阳光油砂
SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended September 30, 2020 and 2019

SUNSHINE OILSANDS LTD.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the Condensed Consolidated Interim Financial Statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

SUNSHINE OILSANDS LTD.

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

	Notes	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash		$ 609	$ 1,254
Trade and other receivables	4	11,002	16,519
Prepaid expenses and deposits		5,831	6,934
		17,442	24,707
Non-current assets			
Other receivables	9.2	5,421	1,668
Exploration and evaluation	5	270,703	270,014
Property, plant and equipment	6	471,235	479,055
Right-of-use assets	7	1,949	2,084
		749,308	752,821
		$ 766,750	$ 777,528
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and accrued liabilities	8	$ 256,100	$ 247,603
Other loans	9.2	9,715	12,793
Convertible Bond	9.1	10,780	-
Shareholders loans	21.3	14,057	12,622
Senior Notes	9.3	264,969	257,999
		555,621	531,017
Non-current liabilities			
Convertible Bond	9.1	8,021	13,572
Long-term debt	21.3,9.2	10,113	6,051
Lease Liabilities	7	2,151	2,223
Provisions	10	49,381	48,910
		625,287	601,773
Shareholders' Equity			
Share capital	12	1,296,814	1,296,523
Convertible Bond-conversion options	9.1	4,371	-
Reserve for share-based compensation	13.3	76,285	75,904
Deficit		(1,235,747)	(1,196,599)
Equity attributable to owners of the Company		141,723	175,828
Non-controlling interests		(260)	(73)
		141,463	175,755
		$ 766,750	$ 777,528

Going concern (Note 2)
Commitments and contingencies (Note 22)

Approved by the Board

"David Yi He" — Independent Non-Executive Director

"Kwok Ping Sun" — Executive Director

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

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

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2020**	**2019**	**2020**	**2019**
Revenues and Other Income					
Petroleum sales, net of royalties	15	$ 266	$ 12,512	$ 4,100	$ 32,618
Other income	16	(681)	492	(238)	527
		(415)	13,004	3,862	33,145
Expenses					
Diluent		561	3,345	1,843	8,583
Transportation		152	4,561	2,527	11,022
Operating		1,584	4,765	8,203	14,962
Depletion and depreciation	6,7	316	4,950	3,152	12,031
General and administrative	17	1,378	2,582	5,742	7,295
Finance costs	18	13,998	8,290	13,646	40,457
Stock based compensation	13.3	127	343	381	1,028
Foreign exchange (gains)/losses	20.4	(6,448)	3,308	7,703	(8,178)
		$ 11,668	$ 32,144	$ 43,197	$ 87,200
(Gain)/Loss before income taxes		12,083	19,140	39,335	54,055
Income taxes	11	-	-	-	-
Net (gain)/loss		12,083	19,140	39,335	54,055
Less: Net (Gain)/Loss attributable to Non-controlling interests		(55)	-	(187)	-
Net (gain)/loss and comprehensive (gain)/loss for the year attributable to equity holders of the Group		12,028	19,140	39,148	54,055
Basic and diluted (gain)/loss per share	19	$ (0.09)	$ 0.00	$ (0.30)	$ (0.01)

See accompanying notes to the Condensed Consolidated Interim Financial Statements..

