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)

ANNUAL REPORT 2019

For identification purpose only

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SUMMARY OF AUDITED FINANCIAL FIGURES

As at and for the year ended December 31	**2019** *(note)* ***($000s)***	2018 *($000s)*	2017 *($000s)*	2016 *($000s)*	2015 *($000s)*
Cash and cash equivalents	**1,254**	583	3,671	13,635	6,545
Current restricted cash and cash equivalents	**—**	—	—	—	14,389
Non-current restricted cash and cash equivalents	**—**	—	—	—	—
Exploration and evaluation assets	**270,014**	269,218	268,227	291,716	290,945
Property, plant and equipment	**479,055**	492,815	507,416	684,531	650,930
Total liabilities	**601,773**	527,328	428,787	390,135	369,083
Shareholders' equity	**175,755**	251,953	356,569	607,455	604,098
Net loss	**80,642**	126,996	281,852	73,310	406,135
Net loss per share ($ per basic and diluted share)	**0.64**	0.02	0.05	0.02	0.01

Note

The Company implemented a Share Consolidation on the basis that every fifty (50) Existing Shares be consolidated into one (1) Consolidated Share, effective on February 26, 2020 (Hong Kong time)

MESSAGE TO SHAREHOLDERS

In 2019, Sunshine (the "Company") continued to focus on evaluating and developing its oil sands assets.

For three and twelve months ended December 31, 2019, the Company's average bitumen production was 1,589 bbls/day and 1,702 bbls/day respectively. Diluent was blended at a 17.8% and 18.3% volumetric rate for the three and twelve month ended December 31, 2019 with the bitumen as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 2,015 bbls/day and 2,080 bbls/day for the three and twelve months ended December 31, 2019.

Sunshine's Capital Raising Activities during 4Q19

On October 11, 2019, the Company entered into a settlement agreement for a total of 37,728,000 (pre-consolidation) Class "A" common shares at a price of HKD $0.063 per share for gross proceeds of HKD $2,376,846.73. On October 17, 2019, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

On December 5, 2019, the Company entered into a settlement agreement for a total of 51,636,500 (pre-consolidation) Class "A" common shares at a price of HKD $0.0524 per share for gross proceeds of HKD $2,705,752.60. On December 16, 2019, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

Summary of Financial Figures

For 4Q19, Dilbit sales increased by 91.7% to CAD $9.2 million from CAD $4.8 million mainly due to higher bitumen production, thus sales volumes, and an increase in realized bitumen price per barrel.

4Q19 bitumen production was 1,589 bbl/day.

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

(Canadian $000s)		**December 31, 2019**	**December 31, 2018**
Cash		1.254	583
Trade and other receivables		16,519	13,457
Prepaid expense and deposits		6,934	3,208
Exploration and evaluation assets		270,014	269,218
Property, plant and equipment		479,055	492,815
Total liabilities		601,773	527,328
Shareholders' equity	$	175,755	251,953

Reserves and Resources

On March 31, 2020, the Company announced the results of its reserves and resources evaluations, effective as at December 31, 2019. For a full discussion of the Company's reserves and resources data and other oil and gas information, see section "Statement of Reserves Data and Other Oil and Natural Gas Information" and "The Company's Contingent Resources Data" in Appendix "A' of the Company's Annual Information Form (AIF) for the year ended December 31, 2019, a copy of which is available on the SEDAR website at www.sedar.com.

Reserves and resources evaluations, dated December 31, 2019, were completed by independent evaluator, GLJ Petroleum Consultants Ltd. The following tables summarize the overall reserves information as well as contingent resource volumes.

	Reserves (Bitumen)					
	Proved (1P)		Proved Plus Probable (2P)		Proved Plus Probable Plus Possible (3P)	
	Gross (MMbbls)	PV10% ($MM)	Gross (MMbbls)	PV10% ($MM)	Gross (MMbbls)	PV10% ($MM)
Total	76	34	263	347	372	905

In the 2019 GLJ report, the forecasted Canadian heavy oil price was similar to 2018's pricing assumptions. For this reason, the assessment of Thickwood was still sub economic. As a result, there were no reserves and continent resources volumes reported. In 2019, the properties that had assigned reserves volumes were West Ells and Legend Lake. No exploratory or development wells were completed by the Corporation in 2019.

The Corporation's total assessed Best Estimate Risked Contingent Resources (Development Pending, Development Unclarified and Development On Hold) as at December 31, 2019 are as follows:

Sub Class	Best Estimate Risked Contingent Resources Gross (MMbbls)
Total Development Pending	86
Total Development on Hold	895
Total Development Unclarified	646

Values assigned to Sunshine's Best Estimate Risked Contingent Resources were similar to 2018.

2020 Outlook

Sunshine intends to continue to focus on cost controls and on carefully improving production at West Ells. The Company intends to ramp up production when the heavy oil pricing environment improves. In addition, with the receipt of Shareholder's approval for changes to the joint venture agreement and supporting agreements for the Muskwa and Godin area, the Company sees potential significant benefits resulting from re-activation of the Muskwa and Godin Area activities.

Acknowledgements

We would like to thank our Board of Directors, our staff and our stakeholder for their continuing support in advancing our corporate activities during such a challenging commodity price cycle. We intend to ensure that Phase I West Ells facilities operate efficiently and achieve nameplate capacity. At the same time, we are continuing with efforts to secures capital to support existing operations and to fund our Phase II expansion plans in West Ells, the project in Muskwa and Godin and in our other project areas.

"Kwok Ping Sun"

Executive Chairman

"Gloria Ho"

Chief Financial Officer

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE CHAIRMAN AND DIRECTOR

Mr. Kwok Ping Sun ("**Mr. Sun**"), aged 55, is an Executive Chairman and Executive Director appointed by the Board on June 28, 2015. He was appointed as a Non-Executive Director by the Board on May 27, 2015. Mr. Sun is the founder of Nobao Renewable Energy Holdings Limited ("Nobao") and has served as the Chairman of the Board, Director and Chief Executive Officer of Nobao since its inception in 2007. Prior to founding Nobao, Mr. Sun was the General Manager of Shanghai Nobao Electric Appliance Co., Ltd from 2005 to 2007. In 2003, Mr. Sun started his own research and development with respect to ground source heat pump (GSHP) systems and gained over 10 years of experience in this area. From 1999 to 2002, Mr. Sun served as the General Manager of Dynamic Co., Ltd of Denmark and was responsible for developing wind power projects in China in cooperation with Chinese local companies. From 1994 to 1998, Mr. Sun was the Chief Executive Officer of Wu Fong Investment Co., Ltd of Denmark. Between 1983 and 1990, Mr. Sun worked as an Official of the customs department, the publicity department and the foreign trade bureau of the City Government of Zhangjiagang, Jiangsu Province, People's Republic of China. Mr. Sun has over 20 years of experience in automated control systems through his experiences described above as well as his experience as the General Manager of Jiangsu Zhongwang Electronics Co., Ltd. between 1990 and 1993 and as an Engineer of Zhangjiagang Radio Factory between 1979 and 1982. Mr. Sun graduated from Suzhou Transportation Vocational College in 1985 and received an EMBA degree from Tsinghua University in 2006.

NON-EXECUTIVE VICE CHAIRMAN AND DIRECTOR

Mr. Michael J. Hibberd ("**Mr. Hibberd**"), aged 64, has been a Non-Executive Vice-Chairman and a Non-Executive Director since June 28, 2015. He was Executive Vice-Chairman of the Corporation from November 28, 2014 to June 28, 2015. He was Executive Chairman from June 25, 2014 to November 28, 2014 and was Executive Co-Chairman of the Corporation from October 6, 2008 to June 25, 2014. Mr. Hibberd was a founder of the Corporation and held the title of Chairman and Co-CEO from May, 2007 to October 6, 2008. Mr. Hibberd is President and CEO of MJH Services Inc., a corporate finance advisory company established in January 1995. Mr. Hibberd has extensive international energy project planning and capital markets experience. Prior to January 1995, Mr. Hibberd spent 12 years with ScotiaMcLeod. Mr. Hibberd worked in corporate finance in Toronto and Calgary and held the position of Director and Senior Vice-President, Corporate Finance. Mr. Hibberd is currently Chairman of Canacol Energy Ltd. (TSX and Bolsa de Valores de Colombia) and Greenfields Petroleum Corporation (TSX Venture Exchange). He is a director of PanOrient Energy and PetroFrontier Corp., the shares of which are listed on the TSX Venture Exchange. Mr. Hibberd was previously Chairman of Heritage Oil Plc and Heritage Oil Corporation. He was also director of Challenger Energy Corp., Deer Creek Energy Limited, Iteration Energy Ltd., Zapata Energy Corporation, Sagres Energy Inc., Rally Energy Corp and Montana Exploration Corp. Mr. Hibberd obtained his BA in 1976 and his MBA in 1978 from the University of Toronto. He obtained his LLB from University of Western Ontario in 1981, was called to the bar in 1983 and is a member of The Law Society of Upper Canada.

EXECUTIVE DIRECTOR

Ms. Gloria Pui Yun Ho ("**Ms. Ho**"), age 39, became an Executive Director on June 27, 2017. She was appointed as Chief Financial Officer of the Corporation from November 2016. Ms. Ho has extensive experience in investment, risk management, corporate banking and finance. Prior to joining the Corporation, she worked in equity research, credit analysis, capital strategy, funds management and auditing in several international institutions and most recently as the Chief Executive of a reputable Chinese-based asset management firm.

Ms. Ho is a Chartered Accountant, Certified Public Accountant, Chartered Financial Analyst and Chartered Alternative Investment Analyst. Ms. Ho holds a postgraduate certificate in Financial Engineering at Stanford University and a M.Sc. in Finance at the University of Illinois at Urbana-Champaign.

NON-EXECUTIVE DIRECTORS ("NEDs")

Ms. Linna Liu ("**Ms. Liu**"), aged 42, is a Non-Executive Director appointed by the Board on April 6, 2017. Ms. Liu is currently Head of Special Situation Investment Division of Bank of China Group Investment Limited ("BOCGI"). Prior to joining BOCGI, from 2000 to 2015, Ms. Liu held a number of positions in Bank of China Headquarters and in its New York Branch. Ms. Liu has over 18 years of experience in Banking and Financing. Ms. Liu graduated from Peking University and Columbia University and holds Bachelors and Master degrees.

Ms. Xijuan Jiang ("**Ms. Jiang**") age 54, became a Non-Executive Director on June 30, 2016. She was a senior engineer with 26 years of experience in industrial applications. Ms. Jiang is the recipient of numerous design awards, primarily in respect of heating and ventilation systems. Ms. Jiang has been the Vice President and Chief Engineer of Nuoxin Energy Technology (Shanghai) Co. Ltd. since November 2012. Prior thereto, she was the Chief Engineer (Water and Sewer) at the Architecture Branch of Shougang Design Institute. Ms. Jiang obtained a Bachelor degree from the Xi'an University of Architecture and Technology in 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

Mr. Yi He ("**Mr. He**"), age 47, is an Independent Non-Executive Director appointed on June 30, 2016. He has worked in the financial industry for more than 23 years and held various senior management roles in several global banks in China. In 2012, Mr. He was appointed as Chief Executive Officer of Nomura China Bank and led all China related banking businesses. From 2008 to 2012, he was in charge of China related banking business for Barclays Bank as the General Manager of the Shanghai Branch. Prior thereto, Mr. He led the global markets business for Australia and New Zealand Banking Corporations Limited and was the Deputy General Manager of ANZ China. Mr. He began his career with Credit Agricole China in 1994 and joined First Sino Bank as the Head of Treasury in 1997.

Mr. He has been an independent non-executive director of Kai Yuan Holdings Limited (SEHK code: 01215) since 2011 and is member of the audit committee, the remuneration committee, and the nomination committee of Kai Yuan Holding Limited Company.

Mr. He founded Yaoxin Asset Management Company in early 2015, which mainly focuses on financial related consulting. In addition, Mr. He holds a Master Degree in Economics from Fudan University of China and also is a Certified Professional Accountant in China.

Mr. Guangzhong Xing ("**Mr. Xing**"), age 63, is an Independent Non-Executive Director appointed on June 25, 2019. He obtained his Doctor Degree from the University of Hull with Debeers Scholarship in July 1995. He further obtained postdoctoral from the same university in June 1996. Mr. Xing holds a master degree and a bachelor degree of Metallography from the Northeast Heavy Machinery Institute (renamed as Yanshan University in 1997) ("Yanshan University") in August 1981 and August 1978 respectively. He started his career as university tutor in the Northeast Heavy Machinery Institute Metallography in September 1978 until August 1979 and during the period from September 1981 to September 1989. He was then acted for the position as dean for the school of materials science of Yanshan University during the period from August 1996 to October 1997.Thereafter, for the period from November 1997 to December 1999, he acted as a director of academic affairs of Yanshan University. During the period from January 2001 to October 2016, he was the vice principal of Yanshan University. He also had been the President of 燕山大學產業集團 (Yanda Industry Group Co., Ltd. *) and 燕山大學房地產公司 (Yanda Real Estate Company *) during the period from October 2004 to October 2009; and established 燕山大學國家大學科技園 National science area of Yanshan University.

Mr. Alfa Li ("**Mr. Li**"), age 47, is an Independent Non-Executive Director appointed on July 29, 2019. He obtained the EMBA master degree from the Peking University and graduated from British Columbia Institute of Technology in the 90s. Mr. Li has over 16 years of experience in the financial services and investment banking industry, with extensive knowledge and experience in asset management, corporate finance and public company corporate governance. Mr. Li is currently the director and partner of Sow Capital and is in charge of SOW's North American investment / projects. Prior to joining the SOW Fund, Mr. Li served as the managing director at the Sinopolaris Fund, and was the Chief Representative of Carret China opportunity fund, and the deputy general manager of Investment Division of CITIC International Assets Management Limited. He also has been the director of the ING Bank and the investment manager of Standard Bank. Mr. Li has been actively involved and engaged in many securities and corporate finance transactions, as well as being responsible for successfully setting up and running several international private equity funds.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report for the year ended December 31, 2019. The Company and the Board are committed to maintaining high standards of corporate governance. The Company and the Board recognize that high quality corporate governance practices are fundamental to the effective and transparent operation of a company and its ability to protect the rights of its shareholders and enhance shareholder value.

Since March 1, 2012 (the "Listing Date"), the Company has been in compliance with the Corporate Governance obligations under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") save as discussed below. The Company confirms its compliance with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the financial year 2019, save as :-

- The Company has not entered into formal letters of appointment with its Directors. This is a deviation from D.1.4 of the Code. However, for consistence with the general market practice in Canada, each of the Company's Directors are appointed or re-appointed on an annual basis by the shareholders of the Company at each annual general meeting. The Board considered that this practice served the purpose of Code D.1.4.

- The Company has established the corporate governance committee ("CG Committee") which perform the same functions as nomination committee 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) (the "AGM"), coupled with 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 it 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 did not stand for re-election at the AGM. And what is more, Chairman of the Board and members of other Board committees of the Company attended the said AGM.

The Company received a notification from PricewaterhouseCoopers LLP ("PwC Canada") on September 17, 2019 confirming that the cessation of its client-auditor relationship with the Company due to the then regulatory change in Hong Kong with respect to auditors of overseas entities listed in Hong Kong. PwC Canada advised that it believed that it would be appropriate for a Hong Kong based auditor to take up the engagement. PwC Canada has confirmed that it has no disagreement with the Board and there are no other matters connected with its resignation that need to be brought to the attention of the shareholders and the creditors of the Company. The Board and its audit committee also confirmed the same. On February 21, 2020, the Group has subsequently appointed ZHONGHUI ANDA CPA Limited, a Hong Kong based audit firm, as its auditor to fill the casual vacancy and ZHONGHUI will hold office until the conclusion of the next annual general meeting of the Group.

Board Committees

The Board has established (i) audit committee, (ii) corporate governance committee, (iii) compensation committee and (iv) reserves committee for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which are posted on the Company's website at www.sunshineoilsands.com and are available to shareholders upon request. Meetings of the Board committees generally follow the same procedures as for meetings of the Board.

The Company has, throughout the year ended December 31, 2019, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listing standards, save as disclosed above. The Company's current practices are reviewed and updated regularly to ensure high quality corporate governance.

The Company has received from each of the independent non-executive Directors ("INED") an annual confirmation of independence for the financial year of 2019 in accordance with Rule 3.13 of the Listing Rules. In light that all INEDs fulfill the independence requirements set out under the Listing Rules, the Company considers that all of the INEDs are independent. The Board is of the view that all the INEDs are independent and Mr. David Yi He (one of the INEDs) possesses the appropriate accounting professional qualifications, and all the INEDS have wide exposure on the related financial or management expertise in accordance with Rule 3.10 of the Listing Rules. As at the date of this annual report, no INED has served the Company for more than 9 years.

There are no interrelationship, including financial, business, family or other materials/relevant relationship(s) among all Board members, and also, in particular, between the Chairman and the chief executives of the Company.

The Board has established clear guidelines with respect to matters that must be approved or recommended by the Board, including, without limitation, the approval and adoption of the Company's operating budget and capital expenditure budget; the hiring or dismissal of the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary or certain other members of the Company's senior management team; and approving and recommending the payment of dividend or significant transactions. The day-to-day management administration and operation of the Company are delegated to the Chief Executive Officer and senior management of the Company.

The Company has arranged appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

As at the date of this Annual Report, the Board consists of the following members:

Executive Directors ("ED")

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

Non-Executive Directors ("NED")

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

Independent Non-Executive Directors ("INED")

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

Practices and Conduct of Meetings

Notice of regular Board meetings is given to all Directors at least fourteen days in advance and reasonable notice is generally given for other Board meetings, unless on an emergency case. Annual meeting schedules and the draft agendas for each meeting are normally made available to Directors in advance. Arrangements are in place to allow Directors to include items in the agenda. Final agendas and board papers are sent to Directors at least seven days before each regular Board meeting so that the Board can make informed decisions on matters placed before it. Each Director also has separate and independent access to senior management where necessary. Regular Board meetings will be held at least four times a year at approximately quarterly intervals.

