Sunshine Oilsands Ltd.
Announcement of Results for the Second Quarter ended June 30, 2020
2Q20 no Petroleum sales compared to CAD$14.2m in 2Q19
2Q20 net recurring loss narrowed by 28% to CAD$4.3 m versus CAD$6.0 m in 2Q19
2Q20 production decreased to 0 bbl/day

CALGARY/HONG KONG – Sunshine Oilsands Ltd. (the "**Corporation**" or "**Sunshine**") (HKEX: 2012) today announced its financial results for the second quarter ended June 30, 2020. The Corporation's condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements and management's discussion and analysis have been filed on SEDAR (www.sedar.com) and with The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (www.hkexnews.hk) and are available on the Corporation's website (www.sunshineoilsands.com). All figures used in this release are in Canadian dollars unless otherwise stated.

MESSAGE TO SHAREHOLDERS

For three months ended June 30, 2020, the Corporation's average bitumen production was 0 bbls/day. There was no bitumen production and no Dilbit sales in 2Q20 due to temporary suspension of production.

SUNSHINE'S CAPITAL RAISING ACTIVITIES DURING 2Q20

During the six months ended June 30, 2020, the Corporation issued no new Common Shares.

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.

Summary of Financial Figures

For 2Q20, net Dilbit sales decreased to $0 from $14.2 million for the same period of 2019 mainly due to temporary suspension of production in 2Q20. Net recurring loss declined by 28% to CAD $4.3 million from CAD $6.0 million in 2Q19.

As at June 30, 2020 and December 31, 2019, the Corporation notes the following selected balance sheet figures.

(Canadian $000s)	**June 30, 2020**	December 31, 2019
Cash	470	1,254
Trade and other receivables	13,168	16,519
Prepaid expense and deposits	5,704	6,934
Exploration and evaluation assets	270,508	270,014
Property, plant and equipment	476,887	479,055
Total liabilities	618,047	601,773
Shareholders' equity	153,514	175,755

2020 Outlook

Sunshine will continue to monitor the developments in the international market and COVID-19 and adjust its strategies accordingly. Cost control remains a focus of the Corporation. In addition, the Corporation sees potentially significant benefits resulting from re-activation of the Muskwa and Godin Area activities under a revised joint venture with new owners of the joint venture operator.

Kwok Ping Sun
Executive Chairman

Gloria Ho
Chief Financial Officer

ABOUT SUNSHINE OILSANDS LTD.

The Corporation is a Calgary based public corporation, listed on the Hong Kong Stock Exchange since March 1, 2012. The Corporation is focused on the development of its significant holdings of oil sands and heavy oil leases in the Athabasca oil sands region. The Corporation owns interests in oil sands and petroleum and natural gas leases in the Athabasca region of Alberta. The Corporation is currently focused on executing milestone undertakings in the West Ells project area. West Ells Phase 1 is operational and has an initial production target of 5,000 barrels per day.

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FORWARD LOOKING INFORMATION

This announcement contains forward-looking information relating to, among other things, (a) the future financial performance and objectives of Sunshine; (b) the plans and expectations of the Corporation; and (c) the anticipated closings of the current private placements and the timing thereof. Such forward-looking information is subject to various risks, uncertainties and other factors. All statements other than statements and information of historical fact are forward-looking statements. The use of words such as "estimate", "forecast", "expect", "project", "plan", "target", "vision", "goal", "outlook", "may", "will", "should", "believe", "intend", "anticipate", "potential", and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on Sunshine's experience, current beliefs, assumptions, information and perception of historical trends available to Sunshine, and are subject to a variety of risks and uncertainties including, but not limited to, those associated with resource definition and expected reserves and contingent and prospective resources estimates, unanticipated costs and expenses, regulatory approval, fluctuating oil and gas prices, expected future production, the ability to access sufficient capital to finance future development and credit risks, changes in Alberta's regulatory framework, including changes to regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations and the impact thereof and the costs associated with compliance. Although Sunshine believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions and factors discussed in this announcement are not exhaustive and readers are not to place undue reliance on forward-looking statements as the Corporation's actual results may differ materially from those expressed or implied. Sunshine disclaims any intention or obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise, subsequent to the date of this announcement, except as required under applicable securities legislation. The forward-looking statements speak only as at the date of this announcement and are expressly qualified by these cautionary statements. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of the Corporation's material risk factors, see the Corporation's annual information form for the year ended December 31, 2019 and risk factors described in other documents we file from time to time with securities regulatory authorities, all of which are available on the Hong Kong Stock Exchange at www.hkexnews.hk, on the SEDAR website at www.sedar.com or the Corporation's website at www.sunshineoilsands.com.

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SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 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 six months ended June 30, 2020 is dated August 12, 2020, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and six months period ended June 30, 2020 and with the 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 is planning to add an additional 5,000 barrels per day Phase II to the Project. On March 1, 2017, the West Ells Phase I commenced commercial production.

As at June 30, 2020, 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 June 30, 2020, the Company had $0.47 million in cash.

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

Operational Update

West Ells

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

For three and six months ended June 30, 2020, the Company's average bitumen production was zero bbls/day and 497 bbls/day respectively. The bitumen is blended with diluent as part of the production process to create the marketable "Dilbit" blend product. During 2Q20, no diluent blending was made due to temporary suspension of production, whereas diluent was blended at 19.8% volumetric rate for the six months ended June 30, 2020 reflecting the blending ratio in 1Q20 The average Dilbit sales volume was zero bbls/day and 543 bbls/day for the three and six months ended June 30, 2020.

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, additional significant financing will need to be secured to proceed.