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

	Attributable to Equity Holders						
	Share capital	**Convertible Bond-options**	**Reserve for share based compensation**	**Deficit**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at December 31, 2019	$ 1,296,523	$ -	$ 75,904	$(1,196,599)	$ 175,828	$ (73)	$ 175,755
Net loss and comprehensive loss for the period	-	-	-	(39,148)	(39,148)	(187)	(39,335)
Issue of common shares (note 12)	324	-	-	-	324	-	324
Convertible Bond-Conversion options (note 9.1)		4,371	-	-	4,371		4,371
Issue of shares under employee share savings plan	-	-	-	-	-	-	-
Issue of shares Director Share Arrangement (note 12)	-	-	-	-	-	-	-
Issue of shares upon exercise of share options	-	-	-	-	-	-	-
Share option reserve transferred on exercise of stock options	-	-	-	-	-	-	-
Recognition of share-based payments (note 13.3)	-	-	381	-	381	-	381
Share issue costs, net of deferred tax ($Nil)	(33)	-	-	-	(33)	-	(33)
Nine Months Ended September 30, 2020	$ 1,296,814	$ 4,371	$76,285	$(1,235,747)	$ 141,723	$ (260)	$141,463
Balance at December 31, 2018	$ 1,293,379		$ 74,531	$ (1,115,957)	251,953	$ -	$ 251,953
Net loss and comprehensive loss for the period	-		-	(54,055)	(54,055)	-	(54,055)
Issue of common shares (note 12)	2,296		-	-	2,296	-	2,296
Issue of shares under employee share savings plan	-		-	-	-	-	-
Issue of shares Director Share Arrangement	-		-	-	-	-	-
Issue of shares upon exercise of share options	-		-	-	-	-	-
Share option reserve transferred on exercise of stock options	-			-	-	-	-
Recognition of share-based payments (note 13.3)	-		1,028	-	1,028	-	1,028
Share issue costs, net of deferred tax ($Nil)	(18)		-	-	(18)	-	(18)
Nine Months Ended September 30, 2019	$ 1,295,657		$ 75,559	$ (1,170,012)	$ 201,204	$ -	$ 201,204

See accompanying notes to the Condensed Consolidated Interim Financial Statements. .

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

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows from operating activities					
Net loss / (gain)		$ (12,083)	$ (19,140)	$ (39,335)	$ (54,055)
Finance costs		13,998	8,290	13,646	40,457
Unrealized foreign exchange (gains)/losses	20.4	(6,448)	3,231	7,679	(8,396)
Other income		681	(254)	238	(289)
Depletion and depreciation	6,7	316	4,950	3,152	12,031
Share-based compensation	13.3	127	343	381	1,028
Movement in non-cash working capital	24	(1,343)	(847)	393	(209)
Net cash used in operating activities		(4,752)	(3,427)	(13,846)	(9,433)
Cash flows from investing activities					
Other income received		1	2	4	37
Proceeds from sale of assets	6	3,793	-	3,793	-
Payments for exploration and evaluation assets	5	(406)	(291)	(906)	(893)
Payments for property, plant and equipment	6	112	(258)	(118)	(1,093)
Movement in non-cash working capital	24	1,700	(1,182)	1,585	(1,239)
Net cash provided by (used in) investing activities		5,200	(1,729)	4,358	(3,188)
Cash flows from financing activities					
Proceeds from issue of common shares	12	-	-	-	-
Payment for share issue costs	12	-	(18)	(33)	(18)
Payment for finance costs	18	(72)	(567)	(952)	(1,055)
Payments for the notes principal		-	-	-	-
Proceeds from Bonds	9.1	(194)	14,906	8,934	17,106
Payments for Bonds	24	(3,146)	(9,848)	(3,624)	(16,514)
Proceeds from shareholder loans	24	6,141	720	6,912	12,845
Repayment of shareholder loans	24	(2,626)	(1,243)	(2,626)	(1,243)
Payment of lease liabilities		(178)	-	(740)	-
Movement in non-cash working capital	24	(214)	2,296	1,062	2,296
Net cash provided by financing activities		(289)	6,246	8,933	13,417
Effect of exchange rate changes on cash held in foreign currency	20.4	(20)	(31)	(90)	297
Net increase / (decrease) in cash		139	1,121	(645)	1,093
Cash, beginning of period		470	555	1,254	583
Cash, end of period		$ 609	$ 1,676	$ 609	$ 1,676

See accompanying notes to the Condensed Consolidated Interim Financial Statements. .

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2020 and 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 23.

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.

On March 31, 2020, the Board has decided to temporarily suspend production due to volatility in the international crude oil market, severe decline in crude oil prices, and having considered the fact that the Company's West Ells production equipment and road need repair, coupled with the outbreak of COVID-19 in Canada.

