阳光油砂

SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SUNSHINE OILSANDS LTD.

(Incorporated in the Canada with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sunshine Oilsands Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 44, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

1. Exploration and evaluation assets and property, plant and equipment

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

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

2. Material uncertainty related to going concern

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

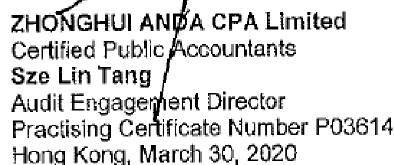
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



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

SUNSHINE OILSANDS LTD.

Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

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

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

"David Yi He"
Independent Non-Executive Director

"Kwok Ping Sun"
Executive Director

SUNSHINE OILSANDS LTD.

Consolidated Statement of Profit or Loss and Other Comprehensive Loss
(Expressed in thousands of Canadian dollars)

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

SUNSHINE OILSANDS LTD.

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

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

SUNSHINE OILSANDS LTD.

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

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

1. General information

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

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

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

2. Basis of preparation

2.1 Going concern

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

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

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at December 31, 2019, the availability of additional financing, and the timing and extent of capital and operating expenditures.

The Company's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, achieve profitable operations, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and refinance current debt, access immediate additional financing and maintain compliance with all terms in debt and forbearance agreements. The timing and extent of forecast capital and operating expenditures is based on the Company's 2020 budget and on management's estimate of expenditures expected to be incurred beyond 2020. The Company has a significant degree of control and flexibility over both the extent and timing of expenditures under its future capital investment program. There is a material risk that the Company will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Senior Notes

(Note 10.3). Management continually monitors the Company's financing requirements and is pursuing negotiations to refinance current debt and access immediate additional financing to fund its ongoing operations. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following December 31, 2019.

These Consolidated Financial Statements reflect management's best estimates after giving consideration to likely outcomes. The consolidated financial statements continue to be prepared in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Company's accounting policies as outlined in financial statement Note 4.

2.2 Statement of compliance

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

2.3 Critical accounting judgments and key sources of estimation uncertainty

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

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

Oil and gas reserves

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

Reserve estimates are critical to many accounting estimates including:

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

Impairment of property, plant and equipment

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

Recoverability of exploration and evaluation costs

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

Decommissioning costs

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

Share-based compensation

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

Deferred income taxes

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

Going concern

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

3. Adoption of new and revised IFRSs

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

IFRS 16 "Leases"

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

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

	$
At January 1, 2019:	
Increase in right-of-use assets	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. Significant accounting policies

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

4.1 Basis of consolidation

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

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

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

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

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling

and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

4.2 Business combination and goodwill

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

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

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

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

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

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

4.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances in each entity's financial statements

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

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

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

Translation on consolidation

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

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

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

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

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

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

4.4 Oil and natural gas exploration and development expenditures

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

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

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

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

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

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

4.5 Property, plant and equipment

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

Suspension costs

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

Maintenance and repairs

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

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

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

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

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

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

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

4.6 Leases

The Group as lessee

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

Trucks	25.0%
Trailers	16.7%
Office premises	33.3%

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

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

4.7 Recognition and derecognition of financial instruments

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

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

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

4.8 Financial assets

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

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

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

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

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

4.9 Loss allowances for expected credit losses

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

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

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

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

4.10 Cash and cash equivalents

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

4.11 Financial liabilities and equity instruments

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

4.12 Borrowings

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

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

4.13 Trade and other payables

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

4.14 Revenue from contracts with customers

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

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

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

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

4.15 Other revenue

Interest income is recognised using the effective interest method.

