities					
Other income received		34	2	35	3
Payments for exploration and evaluation assets	6	(523)	(477)	(602)	(710)
Payments for property, plant and equipment	7	(572)	(326)	(835)	(1,474)
Movement in non-cash working capital	23	(84)	987	(57)	789
Net cash provided by (used in) investing activities		(1,145)	186	(1,459)	(1,392)
Cash flows from financing activities					
Proceeds from issue of common shares	13.1	-	1,088	-	14,084
Payment for share issue costs	13.1	-	-	-	(244)
Payment for finance costs	17	(424)	(50)	(488)	(80)
Payments for the notes principal		-	-	-	3,524
Proceeds from Bonds	10.2	1,507	3,524	2,200	-
Payments for Bonds	10.2	(5,658)	51	(6,666)	51
Proceeds from shareholder loans	20.1	6,858	2,354	12,125	(2,985)
Repayment of shareholder loans	20.1	-	-	-	-
Movement in non-cash working capital	23	-	-	-	-
Net cash provided by financing activities		2,283	6,967	7,171	14,350
Effect of exchange rate changes on cash held in foreign currency	19.3	(13)	(249)	266	(224)
Net increase / (decrease) in cash		306	208	(28)	(1,945)
Cash, beginning of period		249	1,518	583	3,671
Cash, end of period		$ 555	$ 1,726	$ 555	$ 1,726

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

1. Company information

Sunshine Oilsands Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on February 22, 2007. The address of its principal place of business is 1100, 700 – 6th Avenue S.W., Calgary, Alberta, Canada T2P 0T8. The Company's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on March 1, 2012 pursuant to an initial public offering ("IPO") and trades under the stock code symbol of "2012". On November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange ("TSX") and traded under the symbol of "SUO". On September 30, 2015, the Company completed a voluntary delisting from the TSX. The Company continues to be a reporting issuer in Canada.

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

On July 14, 2015, Boxian Investments Limited ("Boxian") was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of the principal place of business for Boxian is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. As of June 30, 2019, no activity has occurred in Boxian. The purpose of Boxian is to pursue new investment opportunities.

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

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

2. Basis of preparation

Going Concern

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

There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes (Note 10). Management continually monitors the Company's financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following June 30, 2019.

The timing and extent of forecast capital and operating expenditures is based on the Company's 2019 forecast and on management's estimate of expenditures expected to be incurred beyond 2019. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at June 30, 2019, the availability of additional financing, and the timing and extent of capital and operating expenditures.

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

“Group”) ability to continue as a going concern.

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

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

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

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

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

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

Other payments contemplated in the FRA included:

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

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

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

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

On October 31, 2018 (Calgary time), the Company and the Noteholders signed a Reinstatement and Amending Agreement (the “FRAA”). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);

- The Company is to obtain financing of at least US$5.0 million from the date of signing until April 30, 2019 to maintain sufficient liquidity.

As at the date of this report, the Company is in negotiation with the noteholders on further forbearance.

On February 27, 2019, the Company received another garnishment notice from the Alberta Court of Queen's Bench. As a result, CAD$0.7 million of cash was to be put aside for creditor repayment. The Company has filed an appeal against such notice and will be contesting this notice in Court. On June 19, 2019, the Company received another notice from the Alberta Court of Queen's Bench. As a result, CAD$0.54 million of cash was to be put aside for creditor repayment subsequent to end of Q2.

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

The Condensed Consolidated Interim Financial Statements have been prepared on a basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Company is unable to meet its obligations as they fall due the preparation of these Financial Statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material. Specifically, in the absence of additional financing and the restructuring of current debt (Note 10) the Company would be unlikely to be able to continue the development of the West Ells project and the Company would be required to consider divestiture of the West Ells project and other assets. Such curtailment of activity would likely materially and negatively impact the Company's assessment of the carrying values of assets and liabilities associated with the West Ells project.

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

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2018. The Condensed Consolidated Interim Financial Statements are in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (Note 19). The Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars ("$"), which is the functional currency of the Company.

The Company has consistently applied the accounting policies to all periods presented in these financial statements. Certain information and disclosures normally included in the audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted, except for the adoption of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited annual Consolidated Financial Statements for the year ended December 31, 2018.

Going concern

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date these Condensed Consolidated Interim Financial Statements, in determining the ability of the Company to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2019. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgment.

3. Significant accounting policies

These Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2018, with the exception of the adoption of IFRS 16 described below.