The Company expects that the temporary suspension will not have a material adverse impact on its operations. Management of the Company will continue to closely monitor developments in the international crude oil market and intends to take appropriate actions accordingly in response to the actual situation, and act in the best interests of the Company and its shareholders as a whole.

2. Basis of preparation

Going Concern

The Condensed Consolidated Interim Financial Statements have been prepared on a basis which asserts that the Group will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Group 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 Group'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 9) the Group would be unlikely to be able to continue the development of the West Ells project and the Group 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 Group'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 $39.3 million for the nine months ended September 30, 2020, and as at September 30, 2020, the Group had net current liabilities of CAD $538.2 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 September 30, 2020, 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 9.3). 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 September 30, 2020.

2.1 Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 Condensed Consolidated Interim financial statements have been prepared on the historical cost basis. Any financial instruments are measured at fair value. The Condensed Consolidated Interim financial statements are presented in Canadian Dollars ("$").

The Condensed Consolidated Interim Financial Statements reflect management's best estimates after giving consideration to likely outcomes. The Group has consistently applied the accounting policies to all periods presented in these financial statements. Certain information and disclosures normally included in the audited annual consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted, except for the adoption of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited annual Consolidated Financial Statements for the year ended December 31, 2019.

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	2,504
Increase in lease liabilities	2,504

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. Trade and other receivables

		September 30, 2020		December 31, 2019
Trade receivables	$	2,331	$	2,181
Other loan receivables		8,419		11,743
Other receivables		222		2,595
GST receivable		30		-
	$	11,002	$	16,519

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 product sales.

The following is an aged analysis of trade receivables at the end of the reporting period:

		September 30, 2020		December 31, 2019
0 - 30 days	$	-	$	110
31 - 60 days		-		18
>60 days		2,331		2,053
	$	2,331	$	2,181

The Group had historically very low bad debt expense about 1.9%. Applying a 1.9% expected credit loss to the Group's trade receivables balance of $2.3 million as at September 30, 2020, would result in the recognition of $0.04 million in expected credit losses. Therefore, application of this part of the standard on the Group is not significant. No provision has been recorded for expected credit losses.

5. Exploration and evaluation

Balance, December 31, 2018	$	269,218
Capital expenditures		979
Non-cash expenditures[1]		(183)
Impairment loss		-
Balance, December 31, 2019	$	270,014
Capital expenditures		906
Non-cash expenditures[1]		(217)
Balance, September 30, 2020	$	270,703

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 nine months ended September 30, 2020, the Group did not recognize an impairment loss based on its assessment the estimated recoverable amount exceeded the carrying value.

6. Property, plant and equipment

		Crude oil assets		Corporate assets		Total
Cost						
Balance, December 31, 2018	$	893,729	$	5,405	$	899,134
Capital expenditures		1,579		82		1,661
Non-cash expenditures[1]		(793)		-		(793)
Balance, December 31, 2019	$	894,515	$	5,487	$	900,002
Disposal of Asset		(4,541)		-		(4,541)
Capital expenditures		(321)		439		118
Non-cash expenditures[1]		(1,031)		-		(1,031)
Balance, September 30, 2020	$	888,622	$	5,926	$	894,548

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

		Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment						
Balance, December 31, 2018	$	402,316	$	4,002	$	406,318
Depletion and depreciation expense		14,204		425		14,629
Impairment loss		-		-		-
Balance, December 31, 2019	$	416,520	$	4,427	$	420,947
Depletion and depreciation expense		2,058		308		2,366
Balance, September 30, 2020	$	418,578	$	4,735	$	423,313
Carrying value, December 31, 2019	$	477,995	$	1,060	$	479,055
Carrying value, September 30, 2020	**$**	**470,044**	**$**	**1,191**	**$**	**471,235**

The Group commenced commercial production at West Ells Project I on March 1, 2017. As at the time, the Group ceased capitalization of petroleum revenue, royalties, diluent, transportation, and operating expenses relating to West Ells Project.