4.16 Employee benefits

Employee leave entitlements

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

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

Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees’ basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Termination benefits

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

4.17 Share-based compensation

Share options and preferred shares issued to employees

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

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

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

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

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

Share options and preferred shares issued to non-employees

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

4.18 Borrowing costs

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

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

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

4.19 Taxation

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

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

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

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

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

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

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

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

4.20 Related parties

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

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

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

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

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

4.21 Impairment of assets

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

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

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

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

4.22 Provisions and contingent liabilities

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

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

4.23 Decommissioning costs

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

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

4.24 Events after the reporting period

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

5. Trade and other receivables

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

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

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

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

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

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

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

6. Exploration and evaluation assets

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

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

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

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

7. Property, plant and equipment

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

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

		Crude oil assets		Corporate assets		Total
Accumulated depletion, depreciation and impairment						
Balance at January 1, 2018	$	389,183	$	3,480	$	392,663
Depletion and depreciation expenses		13,134		522		13,656
Balance at December 31, 2018	$	402,317	$	4,002	$	406,319
Depletion and depreciation expenses		14,203		425		14,628
Balance at December 31, 2019	$	416,520	$	4,427	$	420,947
Carrying value at December 31, 2018	$	494,412	$	1,403	$	492,815
Carrying value at December 31, 2019	**$**	**477,995**	**$**	**1,060**	**$**	**479,055**

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

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

8. Right-of-use assets and lease liabilities

Right-of-use assets

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

Lease liabilities

Consolidated statement of financial position

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

Cash flow summary

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

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, which are 7.9% for the trucks and trailers, and 10.0% for the office premises.

9. Trade and accrued liabilities

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

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

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

10. Debt

10.1 Bonds

		2019		2018
Non-current	$	13,572	$	-

On June 17, 2019, the Company issued convertible bonds in the principal amount of USD $10.45 million with an independent third party. With an initial conversion price of HKD $0.0822 per share, a maximum of 990,347,263 Class "A" common shares will be allotted and issued upon the full conversion of the convertible bonds. The convertible bonds interest rate is 10.0% per annum and required repayment in full within two years from the issuance date. All the subscription proceeds were subsequently received on 29 July 2019. There was no conversion made during the year ended December 31, 2019.

10.2 Other loans

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

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

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

10.3 Senior notes

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

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

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "Agreement"). On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement ("FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations of terms listed on the Agreement and fully reinstate the Agreement, provided that the Company made the following payments on or before March 27, 2017:

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

Other payments contemplated in the FRA included:

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

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

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

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

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

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

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

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

11. Provisions

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

As at December 31, 2019, the Group's estimated total undiscounted cash flows required to settle asset decommissioning obligations was approximately $75.5 million (2018: $77.0 million). Expenditures to settle asset decommissioning obligations were estimated to be incurred up to 2112. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 1.40% to 2.34% per annum and inflated using an inflation rate of 2.0% per annum.

12. Income taxes

12.1 Current income tax

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

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

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

12.2 Deferred income tax

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

		2019		2018
Deferred tax assets/(liabilities)				
E&E Assets and property, plant and equipment	$	(90,290)	$	(83,667)
Decommissioning liabilities		13,206		13,160
Share issue costs		377		702
Tax losses		336,279		299,767
Total debt		(3,035)		3,147
	$	256,537	$	233,109

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

13. Share capital

The Company's authorized share capital is as follows:

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

Issued and fully paid	2019		2018	
	Number of shares	$	Number of shares	$
Balance, beginning of year	6,135,846,624	1,293,379	5,627,877,613	1,275,008
Private placements	247,954,980	2,812	507,969,011	18,631
Director Share Arrangement	21,779,902	344	-	-
Share issue costs, net of deferred tax ($Nil)	-	(12)	-	(260)
Balance, end of year	6,405,581,506	1,296,523	6,135,846,624	1,293,379

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

2019

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

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

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

On August 16, 2019, the Company entered into a settlement agreement for a total of 100,900,000 Class "A" common shares at a price of HKD $0.070 per share for gross proceeds of HKD $7,062,978.22. On August 22, 2019, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payable with an independent third party.