IFRS 16 -Leases

In January 2016, the IASB issued IFRS 16 Leases (“IFRS 16”), which replaces the existing IFRS guidance on leases: IAS 17 Leases (“IAS 17”). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases are recognized on the balance sheet while operating leases are recognized in the Consolidated Statements of Income when the expense is incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease contracts. The recognition of the present value of minimum lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, depreciation and amortization, and interest expense.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company’s financial statements are not restated.

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company’s incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability. For leases previously classified as operating leases, the Company applied the exemption not to recognize right-of-use assets and liabilities for leases with a lease term of less than 12 months, excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and applied a single discount rate to a portfolio of leases with similar characteristics.

Financial Statement Impact

The recognition of the present value of minimum lease payments resulted in an additional $2.7 million of right-of-use assets and associated lease liabilities. The Company has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon recognition, the Company’s discounted rates used in measuring lease liabilities was 7.9% for trucks and trailers and 10% for the offices. The nature of the Company’s long-term leasing activities includes trucks, trailers and the offices in Calgary, Shanghai and Hong Kong.

4. Cash

		June 30, 2019		December 31, 2018
Cash	$	555	$	583
	$	555	$	583

5. Trade and other receivables

		June 30, 2019		December 31, 2018
Trade	$	2,106	$	2,422
Accruals and other receivables		13,655		11,035
Goods and services taxes receivable		-		-
	$	15,761	$	13,457

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

		June 30, 2019		December 31, 2018
0 - 30 days	$	62	$	646
31 - 60 days		124		4
61 - 90 days		66		3
>90 days		1,854		1,769
	$	2,106	$	2,422

As at June 30, 2019, included in the Company's trade receivables was an aggregate carrying amount of $2.1 million (December 31, 2018 - $2.4 million), which was past due as at the reporting date. The Company does not hold any collateral over these balances.

6. Exploration and evaluation

Balance, December 31, 2017	$	268,227
Capital expenditures		1,511
Non-cash expenditures[1]		(520)
Impairment loss		0
Balance, December 31, 2018	$	269,218
Capital expenditures		602
Non-cash expenditures[1]		40
Balance, June 30, 2019	$	269,860

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

Exploration and evaluation ("E&E") assets are comprised of undeveloped land and oil sands evaluation projects pending the determination of technical feasibility and commercial viability. As at June 30, 2019, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets.

7. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2017	$	894,772	$	5,307	$	900,079
Capital expenditures		1,291		98		1,389
Non-cash expenditures[1]		(2,334)		-		(2,334)
Balance, December 31, 2018	$	893,729	$	5,405	$	899,134
Capital expenditures		805		30		835
Non-cash expenditures[1]		127		-		127
Balance, June 30, 2019	$	894,661	$	5,435	$	900,096

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

		Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment						
Balance, December 31, 2017	$	389,183	$	3,480	$	392,663
Depletion and depreciation expense		13,133		522		13,655
Impairment loss		-		-		-
Balance, December 31, 2018	$	402,316	$	4,002	$	406,318
Depletion and depreciation expense		6,338		211		6,549
Balance, June 30, 2019	$	408,654		4,213		412,867
Carrying value, December 31, 2018	$	491,413	$	1,403	$	492,816
Carrying value, June 30, 2019	**$**	486,007	$	1,222	$	487,229

The Company commenced commercial production at West Ells Project I on March 1, 2017. As at that time, the Company ceased capitalization of petroleum revenue, royalties, diluent, transportation, and operating expenses relating to West Ells Project I and has included these amounts in the statement of comprehensive income (loss) for the three and six months ended June 30, 2019.

The Company started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. Prior to March 1, 2017, the West Ells Phase I assets of $687.1 million were not being depleted. In determining the unit-of-production depletion charge on recoverable reserves, future development costs of $2,520 million (2018 - $2,400 million) were included in property, plant and equipment.

As at June 30, 2019, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the West Ells Cash Generating Unit (CGU).

8. Right-of-use Assets and Leases

Right-of-use Assets

	Trucks & Trailers	Offices	Total
January 1, 2019			
Initial recognition	$ 861	$ 1,721	$ 2,582
Additions	-	616	616
Depreciation	(107)	(426)	(533)
June 30, 2019	$ 754	$ 1,911	$ 2,665

Leases

Balance Sheets

	June 30, 2019
Non-current lease liabilities	$ 2,759

Cash Flow Summary

	Six Months ended June 30, 2019
Total cash flow used for leases	$ 417

Effective January 1, 2019, the Company recognizes right-of-use assets ('ROA") and lease liabilities at the lease commencement date. The right-of-use assets are initially measured at cost, and subsequently depreciated using the straight-line method from the commencement date to the end of the lease term (4 years for trucks, 6 years for trailers and 3 years for the offices). As June 30, 2019, the ROA and non-current lease liabilities include the trucks, trailers and the offices in Shanghai, Hong Kong and Calgary.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, which are 7.9% for the trucks and trailers, and 10% for the offices.