The Group started recording depletion of West Ells Project I assets in the statement of comprehensive income (loss) for the three months ended March 31, 2017. Prior to March 1, 2017, the West Ells Phase I assets of $687.1 million were not being depleted. In determining the unit-of-production depletion charge on recoverable reserves, future development costs of $2,495 million (2019 - $2,520 million) were included in property, plant and equipment.

On August 20, 2020, The Group sold the Taurus 70 gas turbine generator set at a total consideration of USD2.85 million (equivalent to approximately CDN $ 3,812,445) to improve liquidity. The book value of the gas turbine is CDN$4,541,168.

As at September 30, 2020, the Group did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the West Ells Cash Generating Unit (CGU).

7. Right-of-use Assets and Leases Liabilities

Right-of-use Assets

	Trucks & Trailers	Offices	Total
January 1, 2019			
Initial recognition	861	1,712	2,573
Additions	-	662	662
Depreciation	(213)	(885)	(1,098)
December 31, 2019	**648**	**1,489**	**2,137**
Lease terminated	(591)	-	(591)
Additions	-	1,188	1,188
Depreciation	(57)	(728)	(785)
September 30, 2020	**-**	**1,949**	**1,949**

Leases Liabilities

Balance Sheets

	September 30, 2020
Non-current lease liabilities	$ 2,151

Cash Flow Summary

	Nine Months Ended September 30, 2020
Total cash flow used for leases	$ 740

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 trailers, and 10% for the offices. The truck lease has been terminated since Jan 1, 2020, and the trailer lease has been terminated since Sep 1, 2020.

8. Trade and accrued liabilities

		September 30, 2020		December 31, 2019
Trade payables	$	29,950	$	30,186
Interest payables		219,949		211,116
Accrued liabilities		6,201		6,301
	$	256,100	$	247,603

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

		September 30, 2020		December 31, 2019
Trade				
0 - 30 days	$	85	$	390
31 - 60 days		51		816
> 60 days		29,814		28,980
		29,950		30,186
Interest payables		219,949		211,116
Accrued liabilities		6,201		6,301
	$	256,100	$	247,603

9. Debt

9.1 Convertible Bonds

		September 30, 2020		December 31, 2019
Current	$	10,780	$	-
Non-current		8,021		13,572
	$	18,801	$	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 $4.09 per share (after share consolidation), a maximum of 19,979,685 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 three months ended September 30, 2020. During the nine months ended September 30, 2020, The Company made the repayment of USD $3.6M including USD $1.2M interests.

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds (“CB”) in an aggregate principal amount of HK$ 72,000,000. With an initial conversion price of HK$0.632 per share, a maximum of 113,924,051 new Class “A” common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds will be used for financing general working capital and repayment of debts.

The fair value of the CB as at 30 September 2020 is reasonably stated as follows:

Fair Value of the CB	HKD	CAD
Liability Component	$ 46,603,000.00	$ 8,021,170.40
Conversion Option	25,397,000.00	4,371,256.45
Total Fair Value	$ 72,000,000.00	$ 12,392,426.85

9.2 Other loans

		September 30, 2020		December 31, 2019
Current	$	9,715	$	12,793
Non-current		5,421		1,668
	$	15,136	$	14,461

As at September 30, 2020, the balances are unsecured other loans interest bearing of 0%-20% (2019: 0-20%) per annum, and of which approximately CAD $9,715,000 (2019: $12,793,000) have a maturity date by December 31, 2020 and approximately CAD $5,421,000 (2019: $1,668,000) have maturity dates of June 1, 2022, June 6, 2023, and Aug 11, 2023.

Included in the above balance is approximately CAD $13,840,543 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.

9.3 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.

On April 24, 2020, the Company and the Forbearing Holders confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the "**FRAA**"). The principal terms of the FRAA include:

- The FRAA covers the period from December 31, 2019 to August 31, 2021 ("Period of Forbearance);
- Same as the Forbearance Reinstatement and Amending Agreement executed on November 1, 2018, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2021, and during the Period of Forbearance, there will not be any forbearance fee and yield maintenance premium based on the initial Forbearance Agreement executed on September 12, 2016.

