阳光油砂
SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.
陽光油砂有限公司*

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

(HKEX: 2012)

ANNOUNCEMENT OF RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2020

Sunshine Oilsands Ltd. is pleased to announce its financial results for the fourth quarter and year ended December 31, 2020. Please see the attached announcement for further information.

By Order of the Board of Sunshine Oilsands Ltd.
Sun Kwok Ping
Executive Chairman

Hong Kong, March 26, 2021
Calgary, March 26, 2021

As at the date of this announcement, the Board consists of Mr. Kwok Ping Sun and Ms. Gloria Pui Yun Ho as executive directors; Mr. Michael John Hibberd, Ms. Linna Liu and Ms. Xijuan Jiang as non-executive directors; and Mr. Yi He, Mr. Alfa Li and Mr. Guangzhong Xing as independent non-executive directors.

**For identification purposes only*

Sunshine Oilsands Ltd.
Announcement of Results for the Fourth Quarter and the Year Ended December 31, 2020

CALGARY/HONG KONG – Sunshine Oilsands Ltd. (the "**Company**" or "**Sunshine**") **(HKEX: 2012)** today announced its financial results for the fourth quarter and year ended December 31, 2020. The Corporation's consolidated financial statements, notes to the consolidated financial statements and Management's Discussion and Analysis have been filed with The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (www.hkexnews.hk) and are available on the Corporation's website (www.sunshineoilsands.com). All figures are in Canadian dollars unless otherwise stated.

MESSAGE TO SHAREHOLDERS

For three and twelve months ended December 31, 2020, the Company's average bitumen production was 0 bbls/day and 247.3 bbls/day respectively. Diluent was blended at 0% and 19.6% volumetric rate for the three and twelve month ended December 31, 2020 with the bitumen as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 0 bbls/day and 293 bbls/day for the three and twelve months ended December 31, 2020.

SUNSHINE'S CAPITAL RAISING ACTIVITIES DURING 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 $1,896,000 (CDN$324,000). On March 5, 2020, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

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

On October 1, 2020, the Company received notice for conversion from the Subscriber of the HK$72,000,000 CB as per the Subscription agreement dated 1 April 2020. The Subscriber, as intended to convert the CB in whole, has made application to the Securities & Futures Commission of Hong Kong ("HKSFC) for a Whitewash Waiver and the HKSFC has conditionally granted the Whitewash Waiver on 4 March 2021. The conversion and whitewash waver have been approved by independent shareholders at the special general meeting on March 5, 2021 (Hong Kong time).

SUMMARY OF FINANCIAL FIGURES

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

(Canadian $000s)	**December 31, 2020**	December 31, 2019
Cash	838	1,254
Trade and other receivables	1,636	5,449
Exploration and evaluation assets	256,195	253,144
Property, plant and equipment	481,825	479,055
Total liabilities	596,240	601,773
Shareholders' equity	165,420	158,885

2021 Outlook

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

Kwok Ping Sun
Executive Chairman

Gloria Ho
Chief Financial Officer

ABOUT SUNSHINE OILSANDS LTD.

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

For further enquiries, please contact:

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FORWARD LOOKING INFORMATION

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

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SUNSHINE OILSANDS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended December 31, 2019 and 2020

This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of Sunshine Oilsands Ltd. ("Sunshine" or the "Company") for the three and twelve months ended December 31, 2020 is dated March 25, 2021, and approved by the Company's Board of Directors. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2020. All amounts and tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.

Overview

Sunshine is a holder and a developer of Athabasca region oil sands resources with approximately 0.95 billion barrels of risked best estimate contingent resources. The Company's un-risked best estimate contingent resources at December 31, 2020 was approximately 1.63 billion barrels. With approximately 1 million acres of oil sands and petroleum and natural gas leases, the Company has significant commercial development potential. Phase I (5,000 barrels) of the West Ells 10,000 barrels thermal commercial project is in production. The Athabasca region is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the Western Hemisphere and the third largest oil resource in the world. Canadian oil sands represent the largest single source of supply of oil imported into the United States. The Company has one business and geographical segment. Accordingly, no business and geographical segment information is presented.

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

As at December 31, 2020, the Company had invested approximately $1.29 billion in oil sands leases, drilling operations, project engineering, procurement and construction, operation start-up, regulatory application processing and other assets. As at December 31, 2020, the Company had $0.84 million in cash.