Minutes of the Board and committee meetings are kept by the Board Secretary and are open for inspection by Directors anytime. All Directors are properly briefed on issues arising at Board meetings. In addition to EDs, INEDs and other NEDs are encouraged to make positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. Upon reasonable request, Directors are enabled to seek independent professional advice at the expenses of the Company. During the financial year under review, no Director requested for seeking independent professional advice.

If a Director and/or any of his associate has a material interest in a transaction, the matter must be dealt with by physical Board meeting and that Director is required to disclose his interest and to abstain from voting and not to be counted in the quorum at the meeting for approving the transaction.

During the year, all Directors declared their interests in the transactions to be discussed at the beginning of the Board meetings that is required to be disclosed under the Business Corporations Act. Should there be any Director was interested in the transaction to be discussed at the Board meeting, he would not be counted in the quorum at that meeting and abstain from voting the relevant motions voluntarily.

The Chairman holds meetings with the independent non-executive Directors at least annually without the presence of other Directors. During the financial year under review, the Chairman held a meeting with the INEDs without the presence of other Directors.

Appointment and Election of Directors, Board Diversity

The Company has a formal and transparent procedure for the identification of nominees for Directors and recommendation to the Board, which is led by the CG Committee of the Company. During the financial year 2019, the CG Committee identified and recommended Mr. Guangzhong Xing and Mr. Alfa Li to the Board for nominating them as new independent non-executive Directors of the Company.

The Board believes that diversity of experience, professionally and geographically, enhances its decision-making ability. The Company has adopted a Board Diversity Policy (the "BD Policy") with the aim of enhancing the Board's effectiveness and corporate governance as well as achieving business objectives. The BD Policy is available on the website of the Company for public information.

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. All Board appointments will be based on merits and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The CG Committee is responsible for monitoring the achievement of the measurable objectives set out in the BD Policy. It will review the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhere to the BD Policy when making recommendation on any Board appointments.

As at the date of this Annual Report, the Board has 8 experts covering the areas of new energy, mechanical engineering, geology, investment, audit, accounting, corporate finance, banking, financial services and law. The CG Committee considers that such compositions serve the purpose of enhancing the quality of the Company's business performance and operation strategy and it will make recommendation to the Board as and when it considers necessary.

The CG Committee also reviews the BD Policy, if applicable and as appropriate, to ensure its effectiveness. The CG Committee will discuss any revisions to the BC Policy that may be required, and recommend any change revisions to the Board for consideration and approval.

Nominees for Directors are elected to hold office until the next annual general meeting of the Company or until his successor is duly elected or appointed, unless his office is vacated earlier, in accordance with the Articles of Incorporation and By-laws of the Company.

The term of appointment of all Directors, including non-executive Directors, is from the time of election or re-election at the annual general meeting of shareholders to the following annual general meeting; at which point the Director must be re-elected. Each Director was re-elected at that annual general meeting and is subject to re-election. Biographical details of those appointment and election of Directors are set out in the "Directors and Senior Management" section of this Annual Report.

Induction and Ongoing Development

During the year under review, the Board appointed two new independent non-executive Directors, namely Messrs. Guangzhong Xing and Alfa Li. Each newly appointed Director receives a comprehensive and tailored induction to ensure his or her understanding of the business and operations of the Company as well as awareness of a director's responsibilities and obligations.

Directors are also continuously updated on statutory, regulatory and business developments and participate in continuous professional development in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities and to develop and refresh their knowledge and skills.

COMMITTEES OF THE BOARD

The Board is responsible for leadership and promoting the success of the Company by directing and overseeing the Company's affairs. In addition, the Board is responsible for overseeing the corporate governance and financial reporting of the Company, reviewing the effectiveness of the Company's system of risk management and internal controls. To assist it in fulfilling its duties, the Board has established four board committees: (1) the audit committee; (2) the compensation committee; (3) the corporate governance committee, and (4) the reserves committee.

Audit Committee

The Board established an audit committee on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee, which have been revised from time to time since then. The audit committee currently consists of three members, namely Mr. David Yi He (Chair of the audit committee and INED), Mr. Alfa Li (INED) and Mr. Guangzhong Xing (INED), all of them are independent non-executive Directors.

In compliance with Rule 3.21 of the Listing Rules, at least one member of the audit committee possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibilities of the audit committee. Mr. David Yi He, the Chair of audit committee, possesses the required accounting professional qualifications and all audit committee members possessed the related financial and management expertise.

All members have sufficient experience in reviewing audited financial statements as aided by the independent external auditors of the Company whenever required.

The primary duties of the audit committee are to review and supervise the Company's financial reporting process, risk management and internal control systems, to monitor the integrity of the Company's financial statements and financial reporting, and to oversee the audit process.

There were several meetings of the audit committee held during the year ended December 31, 2019. The following is a summary of the work performed by the audit committee during 2019:

a) reviewed the scope of the audit of the consolidated financial statements of the Company for the year ended December 31, 2019, as well as the fee proposal for such audits;

b) reviewed the condensed interim consolidated financial statements for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019, respectively;

c) reviewed the assessment of the design and testing of the effectiveness of the Company's internal control systems and risk management as performed by the external consultant;

d) reviewed capital budgets as presented by senior management on a quarterly basis; and

e) reported to the Board on the meetings of the audit committee.

During the year under review, the audit committee also performed the duties in connection with the selecting, identifying and assessing the independence of the proposed new appointment of independent external auditor upon the termination of the client-auditors relationship from former auditors, PwC Canada.

Corporate Governance Committee

The Board established a corporate governance committee on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee, which have been revised from time to time since then. The corporate governance committee currently consists of five members, namely Mr. Kwok Ping Sun (Chair of the corporate governance committee and ED), Mr. Michael J. Hibberd (NED), Mr. Guangzhong Xing (INED), Mr. David Yi He (INED), and Mr. Alfa Li (INED).

The primary duties of the corporate governance committee in respect of nominations include, but are not limited to, making recommendations to the Board relating to the appointment or re-appointment of Directors and senior officers, succession planning for Directors, in particular the Executive Chairman, the non-executive Vice-Chairman, Chief Executive Officer, Chief Technology Officer, Chief Financial Officer and assessing the independence of independent non-executive Directors. Further, the corporate governance committee has certain duties in respect of other corporate governance matters, including, to consider, develop and review the Company's corporate governance principles, practices and processes and to make recommendations to the Board, to develop, review and monitor the training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to review and monitor the code of conduct and compliance manual applicable to employees and directors and to review the Company's compliance with the Code as set out in the Listing Rules. Going forward, the corporate governance committee is expected to meet at least once a year to discharge its responsibilities.

Whenever a resolution to elect an individual as an independent non-executive Director at the general meeting, details of the process used for identifying the individual and the reasons for the Board to believes the individual should be elected and why it considers him to be independent; the perspectives, skills and experience that the individual can bring to the Board; and how the individual contributes to the diversity of the Board would be set out in the circular to the shareholders accompanying the notice of the relevant general meeting.

The corporate governance committee is chaired by the Executive Chairman and is comprised of one non-executive Director and three independent non-executive Directors. The Company is of the view that the current members of the corporate governance committee are influential and important in setting the key direction of the Company at this time. The Company also encourages all Board members to sit on at least one of the Company's committees. The expertise of the current members of this committee is important to the Company.

Compensation Committee

The Company established a compensation committee on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee. The compensation committee currently consists of four members, namely Mr. Kwok Ping Sun (Chair of the compensation committee and ED), Ms. Xijuan Jiang (NED), Mr. Guangzhong Xing (INED) and Mr. Alfa Li (INED). The compensation committee currently consists of a majority of independent non-executive Directors and is chaired by an executive Director.

The primary duties of the compensation committee are to determine the policy for the remuneration of the executive Directors, to assess performance of the executive Directors, to approve the terms of the executive Directors' service contracts, to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, as well as to determine the specific remuneration packages of all executive Directors and certain members of senior management of the Company.

Reserves Committee

The Company established a reserves committee on January 9, 2008 and adopted written terms of reference that set out the authorities and duties of the committee. The reserves committee currently consists of three members, namely Mr. David Yi He (Chair of the reserves committee and INED), Mr. Guangzhong Xing (INED) and Mr. Kwok Ping Sun (ED).

The primary duties of the reserves committee include, but not limited to, reviewing and approving management's recommendation for the appointment of independent evaluators, reviewing procedures for providing information to the independent evaluators, meeting with management and the independent evaluators to review the reserves data and reports, recommending to the Board whether to accept the content of the independent evaluators' report, reviewing procedures for reporting on other information associated with oil sands producing activities and generally reviewing all public disclosure of estimates of reserves.

The reserves committee meets at least once annually to review procedures relating to the disclosure of information with respect to oil and gas activities, including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements.

All the aforesaid Board committees make available their terms of reference explaining its role and the authority delegated to them by the Board on the Hong Kong Stock Exchange's website and the Company's website. All Board committees are provided sufficient resources to perform its duties. Where necessary, the committees members could seek independent professional advice, at the Company's expense, to perform their responsibilities.

MEETINGS OF THE BOARD AND COMMITTEES OF THE BOARD

There were 12 meetings of the Board held during the year ended December 31, 2019. The following is the attendance record of the Board and committee meetings held during the year, which can be attended either in person or through electronic means of communication:

2019	***Board meeting***	***Reserves Committee***	***Audit Committee***	***Compensation Committee***	***Corporate Governance Committee***
Directors at December 31, 2019					
Kwok Ping Sun	9/12	0/1		1/1	1/1
Michael Hibberd	12/12				
Gloria Ho	12/12				1/1
Linna Liu *(1)*	12/12				
Xijuan Jiang	12/12			1/1	
Guangzhou Xing *(2)*	6/6		3/3		1/1
Alfa Li *(3)*	4/6	0/1	3/3		N/A
Yi He *(4)*	12/12		5/5		N/A

2019					
Former Directors					
Hong Luo (5)	3/5				
Jeff Liu (6)	1/2	1/1			
Raymond Fong (7)	4/5	1/1	2/2	1/1	1/1
Joanne Yan (8)	6/6		2/2	1/1	1/1

1. *The attendance hereto includes reporting representative attendance.*
2. *Mr. Guangzhong Xing was appointed as an independent non-executive Director of the Group on June 25, 2019. There were only 6 Board meetings, 3 audit committee meetings and 1 corporate governance committee meeting held since his appointment up to December 31, 2019.*
3. *Mr. Alfa Li was appointed to be an independent non-executive Director of the Group on July 29, 2019. There were only 6 Board meetings and 3 audit committee meetings held since his appointment up to December 31, 2019.*
4. *Mr. Hong Luo ceased to be a non-executive Director of the Group on June 3, 2019. During his tenor of services in 2019, there were only 5 Board meetings were held.*
5. *Mr. Jeff Jingfeng Liu ceased to be an independent non-executive Director of the Group on March 7, 2019. There were only 2 Board meetings and 1 reserves committee meeting were held during his tenor of services in 2019.*
6. *Per the Group' s announcement dated June 23, 2019, Mr. Raymond Fong passed away. During his tenor of services in 2019, there were only 5 Board meetings, 2 audit committee, 1 reserve committee and 1 compensation committee meeting were held.*
7. *Ms. Joanne Yan retired and ceased to be an independent non-executive Director of the Group at the Annual General Meeting held on June 24, 2019.During her tenure of services in 2019, there were only 6 Board meetings, 2 audit committee meetings, 1 compensation committee meeting and 1 corporate governance committee meetings were held.*

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

Sunshine executives and management believe in the HSE principle of "Safety First" and the Company has a good safety record. In 2019, the Company continued to emphasize improvements in the field safety monitoring system for preventing workplace injuries. We are committed to protecting and promoting the safety and well being of our employees, contractors, communities and the environment. We aim for safe and reliable operations where any risks which compromise the health and safety of workers are identified and addressed.

The Board also reviews and assesses the Company's health, safety and environment processes and controls.

SHAREHOLDER COMMUNICATION POLICY

The Company introduced a shareholder communication policy on April 1, 2012 in compliance with Code Provision E.1.4.

REMUNERATION OF DIRECTORS

The following is a general description of the emolument policy of the Company, as well as the basis of determining the emoluments payable to the Directors.

The compensation of Directors is determined by the Board, which receives recommendations from the Compensation Committee.

Under our current compensation arrangements, each of our EDs, NEDs, INEDs and senior management are eligible to receive compensation in the form of cash and/or bonuses and are eligible to receive option grants.

As at the date of this Annual Report, the Company does not have any employee long-term incentive plans. If the Company decide to establish any such plans in the future, recommendations from the Compensation committee will be taken into account and such plans will comply with applicable provisions of the Listing Rules.

Remuneration of the Directors (including retainers, fees, salaries, discretionary bonuses, and other benefits including share based payments) was approximately $5.0 million for the year ended December 31, 2019 (2018 - $7.0 million).

Please refer to the Audited Consolidated Financial Statements as included in this Annual Report for additional details on remuneration of Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own policy (the "Corporate Disclosure and Trading Policy") for securities transactions by Directors and employees who are likely to be in possession of unpublished price-sensitive information of the Company. This policy is no less exacting than the Model Code for Securities Transactions by Directors of Listed

Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, the Board confirmed the Directors have complied with the Corporate Disclosure and Trading Policy during the accounting period covered by this Annual Report.

The interests of Directors' and Chief Executive Officer in the Company's Common Shares as at December 31, 2019 are set out in the "Directors' Report" section of this Annual Report.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The auditors' statement about their reporting responsibilities for the Company's consolidated financial statements is set out in the Independent Auditors' Report included in this Annual Report.

The fees in relation to the audit and related services provided by PricewaterhouseCoopers LLP, the independent external auditors of the Company, were as follows:

Nature of services rendered	Fees paid/ payable
Audit fees	$211,000
Total	**$211,000**

Audit fees were incurred in connection with the following services:-
Audit of the Company's annual financial statements; and
Audit of the financial statements of Sunshine Oilsands (Hong Kong) Ltd.;
Reviews of the Company's interim financial statements;
Audit of tax compliance, tax advice, and tax planning; and
Additional audit procedures related to the 2019 audit.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it holds responsibility for:

Overseeing the preparation of the financial statements of the Company with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company; and

Selecting suitable accounting policies and applying them consistently with the support of reasonable judgment and estimates.

The Board ensures the timely publication of the financial statements of the Company. Management provides explanations and information to the Board to enable it to make an informed assessment of the financial and other information to be approved. The Board is responsible for ensuring that the Company keeps proper accounting records, for safeguarding the Company's assets and for taking reasonable steps for the prevention of fraud and other irregularities.

The Board strives to ensure a balanced, clear and understandable assessment of the Company's financial reporting, including annual and interim reports, other price-sensitive announcements, and other financial disclosures required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements and applicable accounting standards.

The Board is aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. For the year ended December 31, 2019, the Company reported a net loss of $80.6 million (2018 - $127.0 million). At December 31, 2019, the Company had a working capital deficiency of $506.3 million (2018 - $461.3 million) and an accumulated deficit of $1,196.6 million (2018 - $1,116.0 million). The Company's ability to continue as a going concern is dependent on continuing operation and development in West Ells, marketing bitumen blends at favorable prices, achieving profitable operations and the ability to refinance current debt and access immediate additional financing. There can be no assurance that the steps management 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board places great importance on evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring the Company establishes and maintains appropriate and effective risk management and internal controls systems. The Board would oversee management in the design, implementation and monitoring of the risk management and internal control systems.

The Company reviews and monitors the adequacy and effectiveness of risk management and internal control systems on an ongoing basis so as to ensure that Group's risk management and internal control systems has been conducted effectively. Since the Company does not have an internal audit function, the Company engaged an external consultant to complete testing of the design and effectiveness of its internal control systems for the year ended December 31, 2019. The audit plans are discussed and agreed to for each year with the audit committee of the Company.

Each year the audit committee and the Board reviews the overall effectiveness of the Company's risk management and internal control systems. The Board has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended December 31, 2019. In conducting such review, the Board has: (i) reviewed the Company's internal control activities during the year and discussed such activities and the results thereof with the Chief Executive Officer and Chief Financial Officer ; (ii) reviewed and discussed the scope and results of the annual audit with the Company's independent external auditors; and (iii) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the annual financial statements. Based on its review, the Board is not aware of any material defects in the effectiveness of risk management and internal control systems. The risk management and internal control systems are designed to manage rather then eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

ANNUAL ASSESSMENT

A review of the effectiveness of the Company's risk management and internal control systems covering all material controls, including financial, operational, compliance, and risk management controls, is conducted annually. The review at the end of 2019 was conducted with reference to the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) internal control framework, which assesses the Company's internal control system against the five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. The Company has also conducted an annual review to assess the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions and their budget (for training and related programs). The approach, findings, analysis and results of this annual review have been reported to the audit committee and the Board.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company complies with the requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses insider information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbors as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balance way, which requires equal disclosure of both positive and negative facts.

BOARD SECRETARY

During the year ended December 31, 2019, the Board Secretary, who is an employee of the Company, has taken no less than 15 hours of relevant professional training and has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company strives to maintain a high level of transparency in its communications with shareholders and investors. The Company keeps a constant dialogue with the investment community through Company visits, conference calls and information sessions to communicate the Company's business strategies, developments and goals.

The Company's annual and interim reports, stock exchange filings, press releases and other information and updates on the Company's operations and financial performance are available for public access on the Company's website, www.sunshineoilsands.com, and certain of these documents are also available on the website of the SEHK, www.hkexnews.hk, and on the website of SEDAR, www.sedar.com.

INED's names are clearly identified in all corporate communications and an updated list of directors identifying their roles and functions are maintained on the websites of the Hong Kong Stock Exchange and the Company.