The Board believes the entering into of the FRAA is in the interests of the Company and its shareholders as a whole in view that the FRAA will provide the Company with additional time to repay or refinance the indebtedness owned by the Company to the Noteholders under the Notes, whilst at the same time the financing cost has been substantially lowered to a reasonable market level.

10. Provisions

Decommissioning obligations, non-current		**September 30, 2020**		**December 31, 2019**
Balance, beginning of year	$	48,910	$	48,739
Effect of changes in discount rate		(1,249)		(975)
Unwinding of discount rate		1,720		1,146
Balance, end of year	$	49,381	$	48,910

As at September 30, 2020, the Group's share of the estimated total undiscounted cash flows required to settle asset decommissioning obligations was $74.1 million (December 31, 2019 - $75.5 million). Expenditures to settle asset decommissioning obligations are estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 0.24% to 2.34% per annum and inflated using an inflation rate of 2.0% per annum

11. Income taxes

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

		September 30, 2020		December 31, 2019
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(94,435)	$	(90,290)
Decommissioning liabilities		13,333		13,206
Share issue costs		160		377
Non-capital losses		349,373		336,279
Total Debt		(3,035)		(3,035)
Deferred tax benefits not recognized		(265,396)		(256,537)
	$	-	$	-

12. Share capital

The Group'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 (after share consolidation)	September 30, 2020		December 31, 2019 (restated)	
	Number of shares	$	Number of shares	$
Balance, beginning of year	128,111,630	1,296,523	122,716,932	1,293,379
Private placements – general mandate	1,443,000	324	4,959,100	2,812
Director Share Arrangement	-	-	435,598	344
Share issue costs, net of deferred tax ($Nil)	-	(33)	-	(12)
Balance, end of year	129,554,630	1,296,814	128,111,630	1,296,523

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

General mandate

2020 activity

On January 3, 2020, the Board proposed to implement a 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 Company immediately following the Share Consolidation was rounded down to a whole number by cancelling any fractional Shares of the Company 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（CDN$323,670.19）. On March 5, 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.

On April 1, 2020, the Company and a company wholly owned by Mr. Kwok Ping Sun entered into a Subscription Agreement for convertible bonds (“CB”) in an aggregate principal amount of HK$ 72,000,000. With an initial conversion price of HK$0.632 per share, a maximum of 113,924,051 new Class “A” common shares will be allotted and issued upon the full conversion of the CB. The CB interest rate is 8% per annum and matures in two years. The Subscription has been approved by the independent shareholders at the Special General Meeting on 25 May 2020. The subscription was completed on 15 June 2020. The entire proceeds will be used for financing general working capital and repayment of debts.

2019 activity

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.

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 will be used to financing its general working capital and capital expenditure for its West Ells project.

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.

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.

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.

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.

13. Share-based compensation

13.1 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 Group’s Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Group’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 Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the Toronto Stock Exchange or the Stock Exchange of Hong Kong (whichever is higher) for the five trading days immediately preceding the option offer date.

13.2 Movements in stock options

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

	September 30, 2020		**December 31, 2019 （Restated）**	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of period	9,105,687	2.67	9,820,117	2.97
Granted	-	-	200,000	0.60
Forfeited	(109,686)	2.84	(718,363)	5.16
Expired	60,000	4.50	(196,067)	6.04
Balance, end of period	9,056,001	2.68	9,105,687	2.67
Exercisable, end of period	8,989,336	2.71	6,872,355	2.93

Number of options was adjusted on the assumption that the Share Consolidation had been effective in the current year and prior year.

As at September 30, 2020, stock options outstanding had a weighted average remaining contractual life of 2.5 years (December 31, 2019 – 2.9 years).