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

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

Summary of Quarterly Results

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

($ thousands except per share & bbl/d)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Bitumen sales (bbl/d)	-	871	1,657	2,130	2,049	999	1,153	1,757
Petroleum sales	-	3,840	9,192	12,691	14,434	6,017	4,772	12,286
Royalties	-	6	94	179	277	68	28	270
Diluent	46	1,236	3,133	3,345	3,747	1,491	2,016	2,681
Transportation	(4)	2,379	2,933	4,561	4,140	2,321	3,757	4,047
Operating costs	1,940	4,679	3,027	4,765	5,616	4,581	4,609	5,030
Finance cost	(6,501)	6,149	26,448	8,290	9,433	22,734	9,386	13,824
Net loss/(gain)	(14,591)	41,770	26,660	19,140	9,799	25,116	46,731	16,287
Per share - basic and diluted	(0.16)	0.32	0.64	0.33	0.28	0.21	1.06	0.68
Capital expenditures[1]	431	299	654	549	1,095	342	195	521
Total assets	771,561	773,605	777,528	775,818	781,385	781,366	769,468	774,885
Working capital deficiency[2]	260,532	262,004	506,310	488,052	489,793	483,933	461,341	423,360
Shareholders' equity	153,514	134,418	175,755	201,204	217,723	227,171	251,953	292,394

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

Results of Operations

Operating Netback

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2020	2019	2020	2019
Realized bitumen revenue	$ (46)	$ 10,687	$ 2,558	$ 15,213
Transportation	4	(4,140)	(2,375)	(6,461)
Royalties	-	(277)	(6)	(345)
Net bitumen revenues	$ (42)	$ 6,270	$ 177	$ 8,407
Operating costs	(1,940)	(5,616)	(6,619)	(10,197)
Operating cash flow	$ (1,982)	$ 654	$ (6,442)	$ (1,790)
Operating netback ($ / bbl)	N/A	3.55	(81.30)	(6.53)

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

The Operating cash flow for the three months ended June 30, 2020 was a net loss of $2.0 million compared to a net gain of $0.7 million for the three months ended June 30, 2019. Operating netback on a per barrel basis was $3.55/bbl for the three months ended June 30, 2019. There was no disclosure on operating netback per barrel for 2Q20 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020. The decrease in the operating cash flow per barrel was primarily due to temporary suspension of production in Q2 2020 resulting from volatility in the international crude oil market and severe decline in crude prices.

The Operating cash flow for the six months ended June 30, 2020 was a net loss of $6.4 million compared to a net loss of $1.8 million for the six months ended June 30, 2019. Operating netback loss per barrel basis increased by $74.77/bbl to $81.30/bbl from a loss of $6.53/bbl. The increase of the operating cash flow deficiency is primarily due to temporary suspension of productionin since 31 March 2020.

Bitumen Production

	For the three months ended June 30,		For the six months ended June 30,	
(Barrels/day)	2020	2019	2020	2019
Bitumen production	-	2,044	497	1,526

Bitumen production at West Ells for the three and six months ended June 30, 2020 averaged 0 bbls/day and 497 bbls/day compared to 2,044 bbls/day and 1,526 bbls/day for the three and six months ended June 30, 2019, respectively. Bitumen production decreased by 2,044 bbls/day for the three months ended June 30, 2020 compared to the same period in 2019 due to temporary production suspension since 31 March 2020. For the six months, ended June 30, 2020, bitumen production decreased by 1,029 bbls/day compared to the same period in 2019. The Company will continue to focus on production performance improvement.

Bitumen Sales

	For the three months ended June 30,		For the six months ended June 30,	
(Barrels/day)	2020	2019	2020	2019
Bitumen Sales	-	2,049	435	1,516

Bitumen sales at West Ells for the three and six months ended June 30, 2020 averaged 0 bbls/day and 435 bbls/day compared to 2,049 bbls/day and 1,516 bbls/day for the three and six months ended June 30, 2019, respectively. Bitumen sales decreased by 2,049 bbls/day for the three months ended June 30, 2020 compared to the same period in 2019 due to temporary suspension of production since 31 March 2020. For the six months ended June 30, 2020, Bitumen sales decreased by 1,081 bbls/day compared to the same period in 2019 due to no production in Q2 2020.

Petroleum Sales, net of royalties

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2020	2019	2020	2019
Petroleum sales	$ -	$ 14,434	$ 3,840	$ 20,451
Royalties	-	(277)	(6)	(345)
Petroleum sales, net of royalties	$ -	$ 14,157	$ 3,834	$ 20,106
$ / bbl	N/A	76.75	48.37	73.27

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended June 30, 2020 decreased to $0 million from $14.2 million for the same period of 2019. There was no disclosure on the petroleum sales per barrel for 2Q20 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020. The decrease of $14.2 million sales (net of royalties) is due to temporary suspension of production since 31 March 2020.

Petroleum sales, net of royalties for the six months ended June 30, 2020 decreased by $16.3 million to $3.8 million from $20.1 million for the six months ended June 30, 2019. Petroleum sales per barrel decreased by $24.90/bbl to $48.37/bbl from $73.27/bbl for the same period of 2019. Petroleum sales decreased by $16.3 million primarily due to no production in Q2 2020 and decline in Dilbit prices in Q1 2020 versus Q1 2019.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently at pre-payout. Royalties for the three and six months ended June 30, 2020 decreased by $0.28 million and $0.35 million compared to the same period of 2019. The decreases are mainly due to significant decrease of Dilbit sales resulting from temporary suspension of production since 31 March 2020.