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

Operational Update

West Ells

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

For three and twelve months ended December 31, 2020, the Company's average bitumen production was 0 bbls/day and 247.3 bbls/day respectively. Diluent was blended at a 0% and 19.6% volumetric rate for the three and twelve month ended December 31, 2020 with the bitumen as part of the production process to create the marketable "Dilbit" blend product. The average Dilbit sales volume was 0 bbls/day and 293 bbls/day for the three and twelve months ended December 31, 2020.

Thickwood and Legend

The Thickwood and Legend projects are each planned for initial phase one production of 10,000 barrels per day. Regulatory approval for Thickwood was received in the third quarter of 2013 while Legend approval is expected in 2021. Once the Thickwood and Legend Lake's projects are sanctioned for development and construction, significant additional financing will need to be secured to proceed.

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

As at the date of this report, Muskwa has no production. Development of Godin areas is expected to be reactivated in 2021 under new ownership of Renergy, at no cost to Sunshine.

Summary of Quarterly Results

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

($ thousands except per share & bbl/d)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019 (restated)	Q3 2019	Q2 2019	Q1 2019
Bitumen sales (bbl/d)	-	-	-	871	1,657	2,130	2,049	999
Petroleum sales	78	266	-	3,840	9,192	12,691	14,434	6,017
Royalties	-	-	-	5	94	179	277	68
Diluent	-	560	46	1,236	3,133	3,345	3,747	1,491
Transportation	-	151	(4)	2,379	2,933	4,561	4,140	2,321
Operating costs	1,518	1,584	1,940	4,679	3,027	4,765	5,616	4,581
Finance cost	11,304	13,998	(6,501)	6,149	26,448	8,290	9,433	22,734
Net loss/(gain)	(41,190)	12,028	(14,591)	41,770	43,530	19,140	9,799	25,116
Per share - basic and diluted	(0.02)	0.09	0.16	0.32	0.64	0.33	0.28	0.21
Capital expenditures[1]	450	294	431	299	654	549	1,095	342
Total assets	761,660	766,750	771,561	773,605	760,658	775,818	781,385	781,366
Working capital deficiency[2]	509,044	538,179	260,532	262,004	515,555	488,052	489,793	483,933
Shareholders' equity	165,420	141,463	153,514	134,418	158,885	201,204	217,723	227,171

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

Results of Operations

Operating Netback

	For the three months ended December 31,				For the twelve months ended December 31,			
($ thousands, except $/bbl)		2020		2019		2020		2019
Realized bitumen revenue	$	78	$	6,059	$	2,340	$	30,618
Transportation		-		(2,933)		(2,527)		(13,955)
Royalties		-		(94)		(5)		(618)
Net bitumen revenues	$	78	$	3,032	$	(192)	$	16,045
Operating costs		(1,518)		(3,027)		(9,722)		(17,989)
Operating cash flow[1]	$	(1,440)	$	5	$	(9.913)	$	(1,944)
Operating netback ($ / bbl)		-		0.03		(115.01)		(3.14)

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

The Operating cash flow for the three months ended December 31, 2020 was a net loss of $1.4 million compared to a net gain of $0.005 million for the three months ended December 31, 2019. Operating netback gain per barrel basis was $0.03/bbl for the three months ended December 31, 2019. The decrease in the operating cash flow per barrel was primarily due to temporary suspension of production since March 31, 2020 resulting from volatility in the international crude oil market and severe decline in crude prices.

The operating cash flow for the twelve months ended December 31, 2020 was a net loss of $9.9 million compared to a net loss of $1.9 million for the twelve months ended December 31, 2019. Operating netback loss per barrel basis increased by $111.87/bbl to a loss of $115.01/bbl from a loss of $3.14/bbl for the year ended December 31, 2020. The increase of the operating cash flow deficiency is primarily due to year over year drop in average petroleum sales price and temporary suspension of production since March 31, 2020.

Bitumen Production

	For the three months ended December 31 ,		For the twelve months ended December 31,	
(Barrels/day)	2020	2019	2020	2019
Bitumen production	-	1,589	247	1,702

Bitumen production at West Ells for the three and twelve months ended December 31, 2020 averaged 0 Bbls/day and 247 Bbls/day compared to 1,589 Bbls/day and 1,702 Bbls/day for the three and twelve months ended December 31, 2019, respectively. Bitumen production decreased by 1,589 Bbls/day and 1,455 Bbls/day for the three and twelve months ended December 31, 2020 compared to the same periods in 2019 due to temporary production suspension since March 31, 2020. The Company will continue to monitor the international oil market and the development of Covid-19 pandemic in North America closely.