The Company has not made any changes to its constitutional documents during the year ended December 31, 2019. The Company encourages its shareholders to attend the Company's general meetings to communicate their views and concerns to the Board directly so as to ensure a high level of accountability and also to stay informed of the Company's strategies, developments and goals. Detailed explanation about procedures for conducting a poll is provided in general meetings. Board members / committee members are welcome to answer questions at general meeting.

The next annual general meeting of shareholders of the Company was tentatively scheduled to be held in June 2020 in Hong Kong.

In January 2019, the Company adopted the "Dividend Policy" concerning the payment of dividends. Pursuant to which, the Board, when deciding whether to propose a dividend and in determining the dividend amount, it will take into account, among others, (a) the Group's operations and earnings; (b) the general financial conditions of the Group; (c) cash requirements and capital expenditures; (d) any restrictions on payment of dividends; and (e) any other factors that the Board may consider relevant, etc.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to the Company's Articles of Incorporation and By-laws, Business Corporations Act (Alberta) and any other applicable laws, rules and regulations. The Dividend Policy will be reviewed by the Board from time to time.

Details of the Dividend Policy are available on the websites of the Hong Kong Stock Exchange and the Company.

SHAREHOLDERS RIGHTS

Under the Business Corporations Act (Alberta) (the "ABCA"), the directors of a company are authorized to call meetings of shareholders. The ABCA establishes two categories of meetings of shareholders: (i) annual meetings, and (ii) special meetings.

There are also specific circumstances in which shareholders may call special meetings where the directors fail to do so. Pursuant to the applicable provisions of the ABCA, registered or beneficial holders of not less than five per cent (5%) of the issued voting shares may requisition the directors to call a meeting of shareholders. If the directors do not call a meeting within 21 days after receiving the requisition, a shareholder who signed the requisition may call the meeting. The ABCA mandates that such shareholders be reimbursed for expenses incurred in requisitioning, calling, and holding the meeting unless the shareholders resolve otherwise at the meeting.

Shareholders are encouraged to consult their own tax advisors regarding the tax consequences to them for share transactions.

Shareholders can submit enquiries to the Board and the Chief Executive Officer by mail or by phone to the contact information set out in the "Corporate Information" section of this Annual Report.

DIRECTORS' REPORT

The Board of Directors of the Company is pleased to present their report together with the audited consolidated financial statements of the Company and its wholly-owned subsidiaries for the year ended December 31, 2019 together with comparative figures for the corresponding period in 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review for the year and further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Company and its subsidiaries (the "Group") and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this Annual Report. The discussions in the Management Discussion and Analysis section form part of this Directors' Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group will be provided in the Environmental, Social and Governance Report which will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.com and the Company's website at www.sunshineoilsands.com no later than three months after the publication of this Annual Report.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's wholly-owned subsidiaries as at December 31, 2019, are set out in note 26 to the consolidated financial statements. The activities of the wholly-owned subsidiaries of the Company as at December 31, 2019 are set out in the table below:

Name	Country of Company	Principal country of operation	Issued and fully paid share capital	Principal activities
Sunshine Oilsands (Hong Kong) Ltd.	Hong Kong, China	Hong Kong	HK$100	Management services
Boxian Investments Limited	British Virgin Islands	Hong Kong	US$1	Pursuing new investment opportunities
Sang Xiang Petroleum & Chemical (Shanghai) Limited	China	China	RMB$100	Pursuing new investment opportunities

RESULTS AND DISTRIBUTIONS TO SHAREHOLDERS

The results of the Company for the financial year ended December 31, 2019 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Loss included in this Annual Report. The Board of Directors has not recommended, declared or paid any distributions for the financial year ended December 31, 2019.

SEGMENT INFORMATION

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

PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Company during the year ended December 31, 2019 are set out in note 7 to the consolidated financial statements.

RESERVES

Details of movements in the Company's reserves during the year ended December 31, 2019 are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2019, reserves available for distribution to shareholders amounted to approximately $252 million as shown in the statutory accounts of the Company and calculated in accordance with the Company's Articles of Incorporation.

DIVIDENDS

The Company has not declared or paid any dividends in respect of the year ended December 31, 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Incorporation, by-laws of the Company or the Business Corporations Act (Alberta).

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended December 31, 2019 are set out in the Consolidated Statement of Changes in Equity in this Annual Report.

DIRECTORS

As at December 31, 2019 and up to the date of this Annual Report, the composition of the Board of Directors was as follows:

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Biographical details of the above Directors are included in this Annual Report under the section headed "Directors and Senior Management".

During the year, Mr. Hong Luo ceased to be the non-executive Director of the Company on June 3, 2019.

Per the Company's announcement dated June 23, 2019, Mr. Raymond Fong passed away.

Ms. Joanne Yan retired and ceased to be an independent non-executive Director at the Annual General Meeting of the Company held on June 24, 2019. Her offices in the Company namely, Chair of Audit Committee and a member of each of the Corporate Governance Committee and Compensation Committee ceased on same day.

Mr. Jeff Jingfeng Liu ceased to be an independent non-executive Director and a member of each of the Audit Committee and Reserves Committee of the Company on March 7, 2019.

Mr. Guangzhong Xing was appointed as an independent non-executive Director and a member of each of Audit Committee, Reserves Committee, Corporate Governance Committee and Compensation Committee of the Company on June 25, 2019.

Mr. Alfa Li was appointed as an independent non-executive Director and a member of each of Audit Committee, Corporate Governance Committee and Compensation Committee of the Company on July 29, 2019

All Directors, including the newly appointed Directors, are eligible for being elected or re-elected at the forthcoming annual general meeting of the Company and will offer themselves to stand for election or re-election at the annual general meeting of the Company.

For those resigned Directors during the year, namely Mr. Hong Luo, Mr. Jeff Liu and Ms. Joann Yan, all of them had confirmed they had no disagreement with the Board and there are no matters connected with their resignation that should be brought to the attention of the Shareholders or creditors of the Company.

Changes to the Information in respect of Directors

Mr. Michael J. Hibberd, Non-Executive Vice-Chairman, ceased to be a director of Montana Exploration Corp.

Save as disclosed above and in the section headed "Directors and Senior Management" in this Annual Report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the date of the 2019 interim report of the Company.

Directors' Service Contracts

None of the Directors who are to be proposed for election or re-election at the forthcoming annual general meeting has or is proposed to have a service contract that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save for the related party transactions set out in note 23 to the consolidated financial statements and the transactions disclosed under the heading "Connected Transactions" and "Transactions with Related Parties", no Director or a director of any entity connected with a Director, has or had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company and its subsidiaries for the year ended December 31, 2019.

Indemnity and Insurance

Each of the Directors of the Company has entered into an indemnity agreement with the Company. Pursuant to such indemnity agreements, among other things, the Company has agreed to indemnify such Directors in connection with costs and expenses arising from claims relating to such Director's service as a Director of the Company or actions or omissions performed in such Director's capacity as a Director, provided that such Director acted honestly and in good faith with a view to the best interests of the Company and, in the case of certain criminal or administrative actions, such Director had reasonable grounds for believing that his conduct was lawful.

Directors' and Chief Executives interest in Common Shares and Share Options

As at December 31, 2019, the interests and short positions of the Directors and the chief executives of the Company in the Common Shares and underlying shares of the Company and its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Common Shares

Name	Company	Nature of Interest	Number of Common Shares held(3)	Approximate % interest in the Common Shares
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	35,988,540	28.09
Michael J. Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	2,165,981	1.69
Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	-
Yi He	Sunshine Oilsands Ltd.	Direct	139,682	0.11
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	104,814	0.08
Linna Liu	Sunshine Oilsands Ltd.	N/A	-	-
Guangzhong Xing (1)	Sunshine Oilsands Ltd.	N/A	-	-
Alfa Li (2)	Sunshine Oilsands Ltd.	N/A	-	-

Notes

1 *Mr. Guangzhong Xing was appointed as independent non-executive Director of the Company on June 25, 2019.*

2 *Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.*

3 *As at December 31, 2019, the Company's issued share capital is 6,405,581,506 (theoretically, equivalent to 128,111,630 Shares after share consolidation). The Company conducted a share consolidation on the basis that every 50 existing Class "A" Common Voting Shares be consolidated into 1 Consolidated Share. The aforesaid number of Shares are expressed in the adjusted new Consolidated Shares.*

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the financial year under review are set out below:-

A) Share Option Scheme

Pre-IPO Stock Option Plan:

The Company's pre-IPO stock option plan is for Directors, officers, employees, consultants and advisors of the Company. These options vest over a period up to three years from the date of grant. Following the IPO closing on March 1, 2012, no further options were issued under the Pre-IPO Stock Option Plan. As at December 31, 2019. all Pre-IPO Stock Option has expired.

Post-IPO Stock Option Plan:

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

On September 30, 2015, the Company completed a voluntary delisting from the TSX. As a result, the Board Directors now determines the exercise price of the Options based solely on the trading date of the Common Shares of the Company from the SEHK only.

The aggregate number of shares that may be issued under the Scheme is 601,359,617 (pre-share consolidation figure) representing 10% of Shares outstanding when the Scheme Mandate Limit was refreshed on October 31, 2018 (and representing approximately 9.39% of the Shares Outstanding as at the date of this report.)

As a result of the Share Consolidation of the Company effective on February 26, 2020, adjustments were made to the exercise prices and the number of Consolidated Shares falling to be allotted and issued upon exercise of the outstanding Options in accordance with the terms and conditions of the Scheme, Rule 17.03 (13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the SEHK. The adjustments to the exercise prices and the number of Consolidated Shares falling to be issued upon exercise of the outstanding Options are detailed in the announcement issued by the Company dated February 26, 2020

Details of the Post-IPO Stock Option Plan are listed below:

Purpose of the Post-IPO Stock Option Plan:	The purpose of the Post-IPO Stock Option Plan is to attract skilled and experienced personnel, to incentivize them to remain with the Company and to motivate them to strive for the future development and expansion of the Company by providing them with the opportunity to acquire equity interests in the Company.
Participants:	Any Directors, officers and employees of the Company, the Company's subsidiaries and any other persons selected by the Board in its discretion.
Total number of securities available for issue under the scheme	[9,131,754] (representing 7.05% of the issued shares of the Company as at the date of the Annual Report)
Maximum entitlement of Participant:	The aggregate number of shares issued or to be issued to any one person under the Post-IPO Stock Option Plan at any time in any 12 month period (together with any shares underlying Options granted during such period under any other share option scheme) must not exceed 1% of shares issued and outstanding at the time, unless shareholder approval has been sought and obtained in accordance with the provisions of the Post-IPO Stock Option Plan (and with the person receiving such Option grant abstaining from voting).

Period within which the shares must be taken up under an Option:	The Option period shall not expire later than 10 years from the date of grant.
Minimum period, if any, for which an Option must be held before it can be exercised:	The minimum period can be in a range from immediately upon grant to two years.
The amount payable, if any, on application or acceptance of the Option and the period within which payments or calls must be made or loans for such purposes must be paid:	Not applicable.
Remaining life of the Post-IPO Stock Option Plan:	The Post-IPO Stock Option Plan shall be valid and effective for the period commencing from January 26, 2012. There is currently no expiration date for the Post-IPO Stock Option Plan.

During the year 2019, save as the grant of an aggregate of 10,000,000 Options (equivalent to 200,000 Options upon Share Consolidation), representing approximately 0.15% of the issued shares of the Company as at the date of the Annual Report) in respect of 200,000 Consolidated Shares at an exercise price of HK$0.073 (CDN$0.012 equivalent) (equivalent to HK$3.65 after share consolidation adjustment) per Share on September 9, 2019 (Hong Kong time), no other Options were granted. The said granted Options valid for five (5) years.

The accounting policy adopted for the granted Options above follows the policy adopted under the Post-IPO Stock Option Plan for calculating the exercise price.

As of December 31, 2019, the options held by Directors and the chief executive of the Company was as follows:

Name	Corporation	Nature of Interest	Number of Stock Options held	Approximate % interest in the options [(4)]
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct	6,933,580	75.93%
Michael Hibberd	Sunshine Oilsands Ltd.	Direct	933,580	10.22%
Gloria Ho	Sunshine Oilsands Ltd.	Direct	400,000	4.38%
Yi He	Sunshine Oilsands Ltd.	Direct	150,000	1.64%
Linna Liu	Sunshine Oilsands Ltd.	Direct	-	-
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	20,000	0.22%
Guangzhong Xing [(1)]	Sunshine Oilsands Ltd.	Direct	100,000	1.10%
Alfa Li [(2)]	Sunshine Oilsands Ltd.	Direct	-	-

Notes

1. *Mr. Guangzhong Xing was appointed as independent non-executive Director of the Company on June 25, 2019.*
2. *Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.*
3. *The Board granted 1,000,000 Options (after adjustment) to each of Mr. David Yi He and Mr. Guangzhong Xing respectively on September 9, 2019.*
4. *The number of share options held by each Director were adjusted upon the share consolidation effective on February 26, 2020. The aforesaid figures are expressed in post Share Consolidation.*

Save as disclosed above, as at December 31, 2019, none of the Directors or the chief executives of the Company have or are deemed to have interests or short positions in the Common Shares, underlying shares of the Company and any of its associated companies (within the meaning of Part XV of the SFO) which were notifiable to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of Part XV of the SFO, or as otherwise notifiable to the Company and the SEHK pursuant to the Model Code.

Movements in Stock Options

The table below presents the movements in stock options for Directors, the Chief Executives and other executive management of Company the during 2019.

Name	December 31, 2018	Granted	Exercised	Forfeited	Expired	December 31, 2019
Kwok Ping Sun	6,933,580	-	-	-	-	6,933,580

Michael J. Hibberd	933,580	-	-	-	-	933,580
Hong Luo [1]	460,000	-	-	-460,000	-	-
Gloria Ho	400,000	-	-	-	-	400,000
Raymond Fong [2]	50,000	-	-	-50,000	-	-
Yi He	50,000	100,000	-	-	-	150,000
Joanne Yan [3]	50,000	-	-	-50,000	-	-
Linna Liu	-	-	-	-	-	-
Jeff Jingfeng Liu [4]	-	-	-	-	-	-
Xijuan Jiang	20,000	-	-	-	-	20,000
Guangzhong Xing [5]	-	100,000	-	-	-	100,000
Alfa Li [6]	-	-	-	-	-	-
Sub-total for Directors	8,897,160	200,000	-	-560,000	-	8,537,160
Sub-total for other share option holders	922,958	-	-	-158,362	-136,066	628,529
Total	9,820,118	200,000	-	-718,362	-136,066	9,165,690

Note

8. *Mr. Hong Luo ceased to be a non-executive Director of the Group on June 3, 2019.*
9. *Per the Group' s announcement dated June 23, 2019, Mr. Raymond Fong passed away.*
10. *Ms. Joanne Yan retired and ceased to be an independent non-executive Director of the Group at the Annual General Meeting held on June 24, 2019.*
11. *Mr. Jeff Jingfeng Liu ceased to be an independent non-executive Director of the Group on March 7, 2019.*
12. *Mr. Guangzhong Xing was appointed as an independent non-executive Director of the Group on June 25, 2019.*
13. *Mr. Alfa Li was appointed to be an independent non-executive Director of the Group on July 29, 2019.*
14. *The aforesaid number of Options held by the Option holders were adjusted upon the share consolidation effective on February 26, 2020.*

Other than disclosed in the tables above, none of the Directors or chief executives of the Company or their related parties had any interests or short positions in any Common Shares of the Company or its associated companies as at December 31, 2019. Please refer to our consolidated financial statements (note 14) included in this Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2019.

B) Convertible Bonds

On June 16, 2019 (Hong Kong time), the Company (being the issuer), LionRock Soleil L.P. (as subscriber) (the "Subscriber") and Mr. Kwok Ping Sun (as guarantor) entered into a subscription agreement (the "Subscription Agreement"), pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue and the Subscriber has agreed to subscribe for the fixed rate convertible bonds to be issued by the Company. The Subscription Agreement was then amended by the amendment agreement dated June 17, 2020 (the "Amendment Agreement").

Pursuant to the Subscription Agreement as amended by the Amendment Agreement, the fixed rate convertible bonds to be issued by the Company is in principal amount of USD 10,450,000 at an interest rate of 10% per annum. The initial conversion price is HKD 0.0822 per Share and a maximum of 990,347,263 new Shares will be issued upon full conversion of all convertible bonds thereon. The Company intended to use the proceeds from the issuance of the convertible bonds for general working capital and capital expenditure for West Ells project. As at the date of this report, the entire proceeds were fully utilized for general working capital and capital expenditure for West Ells project as intended.

Full details of the Subscription Agreement as amended by the Amendment Agreement were set out in the announcements dated June 16, 2019 and June 17, 2019 issued by the Company.

Due to the share consolidation took place on February 26, 2020, in accordance with the terms and conditions of the convertible bonds, the conversion price of the outstanding convertible bonds was adjusted from HK$0.0822 per existing Share to HK$4.09 per consolidated Share, (for illustration purpose, based on the exchange rate as at February 25, 2020, being the date prior to the effective date of the Share Consolidation) the maximum number of consolidated Shares issuable by the Company upon full conversion of the convertible bonds is 19,979,685 consolidated Shares with effect from February 26, 2020, being the date on which the share consolidation became effective. Save for the above adjustments, all other terms and conditions of the convertible bonds under the Subscription Agreement and as amended by the Amendment Agreement remains unchanged.