9. Trade and accrued liabilities

	June 30, 2019	December 31, 2018
Trade	$ 33,603	$ 28,262
Accrued liabilities	186,441	154,875
	$ 220,044	$ 183,137

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

	June 30, 2019	December 31, 2018
Trade		
0 - 30 days	$ 2,203	$ 2,437
31 - 60 days	4,034	1,346
61 - 90 days	741	1,442
> 90 days	26,625	23,037
	33,603	28,262
Accrued liabilities	186,441	154,875
	$ 220,044	$ 183,137

10. Senior Notes & Bonds

10.1. Senior Notes

		June 30, 2019		December 31, 2018
Senior secured notes	$	259,965	$	270,990
Discount on notes		(16,168)		(16,168)
Financing transaction costs on notes		(11,846)		(11,846)
Amortization of financing transaction costs and discount		28,014		28,014
Balance, end of period	$	259,965	$	270,990

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

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

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

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

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

Other payments contemplated in the FRA included:

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

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

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

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

On August 1, 2018, the Company was required, amongst other matters, repay notes principal, and any previous outstanding payment commitments. Sunshine did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the Noteholders signed a Reinstatement and Amending Agreement (the "FRAA"). The principal terms of the FRAA include:

- The Forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company is to obtain financing of at least USD $5.0 million from the date hereof until April 30, 2019 to maintain sufficient liquidity.

As at the date of this report, the Company is in negotiation with the noteholders on further forbearance.

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

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US$5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US$5.0 million to US$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of June 30, 2019, the Company had incurred unsecured third party debt for a total of US$16.5 million (CDN$21.6 million equivalent). (Permitted Debt limit is US$15.0 million.)

From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At June 30, 2019, the Company had incurred $6.99 million (US $5.34 million equivalent using the period end exchange rate) in liens during the ordinary course of business.

The Notes and Permitted Debt are translated into Canadian dollars at the period end exchange rate of $1USD = $1.3087 CAD.

10.2 Bonds

For the six months ended June 30, 2019, the Company issued various unsecured bonds for a total proceeds of $1.7 million (2018: $21.0 million). These amounts were mainly received in RMB/HKD. The instruments bear interest of 10% to 20% per annum and have a potential maturity date of December 31, 2019. These bonds and loan balances are not subject to any financial covenants. For the six months ended June 30, 2019, the Company had repaid bonds principal of $6.7 million plus interests.

		June 30, 2019		December 31, 2018
Opening balance	$	24,462	$	3,452
Bonds		1,673		21,010
Other loans				9,813
Repayment of Bonds		(6,665)		(9,813)
Balance, end of year	$	19,470	$	24,462

During the year of 2018, the Company and Zhengwei International Investment and Management Co. Ltd, an investment holding company registered in Hong Kong ("Zhengwei"), made two swap RMB/HKD loan agreements based on following terms:

Date of Agreement	RMB	HKD	Interest rate (%)
7-Jun-18	8,169,000	10,000,000	0%
18-Oct-18	43,443,220	48,913,554	0%
Total	**51,612,220**	**58,913,554**	

The Company provided RMB loan to Zhengwei and received HKD loan from Zhengwei. The Company has to repay the HKD to receive RMB from Zhengwei. The Company recorded this loan as the gross amount of $9.8 million in trade and other receivables under current assets and the same amount in Bonds under current liabilities.

11. Provisions

		June 30, 2019		December 31, 2018
Decommissioning obligations (Note 11.1)	$	49,479	$	48,739
	$	49,479	$	48,739
Presented as:				
Provisions (non-current)	$	49,479	$	48,739

11.1 Decommissioning obligations

As at June 30, 2019, the Company's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $75.5 million (December 31, 2018 - $77.0 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 1.46% to 2.34% per annum and inflated using an inflation rate of 2.0% per annum.