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

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

2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Share-based compensation

14.1 Employee stock option plan

Post-IPO Stock Option Plan

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

14.2 Fair value of share options granted in the year

The weighted average fair value of the share options granted for the year ended December 31, 2019 was $0.012 (2018: $0.04). Options valued priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Company during 2019 and 2018. It was assumed that option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 15.39%.

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

Input variables	2019	2018
Grant date share price ($)	0.012	0.04

Exercise price ($)	0.012	0.04
Expected volatility (%)	63.91	61.87
Option life (years)	2.84	2.88
Risk-free interest rate (%)	1.48	1.95
Expected forfeitures (%)	15.39	15.39

14.3 Movements in stock options

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

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

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

14.4 Share-based compensation

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

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

15. Segment information

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

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

Geographical information

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

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

16. Revenue

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

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

Revenue from the sale of crude oil is recognized when consideration is due when title has transferred and is generally collected in the month following the month of delivery. Revenues associated with the sale of crude oil are recognized at a point in time when control of goods have transferred, which is generally when title passes from the Group to the customer. Revenues are recorded net of crown royalties. Crown royalties are recognized at the time of production.
The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently in pre-payout.

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

The Group's petroleum sales are determined pursuant to the terms of the marketing agreements and spot sales agreements. The transaction price for crude oil is based on the commodity price in the month published during the delivery month and adjusted for premiums, quality adjustments and equalization adjustments. Commodity prices are based on market indices that are determined on a daily or monthly basis. Petroleum sales are received one month after the crude oil is produced and shipped and typically collected on the 25th day of the month following production.

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

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

17. Other income

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

18. General and administrative costs

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

19. Finance costs

		2019		2018
Interest expense on senior notes, including yield maintenance premium	$	61,200	$	50,307
Interest expense on other loans		1,832		731
Financing related costs		544		1,019
Other interest expense		1,922		2,180
Other interest expense - leases		261		-

Unwinding of discounts on provisions		1,146		1,112
	$	66,905	$	55,349

20. Loss per share

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

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

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

21. Dividends

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

22. Capital and financial risks management

22.1 Capital risk management

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

The Group's strategy is to access sufficient capital, through equity issuances and the utilization of debt, in order to maintain a capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Group manages its capital structure in order to continue as a going concern and makes adjustments relative to changes in economic conditions and the Group's risk profile. In order to manage risk, the Group may from time to time issue shares and adjust its capital spending to manage current working capital levels.

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

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

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

22.2 Categories of financial instruments

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

		2019		2018
	Carrying amount	Fair value	Carrying amount	Fair value

Financial assets								
Financial assets at amortised cost (including cash and cash equivalents)	$	19,814	$	19,814	$	15,403	$	15,403
Financial liabilities								
Financial liabilities at amortised cost	$	550,640	$	550,640	$	478,589	$	478,589

22.3 Fair value of financial instruments

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

22.4 Financial risk management

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

22.5 Market risk

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

22.5.1 Price risk

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

22.5.2 Currency risk

The Group is exposed to risks arising from fluctuations in foreign currency exchange rates. Thus, exchange rate fluctuations can affect the fair value of future cash flows. This exposure primarily relates to certain expenditure commitments, deposits, other receivables, trade payables and long term debt which are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or United States vendors as well as timing of transactions. The Group had no forward exchange rate contracts in place as at or during the year ended December 31, 2019 (2018: Nil).

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

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

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

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

22.5.3 Interest rate risk

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

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

22.6 Credit risk

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

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

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

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

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

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

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

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

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

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

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

22.7 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds.

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

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

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

23. Related party transactions

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

23.1 Trading transactions

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

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

23.2 Compensation of key management personnel

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

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

23.3 Shareholders' loans

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

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

24. Commitments and contingencies

24.1 Commitments

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

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

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

Note:

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

24.2 Litigation

The Group has been named as a defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Company (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Company to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Company's IPO) of the Company that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for $40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. At December 31, 2019, no amounts have been accrued in the consolidated financial statements as the ultimate resolution is undeterminable at this time. The Group will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

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

The Group is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Unfavorable outcome were to occur against such claims or pending claims, there exists the possibility of a material adverse impact on the Group's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At December 31, 2019, the Group had incurred $4.46 million in liens against them during the ordinary course of business.