As at the date of this report, no convertible bonds were converted into Shares.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITION IN COMMON SHARES AND UNDERLYING SHARES

As at December 31, 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, the following persons (other than the Directors or chief executive of the Company) 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 the Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:-

Name	Nature of Interest	Common Shares Held (1)	Approximately % in the Common Shares
Zhang Jun	Direct/Indirect	11,042,590	8.69%

Note:

1) *The aforesaid number of shares held by the shareholder was adjusted upon the share consolidation effective on February 26, 2020.*

EMOLUMENT POLICY

The emolument policy of executives of the Company is set up by the compensation committee on the basis of merit, qualifications and competence. The emolument policy for the rest of employees is determined on a department by department basis with the executive in charge of each department determining the emoluments for senior employees and managers in the department and the emoluments for non-senior employees being determined by an appropriately designated manager. The emolument policy for non-executives is administered in conjunction with the human resources department and is done on the basis of merit, qualifications and competence.

The emolument policy for the Directors of the Company is decided by the compensation committee and approved by the Board of Directors, having regard to comparable market statistics.

The Company also has a stock option plan for Directors, officers, employees, consultants and advisors (the "**Stock Option Plan**"). The options vest over a period ranging up to five years from the date of grant. Since March 1, 2012, options granted under the Stock Option Plan follow the granting rules of the Company's Post-IPO Stock Option Plan as disclosed above under the section entitled "Share Option Scheme".

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2019, none of the Directors or their respective close associates had interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Company or its subsidiaries.

PENSION SCHEMES

The Company does not have a pension scheme.

LOAN

As at December 31, 2019, the Company had senior secured notes that are considered current liabilities. On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "**Forbearing Holders**") entered into a forbearance agreement in respect of the Notes (the "**Agreement**"). Subsequent to December 31, 2016, the Company negotiated reinstatement of the Agreement, on March 21, 2018, the Company entered into a Forbearance Reinstatement Agreement ("**FRA**") with the Forbearing holders, and on September 26, 2018, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "**Amended FA**"). On October 31, 2018, the Company and the Forbearing Holders signed a Reinstatement and Amending Agreement (the "**FRAA**"). Details of the classification of the notes as a current liability are set out in Note 10 of the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Protection and preservation of the environment is a fundamental operating principle of the Company. Its projects and operations adhere strictly to established Standard Operating Procedures and Practices (SOPs) for all situations and conditions which exist. Ongoing environmental monitoring, assessments, and audits ensure the Company's objectives are met with respect to environmental stewardship.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATION

For the year ended December 31, 2019, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on it. The Company's operations have met regulatory requirements and corporate standards.

RELATIONSHIPS WITH STAKEHOLDERS

The Company has actively cultivated, established, and maintained positive relationships with First Nations and Metis peoples in the region who are proximate to or interested in its projects. The Company provides project updates and meets with the various aboriginal communities on a regular basis to discuss impacts of its operations and pro-actively deal with any issues. The Company also works closely with stakeholders at the municipal, provincial, and federal level to ensure that the regulatory authorities are aware of the Company's alignment with their rules, regulations, and expectations.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

The West Ells nameplate capacity is 5,000 bbl/day. With the startup of operations and production of West Ells Project, the Company will continuously look to expand its base of customers to obtain the best possible price for its product.

Suppliers

The largest supplier accounted for 24.55% of the Company's purchases. The five largest suppliers accounted for 64.02% of the Company's purchases for the year ended December 31, 2019.

To the knowledge of the Directors, none of the Directors, their close associates, or any shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had a beneficial interest in the Company's five largest suppliers.

CONNECTED TRANSACTIONS

During the year under review, the Company has entered into the following connected transactions:-

A) SUNSHINE HEBEI

On November 9, 2018, the Board approved the formation of a joint venture company (the "JV Company") in China between Sunshine and a company affiliated (the "Affiliate") with the Executive Chairman, Mr. Kwok Ping Sun, where Sunshine and the Affiliate will own 51% and 49% interests in the JV Company respectively.

On February 28, 2019, the Company and the Affiliate entered into a project cooperation agreement (the "Project Cooperation Agreement") with Chengde City People's Government ("Chengde City Government"), Hebei Province, China, pursuant to which the formation of a joint venture project company (the "JV Project Company") by the Corporation and the Affiliate was approved by the Chengde City Government (the "Transaction"). The Project Cooperation Agreement also approved the establishment of 50 high-end multi-functional petrol stations (the "Multi-functional Petrol Stations") in Chengde City in the next 3 years. The Multifunctional Petrol Stations will provide integrated services including petrol refueling, gas refueling, electric vehicle charging, smart operator-less car washing, convenience stores, business and casual catering, etc. Sunshine and the Affiliate will own 51% and 49% interests in the JV Project Company respectively.

Per the announcement dated March 4, 2019, both the Company and the Affiliate expected to initially invest up to a total of HKD19,000,000 into the JV Project Company by contributing to its registered capital. The JV Project Company is established in Chengde City, Hebei Province. The contribution amount will be HKD9,690,000 by Sunshine and HKD9,310,000 by the Affiliate, representing their proportionate interests held in the JV Project Company, i.e. 51% and 49% respectively.

The Transaction is subject to annual review and disclosure requirements but exempted from the independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

The Directors (including independent non-executive Directors) reviewed the Transaction and are of the view that the Transaction is entered into on normal commercial terms, in the ordinary course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

B) PROJECT IN MUSKWA AND GODIN AREAS

The Company and Renergy Petroleum (Canada) Co., Ltd. ("Renergy") entered into the joint operating agreement and other supporting agreements (collectively, the "Agreements") with respect to the Company's Muskwa and Godin area oil sands leases ("Leases"). Pursuant to the Agreements, Renergy would operate the assets as the operator.

Per the announcement dated July 27, 2018, a corporation affiliated (the "Affiliate") with Kwok Ping Sun, the Executive Chairman, and Nobao Energy Holding (China) Corporation Limited ("Nobao") (a corporation under the control of Mr. Sun) has conditionally acquired Changjiang's interest in Renergy. Ms. Xijuan Jiang ("Ms. Jiang"), non-executive Director of the Comapny, is the vice president of Nobao. The Affiliate has received the Board's conditional approval (with Mr. Sun and Ms. Jiang abstaining from voting) for this acquisition and has requested amendments to certain terms in the Agreements (the "Proposed Amendment") with an aim to simplify the working relationship between contracting parties to the Agreements and to incentivize Renergy as operator to spend significant capital to proceed with an enhanced oilsands recovery scheme in the Muskwa and Godin areas. The Proposed Amendment was then passed by the independent Shareholders of the Company at the Special General Meeting held on October 31, 2018

Full details of the Muskwa Project are set out in the announcements dated August 19, 2013, September 26, 2013, September 27, 2013, October 21, 2013, July 27, 2018, August 15, 2018, August 17, 2018, August 23, 2018, August 31, 2018, September 17, 2018, September 21, 2018 and October 31, 2018 and a circular dated October 5, 2018 issued by the Company.

On March 25, 2019, Sunshine entered into a supplementary agreement with Renergy (the "Supplementary Agreement"). The Supplementary Agreement reaffirms the contracting parties to the Agreements (i.e. Renergy and Sunshine), especially that after the completion of the acquisition of Changjiang's interests in Renergy by the Affiliate. The Proposed Amendment has also incorporated into the Supplementary Agreement. Save as disclosed above, all other terms and conditions as set out in the Agreements remains in full force and effect.

The Directors (including independent non-executive Directors) reviewed the Proposed Amendment and the Supplemental Agreement and are of the view that the Proposed Amendment and the entering into of the Supplementary Agreement are on normal commercial terms, in the ordinary course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

C) PAYMENT OF DIRECTOR FEE IN SHARES IN LIEU OF CASH

On May 15, 2019, the Board approved the payment of 100% of the director fee to its Connected Directors (namely, Mr. Michael J Hibberd, Mr. Hong Luo, Ms. Xijuan Jiang, Ms. Joann Yan and Mr. David Yi He) for the period from October 1, 2017 to April 30, 2019 through the issuance of Shares of the Company in lieu of cash (the "Proposed Payment").

Details are set out in the announcement dated May 15, 2019 and the circular dated June 4, 2019.

The Proposed Payment was then approved by the independent Shareholders of the Company at the Special General Meeting held on June 24, 2019 and the Proposed Payment was completed on July 11, 2019. Finally, an aggregate of 21,779,902 Shares was issued.

The Board (excluding the respective Connected Directors) is of the view that the terms of issue of Shares for payment of director fee in lieu of cash to each of the respective Connected Director is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

For further details, please refer to the section headed "Purchase, Sale or Redemption of Sunshine's Listed Securities" in the Management Discussion and Analysis section of this report.

Save as disclosed above, for the year ended December 31, 2019, the Company has not entered into any connected transactions (as defined under the Listing Rules).

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Company during the year in the ordinary course of business are set out in Note 23 to the consolidated financial statements. None of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of more than 25% of the issued share capital required under the Listing Rules during the period from the Listing Date to the date of this report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 7 to 15 of this Annual Report.

INDEPENDENT AUDITOR

The financial statements were audited by ZHONGHUI ANDA CPA Limited, who shall be eligible for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Kwok Ping Sun
Chairman of the Board

March 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("Sunshine" or the "Company") for the three and twelve months ended December 31, 2019 is dated March 30, 2020, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2019. 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 0.95 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2019 was approximately 1.63 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 plans to add an additional 5,000 barrels per day of production capacity at Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at December 31, 2019, the Company had invested approximately $1.29 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at December 31, 2019, the Company had $1.25 million in cash.

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

Operational Update

West Ells

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

For three and twelve months ended December 31, 2019, the Company's average bitumen production was 1,589 bbls/day and 1,702 bbls/day respectively. Diluent was blended at a 17.8% and 18.3% volumetric rate for the three and twelve month ended December 31, 2019 with the bitumen as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 2,015 bbls/day and 2,080 bbls/day for the three and twelve months ended December 31, 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 2020. Once the Thickwood and Legend Lake's projects are sanctioned for development and construction, significant additional financing will need to be secured to proceed.

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

As at the date of this report, Muskwa has no production. Development of Godin areas is expected to be reactivated in 2020 under new ownership of Renergy, at no cost to Sunshine.

Summary of Quarterly Results

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

($ thousands except per share & bbl/d)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Bitumen sales (bbl/d)	1,657	2,130	2,049	999	1,153	1,757	1,540	2,174
Petroleum sales	9,192	12,691	14,434	6,017	4,772	12,286	9,252	11,258
Royalties	94	179	277	68	28	270	149	114
Diluent	3,133	3,345	3,747	1,491	2,016	2,681	2,708	3,896
Transportation	2,933	4,561	4,140	2,321	3,757	4,047	3,086	4,527
Operating costs	3,027	4,765	5,616	4,581	4,609	5,030	5,392	5,671
Finance cost	26,448	8,290	9,433	22,734	9,386	13,824	16,791	15,348
Net loss	26,660	19,140	9,799	25,116	46,731	16,287	31,147	32,831
Per share - basic and diluted	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.01
Capital expenditures[1]	654	549	1,095	342	195	521	803	1,381
Total assets	777,528	775,818	781,385	781,366	769,468	774,885	781,130	781,639
Working capital deficiency[2]	506,310	488,052	489,793	483,933	461,341	423,360	412,067	385,244
Shareholders' equity	175,755	201,204	217,723	227,171	251,953	292,394	307,203	336,858

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

($ thousands, except $/bbl)	For the three months ended December 31, 2019	2018	For the twelve months ended December 31, 2019	2018
Realized bitumen revenue	$ 6,059	$ 2,756	$ 30,618	$ 26,267
Transportation	(2,933)	(3,757)	(13,955)	(15,417)
Royalties	(94)	(28)	(618)	(561)
Net bitumen revenues	$ 3,032	$ (1,029)	$ 16,045	$ 10,289
Operating costs	(3,027)	(4,609)	(17,989)	(20,702)
Operating cash flow[1]	$ 5	$ (5,638)	$ (1,944)	$ (10,413)
Operating netback ($ / bbl)	0.03	(53.14)	(3.14)	(17.26)

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 December 31, 2019 was a net gain of $0.01 million compared to a net loss of $5.6 million for the three months ended December 31, 2018. Operating netback increased $53.17/bbl from the loss of $53.14/bbl to the gain of $0.03/bbl. The increase in the operating cash flow per barrel was primarily due to a 52.94% increase in realized sales price per barrel (net of diluent), a 54.29% decrease in operating costs per barrel and a 45.68% decrease in transportation cost per barrel, which were partially offset by 138.46% increase of Royalties per barrel.

The operating cash flow for the twelve months ended December 31, 2019 was a net loss of $1.9 million compared to a net loss of $10.4 million for the twelve months ended December 31, 2018. Operating netback loss per barrel basis decreased by $14.12/bbl to a loss of $3.14/bbl from a loss of $17.26/bbl for the year ended December 31, 2018. The decrease in the operating cash flow deficiency was primarily due to a 13.37% increase in realized sales price per barrel (net of diluent), a 15.48% decrease in operating costs per barrel and a 11.98% decrease in transportation cost per barrel, which were partially offset by 7.53% increase of Royalties per barrel.

Bitumen Production

(Barrels/day)	For the three months ended December 31 , 2019	2018	For the twelve months ended December 31, 2019	2018
Bitumen production	1,589	1,059	1,702	1,623

Bitumen production at West Ells for the three and twelve months ended December 31, 2019 averaged 1,589 Bbls/day and 1,702 Bbls/day compared to 1,059 Bbls/day and 1,623 Bbls/day for the three and twelve months ended December 31, 2018, respectively. Bitumen production increased by 530 Bbls/day and 79 Bbls/day for the three and twelve months ended December 31, 2019 compared to the same periods in 2018, respectively. The Company will continue to focus on carefully improving production performance.

Bitumen Sales

	For the three months ended December 31,		For the twelve months ended December 31,	
(Barrels/day)	2019	2018	2019	2018
Bitumen Sales	1,657	1,153	1,700	1,653

Bitumen sales at West Ells for the three and twelve months ended December 31, 2019 averaged 1,657 Bbls/day and 1,700 Bbls/day compared to 1,153 Bbls/day and 1,653 Bbls/day for the three and twelve months ended December 31, 2018, respectively. Bitumen sales increased by 504 Bbls/day for the three months ended December 31, 2019 compared to the same period of 2018 due to higher bitumen production. For the twelve months ended December 31, 2019, bitumen sales increased by 47 Bbls/day compared to the same period of last year.

Petroleum Sales, net of royalties

	For the three months ended December 31 ,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2019	2018	2019	2018
Petroleum sales	$ 9,192	$ 4,772	$ 42,334	$ 37,568
Royalties	(94)	(28)	(618)	(561)
Balance, end of period	$ 9,098	$ 4,744	$ 41,716	$ 37,007
$ / bbl	59.69	44.73	67.22	61.32

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended December 31, 2019 increased by $4.4 million to $9.1 million from $4.7 million for the same period of 2018. Petroleum sales per barrel, net of royalties increased by $14.96/bbl to $59.69/bbl from $44.73/bbl for the same period of 2018. The increase of $4.4 million sales (net of royalties) is mainly due to higher bitumen production, thus sales volumes and the 52.94% increase of realized bitumen price per barrel.

Petroleum sales, net of royalties for the twelve months ended December 31, 2019 increased by $4.7 million to $41.7 million from $37.0 million for the twelve months ended December 31, 2018. Petroleum sales per barrel, net of royalties increased by $5.90/bbl to $67.22/bbl from $61.32/bbl for the same period of 2018. Petroleum sales net of royalties increased by $4.7 million primarily due to highter bitumen production and 13.37% higher realized bitumen price per barrel.

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 in pre-payout. Royalties for the three and twelve months ended December 31, 2019 increased by $0.07 million and $0.06 million compared to the same period of 2018. The increases in 2019 are mainly due to higher bitumen sales and thus higher royalty expenses.

Bitumen Realization

	For the three months ended December 31 ,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2019	2018	2019	2018
Dilbit revenue	$ 9,192	$ 4,772	$ 42,334	$ 37,568
Diluent blended	(3,133)	(2,016)	(11,716)	(11,301)
Realized bitumen revenue[1]	$ 6,059	$ 2,756	$ 30,618	$ 26,267
($ / bbl)	39.75	25.99	49.34	43.52

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 December 31, 2019, the Company's bitumen realization revenue increased by $3.3 million to $6.1 million from $2.8 million for the three months ended December 31, 2018. The bitumen realized price per barrel increased by $13.76/bbl to $39.75/bbl from $25.99/bbl. The increase in bitumen realization per barrel was primarily due to 34% increase in dilbit revenue per barrel, which was partially offset by 8% increase in blending cost per barrel.

During the twelve months ended December 31, 2019, the Company's bitumen realization revenue increased $4.3 million to $30.6 million from $26.3 million for the same period in 2018. The bitumen realized price per barrel increased $5.82/bbl to $49.34 /bbl from $43.52 /bbl. The increase in bitumen realization per barrel was primarily the result of a 10% increase in dibit revenue per barrel, which was partially offset by 1% increase in blending cost per barrel.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Diluent	$ 3,133	$ 2,016	$ 11,716	$ 11,301
$/bbl	20.56	19.00	18.88	18.73
Blend ratio	17.8%	20.0%	18.3%	18.1%

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 twelve months ended December 31, 2019 was $20.56/bbl and $18.88/bbl compared to $19.00/bbl and $18.73/bbl for the three and twelve months ended December 31, 2018, respectively. For the three month ended December 31, 2019, the increase in the diluent expense per barrel was primarily the result of the increase of the average condensate benchmark pricing.

Blend ratio for the three and twelve months ended December 31, 2019 was 17.8% and 18.3% compared to 20.0% and 18.1% for the three and twelve months ended December 31, 2018. The decrease was due to the control of the usage of the diluent to make the operation more efficient.

Transportation

($ thousands, except $/bbl)	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Transportation	$ 2,933	$ 3,757	$ 13,955	$ 15,417
$ / bbl	19.24	35.42	22.49	25.55

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the three and twelve months ended December 31, 2019 was $19.24/bbl and $22.49/bbl compared to $35.42/bbl and $25.55/bbl for the three and twelve months ended December 31, 2018, respectively. The decrease in the transportation cost per barrel was mainly due to higher bitumen sales and thus lower average terminal fees.