Bitumen Realization

($ thousands, except $/bbl)	For the three months ended June 30, 2020	2019	For the six months ended June 30, 2020	2019
Dilbit revenue	$ -	$ 14,434	$ 3,840	$ 20,451
Diluent blended	(46)	(3,747)	(1,282)	(5,238)
Realized bitumen revenue[1]	$ (46)	$ 10,687	$ 2,558	$ 15,213
($ / bbl)	N/A	57.94	32.27	55.44

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

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

During the three months ended June 30, 2020, the Company's bitumen realization revenue decreased by $10.75 million to the loss of $0.05 million from $10.7 million for the three months ended June 30, 2019. The bitumen realized price per barrel was $57.94/bbl for 2Q19. There was no disclosure on the bitumen realization per barrel for 2Q20 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020. The decrease in bitumen realization per barrel was mainly due to temporary suspension of production since 31 March 2020.

During the six months ended June 30, 2020, the Company's bitumen realization revenue decreased by $12.6 million to $2.6 million from $15.2 million for the same period in 2019. The bitumen realized price per barrel decreased by $23.17/bbl to $32.27 /bbl from $55.44/bbl.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended June 30, 2020	2019	For the six months ended June 30, 2020	2019
Diluent	$ 46	$ 3,747	$ 1,282	$ 5,238
$/bbl	N/A	20.31	16.18	19.09
Blend ratio	N/A	18.2%	19.8%	17.8%

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 six months ended June 30, 2020 was $16.18 compared to $19.09 for the six months ended June 30, 2019. There was no disclosure on the diluent cost per barrel for 2Q20 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020. Diluent costs decreased by $3.7 million and $4.0 million for the three and six months ended June 30, 2020 and 2019 respectively were mainly due to temporary suspension of production since 31 March 2020.

Transportation

($ thousands, except $/bbl)	For the three months ended June 30, 2020	2019	For the six months ended June 30, 2020	2019
Transportation	$ (4)	$ 4,140	$ 2,375	$ 6,461
$ / bbl	N/A	22.44	29.97	23.55

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the six months ended June 30, 2020 was $29.97/bbl compared to $23.55/bbl for the six months ended June 30, 2019, respectively. There was no disclosure on the transportation cost per barrel for 2Q20 as there was zero dilbit sales after the temporary suspension of production since 31 March 2020.The decrease in the transportation cost per barrel for the three months ended June 30, 2020 and 2019 was mainly due to temporary suspension of production since 31 March 2020. The increase in the transportation cost per barrel for the six months ended June 30, 2020 and 2019 was mainly due to increased transportation rates charged by the third party trucking companies in Q1 2020.

Operating Costs

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2020	2019	2020	2019
Energy operating costs	$ 327	$ 1,655	$ 1,312	$ 3,006
Non-energy operating costs	1,613	3,961	5,307	7,191
Operating costs	$ 1,940	$ 5,616	$ 6,619	$ 10,197
$ / bbl	N/A	30.45	83.52	37.16

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

The operating expense per barrel for the six months ended June 30, 2020 was $83.52/bbl compared to $37.16/bbl for the six months ended June 30, 2019. For the three months ended June 30, 2020, there was no disclosure on the operating expense per barrel as there was zero dilbit sales after the temporary suspension of production since 31 March 2020. For the six months ended June 30, 2020, the operating costs per barrel increase from the prior period is primarily due to the no production in Q2 2020. 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 resumes at West Ells.

General and Administrative Costs

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries, consultants and benefits	$ 1,224	$ 1,494	$ 2.758	$ 3,030
Rent	69	14	78	265
Legal and audit	117	156	245	452
Other	582	427	1,283	966
Balance, end of period	$ 1,992	$ 2,091	$ 4,364	$ 4,713

The Company's general and administrative costs were $2.0 million and $4.4 million for the three and six months ended June 30, 2020 compared to $2.1 million and $4.7 million for the same periods in 2019. General and administrative costs decreased by $0.1 million and $0.3 million for the three and six months ended June 30, 2020 compared to the same periods in 2019 primarily due to reduction in rent subsequent to office relocation in 2019, workforce reductions and the Company's continued focus on cost management.

Finance Costs

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2020	2019	2020	2019
Interest expense on senior notes, including yield maintenance premium (YMP)	$ (7,992)	$ 8,456	$ (3,122)	$ 29,533
Interest expense on other loans	831	582	1,767	1,028
Financing related costs	32	6	34	10
Other interest expense	14	27	29	894
Other interest expense-leases	35	73	77	129
Unwinding of discounts on provisions	579	289	863	573
Finance costs	$ (6,501)	$ 9,433	$ (352)	$ 32,167

The Company's finance costs were ($6.5) million and($0.4) million for the three and six months ended June 30, 2020 compared to $9.4 million and $32.2 million for the three and six months ended June 30, 2019. The decreases for both periods were mainly due to the adjustment for prior year interests including YMP on senior notes.

Share-based Compensation

	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 127	$ -	$ 125	$ 351	$ -	$ 351

	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 254	$ -	$ 252	$ 685	$ -	$ 685

Share-based compensation expense for the three and six months ended June 30, 2020 was $0.1 million and $0.3 million compared to $0.4 million and $0.7 million for the same periods in 2019. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its condensed consolidated interim financial statements. Fair value is determined using the Black-Scholes option pricing model.

Depletion, Depreciation and Impairment

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands, except $/bbl)	2020	2019	2020	2019
Depletion	$ -	$ 4,220	$ 2,058	$ 6,338
Depreciation	354	395	778	744
Depletion and depreciation	$ 354	$ 4,615	$ 2,836	$ 7,082
Depletion ($ / bbl)	-	25.02	25.97	25.81

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 $0.4 million and $2.8 million for the three and six months ended June 30, 2020 compared to $4.6 million and $7.1 million for the three and six months ended June 30, 2019, respectively. Depletion and depreciation expense decreased by $4.3 million for both three months and six months ended June 30, 2020 and 2019 were mainly due to no depletion in Q2 2020 resulting from temporary suspension of production.