		June 30, 2019		December 31, 2018
Balance, beginning of year	$	48,739	$	50,481
Effect of changes in discount rate		167		(2,854)
Unwinding of discount rate		573		1,112
Balance, end of period	$	49,479	$	48,739

12. Income taxes

12.1 Deferred tax balances

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the six months ended June 30, 2019 and year ended December 31, 2018. The components of the net deferred income tax asset are as follows:

		June 30, 2019		December 31, 2018
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(96,414)	$	(83,667)
Decommissioning liabilities		13,359		13,160
Share issue costs		589		702
Non-capital losses		308,736		299,767
Total debt		(2,517)		3,147
Deferred tax benefits not recognized		(223,753)		(233,108)
	$	-	$	-

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;
- 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, 2019		December 31, 2018
Common shares	$	1,293,379	$	1,293,379

13.1 Common shares

	June 30, 2019		December 31, 2018	
	Number of shares	$	Number of shares	$
Balance, beginning of year	6,135,846,624	1,293,379	5,627,877,613	1,275,008
Private placements – general mandate	-	-	507,969,011	18,631
Share issue costs, net of deferred tax ($Nil)	-	-	-	(260)
Balance, end of period	6,135,846,624	1,293,379	6,135,846,624	1,293,379

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

General mandate

2019 activity

On June 17, 2019, the Company entered into a subscription agreement for convertible bonds in the principal amount of USD 10.45 million (approximately CAD $13.68 million) with an independent third party. With an initial conversion price of HKD $0.0822 per share (approximately CAD $0.014 per share), a maximum of 990,347,263 Class "A" common shares will be allotted and issued upon the full conversion of the convertible bonds. The convertible bonds interest rate is 10.0% per annum and required repayment in full within two years from the issuance date. All the subscription proceeds were subsequently received on 29 July 2019. The entire proceeds will be used to financing its general working capital and capital expenditure for its West Ells project.

On May 15, 2019, the Board of the Company approved the payment of the director fees of certain directors (the "Connected Directors") for the period from October 1, 2017 to April 30, 2019 in shares in lieu of cash, subject to Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. On June 24, 2019, the proposed issuance of 21,779,902 new Shares to the Connected Directors as payment of director fee has been approved by the independent shareholders at the Special General Meeting. The completion took place on July 11, 2019. An aggregate of 21,779,902 new Shares were allotted and issued to the Connected Directors at an Issue Price of HK$0.092 (approximately CAD $0.015 per share) per Share.

During the six months ended June 30, 2019, the Company issued no new Common Shares.

2018 activity

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

On February 5, 2018 the Company entered into a subscription agreement for a total of 122,951,000 class "A" common shares at a price of HKD $0.244 per share (approximately CAD $0.039 per common share), for gross proceeds of HKD $30.0 million (approximately CAD $4.75 million). On February 13, 2018 the Company completed the closing of 116,803,500 class "A" common shares at a price of HKD $0.244 per share for gross proceeds of HKD $28.5 million (approximately CAD $4.6 million) of this subscription agreement. In addition, a placing commission of HKD $0.9 million (approximately CAD $0.14 million), was incurred in relation to the Closing. The subscription agreement expired on February 13, 2018 and hence the time to close the remaining 6,147,500 class "A" common shares lapsed.

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

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

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

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

On September 11, 2018, the Company entered into a settlement agreement for a total of 11,868,000 class "A" common shares at a price of HKD $0.159 per share (approximately CAD $0.026 per common share), for gross proceeds of HKD $1.89 million (approximately CAD $0.31 million). On September 20, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On September 17, 2018, the Company entered into a settlement agreement for a total of 8,247,500 class "A" common shares at a price of HKD $0.166 per share (approximately CAD $0.028 per common share), for gross proceeds of HKD $1.37 million (approximately CAD $0.23 million). On September 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 2, 2018, the Company entered into a settlement agreement for a total of 32,832,000 class "A" common shares at a price of HKD $0.146 per share (approximately CAD $0.0246 per common share), for gross proceeds of HKD $4.79 million (approximately CAD $0.81 million). On November 16, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 14, 2018, the Company entered into a settlement agreement for a total of 2,199,500 class "A" common shares at a price of HKD $0.152 per share (approximately CAD $0.0257 per common share), for gross proceeds of HKD $0.33 million (approximately CAD $0.06 million). On November 21, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On November 23, 2018, the Company entered into a settlement agreement for a total of 1,000,500 class "A" common shares at a price of HKD $0.144 per share (approximately CAD $0.0245 per common share), for gross proceeds of HKD $0.14 million (approximately CAD $0.02 million). On November 29, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On June 25, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.87 million) with independent third parties. With an initial conversion price of HKD $0.207 per share (approximately CAD $0.035 per share), a maximum of 53,140,097 Class "A" common shares was to be allotted and issuance upon the full conversion of the placing Convertible Bonds ("CB"). The convertible bonds interest rate was 5.0% per annum and required repayment in full within three months from the maturity date. On July 5, 2018, the Company completed the placing of convertible bonds. The Conversion Period expired on September 30, 2018 and no conversion right attached to the Placing CB was exercised. As such, CBs were redeemed by the Company and were cancelled.