Operating Costs

($ thousands, except $/bbl)	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Energy operating costs	$ 138	$ 1,035	$ 4,141	$ 3,998
Non-energy operating costs	2,889	3,574	13,848	16,704
Operating costs	$ 3,027	$ 4,609	$ 17,898	$ 20,702
$ / bbl	19.86	43.45	28.99	34.30

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. Energy operating costs for the three months and twelve months ended December 31, 2019 are lower compared to the same period of 2018 mainly due to the costs adjustment for prior period.

The operating expense per barrel for the three and twelve months ended December 31, 2019 was $19.86/bbl and $28.99/bbl compared to $43.45/bbl and $34.30/bbl for the three and twelve months ended December 31, 2018, respectively. The operating costs decrease per barrel from the prior periods is primarily due to the higher bitumen production. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production ramps up at West Ells.

General and Administrative Costs

	For the three months ended December 31 , 2019			2018		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 1,298	$ -	1,298	$ 2,318	$ -	2,318
Rent	13	-	13	589	-	589
Legal and audit	92	-	92	239	-	239
Other	352	-	352	650	-	650
Total	$ 1,755	$ -	1,755	$ 3,796	$ -	3,796

	For the twelve months ended December 31, 2019			2018		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 6,045	$ -	6,045	$ 6,858	$ -	$ 6,858
Rent	297	-	297	2,074	-	2,074
Legal and audit	777	-	777	964	-	964
Other	1,931	-	1,931	2,706	-	2,706
Total	$ 9,050	$ -	9,050	$ 12,602	$ -	$ 12,602

The Company's general and administrative costs were $1.8 million and $9.1 million for the three and twelve months ended December 31, 2019 compared to $3.8 million and $12.6 million for the three and twelve months ended December 31, 2018. General and administrative costs decreased by $2.0 million and $3.5 million for the three and twelve months ended December 31, 2019 compared to the same periods in 2018 primarily due to workforce reductions and the Company's continued focus on cost management.

Finance Costs

	For the three months ended December 31,		**For the twelve months ended December 31,**	
($ thousands)	2019	2018	2019	2018
Interest expense on senior notes, including yield maintenance premium	$ 24,865	$ 7,655	$ 61,200	$ 50,307
Interest expense on other loans	644	555	1,832	731
Financing related costs	223	766	544	1,019
Other interest expense	366	122	1,922	2,180
Other interest expense – lease	64	-	261	-
Unwinding of discounts on provisions	286	288	1,146	1,112
Finance costs	$ 26,448	$ 9,386	$ 66,905	$ 55,349

The Company's finance costs were $26.4 million and $66.9 million for the three and twelve months ended December 31, 2019 compared to $9.4 million and $55.3 million for the three and twelve months ended December 31, 2018. For the three months ended December 31, 2019, finance costs increased by $17.1 million compared to the same period in 2018 as a result of an increase of $17.1 million attributed to interest expense on senior notes, including the yield maintenance premium. For the twelve months ended December 31, 2019, finance costs increased by $11.6 million compared to the same period in 2018 as a result of an increase of $10.9 million attributed to interest expense on senior notes, including the yield maintenance premium and an increase of $1.1 million attributed to interest expense on other loans offset by a decrease of $0.5 million in financing related costs.

Share-based Compensation

		For the three months ended December 31 ,					
		2019				2018	
($ thousands)		**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Share-based compensation	$	345	-	345	$ 2,740	-	2,740

		For the twelve months ended December 31,					
		2019				2018	
($ thousands)		**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Share-based compensation	$	1,373	-	1,373	$ 4,009	-	4,009

Share-based compensation expense for the three and twelve months ended December 31, 2019 was $0.3 million and $1.4 million compared to $2.7 million and $4.0 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 audited consolidated financial statements . Fair value is determined using the Black-Scholes option pricing model.

Depletion, Depreciation and Impairment

		For the three months ended December 31,				**For the twelve months ended December 31,**		
($ thousands, except $/bbl)		2019		2018		2019		2018
Depletion	$	3,311	$	2,234	$	14,204	$	13,134
Depreciation		365		133		1,503		522
Impairment		-		-		-		-
Depletion and depreciation	$	3,676	$	2,367	$	15,707	$	13,656
Depletion ($ / bbl)		21.73		21.06		22.89		21.76

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

Depletion and depreciation expense was $3.7 million and $15.7 million for the three and twelve months ended December 31, 2019 compared to $2.4 million and $13.7 million for the three and twelve months ended December 31, 2018, respectively. Depletion and depreciation expense increased by $1.3 million and $2.1 million for the three and twelve months ended December 31, 2019 compared to the same periods in 2018 mainly due to higher bitumen production and additional long-term office, trucks and trailer leases.

Starting January 1, 2019, the company started to record depreciation for long-term leases calculated on a straight-line basis over the lease term, so depreciation for the three and twelver months ended December 31, 2019 has increased by 0.2 million and 1.0 million compared to the same periods in 2018.

As of December 31, 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.

Exploration & Evaluation (“E&E”) Asset Impairment

As at December 31, 2019, the Company determined that indicators of impairment existed with respect to its E&E Assets and an impairment analysis was performed. The significant indicator of impairment was the Company’s inability to make any material capital expenditures other than on the West Ells property under the debt agreement, and the significant decline in market capitalization.

At the end of the reporting period, the Group assessed impairment for its E&E Assets. For the purpose of impairment testing, the recoverable amount of E&E Assets was determined using judgement and internal estimates. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. Recoverable amount was based on the FVLCD model using the land sale price observed in Northern Alberta for similar properties.

For the year ended December 31, 2019 and 2018, the Group did not recognize an impairment loss based on its assessment the estimated recoverable amount exceeded the carrying value.

Property, Plant & Equipment ("PP&E") Asset Impairment

Recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ"). The projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on GLJ's evaluation of the Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Future cash flow estimates are discounted using after-tax risk-adjusted discount rates. The after-tax discount rates applied in the impairment calculation as at December 31, 2019 was 8.25% (2018: 8.25%) based on the specific risk to the assets.

For the year ended December 31, 2019 and 2018, the Group did not recognize an impairment loss based on its assessment that the estimated recoverable amount exceeded the carrying value.

Year	Oilfield Costs Inflation %	Exchange 1 CAD = x USD	WTI @Cushing $US/bbl	WCS @ Hardisty $/bbl	Heavy Oil 12 API @Hardisty $/bbl	AECO Spot ($/MMbtu)
2020	2	0.76	61.00	57.89	50.92	2.08
2021	2	0.77	63.00	61.04	54.58	2.35
2022	2	0.78	66.00	64.10	57.33	2.55
2023	2	0.78	68.00	66.67	59.71	2.65
2024	2	0.78	70.00	69.23	62.27	2.75
2025	2	0.78	72.00	71.79	64.83	2.85
2026	2	0.78	74.00	74.36	67.40	2.91
2027	2	0.78	75.81	76.68	69.72	2.97
2028	2	0.78	77.33	78.63	71.67	3.03
2029	2	0.78	78.88	80.62	73.65	3.09
2029+	escalate oil, gas and product prices at 2% per year thereafter					

Income Taxes
The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three and twelve months ended December 31, 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 December 31, 2019, the Company had total available tax deductions of approximately $1.21 billion, with unrecognized tax losses that expire between 2029 and 2038.

Liquidity and Capital Resources

	December 31, 2019	December 31, 2018
Working capital deficiency	$ 506,310	$ 461,341
Shareholders' equity	175,755	251,953
	$ 682,065	$ 713,294

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 is to obtain financing of at least USD $5.0 million by 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 December 31, 2019, the Company had incurred unsecured third party debt for a total of US$24.3 million (CDN$31.6 million equivalent). (Permitted Debt limit is US$15.0 million.)

The Group has presented the Notes, Loans and Bonds as a current liability on the Audited consolidated financial statements of Financial Position as at December 31, 2019.

On or around February 27, 2019, Company was required to pay CAD$0.7M into the Alberta Court of Queen's Bench and which amount was subsequently released from Court on or about October 15, 2019 in satisfaction of the creditor's judgment. The judgment is under appeal by the Company. 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 court case was then dismissed.

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2019 municipal property taxes of $9.45 million. The Group was also charged with overdue penalties of $3.74 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group 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 Group'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 Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims, as noted in note 8. At December 31, 2019, the Group had incurred $4.46 million (US $3.37 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 = $1.2988 CAD.

The Group'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 Group manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Group's risk profile. In order to manage risk, the Group may from time to time issue shares and adjust its capital spending to manage current working capital deficiency levels. The Group's liquidity may be adversely affected if the Group's access to the capital markets is hindered because of financial market conditions generally, or as a result of conditions specific to the Group.

For the three and twelve months ended December 31, 2019, the Group reported a net loss of $26.6 million and $80.6 million, respectively. At December 31, 2019, the Group had a working capital deficiency of $506.3 million including senior notes of $258.0 million and an accumulated deficit of $1,196.6 million.

The Group's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 77% as at December 31, 2019, compared to 68% as at December 31, 2018.

The Group 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, other receivables, trade payables and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or United States vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the year ended December 31, 2019 (2018: Nil).

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at December 31, 2019 would have been impacted by $Nil (2018: $Nil) and the carrying value of the debt at December 31, 2019 would have been impacted by $2.7 million (2018: $2.7 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at December 31, 2019 would have been impacted by $Nil (2018: $Nil) and the carrying value of the debt at December 31, 2019 would have been impacted by $0.17 million (2018: $0.05 million).

Commitments and Contingencies
Management estimated the contractual maturities of the Group's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Group's commitments and contingencies, please refer to the Group's Audited consolidated financial statements and notes thereto for the three and twelve months period ended December 31, 2019 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2018.

Transactions with Related Parties
For the twelve months ended December 31, 2019, a consulting Group, to which a director of Sunshine is related, charged the Group $0.5 million (December 31, 2018 – $0.6 million) for management and advisory services.

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

As of December 31, 2019, Mr. Kwok Ping Sun, the Group's Executive Chairman, has beneficial ownership of, or control or direction of 1,790,427,000 common shares of the Group that represents approximately 27.95% of the Group's outstanding common shares.

As at December 31, 2019, the Company had loans from shareholders which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $12,622,000 can be rollover for a period of 3 to 6 months and approximately CAD $4,383,000 is repayable in 2 years..

Off-balance Sheet Arrangements

The Group has certain lease agreements which are reflected in the table under the heading "Commitments and Contingences". No asset or liability value was assigned to these agreements on the Group's balance sheet. As at December 31, 2019, the Group did not have any other off-balance sheet arrangements.

Subsequent Events
On January 3, 2020, the Board proposed to implement the Share Consolidation on the basis that every fifty (50) Existing Shares will be consolidated into one (1) Consolidated Share. The total number of Consolidated Shares in the issued share capital of the Corporation immediately following the Share Consolidation was rounded down to a whole number by cancelling any fractional Shares of the Corporation arising from the Share Consolidation. The Share Consolidation was conditional upon, among other things, the approval of the Shareholders at the SGM. The Board proposed to change the board lot size for trading on the Stock Exchange from 500 Existing Shares to 1,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

On February 24, 2020, a Special General Meeting approved the Share Consolidation and the Change in Board Lot Size became effective on February 26, 2020.

On February 27, 2020, the Company entered into a settlement agreement for a total of 1,443,000 consolidated class "A" common shares at a price of HKD $1.31 per share (post-consolidation) for gross proceeds of HKD $1,896,134.68. On March 10, 2020, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

Changes in Accounting Policies
On June 20, 2016, the IASB issued amendments to IFRS 2, relating to classification and measurement of particular share-based payment transactions. The amendments are effective for periods beginning on or after January 1, 2018. The Group adopted IFRS 2 on January 1, 2018 and did not have a material impact on the Group's Audited consolidated financial statements .

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

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

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments". In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. In November 2013, the IASB issued the third phase of IFRS 9 "Financial Instruments", which details the new general hedge accounting model. On February 20, 2014 there was an update on the mandatory adoption date for IFRS 9 which changed the effective date from January 1, 2017 to

January 1, 2018. The Group adopted IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 has three principal classification categories for financial assets being measured at amortized costs, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

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

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

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 Group 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 Group's financial statements are not restated.

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Group'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 Group 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.

Critical Accounting Policies and Estimates

The Group's critical accounting estimates are those estimates having a significant impact on the Group'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 Group's critical accounting policies and estimates, please refer to the Group's 2019 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 Group, their potential impact and the Group's principal risk management strategies are substantially unchanged from those disclosed in the Group's MD&A for the year ended December 31, 2019, which is available at www.sedar.com. The 2019 annual report of the Group will be available at the Group's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Group's 2019 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 Group is made known to the Group'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 Group 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. As at December 31, 2019, the Chief Executive Officer and the Chief Financial Officer evaluated the design and operation of the Group's DC&P. Based on that evaluation, the Executive Director of the Board and Chief Executive Officer and the Chief Financial Officer concluded that the Group's DC&P were effective as at December 31, 2019.

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 Group's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Group used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework); they have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Group's ICFR at December 31, 2019, and concluded that the Group's ICFR are effective at December 31, 2019 for the foregoing purpose.

No material changes in the Group's ICFR were identified during the three months and year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Group's ICFR. It should be noted that a control system, including the Group'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 "Cash flow used in operations", and therefore are considered non-GAAP measures. These non-GAAP measures are commonly used in the oil and gas industry and the Group 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 Group 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 December 31,		For the twelve months ended December 31,	
($ thousands)	2019	2018	2019	2018
Net cash used in operating activities	$ (8,917)	$ (8,107)	$ (18,350)	$ (21,934)
Add (deduct)				
Net change in non-cash operating working capital items	7,451	(1,374)	7,660	(946)
Cash flow used in operations	$ (1,466)	$ (9,481)	$ (10,690)	$ (22,880)

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 Group hereby cautions investors about important factors that could cause the Group'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 Group'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 Group 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 Group 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 Group is committed to maintaining high standards of corporate governance. The Group recognizes that corporate governance practices are fundamental to the effective and transparent operation of a Group and its ability to protect the rights of its shareholders and enhance shareholder value.

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

The Group 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 passing away of Mr. Raymond Shengti Fong per the announcemet dated June 23, 2019 (Hong Kong time), the Group deviated from the Code A.5.1 and the CG Committee's terms of reference that requires its membership should be comprised of a majority of independent non-executive directors. The Group 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.

The Group received a notification from PricewaterhouseCoopers LLP on September 17, 2019 confirming that the cessation of its client-auditor relationship with the Group due to recent regulatory change in Hong Kong with respect to auditors of overseas entities listed in Hong Kong. PricewaterhouseCoopers LLP advised that it believed that it would be appropriate for a Hong Kong based auditor to take up the engagement. PricewaterhouseCoopers LLP has confirmed that it has no disagreement with the Board and there are no other matters connected with its resignation that need to be brought to the attention of the shareholders and the creditors of the Group. The Board and its audit committee also confirmed the same. On February 21, 2020, The Group has subsequently appointed ZhongHui Anda CPA Limited as its auditor to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Group.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")
The Group 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 Group during the period ended December 31, 2019.

Name	December 31, 2018	Granted	Exercised	Forfeited	Expired	December 31, 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	5,000,000	-	-	-	7,500,000
Joanne Yan(3)	2,500,000	-	-	(2,500,000)	-	-
Linna Liu	-	-	-	-	-	-
Jeff Jingfeng Liu(4)	-	-	-	-	-	-
Xijuan Jiang	1,000,000	-	-	-	-	1,000,000
Guangzhong Xing (5)	-	5,000,000	-	-	-	5,000,000
Alfa Li (6)	-	-	-	-	-	-

Sub-total for Directors	444,858,000	10,000,000	-	(28,000,000)	-	426,858,000
Sub-total for other share option holders	46,147,881	-	-	(7,918,107)	(6,803,332)	31,426,442
Total	491,005,881	10,000,000	-	(35,918,107)	(6,803,332)	458,284,442

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

Please refer to our consolidated financial statements included in the 2019 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2019.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended December 31, 2019 was $0.012 (year ended December 31, 2018 - $0.04). Options were valued 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 Group 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 year ended December 31, 2019 and December 31, 2018.

Input Variables	December 31, 2019	December 31, 2018
Grant date share price ($)	0.012	0.04
Exercise Price ($)	0.012	0.04
Expected volatility (%)	63.91	61.87
Option life (years)	2.84	2.88
Risk-free interest rate (%)	1.48	1.95
Expected forfeitures (%)	15.39	15.39

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

On May 15, 2019, the Board of the Group 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. The entire amount of the proceeds raised was used to pay the director fees of the Connected Directors that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated in the announcement and the circular.

On June 17, 2019, the Group 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 were used to financing general working capital and capital expenditures for West Ells. The entire amount of proceeds raised were used for general working capital and capital expenditure for West Ells project of the Company. Nil proceeds was unutilized and the proceeds used commensurate with the intended use as previously stated.

On August 9, 2019 the Group 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 Group completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of debt with an independent third party. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

On August 16, 2019, the Group 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. On August 22, 2019, the Group completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

On October 11, 2019, the Group entered into a settlement agreement for a total of 37,728,000 class “A” common shares at a price of HKD $0.063 per share for gross proceeds of HKD $2,376,846.73. On October 17, 2019, the Group completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

On December 5, 2019, the Group entered into a settlement agreement for a total of 51,636,500 class “A” common shares at a price of HKD $0.0524 per share for gross proceeds of HKD $2,705,752.60. On December 16, 2019, the Group completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

Shares Outstanding
As at December 31, 2019 the Group has 6,405,581,506 Class “A” common shares issued and outstanding.

Employees
As at December 31, 2019, the Group has 52 full-time employees. For the three and twelve months ended December 31, 2019, total staff costs amounted to $1.4 million and $6.2 million, respectively.