As at June 30, 2020, the Company did not identify any indicators of further impairment (or reversal of the previous impairments recorded in previous years) of the E&E Assets or the West Ells CGU.

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three and six months ended June 30, 2020 and 2019. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At June 30, 2020, the Company had total available tax deductions of approximately $1.61 billion, with unrecognized tax losses that expire between 2029 and 2038.

Liquidity and Capital Resources

	June 30, 2020	December 31, 2019
Working capital deficiency	$ 260,532	$ 506,310
Shareholders' equity	153,514	175,755
	$ 414,046	$ 682,065

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 reasonable market level.

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, reporting status and undertaking certain corporate transactions.

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed US$5.0 million (the “Permitted Debt”). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from US$5.0 million to US$15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of June 30, 2020, the Company has incurred unsecured third party Debt for a total of US$28.5 million (CAD$38.8 million equivalent). (Permitted Debt limit is US$15.0 million.)

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.

The Company has been named as a Defendant in Court of Queen’s Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the “Claimant”) by Statement of Claim (the “Action”) filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company’s IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company’s Statement of Defence was filed on April 2, 2014. The Claimant’s application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As at June 30, 2020. no amounts have been accrued in the Condensed Consolidated Interim Financial Statements as the ultimate resolution is undeterminable at this time. The Company will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Company received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016-2020 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 Company is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Company’s consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company’s view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Company receives liens or claims on accounts payable balances, and the Company continues to work toward resolution of any liens or claims. At June 30, 2020, the Company had incurred $1.70 million (US $1.25 million equivalent using the period end exchange rate) in Builders’ liens (not related mineral leases) against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.3628 CAD.

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

Company’s access to the capital markets is hindered because of financial market conditions generally, or as a result of conditions specific to the Company.

For the six months ended June 30, 2020, the Company reported a net loss of $27.1 million. At June 30, 2020, the Company had a working capital deficiency of $260.5 million.

The Company’s debt-to-asset ratio, measured based on total liabilities divided by total assets was 80% as at June 30, 2020, compared to 77% as at December 31, 2019.

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, accounts payable and long term debt which are denominated in United States dollars (“USD”) and Hong Kong dollars (“HKD”). The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or U.S. vendors as well as timing of transactions. The Company had no forward exchange rate contracts in place as at or during the six months ended June 30, 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 June 30, 2020 would have been impacted by $Nil (2019: $Nil) and the carrying value of the debt at June 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 June 30, 2020 would have been impacted by $0.23 million (2019: $0.11 million).

Commitments and Contingencies

Management estimated the contractual maturities of the Company's obligations. These estimated maturities may differ significantly from the actual maturities of these obligations. For a detailed discussion regarding to the Company’s commitments and contingencies, please refer to the Company's Unaudited Condensed Consolidated interim Financial Statements and notes thereto for the three and six months period ended June 30, 2020 and with the Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2019.

Transactions with Related Parties

For the six months ended June 30, 2020, a consulting Company, to which a director of Sunshine is related, charged the Company $0.26 million (December 31, 2019 – $0.5 million) for management and advisory services.

As at 30 June 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 Company 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.

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.

As at June 30, 2020, the Company had loans from shareholders Mr. Kwok Ping Sun, which are unsecured, interest bearing at 10% per annum, and of which approximately CAD $10,522,000 can be rollover for a period of 3 to 6 months and approximately CAD $4,608,000 is repayable in 2 years.

Off-balance Sheet Arrangements

As at June 30, 2020, the Company did not have any other off-balance sheet arrangements.

Changes in Accounting Policies

These Condensed Consolidated Interim Financial Statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2019.These Condensed Consolidated Interim Financial Statements do not include all of the information and disclosures required in the Corporation's annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

Critical Accounting Policies and Estimates

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

For a detailed discussion regarding to the Company's critical accounting policies and estimates, please refer to the Company's 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 Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2019, which is available at www.sedar.com. The 2019 annual report of the Company is available at the Company's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk. The Company's 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 Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

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

No material changes in the Company's ICFR were identified during the three and six months period ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

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

Cash Flow Used in Operations

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

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2020	2019	2020	2019
Net cash used in operating activities	$ (3,188)	$ (819)	$ (9,094)	$ (6,006)
Deduct (add)				
Net change in non-cash operating working capital items	1,221	764	1,736	638
Cash flow used in operations	$ (4,409)	$ (1,583)	$ (10,830)	$ (6,644)

Forward-Looking Information

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

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

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

Additional Stock Exchange Information

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

Code of Corporate Governance Practice (the "Code")

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

The Company confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Hong Kong Listing Rules"), has been complied with following its public listing, save that the Company has not entered into formal letters of appointment with its directors and therefore will deviate from Code Provision D.1.4

of the Code. The Company will deviate from Code Provision D.1.4 of the Code since each of the Directors will be appointed on an annual basis by the shareholders of the Company at each annual general meeting, which is consistent with the market practice in Canada.

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

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

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Company during the period ended June 30, 2020.