On September 28, 2018, the Company entered into a subscription agreement for convertible bonds in the principal amount up to HKD $11 million (approximately CAD $1.81 million) with independent third parties. With an initial conversion price of HKD $0.210 per share (approximately CAD $0.036 per share), a maximum of 52,380,952 Class "A" common shares were allotted and issuable upon the full conversion of the placing convertible bonds. The convertible bonds interest rate was 13.7% per annum and required repayment in full within two months from the maturity date. On October 5, 2018, the Company completed the placing of convertible bonds. On November 30, 2018, the Company received conversion notices from all Placees and they exercised all the Conversion Rights attached to these convertible bonds to convert the whole principal amount of the convertible bonds into Shares at the Conversion Price of HK$0.210 per share (approximately CAD $0.036 per share). Accordingly, 52,380,952 Class "A" common shares were allotted and issued to the Placees.

On December 5, 2018, the Company entered into a settlement agreement for a total of 27,983,000 class "A" common shares at a price of HKD $0.137 per share (approximately CAD $0.0234 per common share), for gross proceeds of HKD $3.83 million (approximately CAD $0.66 million). On December 14, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

On December 20, 2018, the Company entered into a settlement agreement for a total of 5,854,500 class "A" common shares at a price of HKD $0.133 per share (approximately CAD $0.0232 per common share), for gross proceeds of HKD $0.78 million (approximately CAD $0.14 million). On December 28, 2018 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of indebtedness with an independent third party.

14. Share-based compensation

14.1 Movements in stock options

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

	June 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	491,005,881	0.06	195,435,525	0.09
Granted	-	-	315,000,000	0.04
Forfeited	(2,385,045)	0.06	(17,805,743)	0.08
Expired	-	-	(1,623,901)	0.08
Balance, end of period	488,620,836	0.06	491,005,881	0.06
Exercisable, end of period	281,005,881	0.07	277,150,776	0.07

As at June 30, 2019, stock options outstanding had a weighted average remaining contractual life of 3.1 years (December 31, 2018 – 3.8 years). The Company granted Nil stock options during the six months ended June 30, 2019.

14.2 Share-based compensation

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

	Three months ended June 30, 2019			Three months ended June 30, 2018		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 351	$ -	$ 351	$ 404	$ -	$ 404

	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 685	$ -	$ 685	$ 772	$ -	$ 772

15. Revenue

Revenue by classification

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Petroleum sales	$ 14,434	$ 9,252	$ 20,451	$ 20,510
	14,434	9,252	20,451	20,510
Other revenue	34	2	35	3
Balance, end of period	$ 14,468	$ 9,254	$ 20,486	$ 20,513

15.1 Petroleum revenue, net of royalties

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Petroleum sales	$ 14,434	$ 9,252	$ 20,451	$ 20,510
Royalties	(277)	(149)	(345)	(263)
Balance, end of period	$ 14,157	$ 9,103	$ 20,106	$ 20,247

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

$120 per barrel or higher. The West Ells project is currently at pre-payout.

Petroleum sales by product

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Crude oil sales	$ 14,434	$ 9,252	$ 20,451	$ 20,510
Balance, end of period	$ 14,434	$ 9,252	$ 20,451	$ 20,510

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

15.2. Other income

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Gain on sale of assets	$ 32	$ -	$ 32	$ -
Interest income	2	2	3	$ 3
Balance, end of period	$ 34	$ 2	$ 35	$ 3

16. General and administrative costs

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Salaries, consultants and benefits	$ 1,494	$ 1,503	$ 3,030	$ 3,119
Rent	14	519	265	1,073
Legal and audit	156	224	452	354
Other	427	744	966	1,457
Balance, end of period	$ 2,091	$ 2,990	$ 4,713	$ 6,003

17. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Interest expense on senior notes	$ 8,169	$ 11,086	$ 27,056	$ 20,029
Interest expense on other loans	582	75	1,028	176
Redemption/yield maintenance premium	287	5,108	2,477	9,755
Financing related costs	6	149	10	149
Other interest expense	27	92	894	1,479
Other Interest expenses-leases	73	-	129	-
Unwinding of discounts on provisions	289	281	573	551
Balance, end of period	$ 9,433	$ 16,791	$ 32,167	$ 32,139

18. Loss per share

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

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Basic and diluted – Class "A" common shares	6,135,846,624	5,956,168,941	6,135,846,624	5,864,538,300
Loss per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)

19. Financial instruments

19.1 Capital risk management

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

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

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

		June 30, 2019		December 31, 2018
Working capital deficiency	$	489,793	$	461,341
Shareholders' equity		217,723		251,953
Balance, end of period	$	707,516	$	713,294

The working capital deficiency of $489.8 million at June 30, 2019, includes the $260.0 million current portion of the Notes. There is no change in the Company's objectives and strategies of capital management for the six months ended June 30, 2019.