13.3 Share-based compensation

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

	Three months ended September 30, 2020			**Three months ended September 30, 2019**		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$127	$ -	$127	$ 343	$ -	$ 343

	Nine months ended September 30, 2020			**Nine months ended September 30, 2019**		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 381	$ -	$ 381	$ 1,028	$ -	$ 1,028

14. Segment information

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
Petroleum sales	$ 266	$ 12,691	$ 4,106	$ 33,142
Royalties	-	(179)	(6)	(524)
Balance, end of period	$ 266	$ 12,512	$ 4,100	$ 32,618

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	
	September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019
Canada	$ 4,106	$ 33,142	$ 747,375	$ 751,398
The PRC	-	-	577	833
Hong Kong	-	-	1,356	590
	$ 4,106	$ 33,142	$ 749,308	$ 752,821

15. Revenue

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Petroleum sales	$ 266	$ 12,691	$ 4,106	$ 33,142
Royalties	-	(179)	(6)	(524)
Revenue from contracts with customers	$ 266	$ 12,512	$ 4,100	$ 32,618

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:

	September 30, 2020	September 30, 2019
Customer A	$ 4,106	$ 33,142

16. Other income

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest income	$ 1	$ 2	$ 4	$ 5
Other income	97	490	537	$ 522

Gain/(Loss) on Sale of Assets		(779)		-		(779)		-
Balance, end of period	$	(681)	$	492	$	(238)	$	527

Other income includes write off accounts payable for previous years and gain/loss on the settlement.

17. General and administrative costs

		Three months ended September 30,				Nine months ended September 30,		
		2020		**2019**		**2020**		**2019**
Salaries, consultants and benefits	$	1,194	$	1,717	$	3,952	$	4,747
Rent		(51)		19		27		284
Legal and audit		78		233		321		685
Other		159		613		1,442		1,579
Balance, end of period	$	1,378	$	2,582	$	5,742	$	7,295

18. Finance costs

		Three months ended September 30,				Nine months ended September 30,		
		2020		**2019**		**2020**		**2019**
Interest expense on senior notes, including yield maintenance premium	$	9,799	$	6,802	$	6,677	$	36,335
Interest expense on other loans		2,097		160		3,864		1,188
Financing related costs		-		311		34		321
Other interest expense		1,207		662		1,236		1.556
Other Interest expenses-leases		38		68		115		197
Unwinding of discounts on provisions		857		287		1,720		860
Balance, end of period	$	13,998	$	8,290	$	13,646	$	40,457

19. 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 $39,148,000 (2019: CAD $34,915,000) and the weighted average number of Class "A" common shares in issue during the years as presented in the following table.

	Nine months ended September 30,			
		2020		**2019**
				(restated)
Basic and diluted – Class "A" common shares				
Loss per share	$	0.30	$	0.33

1) The figure for 2019 is restated at post share consolidation

20. Capital and financial risks management

20.1 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:

		September 30, 2020		December 31, 2019
Working capital deficiency	$	538,179	$	506,310
Shareholders' equity		141,463		175,755
	$	679,642	$	682,065

There is no change in the Group's objectives and strategies of capital management for the nine months ended September 30, 2020.

20.2 Categories of financial instruments

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

	September 30, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost (including cash and cash equivalents)	$17,322	$17,322	$ 19,814	$ 19,814
Financial liabilities				
Financial liabilities at amortised cost	$573,755	$ 573,755	$ 550,640	$ 550,640

20.3 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.

20.4 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, accounts payable 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 U.S. vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the nine months ended September 30, 2020.

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 September 30, 2020 would have been impacted by $Nil (2019: $Nil) and the carrying value of the debt at September 30, 2020 would have been impacted by $2.9 million (2019: $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 June 30, 2020 would have been impacted by Nil (2019: $Nil) and the carrying value of the debt at September 30, 2020 would have been impacted by $0.26 million (2019: $0.11 million).