Name	December 31, 2019 Restated	Granted	Exercised	Forfeited	Expired	June 30, 2020
Kwok Ping Sun	6,933,580	-	-	-	-	6,933,580
Michael Hibberd	933,580	-	-	-	-	933,580
Hong Luo(1)	-	-	-	-	-	-
Gloria Ho	400,000	-	-	-	-	400,000
Raymond Fong(2)	-	-	-	-	-	-
Yi He	150,000	-	-	-	-	150,000
Joanne Yan(3)	-	-	-	-	-	-
Linna Liu	-	-	-	-	-	-
Jingfeng Liu(4)	-	-	-	-	-	-
Xijuan Jiang	20,000	-	-	-	-	20,000
Guangzhong Xing (5)	100,000	-	-	-	-	100,000
Sub-total for Directors	8,537,160	-	-	-	-	8,537,160
Sub-total for other share option holders	628,527	-	-	(106,446)	-	522,081
Total	9,165,687	-	-	(106,446)	-	9,059,241

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 AGM held on June 24, 2019.
4. Mr. Jingfeng Liu ceased to be independent non-executive Director of the Company on March 7, 2019.
5. Mr. Guangzhong Xing was appointed to be independent non-executive Director of the Company on June 25, 2019.

Number of options for 2019 have been adjusted on a post share consolidation basis.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended June 30, 2020 was 0.60 (year ended December 31, 2019 - $0.60). Options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non- transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2020 and 2019.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the six months ended June 30, 2020 and year ended December 31, 2019. The Grant date share price and Exercise price for the year of 2019 have been restated on a post share consolidation basis.

Input Variables	Six month period ended June 30, 2020	Year ended December 31, 2019 Restated
Grant date share price ($)	0.60-2.00	0.60
Exercise Price ($)	0.60-2.00	0.60
Expected volatility (%)	61.88-63.91	63.91
Option life (years)	2.00-2.59	2.84
Risk-free interest rate (%)	1.48-1.95	1.48
Expected forfeitures (%)	15.39-15.39	15.39

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

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

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

On 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 payables 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 payables 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 payables with an independent third party.

Shares Outstanding

As at June 30, 2020, the Company had 129,554,630 Class “A” common shares issued and outstanding.

Employees

As at June 30, 2020, the Company has 16 full-time employees. For the three and six months ended June 30, 2020, total staff costs amounted to $1.2 million and $2.8 million, respectively.

Dividends

The Company has not declared or paid any dividends in respect of the six months period ended June 30, 2020 (six months period ended June 30, 2019 - $Nil).

Review of Interim Results

The condensed consolidated interim financial statements for the Company for the three and six months ended June 30, 2020, were reviewed by the Audit Committee of the Company and approved by the Board.

Publication of Information

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

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

Outlook

Sunshine will continue to carefully monitor developments in crude oil markets and COVID-19 and will adjust its strategies accordingly. Cost control remains a focus of the Company. The Company is also continuing with its joint venture for re-activation of the Muskwa and Godin Area activities as international oil price recovers.

阳光油砂

SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

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.

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

	Notes		June 30, 2020		December 31, 2019
Assets					
Current assets					
Cash		$	470	$	1,254
Trade and other receivables	4		13,168		16,519
Prepaid expenses and deposits			5,704		6,934
			19,342		24,707
Non-current assets					
Other receivables	9.2		3,516		1,668
Exploration and evaluation	5		270,508		270,014
Property, plant and equipment	6		476,887		479,055
Right-of-use assets	7		1,308		2,084
			752,219		752,821
		$	771,561	$	777,528
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and accrued liabilities	8	$	243,231	$	247,603
Other loans	9.2		11,880		12,793
Convertible Bond	9.1		14,241		-
Shareholders loans	21.3		10,522		12,622
Senior Notes	9.3		-		257,999
			279,874		531,017
Non-current liabilities					
Senior notes	9.3		270,709		-
Convertible Bond	9.1		8,194		13,572
Long-term debt	21.3,9.2		8,124		6,051
Lease Liabilities	7		1,484		2,223
Provisions	10		49,662		48,910
			618,047		601,773
Shareholders' Equity					
Share capital	12		1,296,814		1,296,523
Convertible Bond-conversion options	9.1		4,466		-
Reserve for share-based compensation	13.3		76,156		75,904
Deficit			(1,223,719)		(1,196,599)
Equity attributable to owners of the Company			153,719		175,828
Non-controlling interests			(205)		(73)
			153,514		175,755
		$	771,561	$	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 June 30,		Six months ended June 30,	
	Notes	**2020**	**2019**	**2020**	**2019**
Revenues and Other Income					
Petroleum sales, net of royalties	15	$ -	$ 14,157	$ 3,834	$ 20,106
Other income	16	14	34	443	35
		14	14,191	4,277	20,141
Expenses					
Diluent		46	3,747	1,282	5,238
Transportation		(4)	4,140	2,375	6,461
Operating		1,940	5,616	6,619	10,197
Depletion and depreciation	6,7	354	4,616	2,836	7,081
General and administrative	17	1,992	2,091	4,364	4,713
Finance costs	18	(6,501)	9,433	(352)	32,167
Stock based compensation	13.3	127	351	254	685
Foreign exchange (gains)/losses	20.4	(12,458)	(6,004)	14,151	(11,486)
		$ (14,504)	$ 23,990	$ 31,529	$ 55,056
(Gain)/Loss before income taxes		(14,518)	9,799	27,252	34,915
Income taxes	11	-	-	-	-
Net (gain)/loss		(14,518)	9,799	27,252	34,915
Less: Net (Gain)/Loss attributable to Non-controlling interests		(73)	-	(132)	-
Net (gain)/loss and comprehensive (gain)/loss for the year attributable to equity holders of the Group		(14,591)	9,799	27,120	34,915
Basic and diluted (gain)/loss per share	19	$ (0.16)	$ 0.00	$ 0.21	$ (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	-	-	-	(27,120)	(27,120)	(132)	(27,252)
Issue of common shares (note 12)	324	-	-	-	324	-	324
Convertible Bond-Conversion options (note 9.1)		4,466	-	-	4,466		4,466
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)	-	-	254	-	254	-	254
Share issue costs, net of deferred tax ($Nil)	(33)	-	-	-	(33)	-	(33)
Six Months Ended June 30, 2020	$ 1,296,814	$ 4,466	$ 76,158	$(1,223,719)	$ 153,719	$ (205)	$ 153,514
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	-		-	(34,915)	(34,915)	-	(34,915)
Issue of common shares (note 12)	-		-	-	-	-	-
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)	-		685	-	685	-	685
Share issue costs, net of deferred tax ($Nil)	-		-	-	-	-	-
Six Months Ended June 30, 2019	$ 1,293,379		$ 75,216	$(1,150,872)	$ 217,723	$ -	$ 217,723