On or around February 27, 2019, Group was required to pay CAD $0.7M into the Alberta Court of Queen's Bench, and which amount was subsequently released from Court on or about October 15, 2019 in satisfaction of the creditor's judgment. The judgment is under appeal by the Group. On June 19, 2019, the Group received another notice from the Alberta Court of Queen's Bench. As a result, CAD $0.54 million of cash was to be put aside for creditor repayment subsequent to end of Q2. The court case was then dismissed.

25. Statement of financial position and reserves of the Company

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

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	751	451
Trade and other receivables	$ 16,519	$ 12,431
Prepaid expenses and deposits	2,329	2,881
	19,599	15,763
Non-current assets		
Other receivables	1,668	-
Exploration and evaluation assets	270,008	269,218
Property, plant and equipment	478,644	492,288
Right-of-use assets	1,078	-
Amounts due from subsidiaries	12,100	10,935
	763,498	772,441
	$ 783,097	$ 788,204
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and accrued liabilities	$ 247,397	$ 183,137
Shareholders' loans	12,040	-
Other loans	12,793	24,462
Senior notes	257,999	270,990
Amounts due to subsidiaries	2,643	2,761
	532,872	481,350
Non-current liabilities		
Bonds	13,572	-
Other loans	1,668	-
Lease liabilities	1,123	-
Provisions	48,910	48,739
	65,273	48,739
Shareholders' Equity		
Share capital	$ 1,296,523	$ 1,293,379
Reserve for share-based compensation	75,904	74,531
Deficit	(1,187,475)	(1,109,795)
Total equity	$ 184,952	$ 258,115
	$ 783,097	$ 788,204

25.2 Reserves of the Company

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

26. Subsidiaries

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

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

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

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

27. Supplemental cash flow disclosures

	2019	2018
Cash provided by (used in):		
Trade and other receivables	$ (4,718)	$ 1,288
Prepaid expenses and deposits	(3,726)	(2,098)
Trade and accrued liabilities	258	10,023
Debt settlement	3,144	8,724
Foreign exchange changes	(381)	(8,549)
	$ (5,423)	$ 9,388
Changes in working capital relating to:		
Operating activities		
Trade and other receivables	$ (4,718)	$ 1,288
Prepaid expenses and deposits	(3,726)	(2,098)
Trade and accrued liabilities	784	1,756
	$ (7,660)	$ 946
Investing activities		
Property, plant and equipment	(907)	(282)
Financing activities		
Share issue costs, IPO costs and finance costs	3,144	8,724
	$ (5,423)	$ 9,388

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

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

28. Directors' emoluments and other staff costs

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

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

28.1 Directors' emoluments

Details of the directors' emoluments are as follows:

For the year ended December 31, 2019					
Name of Director	Directors' fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based compensation	Total
Kwok Ping Sun	$ 70	$ 859	$ 3	$ 1,277	$ 2,209
Michael Hibberd	63	809	-	-	567
Hong Luo[1]	23	-	-	-	23
Raymond Fong[2]	31	-	-	16	47
Yi He	59	-	-	-	59
Joanne Yan[3]	34	-	-	-	34
Xijuan Jiang	51	-	-	-	51
Gloria Ho	50	583	3	64	700
Guangzhong Xing[4]	26	-	-		16
Alfa Li[5]	24	-	-	-	24
Jeff Jingfeng Liu [6]	12	-	-	-	12
Linna Liu	39	-	-	-	39
	$ 482	$ 2,251	$ 6	$ 1,357	$ 3,807

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

For the year ended December 31, 2018

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

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

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28.2 Five highest paid individuals

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

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

The emoluments fell within the following bands:

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

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

29. Subsequent Events

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

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

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

30. Approval of consolidated financial statements

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