Bitumen Sales

	For the three months ended December 31,		For the twelve months ended December 31,	
(Barrels/day)	2020	2019	2020	2019
Bitumen Sales	-	1,657	236	1,700

Bitumen sales at West Ells for the three and twelve months ended December 31, 2020 averaged 0 Bbls/day and 236 Bbls/day compared to 1,657 Bbls/day and 1,700 Bbls/day for the three and twelve months ended December 31, 2019, respectively. Bitumen sales decreased by 1,657 Bbls/day for the three months ended December 31, 2020 compared to the same period of 2019 due to temporary suspension of production since March 31, 2020. For the twelve months ended December 31, 2020, bitumen sales decreased by 1,464 Bbls/day compared to the same period of 2019 due to temporary suspension of production since March 31, 2020 .

Petroleum Sales, net of royalties

	For the three months ended December 31 ,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2020	2019	2020	2019
Petroleum sales	$ 78	$ 9,192	$ 4,184	$ 42,334
Royalties	-	(94)	(5)	(618)
Balance, end of period	$ 78	$ 9,098	$ 4,179	$ 41,716
$ / bbl	-	59.69	48.45	67.22

Petroleum sales are from the sales of Dilbit. Petroleum sales, net of royalties for the three months ended December 31, 2020 decreased by $9.1 million to $0.1 million from $9.2 million for the same period of 2019. The decrease of $9.1 million sales (net of royalties) is mainly due to temporary suspension of production since March 31, 2020. No sales occured in Q4 2020. $0.1 million is the adjustment for Q3 2020.

Petroleum sales, net of royalties for the twelve months ended December 31, 2020 decreased by $37.5 million to $4.2 million from $41.7 million for the twelve months ended December 31, 2019. Petroleum sales per barrel, net of royalties decreased by $18.77/bbl to $48.45/bbl from $67.22/bbl for the same period of 2019. Petroleum sales net of royalties decreased by $37.5 million primarily due to temporary suspension of production since March 31, 2020 and decline in Dilbit prices in Q1 2020 versus Q1 2019.

The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The West Ells project is currently in pre-payout. Royalties for the three and twelve months ended December 31, 2020 decreased by $0.09 million and $0.6 million compared to the same period of 2019. The decreases in 2020 are mainly due to significant decrease of Dilbit sales resulting from temporary suspension of production since March 31,2020.

Bitumen Realization

($ thousands, except $/bbl)	For the three months ended December 31 , 2020	2019	For the twelve months ended December 31, 2020	2019
Dilbit revenue	$ 78	$ 9,192	$ 4,184	$ 42,334
Diluent blended	-	(3,133)	(1,842)	(11,716)
Realized bitumen revenue[1]	$ 78	$ 6,059	$ 2,342	$ 30,618
($ / bbl)	-	39.75	27.14	49.34

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

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

During the three months ended December 31, 2020, the Company's bitumen realization revenue decreased by $6.0 million to $0.1 million from $6.1 million for the three months ended December 31, 2019. The decrease in bitumen realization revenue was primarily due to temporary suspension of production since March 31, 2020. No sales occured in 4Q2020. $0.1 million is the adjustment for 3Q2020.

During the twelve months ended December 31, 2020, the Company's bitumen realization revenue decreased by $28.3 million to $2.3 million from $30.6 million for the same period in 2019. The bitumen realized price per barrel decreased by $22.2/bbl to $27.14 /bbl from $49.34 /bbl.

Diluent Costs

($ thousands, except $/bbl and blend ratio)	For the three months ended December 31, 2020	2019	For the twelve months ended December 31, 2020	2019
Diluent	$ -	$ 3,133	$ 1,842	$ 11,716
$/bbl	-	20.56	21.38	18.88
Blend ratio	-	17.8%	19.6%	18.3%

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

Diluent costs per barrel for the twelve months ended December 31, 2020 was $21.38/bbl compared to $18.88/bbl for the twelve months ended December 31, 2019. Diluent costs decreased by $3.1 million and $9.9 million for the three and twelve months ended December 31, 2020 and 2019 respectively were mainly due to temporary suspension of production since March 31, 2020.

Transportation

($ thousands, except $/bbl)	For the three months ended December 31, 2020	2019	For the twelve months ended December 31, 2020	2019
Transportation	$ -	$ 2,933	$ 2,526	$ 13,955
$ / bbl	-	19.24	29.31	22.49

Transportation costs consist of trucking costs for Dilbit and pipeline terminals fees. The transportation expense per barrel for the three months ended December 31, 2020 was $0/bbl compared to $19.24/bbl for the three months ended December 31, 2019. The decrease in the transportation cost per barrel for the three months ended December 31, 2020 and 2019 was due to temporary suspension of production since 31 March 2020. The transportation expense per barrel for the twelve months ended December 31, 2020 was $29.31/bbl compared to $22.49/bbl for the twelve months ended December 31, 2019. The increase in the transportation cost per barrel for the twelve months ended December 31, 2020 and 2019 was mainly due to increased transportation rates charged by the third party trucking companies in Q1 2020.