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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flows from operating activities					
Net loss / (gain)		$ 14,518	$ (9,799)	$ (27,252)	$ (34,915)
Finance costs		(6,501)	9,433	(352)	32,167
Unrealized foreign exchange (gains)/losses	20.4	(12,466)	(6,150)	14,127	(11,627)
Other income		(441)	(34)	(443)	(35)
Depletion and depreciation	6,7	354	4,616	2,836	7,081
Share-based compensation	13.3	127	351	254	685
Movement in non-cash working capital	24	1,221	764	1,736	638
Net cash used in operating activities		(3,188)	(819)	(9,094)	(6,006)
Cash flows from investing activities					
Other income received		1	34	3	35
Payments for exploration and evaluation assets	5	(274)	(523)	(500)	(602)
Payments for property, plant and equipment	6	(157)	(572)	(230)	(835)
Movement in non-cash working capital	24	(254)	(84)	(115)	(57)
Net cash provided by (used in) investing activities		(684)	(1,145)	(842)	(1,459)
Cash flows from financing activities					
Proceeds from issue of common shares	12	-	-	-	-
Payment for share issue costs	12	(15)	-	(33)	-
Payment for finance costs	18	(65)	(424)	(880)	(488)
Payments for the notes principal		-	-	-	-
Proceeds from Bonds	9.1	4,670	1,507	9,128	2,200
Payments for Bonds	9.1	(142)	(5,658)	(478)	(6,666)
Proceeds from shareholder loans	21.1	558	6,858	771	12,125
Repayment of shareholder loans	21.1	-	-	-	-
Payment of lease liabilities		(310)		(562)	
Movement in non-cash working capital	24	(676)	-	1,276	-
Net cash provided by financing activities		4,020	2,283	9,222	7,171
Effect of exchange rate changes on cash held in foreign currency	20.4	(68)	(13)	(70)	266
Net increase / (decrease) in cash		80	306	(784)	(28)
Cash, beginning of period		390	249	1,254	583
Cash, end of period		$ 470	$ 555	$ 470	$ 555

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended June 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 for 90 days 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 $27.1 million for the six months ended June 30, 2020, and as at June 30, 2020, the Group had net current liabilities of CAD $260.5 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 June 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 June 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

		June 30, 2020		December 31, 2019
Trade receivables	$	2,503	$	2,181
Other loan receivables		10,622		11,743
Other receivables		7		2,595
GST receivable		36		-
	$	13,168	$	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 production.

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

		June 30, 2020		December 31, 2019
0 - 30 days	$	-	$	110
31 - 60 days		-		18
61 - 90 days		-		3
>90 days		2,503		2,050
	$	2,503	$	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 $2.5 million as at June 30, 2020, would result in the recognition of $0.05 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		500
Non-cash expenditures[1]		(6)
Balance, June 30, 2020	$	270,508

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 six months ended June 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
Capital expenditures		182		48		230
Non-cash expenditures[1]		(105)		-		(105)
Balance, June 30, 2020	$	894,592	$	5,535	$	900,127

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		235		2,293
Balance, June 30, 2020	$	418,578	$	4,662	$	423,240
Carrying value, December 31, 2019	$	477,995	$	1,060	$	479,055
Carrying value, June 30, 2020	**$**	**476,014**	**$**	**873**	**$**	**476,887**

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.

As at June 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**

	Trucks & Trailers	Offices	Total
Trucks lease terminated	(287)	-	(287)
Depreciation	(43)	(499)	(542)
June 30, 2020	**318**	**990**	**1,308**

Leases Liabilities

Balance Sheets

	June 30, 2020
Non-current lease liabilities	$ 1,484

Cash Flow Summary

	Six Months Ended June 30, 2020
Total cash flow used for leases	$ 562

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.

8. Trade and accrued liabilities

		June 30, 2020		December 31, 2019
Trade payables	$	30,175	$	30,186
Interest payables		209,207		211,116
Accrued liabilities		3,849		6,301
	$	243,231	$	247,603

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

		June 30, 2020		December 31, 2019
Trade				
0 - 30 days	$	387	$	390
31 - 60 days		1,680		816
61 - 90 days		74		527
> 90 days		28,034		28,453
		30,175		30,186
Interest payables		209,207		211,116
Accrued liabilities		3,849		6,301
	$	243,231	$	247,603

9. Debt

9.1 Convertible Bonds

		June 30, 2020		December 31, 2019
Current	$	14,241	$	-
Non-current		8,194		13,572
	$	22,435	$	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 June 30, 2020.