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

		Three months ended September 30, 2020		2019		Nine months ended September 30, 2020		2019
Unrealized foreign exchange loss/(gain) on translation of:								
U.S. denominated senior secured notes	$	(5,741)	$	3,259	$	6,972	$	(7,766)
H.K. denominated loan		(822)		(55)		531		(762)
Foreign currency denominated cash balances		20		(31)		90		(297)
Foreign currency denominated accounts payable balances		95		58		86		429
		(6,448)		3,231		7,679		(8,396)
Realized foreign exchange loss/(gain)		-		77		24		218
Total foreign exchange loss/(gain)	$	(6,448)	$	3,308	$	7,703	$	(8,178)

20.5 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 timing of cash outflows relating to financial liabilities as at September 30, 2020, are as follows:

		Total		Less than 1 year		1-2 years
Trade and accrued liabilities	$	256,100	$	256,100	$	-
Debt[1]		317,655		299,521		18,134
	$	573,755	$	555,621	$	18,134

1. Principal amount of Notes and loans based on the month end exchange rate of $1 US = 1.3339 CAD and $1HKD = $0.1721 CAD. Debt is due on demand.

21. Related party transactions

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

21.1 Trading transactions

For the nine months ended September 30, 2020, a consulting Group, to which a director of Sunshine is related, charged the Group $0.38 million (December 31, 2019 – $0.5 million) for management and advisory services.

As at 30 September 2020, Mr. Kwok Ping Sun, the Company's Executive Chairman, has beneficial ownership of, or control or direction of 36,308,540 common shares of the Company, which represents approximately 28.03% of the Company's outstanding common shares.

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.

21.2 Compensation of key management personnel and directors

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Directors' fees	$ 96	$ 103	$ 294	$ 378
Salaries and allowances	735	642	2,313	1,961
Share-based compensation	127	343	381	1,014
	$ 958	$ 1,088	$ 2,988	$ 3,353

21.3 Shareholders' loans

	September 30, 2020	December 31, 2019
Current	$ 14,057	$ 12,622
Non-current	4,692	4,383
	$ 18,749	$ 17,005

As at September 30, 2020, the Group had loans from Mr. Kwok Ping Sun which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $14,057,000 can be rollover for a period of 3 to 6 months and approximately CAD $4,692,000 is repayable in 2 years.

22. Commitments and contingencies

22.1 Commitments

As at September 30, 2020, the Group's commitments are as follows:

At September 30, 2020		Total	2020	2021	2022	2023	2024	Thereafter
Drilling, other equipment and contracts		652	272	76	76	76	76	76
Lease rentals (Note)		4,038	556	1,399	1,256	316	315	196
Office leases		2,391	282	1,126	700	283	-	-
	$	7,081	1,110	2,601	2,032	675	391	272

Note:

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

22.2 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 Group (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 Group to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Group's IPO) of the Group 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 Group's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As at September 30, 2020, no amounts have been accrued in the Condensed Consolidated Interim 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 2016-2020 municipal property taxes of $10.96 million. The Group was also charged with overdue penalties of $4.93 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. At September 30, 2020, the Group had incurred $1.03 million (US $0.77 million equivalent using the period end exchange rate) in Builders' liens (not related to mineral leases) against them during the ordinary course of business.

On February 27, 2019, the Company received the notice from the Alberta Court of Queen's Bench. As a result, a creditor's judgment was satisfied by payment of $0.7M that was held in Court pending the outcome of an appeal. The Company has filed a further appeal of the judgment that seeks to overturn the judgment and recover the $0.7M recovered by the creditor.

23. 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 September 30, 2020, 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 September 30, 2020, 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 September 30, 2020, 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 September 30, 2020, the subsidiary had no business activity.

24. Supplemental cash flow disclosures

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash provided by (used in):				
Trade and other receivables	$ (37)	$ (442)	$ 2,193	$ (2,746)
Prepaid expenses and deposits	(127)	2,941	1,103	834
Trade and other payables	(132)	(4,470)	(1,980)	893
Debt settlement	(214)	2,296	324	2,296
Disposal of Assets	748	-	748	-
Foreign Exchange changes	(95)	(58)	652	(429)
	$ 143	$ 267	$ 3,040	$ 848
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ (37)	$ (442)	$ 2,193	$ (2,746)