Operating Costs

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands, except $/bbl)	2020	2019	2020	2019
Energy operating costs	$ 364	$ 138	$ 2,268	$ 4,141
Non-energy operating costs	1,155	2,889	7,453	13,848
Operating costs	$ 1,519	$ 3,027	$ 9,721	$ 17,989
$ / bbl	-	19.86	112.77	28.99

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

The operating expense per barrel for the twelve months ended December 31, 2020 was $112.77/bbl compared to $28.99/bbl for the twelve months ended December 31, 2019. For the twelve months ended December 31, 2020, the increase in operating costs per barrel from the prior period is primarily due to no production since March 31, 2020. Since the majority of the operating costs at West Ells are fixed in nature, the operating costs per barrel of production should be reduced as production resumes at West Ells.

General and Administrative Costs

	For the three months ended December 31 , 2020			2019		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 1,092	$ -	1,092	$ 1,298	$ -	1,298
Rent	142	-	142	13	-	13
Legal and audit	136	-	136	92	-	92
Other	1,242	-	1,242	352	-	352
Total	$ 2,612	$ -	2,612	$ 1,755	$ -	1,755

	For the twelve months ended December 31, 2020			2019		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Salaries, consulting and benefits	$ 5,044	$ -	5,044	$ 6,045	$ -	6,045
Rent	169	-	169	297	-	297
Legal and audit	455	-	455	777	-	777
Other	2,641	-	2,641	1,931	-	1,931
Total	$ 8,309	$ -	8,309	$ 9,050	$ -	9,050

The Company's general and administrative costs were $2.6 million and $8.3 million for the three and twelve months ended December 31, 2020 compared to $1.8 million and $9.1 million for the three and twelve months ended December 31, 2019. General and administrative costs decreased by $0.7 million for the twelve months ended December 31, 2020 compared to the same periods in 2019 primarily due to reduction in rent subsequent to office relocation in 2019, workforce reductions and the Company's continued focus on cost management.

Finance Costs

($ thousands)	For the three months ended December 31, 2020	2019	For the twelve months ended December 31, 2020	2019
Interest expense on senior notes, including yield maintenance premium	$ 13,407	$ 24,865	$ 20,084	$ 61,200
Interest expense on other loans	(825)	644	3,039	1,832
Other interest expense	(127)	589	1,143	2,466
Other interest expense –lease	67	64	182	261
Unwinding of discounts on provisions	(1,218)	286	502	1,146
Finance costs	$ 11,304	$ 26,448	$ 24,950	$ 66,905

The Company's finance costs were $11.3 million and $25.0 million for the three and twelve months ended December 31, 2020 compared to $26.4 million and $66.9 million for the three and twelve months ended December 31, 2019. For the three months ended December 31, 2020, finance costs decreased by $15.1 million compared to the same period in 2019 was mainly due to the adjustment for prior year interests and $42 million interest waiver for 2020. For the twelve months ended December 31, 2020, finance costs decreased by $42.0 million compared to the same period in 2019 as a result of a decrease of $41.1 million attributed to interest expense on senior notes including YMP (which was mainly due to $42 million interest waiver for 2020 and adjustment for prior period).

Share-based Compensation

	For the three months ended December 31 , 2020			2019		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Share-based compensation	$ 253	-	253	$ 345	-	345

	For the twelve months ended December 31, 2020			2019		
($ thousands)	**Total**	**Capitalized**	**Expensed**	**Total**	**Capitalized**	**Expensed**
Share-based compensation	$ 507	-	507	$ 1,373	-	1,373

Share-based compensation expense for the three and twelve months ended December 31, 2020 was $0.3 million and $0.5 million compared to $0.3 million and $1.4 million for the same periods in 2019. The fair value of share-based compensation associated with the granting of stock options is recognized by the Company in its audited consolidated financial statements . Fair value is determined using the Black-Scholes option pricing model.