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 June 2020 is reasonably stated as follows:

Fair Value of the CB	HKD	CAD
Liability Component	$ 46,603,000.00	$ 8,194,366.30
Conversion Option	25,397,000.00	4,465,642.14
Total Fair Value	$ 72,000,000.00	$ 12,660,008.44

9.2 Other loans

		June 30, 2020		December 31, 2019
Current	$	11,880	$	12,793
Non-current		3,516		1,668
	$	15,396	$	14,461

As at June 30, 2020, the balances are unsecured other loans interest bearing of 0%-20% (2019: 0-20%) per annum, and of which approximately CAD $11,880,000 (2019: $12,793,000) have a maturity date by December 31, 2020 and approximately CAD $3,516,000 (2019: $1,668,000) have maturity dates of June 1, 2022 and June 6, 2023.

Included in the above balance is approximately CAD $14,139,393 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		June 30, 2020		December 31, 2019
Balance, beginning of year	$	48,910	$	48,739
Effect of changes in discount rate		863		(975)
Unwinding of discount rate		(111)		1,146
Balance, end of year	$	49,662	$	48,910

As at June 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 1.18% 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:

		June 30, 2020		December 31, 2019
Deferred tax assets (liabilities)				
Exploration and evaluation assets and property, plant and equipment	$	(94,051)	$	(90,290)
Decommissioning liabilities		13,409		13,206
Share issue costs		236		377
Non-capital losses		340,684		336,279
Total Debt		(3,035)		(3,035)
Deferred tax benefits not recognized		(257,242)		(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)	June 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

Issued and fully paid (after share consolidation)	June 30, 2020		December 31, 2019 (restated)	
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:

	June 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	(106,446)	2.86	(718,363)	5.16
Expired	60,000	4.50	(196,067)	6.04
Balance, end of period	9,059,241	2.68	9,105,687	2.67
Exercisable, end of period	6,825,909	2.94	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 June 30, 2020, stock options outstanding had a weighted average remaining contractual life of 2.6 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 June 30, 2020			**Three months ended June 30, 2019**		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$127	$ -	$127	$ 351	$ -	$ 351

	Six months ended June 30, 2020			**Six months ended June 30, 2019**		
	Expensed	Capitalized	Total	Expensed	Capitalized	Total
Stock options	$ 254	$ -	$254	$ 685	$ -	$ 685

14. Segment information

	Three months ended June 30,		**Six months ended June 30,**	
	2020	**2019**	**2020**	**2019**
Petroleum sales	$ -	$ 14,434	$ 3,840	$ 20,451
Royalties	-	(277)	(6)	(345)
Balance, end of period	$ -	$ 14,157	$ 3,834	$ 20,106

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**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**December 31, 2019**
Canada	$ 3,840	$ 20,451	$ 750,670	$ 751,398
The PRC	-	-	658	833
Hong Kong	-	-	307	590
	$ 3,840	$ 20,451	$ 751,635	$ 752,821

15. Revenue

	Three months ended June 30,		**Six months ended June 30,**	
	2020	**2019**	**2020**	**2019**
Petroleum sales	$ -	$ 14,434	$ 3,840	$ 20,451
Royalties	-	(277)	(6)	(345)
Revenue from contracts with customers	$ -	$ 14,157	$ 3,834	$ 20,106

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:

		June 30, 2020		June 30, 2019
Customer A	$	3,834	$	20,106

16. Other income

		Three months ended June 30,				Six months ended June 30,		
		2020		2019		2020		2019
Interest income	$	1	$	2	$	3	$	3
Other income		13		32		440	$	32
Balance, end of period	$	14	$	34	$	443	$	35

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

17. General and administrative costs

		Three months ended June 30,				Six months ended June 30,		
		2020		2019		2020		2019
Salaries, consultants and benefits	$	1,224	$	1,494	$	2,758	$	3,030
Rent		69		14		78		265
Legal and audit		117		156		245		452
Other		582		427		1,283		966
Balance, end of period	$	1,992	$	2,091	$	4,364	$	4,713

18. Finance costs

		Three months ended June 30,				Six months ended June 30,		
		2020		2019		2020		2019
Interest expense on senior notes, including yield maintenance premium	$	(7,992)	$	8,456	$	(3,122)	$	27,056
Interest expense on other loans		831		582		1,767		1,028
Financing related costs		32		6		34		10
Other interest expense		14		27		29		894
Other Interest expenses-leases		35		73		77		129
Unwinding of discounts on provisions		579		289		863		573
Balance, end of period	$	(6,501)	$	9,433	$	(352)	$	32,167

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 $27,704,000 (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.

		Six months ended June 30, 2020		2019 (restated)
Basic and diluted – Class "A" common shares		129,982,773		122,716,932
Loss per share	$	0.21	$	0.28

1) The figure for 2019 is restated on a post share consolidation basis

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:

		June 30, 2020		December 31, 2019
Working capital deficiency	$	260,532	$	506,310
Shareholders' equity		153,514		175,755
	$	414,046	$	682,065

There is no change in the Group's objectives and strategies of capital management for the six months ended June 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:

	June 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)	$ 17,444	$ 17,444	$ 19,814	$ 19,814
Financial liabilities				
Financial liabilities at amortised cost	$ 566,901	$ 566,901	$ 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 six months ended June 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 June 30, 2020 would have been impacted by $Nil (2019: $Nil) and the carrying value of the debt at June 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 June 30, 2020 would have been impacted by $0.23 million (2019: $0.11 million).