Dividends
The Group has not declared or paid any dividends in respect of the year ended December 31, 2019 (year ended December 31, 2018 - $Nil).

Review of Annual Results, Auditors’ Disclaimer and Management’s View
The audited consolidated financial statements for the Group for the three and twelve months ended December 31, 2019, were reviewed by the Audit Committee of the Group and approved by the Board.

Reference is made to the paragraph headed “Independent Auditors’ Report – Basis for disclaimer of opinion” on pages 43 to 44 of the 2019 annual report. The Board wishes to supplement as follows:

Details of and Management’s view on the Audit Qualifications

Impairment Assessment of Exploration and evaluation (E&E) assets and property, plant and equipment

The auditor issued a disclaimer of opinion based on the following reasons: 1) WTI Oil price has suddenly dropped drastically to around US$20/bbl, whilst the independent valuer GLJ Petroleum Consultants Ltd (“GLJ”) has forecasted WTI to be $61/bbl for 2020 in its reserves report dated 12 March 2020; and 2) The incompetence of the auditors to understand why contingent resources and discounted abandonment costs are added together with the 2P oil reserves (i. e. total of proven and probable reserves) as the "recoverable value" in the impairment assessment to compare with the carrying amount of the assets in West Ells.

In relation to point 1), although the Company suggested to the auditors that they could quantity the impact of and/or recommend if any impairment provision was needed so that the Company could take up as an audit adjustment into the financial statements for the year ended 31 December 2019, the auditors did not quantify the actual or potential impact.

The management has quantified the impact with reference to the latest 2020 WTI price forecast from U. S. Energy Information Administration (EIA), i. e. at US$38.19/bbl to the auditors, but they did not recommend any accounting adjustment to be made to record an impairment provision. Assuming if the Management replaces GLJ's WTI oil price forecast for 2020 of US$61/bbl with US$38.19/bbl, the present value of the assets taken as the recoverable value for comparison with the carrying value of the assets for the West Ells project will be potentially impacted by CAD $6.35m. However, based on the impairment assessment of the Company, the Company is of the view that there is still no need for making impairment provision. In addition, the Company also noted that such difference is also below the materiality threshold of the auditors (CAD $10m).

In relation to point 2), the Management has repeatedly discussed with the auditors and realized that IFRS 9 and IAS 36 do not stipulate exactly what item to be included or excluded to derive the recoverable value. In the US and Canada, which are also the largest oil-producing countries apart from China and the Middle East, many corporations also include 2P and contingent resources when deriving the recoverable value. Whilst the auditors concurred that this method is commonly used in the US and Canada, they found that the practices in UK is different. Therefore, the auditors believe that there is a difference in the practices between the US/Canada and UK. They also later realized that discounted abandonment costs were added back to the present value of the E&E asset (in GLJ's reserve report, the long-term year-by-year cashflow forecast has deducted abandonment cost and the net cashflow was discounted back as present value of the E&E assets) as these costs were already separately accounted for in the financial statement of the Company as provisions. The auditors also contacted PWC LLP, the Company's predecessor auditors but it did not seem to help them understand the rationale of the assessment approach.

The Management is of the view that the potential impact of how the Management assessed the Impairment Provisions does not have material impact on the Company's financial performance. Such assessment method has been used over the past 5 years and was adopted by the Company's predecessor auditors, namely Deloitte LLP and PWC LLP.

Material uncertainty related to going concern

The auditors stated in its auditor report that the validity of applying going concern basis for preparation of the consolidated financial statements depends upon whether the Group will be able to successfully refinance or restructure its current debt and obtain additional financing to meet its liabilities as they fall due in the foreseeable future which is how they formed their opinion. However, the auditors did not quantify the actual or potential impact of such qualification.

The Management has explained to the auditors that the Company has been able to sustain operational cashflow every year through fund raising (equity and debt) and shareholder loan support. The auditors were satisfied with this point. Regarding the Senior Note (US$ 200 million) of the Company, the Management has explained to the auditors that the bondholders have been patient and could wait until the Company turnarounds before repayment happens. Therefore, the Company was able to extend the Senior Note in the past 2 years without repayments, and the Company has even successfully lowered the interest rate of the Senior Note from around 20% to 10%. The Management has also arranged a conference call between the auditors and the major bondholders to obtain confirmation from the bondholders without presence of the Management. The Management has explained to the auditors that if the creditors, including the Senior Note bondholders, demand payments from the Company, the Company can rely on specific legislation to protect its operations against creditors’ interruption due to failure of debt repayment, if necessary. The Management has also provided useful material and counsel advice to the auditors regarding such law to substantiate and support why the Board believes that preparing financial statement under the going concern basis is appropriate for the Company. However, the auditors stated that they have limited ability to understand the above and emphasized that its technical department is not comfortable to treat the above as a critical audit matter, similar to what PWC LLP did in its explanatory paragraph of the Independent Auditor's Report dated 18 March 2019.

Audit Committee’s view on the Audit Qualifications

The audit committee has reviewed and agreed with the Management's position. However, the auditors concluded that the difference between the views of the auditors and the Management was due to the fact that different countries have different practices, and that the auditors (including their technical department) have limited ability to understand and form their opinion. The audit committee is of the view that given the importance to comply with the reporting timeline in both Hong Kong and Canada, they accept the Disclaimer Opinion based on two reasons as follows:-

a) The going concern uncertainty is a critical audit matter and it was also included as an explanatory paragraph in the report provided by PWC LLP on 18 March 2019 (but its audit opinion was not modified). The purpose of having such paragraph was to draw the attention of the investors of such uncertainty. In fact, the Disclaimer Opinion also serves this purpose but perhaps in a more serious manner. In Note 2.1 of Notes to the Consolidated Financial Statements, the Company has accurately explained the fact that Management and the Board believe that the going concern basis is appropriate after its assessment.

b) The impairment provision issue has reflected the fact that the auditors were unable to assess the provision for impairment. However, the audit committee believes that the end result in the financial statements is in line with the Management's assessment (no impairment is recorded).

Proposed action plan of the Group to address the Audit Qualifications

The audit committee believes that in the next financial year, they will consider appointing auditors in Canada who have relevant solid experience in dealing with companies in the oil and/or oilsands exploration industry and have knowledge about Canadian legislation and rules. Assuming such appointment is made and therefore auditors of the next financial year have sufficient experience and knowledge to obtain audit evidence and perform the audit, the audit committee believes that the audit qualification is expected to be removed in connection with the audit in the next financial year.

Publication of Information
This annual results report is published on the websites of SEDAR (www.sedar.com), the SEHK (www.hkexnews.hk) and the Group'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 intends to continue to focus on cost controls and on carefully improving production at West Ells. The Group intends to ramp up production when the heavy oil pricing environment improves. In addition, with the receipt of Shareholder's approval for changes to the joint venture agreement and supporting agreements for the Muskwa and Godin area, the Group sees potential significant benefits resulting from re-activation of the Muskwa and Godin Area activities.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SUNSHINE OILSANDS LTD.
(Incorporated in the Canada with limited liability)

DISCLAIMER OF OPINION
We were engaged to audit the consolidated financial statements of Sunshine Oilsands Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 76, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION
1. Exploration and evaluation assets and property, plant and equipment
We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the impairment assessment of the Group's exploration and evaluation assets of approximately CAD $270,014,000 and CAD $269,218,000 as at December 31, 2019 and 2018, respectively; as well as property, plant and equipment of CAD $479,055,000 and CAD $492,815,000 as at December 31, 2019 and 2018, respectively. There are no satisfactory audit procedures that we could adopt to determine whether any impairment provision should be made in the consolidated financial statements.

Any adjustments to the figures as described above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended December 31, 2019 and 2018 and the financial positions of the Group as at December 31, 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

2. Material uncertainty related to going concern
We draw attention to note 2.1 to the consolidated financial statements which mentions that the Group incurred a loss including non-controlling interests of approximately CAD $80,715,000 for the year ended December 31, 2019, and as at December 31, 2019, the Group had net current liabilities of approximately CAD $506,310,000. The Group will need to refinance or restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. Furthermore, the business of the evaluation and development of oil properties for future production involves a high degree of risk and there can be no assurance that current operations or exploration programs will result in profitable operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing to meet its liabilities as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the failure to meet in full its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing, we disclaim our opinion in respect of the material uncertainty related to the going concern basis.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, March 30, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars)

As at December 31,	Notes		2019		2018
Assets					
Current assets					
Cash and cash equivalents		$	1,254	$	583
Trade and other receivables	5		16,519		13,457
Prepaid expenses and deposits			6,934		3,208
			24,707		17,248
Non-current assets					
Other receivables	10.2		1,668		-
Exploration and evaluation assets	6		270,014		269,218
Property, plant and equipment	7		479,055		492,815
Right-of-use assets	8		2,084		-
			752,821		762,033
		$	777,528	$	779,281
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and accrued liabilities	9	$	247,603	$	183,137
Shareholders' loans	23.3		12,622		-
Other loans	10.2		12,793		24,462
Senior notes	10.3		257,999		270,990
			531,017		478,589
Non-current liabilities					
Bonds	10.1		13,572		-
Shareholders' loans	23.3		4,383		-
Other loans	10.2		1,668		-
Lease liabilities	8		2,223		-
Provisions	11		48,910		48,739
			601,773		527,328
Shareholders' Equity					
Share capital	13		1,296,523		1,293,379
Reserve for share-based compensation			75,904		74,531
Deficit			(1,196,599)		(1,115,957)
Equity attributable to owners of the Company			175,828		251,953
Non-controlling interests			(73)		-
			175,755		251,953
		$	777,528	$	779,281

The consolidated financial statements on pages 4 to 5 were approved and authorised for issue by the Board of Directors on March 30, 2020 and are signed on its behalf by:

"David Yi He"
Independent Non-Executive Director

"Kwok Ping Sun"
Executive Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

(Expressed in thousands of Canadian dollars)

For the year ended December 31,	Notes		2019		2018
Revenue	16	$	41,716	$	37,007
Other income	17		530		8
			42,246		37,015
Expenses					
Diluent			11,716		11,301
Transportation			13,955		15,417
Operating			17,989		20,702
Depletion, depreciation and impairment	6,7,8		15,707		13,656
General and administrative	18		9,050		12,602
Finance costs	19		66,905		55,349
Share-based compensation	14.4		1,373		4,009
Foreign exchange (gains)/losses, net	22.5.2		(13,734)		30,975
		$	122,961	$	164,011
Loss before income tax			(80,715)		(126,996)
Income tax	12		-		-
Net loss			(80,715)		(126,996)
Less: Net loss attributable to non-controlling interests			(73)		-
Net loss and total comprehensive loss for the year attributable to owners of the Company		$	(80,642)	$	(126,996)
					(restated)
Basic and diluted loss per share	20	$	(0.64)	$	(1.06)

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Consolidated Statement of Changes in Equity
(Expressed in thousands of Canadian dollars)

	Attributable to owners of the Company					
	Share capital	**Reserve for share-based compensation**	**Deficit**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2019	$ 1,293,379	$ 74,531	$(1,115,957)	$ 251,953	$ -	$ 251,953
Net loss and total comprehensive loss for the year	-	-	- (80,642)	- (80,642)	(73)	(80,715)
Issue of common shares (note 13)	2,812	-	-	2,812	-	2,812
Issue of shares Director Share Arrangement (note 13)	344	-	-	344	-	344
Recognition of share-based payments (note 14.4)	-	1,373	-	1,373	-	1,373
Share issue costs, net of deferred tax ($Nil)	(12)	-	-	(12)	-	(12)
Balance at December 31, 2019	$ 1,296,523	$ 75,904	$ (1,196,599)	$ 175,828	$ (73)	$175,755
Balance at January 1, 2018	$ 1,275,008	$ 70,522	$ (988,961)	356,569	$ -	356,569
Net loss and total comprehensive loss for the year	-	-	(126,996)	(126,996)	-	(126,996)
Issue of common shares (note 13)	18,631	-	-	18,631	-	18,631
Recognition of share-based payments (note 14.4)	-	4,009	-	4,009	-	4,009
Share issue costs, net of deferred tax ($Nil)	(260)	-	-	(260)	-	(260)
Balance at December 31, 2018	$ 1,293,379	$ 74,531	$ (1,115,957)	$ 251,953	$ -	$ 251,953

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows
Expressed in thousands of Canadian dollars)

		For the year ended December 31,	
		2018	**2019**
Cash flows used in operating activities			
Net loss including non-controlling interests		$ (80,715)	$ (126,996)
Finance costs	19	66,905	55,349
Unrealized foreign exchange (gains)/losses	22.5.2	(13,952)	31,110
Interest income	17	(8)	(8)
Depletion, depreciation and impairment	6,7,8	15,707	13,656
Share-based compensation	14.4	1,373	4,009
Movement in working capital	27	(7,660)	946
Net cash used in operating activities		(18,350)	(21,934)
Cash flows used in investing activities			
Interest received	17	8	8
Payments for exploration and evaluation assets	6	(979)	(1,511)
Payments for property, plant and equipment	7	(1,661)	(1,389)
Movement in working capital	27	(907)	(282)
Net cash used in investing activities		(3,539)	(3,174)
Cash flows provided in financing activities			
Proceeds from issue of common shares		-	9,907
Payments for share issue costs	13	(12)	(260)
Payment for finance costs	19	(1,266)	(1,439)
Proceeds from bonds and other loans	10.2	21,296	21,301
Payment for bonds and other loans	10.2	(16,933)	(10,857)
Proceeds from shareholders' loans	23.3	18,509	3,843
Repayment of shareholders' loans	23.3	(1,243)	(9,182)
Repayment of lease liabilities	8	(1,225)	-
Movement in working capital	27	3,144	8,724
Net cash provided by financing activities		22,270	22,037
Effect of exchange rate changes on cash held in foreign currencies	22.5.2	290	(17)
Net increase/(decrease) in cash and cash equivalents		671	(3,088)
Cash and cash equivalents, beginning of year		583	3,671
Cash and cash equivalents, end of year, represented by bank and cash balances		$ 1,254	$ 583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

1. General 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. The Company and its subsidiaries are collectively referred to as the "Group".

The Group is engaged in the evaluation and the development of oil properties for the future production of bitumen in the Athabasca oilsands region in Alberta, Canada. Details of the subsidiaries are set out in note 26.

On April 15, 2019, Sang Xiang Petroleum & Chemical (Hebei) Limited ("Sunshine Hebei") was incorporated in China and is a joint venture company in which the Company owns 51% interests. The address of the principal place of business for Sunshine Hebei is Techno Building, Level 4, Room 0430, Chengde Hi-Tech Industry Development Zone, Hebei Province.

2. Basis of preparation

2.1 Going concern
The consolidated financial statements have been prepared on a going concern 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. 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. 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 unlikely 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.

The Group incurred a loss including non-controlling interests of CAD $80.72 million for the year ended December 31, 2019, and as at December 31, 2019, the Group had net current liabilities of CAD $506.31 million. The Group will need to refinance or restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. the validity of which depends upon that the Group will be able to successfully refinance or restructure its current debt and obtain additional financing to meet its liabilities as they fall due in the foreseeable future.

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 December 31, 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. The timing and extent of forecast capital and operating expenditures is based on the Company's 2020 budget and on management's estimate of expenditures expected to be incurred beyond 2020. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program. 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 10.3). 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 December 31, 2019.

These Consolidated Financial Statements reflect management's best estimates after giving consideration to likely outcomes. The consolidated 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 4.

2.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis. Any financial instruments are measured at fair value. The consolidated financial statements are presented in Canadian Dollars ("$").

2.3 Critical accounting judgments and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the affected periods.

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

Oil and gas reserves

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

Reserve estimates are critical to many accounting estimates including:

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

Impairment of property, plant and equipment

The recoverable amounts of cash generating units ("CGU") and individual assets have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of estimates and assumptions. Oil and gas development and production properties are evaluated for impairment by reference to estimated proved and probable reserves. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value of property, plant and equipment.

Recoverability of exploration and evaluation costs

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

Decommissioning costs

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

Share-based compensation

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

Deferred income taxes

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

Going concern

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully raise adequate funds through share issuances and debt financing. Details are explained in note 2.1.

3. Adoption of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (the “IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

IFRS 16 “Leases”

On adoption of IFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as “operating leases” under IAS 17 “Leases.”

IFRS 16 has been applied modified retrospective approach and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	$
At January 1, 2019:	
Increase in right-of-use assets	2504
Increase in lease liabilities	2504

The operating lease commitments disclosed as at December 31, 2018 were approximately $2,590,000, while the lease liabilities recognized as at January 1, 2019 were approximately $2,504,000 with discounting effect of approximately $86,000, of which were classified as non-current lease liabilities. 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 (7.9% for trucks and trailers and 10% for the offices) on January 1, 2019. The nature of the Company’s long-term leasing activities includes trucks, trailers and the offices in Calgary, Shanghai and Hong Kong. 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.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

4. Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to December 31. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

4.2 Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized in profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognized in profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognized in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognized in other comprehensive income is recognized on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of "impairment of assets" as stated in the accounting policy below. Impairment losses of goodwill are recognized in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to CGU that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4.3 Foreign currency translation
Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian Dollars which is the Company's functional and the Group's presentation currency.

Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognized in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation on consolidation

The results and financial position of all the Group's entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognized in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in consolidated profit or loss as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4.4 Oil and natural gas exploration and development expenditures
E&E Assets are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, E&E drilling, directly attributable general and administrative costs (including share-based compensation costs), borrowing costs, consequential operating costs net of revenues, and the initial estimate of any decommissioning obligation associated with the assets. The costs directly associated with an exploration well are capitalized as E&E Assets until the drilling of the well is complete and the results have been evaluated.