19.2 Categories of financial instruments

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

				June 30, 2019				December 31, 2018
		Carrying amount		Fair value		Carrying amount		Fair value
Financial assets at amortized cost								
Cash, prepaid expenses, deposits and trade and other receivables	$	21,631	$	21,631	$	17,248	$	17,248
	$	21,631	$	21,631	$	17,248	$	17,248
Financial liabilities at amortized cost								
Trade and accrued liabilities	$	220,044	$	220,044	$	183,137	$	183,137
Debt		291,380		291,380		295,452		295,452
	$	511,424	$	511,424	$	478,589	$	478,589

19.3 Currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in US dollars, HK dollars and/or Chinese renminbi. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the six months ended June 30, 2019.

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, 2019 would have been impacted by Nil and the carrying value of the debt at June 30, 2019 would have been impacted by $2.6 million. At June 30, 2019, the Company held approximately US $0.01 million or $0.014 million of cash, using the June 30, 2019 exchange rate of 1.3087, as cash in the Company's USD bank accounts.

For Hong Kong dollar amounts, exchange rates to convert from HK dollars to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2019 would have been impacted by Nil and the carrying value of the debt at June 30, 2019 would have been impacted by $0.17 million. At June 30, 2019, the Company held, after recent equity and bond closings, approximately HKD $0.9 million or $0.15 million using the June 30, 2019 exchange rate of 5.9678, as cash in the Company's HKD bank accounts.
For Chinese renminbi ("CNY") amounts, exchange rates to convert from Chinese renminbi to Canadian dollars had been one percent higher or lower with all other variables held constant, foreign cash held at June 30, 2019 would have been impacted by approximately Nil the carrying value of the debt at June 30, 2019 would have been impacted by Nil. At June 30, 2019, the Company held approximately CNY $0.073 million or $0.014 million using the June 30, 2019 exchange rate of 5.2466, as cash in the Company's CNY bank accounts.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Unrealized foreign exchange loss/(gain) on translation of:				
U.S. denominated senior secured notes	$ (5,483)	$ 5,442	$ (11,025)	$ 12,375
H.K. denominated loan	(739)	219	(707)	299
Foreign currency denominated cash balances	13	249	(266)	224
Foreign currency denominated accounts payable balances	59	(304)	371	(220)
	(6,150)	5,606	(11,627)	12,678
Realized foreign exchange loss/(gain)	146	(79)	141	(169)
Total foreign exchange loss/(gain)	$ (6,004)	$ 5,527	$ (11,486)	$ 12,509

19.4 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds. At June 30, 2019, the Company had negative working capital of $489.8 million and an accumulated deficit of $1,150.5 million. The Company's ability to continue as a going concern is dependent on completion of the West Ells development, achieving profitable operations and the ability to refinance current debt and access additional financing.

The timing of cash outflows relating to financial liabilities as at June 30, 2019, are as follows:

	Total	**Less than 1 year**	**1-2 years**
Trade and accrued liabilities	$ 220,044	$ 220,044	$ -
Debt[1]	291,380	291,380	-
Balance, end of period	$ 511,424	$ 511,424	$ -

1. Principal amount of Notes, loans and bonds based on the June 30, 2019 exchange rate of $1 US = 1.3087 CAD and $1HKD = $0.1676 CAD. Debt is due on demand.

20. Related party transactions

20.1 Trading transactions

For the six months ended June 30, 2019, a consulting company, to which a director of Sunshine is related, charged the Company $0.28 million (June 30, 2018 – $0.30 million) for management and advisory services.

Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 1,698,077,000 common shares of the Company which represents approximately 27.67% of the Company's outstanding common shares.

On March 25, 2019, the Company signed a supplementary agreement with Renergy Petroleum (Canada) Co., Ltd, owed by Mr. Kwok Ping Sun, regarding the proposed Amendment of the Joint Operating Agreements on Muskwa and Godin area oil sands leases.

For the six months ended June 30, 2019, the Company had obtained the loans from shareholders for HKD $71.0 million (approximately CAD $11.9 million) with the loan interest rate of 10% per annum, and required repayment in full by the end of the year of 2019.