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

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Unrealized foreign exchange loss/(gain) on translation of:				
U.S. denominated senior secured notes	$ (11,104)	$ (5,483)	$ 12,713	$ (11,025)
H.K. denominated loan	(1,419)	(739)	1,353	(707)
Foreign currency denominated cash balances	68	13	70	(266)
Foreign currency denominated accounts payable balances	(11)	59	(9)	371
	(12,466)	(6,150)	14,127	(11,627)
Realized foreign exchange loss/(gain)	8	146	24	141
Total foreign exchange loss/(gain)	$ (12,458)	$ (6,004)	$ 14,151	$ (11,486)

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 June 30, 2020, are as follows:

	Total	**Less than 1 year**	**1-2 years**
Trade and accrued liabilities	$ 243,231	$ 243,231	$ -
Debt[1]	323,670	36,643	287,027
	$ 566,901	$ 279,874	$ 287,027

1. Principal amount of Notes and loans based on the month end exchange rate of $1 US = 1.3628 CAD and $1HKD = $0.1758 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 six months ended June 30, 2020, a consulting Group, to which a director of Sunshine is related, charged the Group $0.26 million (December 31, 2019 – $0.5 million) for management and advisory services**.**

As at 30 June 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 June 30,				Six months ended June 30,			
		2020		**2019**		**2020**		**2019**
Directors' fees	$	96	$	147	$	198	$	279
Salaries and allowances		793		226		1,578		500
Share-based compensation		127		351		254		671
	$	1,016	$	724	$	2,030	$	1,450

21.3 Shareholders' loans

		June 30, 2020		**December 31, 2019**
Current	$	10,522	$	12,622
Non-current		4,608		4,383
	$	15,130	$	17,005

As at June 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 $10,522,000 can be rollover for a period of 3 to 6 months and approximately CAD $4,608,000 is repayable in 2 years.

22. Commitments and contingencies

22.1 Commitments

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

At June 30, 2020		Total	2020	2021	2022	2023	2024	Thereafter
Drilling, other equipment and contracts		881	501	76	76	76	76	76
Lease rentals (Note)		4,197	715	1,399	1,256	316	315	196
Office leases		2,340	501	1,129	710	-	-	-
	$	7,418	1,717	2,604	2,042	392	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 June 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 June 30, 2020, the Group had incurred $1.70 million (US $1.25 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 June 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 June 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 June 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 June 30, 2020, the subsidiary had no business activity.

24. Supplemental cash flow disclosures

	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Cash provided by (used in):				
Trade and other receivables	$ 561	$ (244)	$ 2,230	$ (2,304)
Prepaid expenses and deposits	186	(2,943)	1,230	(2,107)
Trade and other payables	220	3,850	(1,839)	4,992
Debt settlement	-	-	324	-
Foreign Exchange changes	(676)	-	952	-
	$ 291	$ 663	$ 2,897	$ 581
Changes in non-cash working capital relating to:				
Operating activities				
Trade and other receivables	$ 561	$ (244)	$ 2,230	$ (2,304)
Prepaid expenses and deposits	186	(2,943)	1,230	(2,107)
Trade and other payables	474	3,934	(1,724)	5,049
	$ 1,221	$ 747	$ 1,736	$ 638
Investing activities				
Property, plant and equipment	$ (254)	$ (84)	$ (115)	$ (57)
Financing activities				
Foreign Exchange Changes-Loans	$ (676)	$ -	$ 952	$ -
Debt settlement	-	-	324	-
	$ (676)	$ -	$ 1,276	$ -
	$ 291	$ 663	$ 2,897	$ 638

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	-	5,322	-	5,322
Payments of bonds and other loans	-	(478)	-	(478)
Proceeds of shareholders' loans	-	-	771	771
Payments of shareholders' loans	-	-	-	-
Payments of lease liabilities	(562)	-	-	(562)
Changes in non-cash items -				
Other loans	-	727	-	727
Shareholders' loans		3,494	(3,494)	-
Lease liabilities	(298)	-	-	(298)
Interest charge	77	-	-	77
Unrealized exchange differences	44	13,443	848	14,335
Balance at June 30, 2020	$ 1,484	$ 308,540	$ 15,130	$ 325,154

25. Approval of Condensed Consolidated Interim Financial Statements

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

		June 30, 2020		December 31,2019
Assets				
Current assets				
Cash and cash equivalents		90		751
Trade and other receivables	$	13,168		16,519
Prepaid expenses and deposits		886		2,329
		14,144		19,599
Non-current assets				
Other receivables		3,516		1,668
Exploration and evaluation assets		270,502		270,008
Property, plant and equipment		476,574		478,644
Right-of-use assets		662		1,078
Amounts due from subsidiaries		13,918		12,100
		765,172		763,498
	$	779,316		783,097
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and accrued liabilities	$	242,891		247,397
Shareholders' loans		9,602		12,040
Other loans		11,880		12,793
Convertible bond		14,241		
Senior notes		-		257,999
Amounts due to subsidiaries		2,787		2,643
		281,401		532,872
Non-current liabilities				
Senior notes		270,709		-
Bonds		8,194		13,572
Other loans		3,516		1,668
Lease liabilities		780		1,123
Provisions		49,662		48,910
		332,861		65,273
Shareholders' Equity				
Share capital	$	1,296,813		1,296,523
Convertible Bond-Conversion Options		4,466		-
Reserve for share-based compensation		76,158		75,904
Deficit		(1,212,383)		(1,187,475)
Total equity	$	165,054		184,952
	$	779,316	$	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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Directors' emoluments				
Directors' fees	$ 96	$ 147	$ 198	$ 279
Salaries and allowances	565	226	1,122	500
Share-based compensation	127	351	254	671
	788	724	1,574	1,450
Other staff costs				
Salaries and other benefits	563	1,268	1,438	2,530
Share-based compensation	-	-	-	14
	563	1,268	1,438	2,544
Total staff costs, including directors' emoluments	1,351	1,992	3,012	3,994
Less: staff costs capitalized to qualifying assets	-	-	-	-
	$ 1,351	$ 1,992	$ 3,012	$ 3,994