Pre-acquisition costs for oil and gas assets are recognised in the consolidated statements of operations and comprehensive loss when incurred. Acquisition of undeveloped mineral leases is initially capitalized as E&E Assets and charged to consolidated statement of profit or loss and other comprehensive income upon the expiration of the lease, impairment of the asset or management's determination that no further E&E activities are planned on the lease, whichever comes first. E&E Assets can be further broken down into tangible and intangible assets. Intangible costs are all costs considered necessary to drill a well and ready a site prior to the installation of the production equipment. Tangible drilling costs are those incurred to purchase and install the production equipment and include production facilities.

The decision to transfer assets from E&E to development and producing assets (included in property, plant and equipment occurs when the technical feasibility and commercial viability of the project is determined, based on proved and probable reserves being assigned to the project. If commercial reserves are found, exploration and evaluation intangible assets are tested for impairment and transferred to appraisal and development tangible assets as part of property, plant and equipment. No depreciation and/or amortization is charged during the E&E phase.

If no economically recoverable reserves are found upon evaluation, the E&E Assets are tested for impairment and the difference between the carrying amount and the recoverable amount are charged to the consolidated statement of profit or loss and other comprehensive income. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for indicators of impairment at the end of each reporting period to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being charged to the consolidated statements of operations and comprehensive loss. When economically recoverable reserves are determined and development is approved, the relevant carrying value is transferred to property, plant and equipment.

E&E Assets are assessed for the indicators of impairment at the end of each reporting period. The assessment for impairment is completed on a CGU basis. After impairment is assessed, any carrying amounts which exceed recoverable amounts, by CGU, on the E&E Assets are written down to the recoverable amount through the consolidated statement of profit or loss and other comprehensive income.

Impairment losses recognised in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

4.5 Property, plant and equipment

Property, plant and equipment comprises mainly computers and office equipment and development and production assets (includes crude oil assets), The initial cost of a PP&E consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation associated with the asset and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid, including the fair value of any other consideration given to acquire the asset. PP&E are carried at cost less the total of accumulated depletion, depreciation and impairment losses.

Suspension costs

Suspension costs, which are the costs related to the suspension of a capital project, such as those costs incurred to ensure safety of the worksite and preservation of an asset that are not directly attributable to the development of an asset are expensed through the consolidated statements of operations and comprehensive loss.

Maintenance and repairs

Major repairs and maintenance consist of replacing assets or substantial parts of an asset. Where an asset or substantial part of an asset is replaced and it is probable that future economic benefits associated with the replacement will flow to the Company, the expenditure is capitalized and depreciated over the remaining life of the asset. The net carrying value of the asset or substantial part being replaced is derecognized at the time the replacement is capitalized. All other maintenance costs are expensed as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depletion of development and production costs (crude oil assets), included in property, plant and equipment, and production equipment are measured on the unit-of-production method based upon estimated proved plus probable recoverable oil and natural gas reserves before royalties in each CGU as determined by independent engineers.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office furniture, equipment, computers and vehicles	20% - 30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in profit or loss.

4.6 Leases
The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Trucks	25.0%
Trailers	16.7%
Office premises	33.3%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

4.7 Recognition and derecognition of financial instruments
Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4.8 Financial assets
Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

4.9 Loss allowances for expected credit losses
The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

4.10 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

4.11 Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4.12 Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.13 Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4.14 Revenue from contracts with customers
Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

4.15 Other revenue
Interest income is recognised using the effective interest method.

4.16 Employee benefits
Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Pension obligations
The Group contributes to defined contribution retirement schemes which are available to all employees.

Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Termination benefits
Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4.17 Share-based compensation
Share options and preferred shares issued to employees

Equity-settled share-based compensation to directors and employees are measured at the fair value of the equity instruments, less the fair value of the proceeds received on issuing the equity instruments at the issue date.

The fair value of the equity instruments, including share options, warrants or preferred shares, expected to vest as determined at the issue date of the equity-settled share-based compensation is expensed on a graded vesting basis over the vesting period, unless the services are directly attributable to qualifying assets, with a corresponding increase in reserve for share based compensation.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statements
of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share based compensation.

At the time when the equity instruments are exercised or converted, the amount previously recognised in reserve for share based compensation will be transferred to share capital. In the event vested equity instruments expire, unexercised or are forfeited, previously recognized share-based compensation associated with such instrument is not reversed. If unvested instruments are forfeited, previously recognized share-based compensation is reversed.

The Group records compensation expense at the date of issue, based on fair value and management's best estimates.

Share options and preferred shares issued to non-employees

Equity-settled share-based compensation transactions, with parties other than employees and directors, are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments issued, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (reserve for share-based compensation), when the Company obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets or directly attributable to qualifying assets.

4.18 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.19 Taxation
Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.20 Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4.21 Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Corporate assets are allocated to each CGU on the basis of proportionate future net revenue calculated consistent with the recoverable amount in the most recent impairment test. Corporate assets are allocated to each CGU on the basis of proportionate future net revenue calculated consistent with the recoverable amount in the most recent impairment test.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.22 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4.23 Decommissioning costs

Decommissioning costs and liabilities for statutory, contractual, constructive or legal obligations associated with site restoration and abandonment of tangible long-lived assets are initially measured at a fair value which approximates the cost the Group would incur in performing the tasks necessary to abandon the field and restore the site. Fair value is recognised in the consolidated statement of financial position at the present value of expected future cash outflows to satisfy the obligation as a liability, with a corresponding increase in the related asset, and is depleted using the unit-of-production method over the estimated remaining proved plus probable oil and gas reserves before royalties as appropriate.

Subsequent to initial measurement, the effect of the passage of time on the liability for the decommissioning obligation (accretion expense) is recognised in the consolidated statements of operations and comprehensive loss as finance costs. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the obligation and the recorded liability is recognised as a gain or loss in the consolidated statements of operations and comprehensive loss in the period in which the settlement occurs.

4.24 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Trade and other receivables

	2019	2018
Trade receivables	$ 2,181	$ 2,422
Other loan receivables (Note 10.2)	11,743	9,813
Other receivables	2,595	1,222
	$ 16,519	$ 13,457

The Group allows an average credit period of 30 days to its trade customers. The Group transacts with a number of oil and natural gas marketing companies, and the marketing companies typically remit amounts to the Group by the 25th day of the month following production.

The following is an aged analysis of trade receivables based on the invoice date at the end of the reporting period:

	2019	2018
0 - 30 days	$ 110	$ 646
31 - 60 days	18	4
61 - 90 days	3	3
>90 days	2,050	1,769
	$ 2,181	$ 2,422

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

At December 31, 2019	Current	1-60 days past due	Over 60 days past due	Total
Weighted average expected credit losses	0%	0%	0%	
Receivable amount ($)	110	21	2,050	2,181
Loss allowance ($)	-	-	-	-

At December 31, 2018	Current	1-60 days past due	Over 60 days past due	Total
Weighted average expected credit losses	0%	0%	0%	
Receivable amount ($)	646	7	1,769	2,422
Loss allowance ($)	-	-	-	-

6. Exploration and evaluation assets

Balance at January 1, 2018	$ 268,227
Capital expenditures	1,511
Non-cash expenditures[1]	(520)
Balance at December 31, 2018	$ 269,218
Capital expenditures	979
Non-cash expenditures[1]	(183)
Balance at December 31, 2019	$ 270,014

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

At the end of the reporting period, the Group assessed impairment for its E&E Assets. For the purpose of impairment testing, the recoverable amount of E&E Assets was determined using judgement and internal estimates. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. Recoverable amount was based on the FVLCD model using the land sale price observed in Northern Alberta for similar properties.

For the year ended December 31, 2019 and 2018, the Group did not recognize an impairment loss based on its assessment the estimated recoverable amount exceeded the carrying value.

7. Property, plant and equipment

	Crude oil assets	Corporate assets	Total
Cost			
Balance at January 1, 2018	$ 894,772	$ 5,307	$ 900,079
Capital expenditures	1,291	98	1,389
Non-cash expenditures[1]	(2,334)	-	(2,334)
Balance at December 31, 2018	$ 893,729	$ 5,405	$ 899,134
Capital expenditures	1,579	82	1,661
Non-cash expenditures[1]	(793)	-	(793)
Balance at December 31, 2019	$ 894,515	$ 5,487	$ 900,002

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 at January 1, 2018	$ 389,183	$ 3,480	$ 392,663
Depletion and depreciation expenses	13,134	522	13,656
Balance at December 31, 2018	$ 402,317	$ 4,002	$ 406,319
Depletion and depreciation expenses	14,203	425	14,628
Balance at December 31, 2019	$ 416,520	$ 4,427	$ 420,947

Carrying value at December 31, 2018	$ 494,412	$ 1,403	$ 492,815
Carrying value at December 31, 2019	**$ 477,995**	**$ 1,060**	**$ 479,055**

Recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ"). As at December 31, 2019. the projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on GLJ's evaluation of the Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Future cash flow estimates are discounted using after-tax risk-adjusted discount rates. The after-tax discount rates applied in the impairment calculation as at December 31, 2019 was 8.25% (2018: 8.25%) based on the specific risk to the assets.

For the year ended December 31, 2019 and 2018, the Group did not recognize an impairment loss based on its assessment that the estimated recoverable amount exceeded the carrying value.

8. Right-of-use assets and lease liabilities

Right-of-use assets

	Trucks and Trailers	Offices	Total
January 1, 2019			
Initial recognition	$ 861	$ 1,643	$ 2,504
Additions	-	659	659
Depreciation	(213)	(866)	(1,079)
December 31, 2019	$ 648	$ 1,436	$ 2,084

Lease liabilities

Consolidated statement of financial position

	As at December 31, 2019
Non-current lease liabilities	$ 2,223

Cash flow summary

	Year ended December 31, 2019
Total cash flow used for leases	$ 1,225

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 10.0% for the office premises.

9. Trade and accrued liabilities

	2019	2018
Trade payables	$ 30,186	$ 28,262
Interest payables	211,116	148,872
Accrued liabilities	6,301	6,003
	$ 247,603	$ 183,137

The following is an aged analysis of trade payables based on dates of invoices at the end of the reporting period:

	2019	2018
0 - 30 days	$ 390	$ 2,437
31 - 60 days	816	1,346
61 - 90 days	527	1,442
> 90 days	28,453	23,037
	$ 30,186	$ 28,262

10. Debt

10.1 Bonds

	2019	2018
Non-current	$ 13,572	$ -

On June 17, 2019, the Company issued convertible bonds in the principal amount of USD $10.45 million with an independent third party. With an initial conversion price of HKD $0.0822 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. There was no conversion made during the year ended December 31, 2019.

10.2 Other loans

	2019	2018
Current	$ 12,793	$ 24,462
Non-current	1,668	-
	$ 14,461	$ 24,462

As at December 2019, the balances are unsecured interest bearing of 0%-20% (2018: 0-20%) per annum, and of which approximately CAD $12,793,000 (2018: CAD $24,462,000) have a maturity date by December 31, 2020 (2018: December 31, 2019) and approximately CAD $1,668,000 (2018: $Nil) have a maturity date of June 6, 2023.

Included in the above balance is approximately CAD $13,411,000 for which the Group and an independent Hong Kong-based investment holding company entered into loan agreements and under which the Group provided Renminbi ("CNY") loan and received Hong Kong dollar ("HKD") loan from the investment holding company. The Group has to repay HKD to receive CNY from the investment holding company.

10.3 Senior notes

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"). 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 of terms listed on the Agreement and fully reinstate the Agreement, provided that the Company made the following payments on or before March 27, 2017:

- Payment of USD $2.8 million representing 20% of the yield maintenance premium 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;
- the Company 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 the Company, 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 yield maintenance premium 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 subject to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfill the minimum liquidity, quarterly financings and capital raise covenants as required in the Amended FA. 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, to repay notes principal, and any previous outstanding payment commitments. The Company 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 by April 30, 2019 to maintain sufficient liquidity.

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.

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

11. Provisions

Decommissioning obligations, non-current	2019	2018
Balance, beginning of year	$ 48,739	$ 50,481
Effect of changes in discount rate	(975)	(2,854)
Unwinding of discount rate	1,146	1,112
Balance, end of year	$ 48,910	$ 48,739

As at December 31, 2019, the Group's estimated total undiscounted cash flows required to settle asset decommissioning obligations was approximately $75.5 million (2018: $77.0 million). Expenditures to settle asset decommissioning obligations were 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 1.40% to 2.34% per annum and inflated using an inflation rate of 2.0% per annum.

12. Income taxes

12.1 Current income tax

No provision for income tax was made for the years ended December 31, 2019 and 2018 as the Group had no assessable profits for both years.

Reconciliation between income tax expense and accounting loss at combined federal and provincial income tax rate

	2019	2018
Net loss before income tax	$ (80,715)	$ (126,996)
Tax rate (%)	27%	27%
Expected income tax recovery	(21,793)	(34,289)
Effect of expenses not deductible and income not taxable:		3,053
Share based payment expense	383	1,082
Capital portion of foreign exchange	(3,708)	3,043
Share issuance costs	(317)	(1,073)
Changes in deferred tax benefits not recognized	25,415	31,236
Income tax	$ -	$ -

12.2 Deferred income tax

At the end of the reporting period, the Group has not recognized deferred income tax due to the unpredictability of future profit streams of the respective group entities. The components of the net deferred income tax asset not recognized are as follows:

	2019	2018
Deferred tax assets/(liabilities)		
E&E Assets and property, plant and equipment	$ (90,290)	$ (83,667)
Decommissioning liabilities	13,206	13,160
Share issue costs	377	702
Tax losses	336,279	299,767

Total debt	(3,035)	3,147
	$ 256,537	$ 233,109

Unrecognized tax losses will expire in 20 years from the year of origination.

13. Share capital

The Company's authorized share capital is as follows:

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

Issued and fully paid	2019		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	247,954,980	2,812	507,969,011	18,631
Director Share Arrangement	21,779,902	344	-	-
Share issue costs, net of deferred tax ($Nil)	-	(12)	-	(260)
Balance, end of year	6,405,581,506	1,296,523	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.

2019

On May 15, 2019, the Board approved the payment of the 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 directors' fees was 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 HKD $0.092 (approximately CAD $0.015) per share.

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 (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 was used to financing general working capital and capital expenditures for project development.

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 an 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. On August 22, 2019, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payable with an independent third party.

On October 11, 2019, the Company entered into a settlement agreement for a total of 37,728,000 Class "A" common shares at a price of HKD $0.063 per share for gross proceeds of HKD $2,376,846.73. On October 17, 2019, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payable with an independent third party.

On December 5, 2019, the Company entered into a settlement agreement for a total of 51,636,500 Class "A" common shares at a price of HKD $0.0524 per share for gross proceeds of HKD $2,705,752.60. On December 16, 2019, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payable with an independent third party.

2018

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 (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 (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 (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 (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 (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 (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 (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 (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 (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 (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 (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 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 (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 (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 (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 (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 Employee stock option plan***

Post-IPO Stock Option Plan

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Company's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the Annual and Special Meeting of Shareholders on June 13, 2013. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the TSE or the SEHK (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on TSE or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the TSE or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date.

- ***14.2 Fair value of share options granted in the year***

The weighted average fair value of the share options granted for the year ended December 31, 2019 was $0.012 (2018: $0.04). Options valued 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. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 15.39%.

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

Input variables	**2019**	**2018**
Grant date share price ($)	0.012	0.04
Exercise price ($)	0.012	0.04
Expected volatility (%)	63.91	61.87
Option life (years)	2.84	2.88
Risk-free interest rate (%)	1.48	1.95
Expected forfeitures (%)	15.39	15.39

-
- ***14.3 Movements in stock options***

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

	2019		**2018**	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of year	491,005,881	0.06	195,435,525	0.09
Granted	10,000,000	0.01	315,000,000	0.04
Forfeited	(35,918,107)	0.10	(17,805,743)	0.08
Expired	(9,803,332)	0.12	(1,623,901)	0.08
Balance, end of year	455,284,442	0.05	491,005,881	0.06
Exercisable, end of year	343,617,775	0.06	277,150,776	0.07

As at December 31, 2019, stock options outstanding had a weighted average remaining contractual life of 2.9 (2018: 3.6) years.

- ***14.4 Share-based compensation***

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

	2019			2018		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 1,373	$ -	$ 1,373	$ 4,009	$ -	$ 4,009

15. Segment information

	2019	2018
Petroleum sales	$ 42,334	$ 37,568
Royalties	(618)	(561)
	$ 41,716	$ 37,007

There is only one operating segment which is principally engaged in the evaluation and the development of oil properties for the future production of bitumen in Canada.

Geographical information

	Revenue from external customers		Non-current assets	
	2019	2018	2019	2018
Canada	$ 41,716	$ 37,007	$ 751,398	$ 761,506
The PRC	-	-	833	-
Hong Kong	-	-	590	527
	$ 41,716	$ 37,007	$ 752,821	$ 762,033

In preparing the geographical information, the revenue information is based on the locations of the customers while the non-current assets information is based on the location of assets.

16. Revenue

	2019	2018
Petroleum sales	$ 42,334	$ 37,568
Royalties	(618)	(561)
Revenue from contracts with customers	$ 41,716	$ 37,007

All revenue from contracts with customers is derived from Canada and recognized at a point in time.

Revenue from the sale of crude oil is recognized when consideration is due when title has transferred and is generally collected in the month following the month of delivery. Revenues associated with the sale of crude oil are recognized at a point in time when control of goods have transferred, which is generally when title passes from the Group to the customer. Revenues are recorded net of crown royalties. Crown royalties are recognized at the time of production. 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 in pre-payout.

Revenue is allocated to each performance obligation on the basis of its standalone selling price and measured at the transaction price, which is the fair value of the consideration and represents amounts receivable for goods or services provided in the normal course of business. The price is allocated to each unit in the series as each unit is substantially the same and depicts the same pattern of transfer to the customer.

The Group's petroleum sales are determined pursuant to the terms of the marketing agreements and spot sales agreements. The transaction price for crude oil is based on the commodity price in the month published during the delivery month 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.