20.2 Compensation of key management personnel and directors

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

	Three months ended June 30,				Six months ended June 30,			
		2019		2018		2019		2018
Directors' fees[1]	$	147	$	167	$	279	$	335
Salaries and allowances		226		670		500		1,213
Share-based compensation		351		353		671		689
	$	724	$	1,190	$	1,450	$	2,237

1. For the period ended June 30, 2019, this number reflects accrued fees of $0.3 million (2018 - $0.3 million). Refer to the appendix A2 for additional director fees disclosure.

21. Operating lease arrangements

Payments recognised as an expense

	Three months ended June 30,				Six months ended June 30,			
		2019		2018		2019		2018
Minimum lease payments	$	365	$	511	$	741	$	1,058

22. Commitments and contingencies

As at June 30, 2019, the Company's commitments are as follows:

		Total	2019	2020	2021	2022	2023	Thereafter
Repayment of debt[1]	$	259,965	259,965	-	-	-	-	-
Interest payments on debt[2]		4,333	4,333	-	-	-	-	-
Redemption premium[3]		-	-	-	-	-	-	-
Loans and bonds[4]		21,602	21,602	-	-	-	-	-
Equipment and contracts		1,027	271	247	247	132	104	26
Lease rentals[5]		5,737	659	1,399	1,399	1,256	316	708
Office leases		2,068	527	904	605	32	-	-
	$	295,273	287,898	2,550	1,251	1,420	420	734

1. Principal amount of Notes based on the period end exchange rate of $1US=$1.3087 CAD and a maturity date of August 1, 2019. The Company is in negotiation with the noteholders on further forbearance.
2. Based on 10% on principal amount and a maturity date of August 1, 2019 less the interest accrued to June 30, 2019 at the period end exchange rate of $1USD = $1.3087 CAD. 2.5% forbearance fees ceased effective on Oct 31, 2018.
3. Based on "FRAA" Oct 31, 2018, 7.298% YMP ceased effective on Oct 31, 2018.
4. Principal of loans and its interest (10% -20% on principal amount of the debt) based on the period exchange rate of $1 HKD = $0.1676 CAD.
5. The Company has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

The Company has been named as a Defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As June 30, 2019 no amounts have been accrued in the Consolidated Financial Statements 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.

The Company received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2018 municipal property taxes of $7.48 million. The Company was also charged with overdue penalties of $2.85 million. Since then the Company was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Company has commenced a judicial review to have tax notices issued by RMWB in 2016-2019 declared void. The Company believes that it has made adequate provision in the financial statements against this demand notice.

The Company is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims, as noted in note 10. At June 30, 2019, the Company had incurred $6.99 million (US $5.34 million equivalent using the period end exchange rate) in liens against them during the ordinary course of business.

23. Supplemental cash flow disclosures

Supplemental cash flow disclosures

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Cash provided by (used in):				
Trade and other receivables	$ (244)	$ (652)	$ (2,304)	$ (1,421)
Prepaid expenses and deposits	(2,943)	(1,076)	(2,107)	(1,582)
Trade and other payables	3,850	1,013	4,992	(20)
	$ 663	$ (715)	$ 581	$ (3,023)
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (244)	$ (652)	$ (2,304)	$ (1,421)
Prepaid expenses and deposits	(2,943)	(1,076)	(2,107)	(1,582)
Trade and other payables	3,934	26	5,049	(809)
	$ 747	$ (1,702)	$ 638	$ (3,812)
Investing activities				
Property, plant and equipment	$ (84)	$ 987	$ (57)	$ 789
	$ (84)	$ (715)	$ (57)	$ (3,023)

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

	2019
Balance, December 31, 2018	$ 295,451
Changes in cash items -	
Proceeds of shareholder loans	12,125
Payment of shareholder loans	-
Proceeds of bonds	2,200
Payment of bonds	(6,666)
Changes in non-cash items -	
Unrealized loss / (gain) on senior notes foreign exchange	(11,025)
Unrealized loss / (gain) on other loans foreign exchange	(525)
Unrealized loss / (gain) on shareholder loan foreign exchange	(180)
Balance, June 30, 2019	$ 291,380

24. Subsequent events

On July 11, 2019, the Company completed the issuance of Shares to Connected Directors as payment for director fees for the period from October 2017 to April 2019. An aggregate of 21,779,902 new Shares were allotted and issued to the Connected Directors at an Issue Price of HK$0.092 per Share.

On August 9, 2019, the Company entered into a settlement agreement for a total of 57,690,480 class "A" common shares at a price of HKD $0.077 per share for gross proceeds of HKD $4,442,166.93. On August 16, 2019 the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of debt with independent third party.