Prepaid expenses and deposits		(127)		2,941		1,103		834
Trade and other payables		(1,179)		(3,346)		(2,903)		1,703
	$	(1,343)	$	(847)	$	393	$	(209)
Investing activities								
Property, plant and equipment	$	1,700	$	(1,182)	$	1,585	$	(1,239)
Financing activities								
Foreign Exchange Changes-Loans	$	(214)	$	-	$	738	$	-
Debt settlement		-		2,296		324		2,296
	$	(214)	$	2,296	$	1,062	$	2,296
	$	143	$	267	$	3,040	$	848

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

	Lease liabilities	Debt	Shareholders' loans	Total
Balance at January 1, 2020	$ 2,223	$ 286,032	$ 17,005	$ 305,260
Changes in cash items -				
Proceeds of bonds and other loans	-	5,426	-	5,426
Payments of bonds and other loans	-	(3,624)	-	(3,624)
Proceeds of shareholders' loans	-	-	6,912	6,912
Payments of shareholders' loans	-	-	(2,626)	(2,626)
Payments of lease liabilities	(740)	-	-	(740)
Changes in non-cash items -				
Other loans	-	727	-	727
Shareholders' loans		3,494	(3,494)	-
Lease liabilities	557	-	-	557
Interest charge	115	-	-	115
Unrealized exchange differences	(4)	6,851	952	7,799
Balance at September 30, 2020	$ 2,151	$ 298,906	$ 18,749	$ 319,806

25. Subsequent Events

As at October 1, 2020, the Company has received notice for conversion from the Subscriber of the HK$72,000,000 CB as per the Subscription agreement dated 1 April 2020. The Subscriber, as intended to convert the CB in whole, has made application to the Securities & Futures Commission of Hong Kong ("HKSFC) for a Whitewash Waiver. The conversion and whitewash waver is subject to HK SFC approval and subsequently independent shareholders' approval at the special general meeting to be held after HKSFC's approval is sought.

26. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorized for issue on November 12, 2020(Calgary Time) /November 13, 2020 (Hong Kong Time).

Appendix to the consolidated financial statements (Unaudited)

Additional Stock Exchange Information

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

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

		September 30, 2020		December 31,2019
Assets				
Current assets				
Cash and cash equivalents		196		751
Trade and other receivables	$	11,002		16,519
Prepaid expenses and deposits		983		2,329
		12,181		19,599
Non-current assets				
Other receivables		5,421		1,668
Exploration and evaluation assets		270,697		270,008
Property, plant and equipment		470,961		478,644
Right-of-use assets		296		1,078
Amounts due from subsidiaries		14,235		12,100
		761,610		763,498
	$	773,791		783,097
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and accrued liabilities	$	255,600		247,397
Shareholders' loans		12,983		12,040
Other loans		9,715		12,793
Convertible bond		10,780		-
Senior notes		264,969		257,999
Amounts due to subsidiaries		2,728		2,643
		556,775		532,872
Non-current liabilities				
Bonds		8,021		13,572
Other loans		5,421		1,668
Lease liabilities		407		1,123
Provisions		49,381		48,910
		63,230		65,273
Shareholders' Equity				
Share capital	$	1,296,813		1,296,523
Convertible Bond-Conversion Options		4,371		-
Reserve for share-based compensation		76,285		75,904
Deficit		(1,223,683)		(1,187,475)
Total equity	$	153,786		184,952
	$	773,791	$	783,097

Appendix to the Condensed Consolidated Interim Financial Statements (Unaudited)

A2. Directors' emoluments and other staff costs

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Directors' emoluments				
Directors' fees	$ 96	$ 103	$ 294	$ 378
Salaries and allowances	557	413	1,679	1,232
Share-based payments	127	343	381	1,014
	780	859	2,354	2,624
Other staff costs				
Salaries and other benefits	541	1,304	1,979	3,515
Share-based payments	-	-	-	14
	541	1,304	1,979	3,529
Total staff costs, including directors' emoluments	1,321	2,163	4,333	6,153
Less: staff costs capitalized to qualifying assets	-	-	-	
	$ 1,321	$ 2,163	$ 4,333	$ 6,153