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2019	2018
Customer A	$ 41,716	$ 37,007

17. Other income

	2019	2018
Interest income	$ 8	$ 8
Others	522	-
	$ 530	$ 8

18. General and administrative costs

	2019	2018
Salaries, consultants and benefits	$ 6,045	$ 6,858
Rent	297	2,074
Auditor's remuneration	220	258
Legal	557	706
Others	1,931	2,706
	$ 9,050	$ 12,602

19. Finance costs

	2019	2018
Interest expense on senior notes, including yield maintenance premium	$ 61,200	$ 50,307
Interest expense on other loans	1,832	731
Financing related costs	544	1,019
Other interest expense	1,922	2,180
Other interest expense - leases	261	-
Unwinding of discounts on provisions	1,146	1,112
	$ 66,905	$ 55,349

20. Loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately CAD $80,642,000 (2018: CAD $126,996,000) and the weighted average number of Class "A" common shares in issue during the years as presented in the following table.

	2019	2018 (restated)
Weighted average number of Class "A" common shares	124,833,852	120,020,081
Basic and diluted loss per share	$ (0.64)	$ (1.06)

Number of shares for the purpose of loss per share was adjusted on the assumption that the Share Consolidation (Note 29) had been effective in the current year and prior year.

21. Dividends

The Directors did not recommend or declare the payment of any dividend in respect of the years ended December 31, 2019 and 2018.

22. Capital and financial risks management

22.1 Capital risk management

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

The Group's strategy is to access sufficient capital, through equity issuances 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 Group manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Group's risk profile. In order to manage risk, the Group may from time to time issue shares and adjust its capital spending to manage current working capital levels.

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

	2019	2018
Working capital deficiency	$ 506,310	$ 461,341
Shareholders' equity	175,755	251,953
	$ 682,065	$ 713,294

There is no change in the Group's objectives and strategies of capital management for the year ended December 31, 2019.

22.2 Categories of financial instruments

The Company's financial assets and liabilities comprise of cash, deposits, trade and other receivables, trade and accrued liabilities, loans, bonds and senior notes (debt). The Group's financial instruments carried on the consolidated statement of financial position are classified in the following categories:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost (including cash and cash equivalents)	$ 19,814	$ 19,814	$ 15,403	$ 15,403
Financial liabilities				
Financial liabilities at amortised cost	$ 550,640	$ 550,640	$ 478,589	$ 478,589

22.3 Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized costs in the consolidated financial statements approximate their fair values due to their short term maturity.

22.4 Financial risk management

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

22.5 Market risk

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

- ***22.5.1 Price risk***

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

22.5.2 Currency risk

The Group 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, other receivables, trade payables and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or United States vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the year ended December 31, 2019 (2018: Nil).

If exchange rate to convert from USD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at December 31, 2019 would have been impacted by $Nil (2018: $Nil) and the carrying value of the debt at December 31, 2019 would have been impacted by $2.7 million (2018: $2.7 million).

If exchange rate to convert from HKD to CAD had been one percent higher or lower with all other variables held constant, foreign cash held at December 31, 2019 would have been impacted by $Nil (2018: $Nil) and the carrying value of the debt at December 31, 2019 would have been impacted by $0.17 million (2018: $0.05 million).

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

	December 31, 2019	December 31, 2018
Unrealized foreign exchange loss /(gain) on translation of:		
U.S. denominated senior secured notes	$ (12,991)	$ 21,791
H.K. denominated loan	(1,052)	753
Accrued Interest Payable	-	8,536
Foreign currency denominated cash balances	(290)	17
Foreign currency denominated accounts payable balances	381	13
	(13,952)	31,110
Realized foreign exchange loss/(gain)	218	(135)
Total foreign exchange loss/(gain)	$ (13,734)	$ 30,975

22.5.3 Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2019 and 2018, the Group does not have any floating rate debt.

The Group's cash consists of cash held in bank accounts that earn interest at varying interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values or result in material interest rate risk. The Group manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

22.6 Credit risk
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, trade and other receivables and deposits. The carrying amounts of cash and cash equivalents, trade and other receivables and deposits included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

At the end of the reporting period, the Group had certain concentration of credit risk as most of its trade receivables were due from the largest customer. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the Directors review the recoverable amounts of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers any amounts outstanding in excess of 30 days past due.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements (if any); and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of debtor.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these receivables are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

22.7 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The

Group's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds.

The maturity analysis of the Group's financial liabilities is as follows:

At December 31, 2019	Total	Less than 1 year	1-2 years
Trade and accrued liabilities	$ 247,603	$ 247,603	$ -
Debt	305,260	283,414	21,846
	$ 552,863	$ 531,017	$ 21,846

At December 31, 2018	Total	Less than 1 year	1-2 years
Trade and accrued liabilities	$ 183,137	$ 183,137	$ -
Debt	295,452	295,452	-
	$ 478,589	$ 478,589	$ -

23. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, during the year, the Group entered into the following material related party transactions.

23.1 Trading transactions

For the year ended December 31, 2019, a consulting company, to which a director of the Company is related, charged the Group $0.5 million (2018: $0.6 million) for management and advisory services.

On March 25, 2019, the Group signed a supplementary agreement with a company owned by Mr. Kwok Ping Sun, the Company's Executive Chairman, regarding the proposed amendment of the Joint Operating Agreements on Muskwa and Godin area oil sands leases.

23.2 Compensation of key management personnel

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

	2019	2018
Directors' fees	$ 482	$ 606
Salaries and allowances	3,163	2,481
Contribution to retirement benefit scheme	11	-
Share-based compensation	1,373	3,929
	$ 5,029	$ 7,016

23.3 Shareholders' loans

	2019	2018
Current	$ 12,622	$ -
Non-current	4,383	-
	$ 17,005	$ -

As at December 31, 2019, the Company had loans from shareholders which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $12,622,000 can be rollover for a period of 3 to 6 months and approximately CAD $4,383,000 is repayable in 2 years.

24. Commitments and contingencies

24.1 Commitments

As at December 31, 2019, the Group's commitments are as follows:

At December 31, 2019	Total	2020	2021	2022	2023	2024	Thereafter
Drilling, other equipment and contracts	1,481	574	197	197	197	197	119
Lease rentals (Note)	4,881	1,399	1,399	1,256	316	315	196
Office leases	1,676	918	617	141	-	-	-
	$ 8,038	2,891	2,213	1,594	513	512	315

At December 31, 2018	Total	2019	2020	2021	2022	2023	Thereafter
Drilling, other equipment and contracts	1,426	670	247	247	132	104	26
Lease rentals (Note)	6,478	1,400	1,399	1,399	1,256	316	708
Office leases	2,590	1,468	700	390	32	-	-
	$ 10,494	3,538	2,346	2,036	1,420	420	734

Note:

The Group has an annual obligation for oil sands mineral lease rentals and surface lease rentals.

24.2 Litigation

The Group 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. At December 31, 2019, no amounts have been accrued in the consolidated financial statements as the ultimate resolution is undeterminable at this time. The Group will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2019 municipal property taxes of $9.45 million. The Group was also charged with overdue penalties of $3.74 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Company has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group 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 Group'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 Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At December 31, 2019, the Group had incurred $4.46 million in liens against them during the ordinary course of business.

On or around February 27, 2019, Group was required to pay CAD $0.7M into the Alberta Court of Queen's Bench, and which amount was subsequently released from Court on or about October 15, 2019 in satisfaction of the creditor's judgment. The judgment is under appeal by the Group. On June 19, 2019, the Group 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. The court case was then dismissed.

25. Statement of financial position and reserves of the Company

25.1 Statement of financial position of the Company as at December 31, 2019

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	751	451
Trade and other receivables	$ 16,519	$ 12,431
Prepaid expenses and deposits	2,329	2,881
	19,599	15,763
Non-current assets		
Other receivables	1,668	-
Exploration and evaluation assets	270,008	269,218
Property, plant and equipment	478,644	492,288
Right-of-use assets	1,078	-
Amounts due from subsidiaries	12,100	10,935
	763,498	772,441
	$ 783,097	$ 788,204
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and accrued liabilities	$ 247,397	$ 183,137
Shareholders' loans	12,040	-
Other loans	12,793	24,462
Senior notes	257,999	270,990
Amounts due to subsidiaries	2,643	2,761
	532,872	481,350

Non-current liabilities		
Bonds	13,572	-
Other loans	1,668	-
Lease liabilities	1,123	-
Provisions	48,910	48,739
	65,273	48,739
Shareholders' Equity		
Share capital	$ 1,296,523	$ 1,293,379
Reserve for share-based compensation	75,904	74,531
Deficit	(1,187,475)	(1,109,795)
Total equity	$ 184,952	$ 258,115
	$ 783,097	$ 788,204

25.2 Reserves of the Company

	Reserve for share-based compensation	Deficit	Total
Balance at January 1, 2018	$ 70,522	$ (985,776)	$ (915,254)
Net loss and total comprehensive loss for the year	-	(124,019)	(124,019)
Recognition of share-based payments (note 14.4)	4,009	-	4,009
Balance at December 31, 2018	$ 74,531	$ (1,109,795)	$ (1,035,264)
Net loss and total comprehensive loss for the year	-	(77,680)	(77,680)
Recognition of share-based payments (note 14.4)	1,373	-	1,373
Balance at December 31, 2019	$ 75,904	$ (1,187,475)	$ (1,111,571)

26. Subsidiaries

On May 4, 2012, Sunshine Oilsands (Hong Kong) Limited was incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. The address of its principal place of business is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Hong Kong. As of December 31, 2019 and 2018, the subsidiary had no business activity.

On July 14, 2015, Boxian Investments Limited was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The address of its principal place of business is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. The purpose of the subsidiary is to pursue new investment opportunities. As of December 31, 2019 and 2018, the subsidiary had no business activity.

On March 24, 2017, Sang Xiang Petroleum & Chemical (Shanghai) Limited was incorporated in China and is a wholly-owned subsidiary of the Company. The address of its principal place of business is Building 1, Level 6, Room 41, 39 Jia Tai Road, the China (Shanghai) Pilot Free Trade Zone. As of December 31, 2019 and 2018, the subsidiary had no business activity.

On April 15, 2019, Sang Xiang Petroleum & Chemical (Hebei) Limited was incorporated in China and is a subsidiary in which the Company owns 51% interests. The address of its principal place of business is Techno Building, Level 4, Room 0430, Chengde Hi-Tech Industry Development Zone, Hebei Province. As of December 31, 2019 and 2018, the subsidiary had no business activity.

27. Supplemental cash flow disclosures

	2019	2018
Cash provided by (used in):		
Trade and other receivables	$ (4,718)	$ 1,288
Prepaid expenses and deposits	(3,726)	(2,098)
Trade and accrued liabilities	258	10,023
Debt settlement	3,144	8,724
Foreign exchange changes	(381)	(8,549)
	$ (5,423)	$ 9,388
Changes in working capital relating to:		
Operating activities		
Trade and other receivables	$ (4,718)	$ 1,288
Prepaid expenses and deposits	(3,726)	(2,098)
Trade and accrued liabilities	784	1,756
	$ (7,660)	$ 946

Investing activities		
Property, plant and equipment	(907)	(282)
Financing activities		
Share issue costs, IPO costs and finance costs	3,144	8,724
	$ (5,423)	$ 9,388

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

	Lease liabilities	Debt	Shareholders' loans	Total
Balance at January 1, 2018	$ -	$ 252,651	$ 5,339	$ 257,990
Changes in cash items -				
Proceeds of bonds and other loans	-	21,301	-	21,301
Payments of bonds and other loans	-	(10,857)	-	(10,857)
Proceeds of shareholders' loans	-	-	3,843	3,843
Payments of shareholders' loans	-	-	(9,182)	(9,182)
Changes in non-cash items -				
Other loan receivables		9,813		9,813
Unrealized exchange differences	-	22,544	-	22,544
Balance at January 1, 2019	$ -	$ 295,452	$ -	$ 295,452
Changes in cash items -				
Proceeds of bonds and other loans	-	21,296	-	21,296
Payments of bonds and other loans	-	(16,933)	-	(16,933)
Proceeds of shareholders' loans	-	-	18,509	18,509
Payments of shareholders' loans	-	-	(1,243)	(1,243)
Payments of lease liabilities	(1,225)	-	-	(1,225)
Changes in non-cash items -				
Lease liabilities	3,163	-	-	3,163
Interest charge	261	-	-	261
Unrealized exchange differences	24	(13,783)	(261)	(14,020)
Balance at December 31, 2019	$ 2,223	$ 286,032	$ 17,005	$ 305,260

28. Directors' emoluments and other staff costs

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

	2019	**2018**
Directors' emoluments		
Directors' fees	$ 482	$ 606
Salaries and allowances	2,251	2,277
Contribution to retirement benefits scheme	6	-
Share-based compensation	1,373	3,929
	4,112	6,812
Other staff costs		
Salaries and other benefits	3,284	3,506
Contribution to retirement benefits scheme	22	265
Share-based compensation	-	80
	3,306	3,851
Total staff costs, including directors' emoluments	$ 7,418	$ 10,663

28.1 Directors' emoluments

Details of the directors' emoluments are as follows:

For the year ended December 31, 2019					
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Total
Kwok Ping Sun	$ 70	$ 859	$ 3	$ 1,277	$ 2,209
Michael Hibberd	63	809	-	-	567
Hong Luo[1]	23	-	-	-	23
Raymond Fong[2]	31	-	-	16	47
Yi He	59	-	-	-	59
Joanne Yan[3]	34	-	-	-	34
Xijuan Jiang	51	-	-	-	51
Gloria Ho	50	583	3	64	700

Guangzhong Xing[4]	26	-	-		16
Alfa Li[5]	24	-	-	-	24
Jeff Jingfeng Liu [6]	12	-	-	-	12
Linna Liu	39	-	-	-	39
	$ 482	$ 2,251	$ 6	$ 1,357	$ 3,807

1. Mr. Hong Luo ceased to be 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 to be independent non-executive Director of the Company at the Annual General Meeting held on June 24, 2019.
4. Mr. Guangzhong Xing was appointed to be independent non-executive Director of the Company on June 25, 2019.
5. Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.
6. Mr. Jeff Jingfeng Liu ceased to be a Director on March 7, 2019.

For the year ended December 31, 2018

Name of Director	Directors' fees	Salaries and allowances	Share-based compensation	Total
	$	$ 600	$	$
Kwok Ping Sun	85		3,082	3,767
Michael Hibberd	71	550	339	960
Hong Luo	49	-	145	194
Qiping Men[1]	27	727	145	899
Raymond Fong [2]	58	-	15	73
Yi He	55	-	15	70
Joanne Yan	67	-	15	82
Xijuan Jiang	51	-	4	55
Gloria Ho	50	400	169	619
Linna Liu	40	-	-	40
Jeff Jingfeng Liu [2]	53	-	-	53
	$ 606	$ 2,277	$ 3,929	$ 6,812

1. Mr. Men ceased to be a Director on May 7, 2018.
2. Mr. Jingfeng Liu ceased to be the non-executive Director of the Company on March 7, 2019.

28.2 Five highest paid individuals

The five highest paid individuals include three (2018: four) directors of the Company for the year ended December 31, 2019. The emoluments of the remaining two (2018: one) non-director individuals are as follows:

	2019	2018
Salaries and allowances	$ 3,163	$ 2,481
Contribution to retirement benefit scheme	11	3
Share-based compensation	1,373	3,735
	$ 4,547	$ 6,219

The emoluments fell within the following bands:

	2019	2018
HK$1,000,001 to HK$1,500,000	-	1
HK$1,500,001 to HK$2,000,000	1	-
HK$3,000,001 to HK$3,500,000	-	-
HK$3,500,001 to HK$4,000,000	2	1
HK$5,000,001 to HK$5,500,000	1	1
HK$5,500,001 to HK$6,000,000	1	1
>HK$7,000,000	-	1

During the years ended December 31, 2019 and 2018, no emolument was paid by the Group to any of Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. During both years, no arrangement under which Directors waived or agreed to waive any emoluments.

29. Subsequent Events

On January 3, 2020, the Board proposed to implement the Share Consolidation on the basis that every fifty (50) Existing Shares will be consolidated into one (1) Consolidated Share. The total number of Consolidated Shares in the issued share capital of the Corporation immediately following the Share Consolidation was rounded down to a whole number by cancelling any fractional Shares of the Corporation arising from the Share Consolidation. The Share Consolidation was conditional upon, among other things, the approval of the Shareholders at the SGM. The Board proposed to change the board lot size for trading on the Stock Exchange from 500 Existing Shares to 1,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

On February 24, 2020, a Special General Meeting approved the Share Consolidation and the Change in Board Lot

Size became effective on February 26, 2020.

On February 27, 2020, the Company entered into a settlement agreement for a total of 1,443,000 consolidated Class "A" common shares at a price of HKD $1.31 per share (post-consolidation) for gross proceeds of HKD $1,896,134.68. On March 10, 2020, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

30. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 30, 2020.

Corporate Information

BOARD OF DIRECTORS:

Executive Directors:

Mr. Kwok Ping Sun *(Chairman)*

Ms. Gloria Pui Yun Ho *(Chief Financial Officer)*

Non-Executive Directors:

Mr. Michael J. 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 *(Chairman)*

Ms. Man Ngan Chow

AUDITORS:

ZHONGHUI ANDA CPA Limited

AUDIT COMMITTEE:

Mr. Yi He (Chairman)

Mr. Guangzhong Xing

Mr. Alfa Li

COMPENSATION COMMITTEE:

Mr. Kwok Ping Sun (Chairman)

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

LEGAL ADVISERS:

Dentons Canada LLP

Robertsons Solicitors

WEBSITE:

www.sunshineoilsands.com

PLACE OF SHARE LISTING AND STOCK CODE:

The Stock Exchange of Hong Kong Limited: 2012