On August 16, 2019, the Company entered into a settlement agreement for a total of 100,900,000 class "A" common shares at a price of HKD $0.070 per share for gross proceeds of HKD $7,062,978.22. This settlement agreement was entered into for settlement of trade payable with independent third party.

25. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on August 20, 2019.

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

Additional Stock Exchange Information

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

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

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

		June 30, 2019		December 31, 2018
Non-current assets				
Property, plant and equipment	$	486,756	$	492,288
Exploration and evaluation assets		269,860		269,218
Right-of-use assets		1,284		-
Amounts due from subsidiary		10,865		10,935
		768,765		772,441
Current assets				
Trade and other receivables		15,764		12,431
Prepaid expenses and deposits		5,001		2,881
Cash		404		451
		21,169		15,763
Current liabilities				
Trade and other payables		219,913		183,137
Other Liabilities		-		-
Amount due to subsidiary		2,656		2,761
Bonds		19,470		24,462
Shareholder loans		11,945		-
Senior notes		259,965		270,990
		513,949		481,350
Net current assets		(492,780)		(465,587)
Total assets less current liabilities		275,985		306,854
Non-current liabilities				
Lease liabilities		1,311		-
Provisions		49,479		48,739
		50,790		48,739
Net assets	$	225,195	$	258,115
Capital and reserves				
Share capital	$	1,293,379	$	1,293,379
Reserve for share-based compensation		75,216		74,531
Deficit		(1,143,400)		(1,109,795)
	$	225,195	$	258,115

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Directors' emoluments				
Directors' fees	$ 147	$ 167	$ 279	$ 335
Salaries and allowances	226	670	500	1,213
Share-based compensation	351	353	671	689
	724	1,190	1,450	2,237
Other staff costs				
Salaries and other benefits	1,268	665	2,530	1,571
Share-based compensation	-	51	14	83
	1,268	716	2,544	1,654
Total staff costs, including directors' emoluments	1,992	1,906	3,994	3,891
Less: staff costs capitalized to qualifying assets	-	-	-	-
	$ 1,992	$ 1,906	$ 3,994	$ 3,891

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Executive Directors:

Mr. Kwok Ping Sun *(Chairman)*
Ms. Gloria Pui Yun Ho

Non-Executive Directors:

Mr. Michael John Hibberd *(Vice Chairman)*
Ms. Linna Liu
Ms. Xijuan Jiang

Independent Non-Executive Directors:

Mr. Yi He
Mr. Guangzhong Xing
Mr. Alfa Li

AUTHORIZED REPRESENTATIVES:

Mr. Kwok Ping Sun
Ms. Man Ngan Chow

AUDITORS:

PricewaterhouseCoopers LLP

LEGAL ADVISERS:

Dentons Canada LLP
Robertson Solicitors

COMPETENT PERSONS:

Boury Global Energy Consultants Ltd.
GLJ Petroleum Consultants Ltd.

PRINCIPAL BANKERS:

Bank of China (Hong Kong) Limited
Bank of China (Canada)
ATB Financial

PLACE OF SHARE LISTING AND STOCK CODE:

The Stock Exchange of Hong Kong Limited: 2012

WEBSITE:

www.sunshineoilsands.com

AUDIT COMMITTEE:

Mr. Yi He *(Chairman)*
Mr. Guangzhong Xing
Mr. Alfa Li

COMPENSATION COMMITTEE:

Mr. Kwok Ping Sun *(Chairman)*
Ms. Xijuan Jiang
Mr. Guangzhong Xing
Mr. Alfa Li

RESERVES COMMITTEE:

Mr. Yi He *(Chairman)*
Mr. Guangzhong Xing
Mr. Kwok Ping Sun

CORPORATE GOVERNANCE COMMITTEE:

Mr. Kwok Ping Sun *(Chairman)*
Mr. Michael John Hibberd
Mr. Yi He
Mr. Guangzhong Xing
Mr. Alfa Li

CORPORATE HEADQUARTERS:

Suite 1100, 700 - 6th Ave
SW, Calgary, AB,
T2P 0T8, Canada

REGISTERED OFFICE IN ALBERTA:

Suite 4000, 421 Seventh Avenue SW
Calgary, Alberta
T2P 4K9 Canada

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

20/F, Two Chinachem Central,
No. 26 Des Voeux Road Central,
Central, Hong Kong

SHARE REGISTRAR IN ALBERTA:

Alliance Trust Company

SHARE REGISTRAR IN HONG KONG:

Computershare Hong Kong Investor Services Limited