Depletion, Depreciation and Impairment

($ thousands, except $/bbl)	For the three months ended December 31, 2020	2019	For the twelve months ended December 31, 2020	2019 (restated)
Depletion	$ 62	$ 3,311	$ 2,120	$ 14,204
Depreciation	297	365	1,434	1,503
Impairment	-	16,870	-	16,870
Depletion and depreciation	$ 359	$ 20,546	$ 3,554	$ 32,577
Depletion ($ / bbl)	-	21.73	24.89	22.89

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

Depletion and depreciation expense was $0.4 million and $3.5 million for the three and twelve months ended December 31, 2020 compared to $20.5 million and $32.6 million for the three and twelve months ended December 31, 2019, respectively. Depletion and depreciation expense decreased by $20.1 million and $29.1 million for the three and twelve months ended December 31, 2020 compared to the same periods in 2019 mainly due to no depletion in Q2, Q3 & Q4 2020 resulting from temporary suspension of production and no impairment in 2020.

As of December 31, 2020, the company did not identify any indicators of further impairment (restated $16,870,00 impairment in 2019) of the E&E Assets or the West Ells CGU.

Exploration & Evaluation ("E&E") Asset Impairment

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.

At December 31, 2019, the Company has identified indicators of impairment in its E&E assets attributable to declines in crude oil prices. The Company calculated the recoverable amount of the based on forecasted cash flows from proved plus probable reserves using a 10% before-tax discount rate. Based on the assessment as at December 31, 2019, the carrying amount of was higher than the recoverable amount of approximately CAD16,870,000. As such the Company has recognised an impairment loss of CAD16,870,000.

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

Recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ"). The projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on GLJ's evaluation of the Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Future cash flow estimates are discounted using after-tax risk-adjusted discount rates. The pre-tax discount rates applied in the impairment calculation as at December 31, 2020 was 10% (2019: 10%) based on the specific risk to the assets.

For the year ended December 31, 2020 and 2019, the Group did not recognize an impairment loss based on its assessment that the estimated recoverable amount exceeded the carrying value.

Year	Oilfield Costs Inflation %	Exchange 1 CAD = x USD	WTI @Cushing $US/bbl	WCS @ Hardisty $/bbl	Heavy Oil 12 API @Hardisty $/bbl	AECO Spot ($/MMbtu)
2021	0	0.78	48.00	45.16	39.52	2.72
2022	1	0.77	51.50	49.67	43.97	2.67
2023	2	0.76	54.50	53.95	48.11	2.60
2024	2	0.76	57.79	57.92	51.88	2.60
2025	2	0.76	58.95	59.09	52.94	2.65
2026	2	0.76	60.13	60.26	54.00	2.71
2027	2	0.76	61.33	61.47	55.10	2.76
2028	2	0.76	62.56	62.70	56.22	2.81
2029	2	0.76	63.81	63.96	57.35	2.87
2030	2	0.76	65.09	65.24	58.50	2.92
2030+	escalate oil, gas and product prices at 2% per year thereafter					

Income Taxes

The Company did not recognize any deferred income tax assets, which relate primarily to unrecognized tax losses, for the three and twelve months ended December 31, 2020 and 2019. Recognition of tax losses is based on the Company's consideration of its internal development plan for its asset base and the assumption as to whether or not these tax losses will be utilized before their expiry dates. At December 31, 2020, the Company had total available tax deductions of approximately $1.61 billion, with unrecognized tax losses that expire between 2030 and 2039.

Liquidity and Capital Resources

		December 31, 2020		December 31, 2019 (restated)
Working capital deficiency	$	509,044	$	515,555
Shareholders' equity		165,420		158,885
	$	674,464	$	674,440

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

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

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

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

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

Other payments contemplated in the FRA included:

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

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

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

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

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

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

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

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

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

The Notes contain various non-financial covenants, which among other things, restrict the Company with respect to certain capital expenditures and payments, making investments and loans, incurrence of additional debt and issuance of certain preferred stock, paying dividends, altering the nature of the business, reporting status and undertaking certain corporate transactions.

The Note Indenture allows the Company to incur additional indebtedness in an aggregate principal amount not to exceed USD 5.0 million (the "Permitted Debt"). The Company had asked for consent from a majority note holders, effective as of April 14, 2016, to amend the Note Indenture to increase the amount of Permitted Debt from USD 5.0 million to USD 15.0 million. A majority of the Note holders agreed to this amendment as of May 11, 2016. As of December 31, 2020, the Company had incurred unsecured third party debt for a total of USD 32.0 million (CDN 40.7 million equivalent). (Permitted Debt limit is USD 15.0 million.)

The Group has presented the Notes, Loans and Bonds as a current liability on the Audited consolidated financial statements of Financial Position as at December 31, 2020.

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

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2020 municipal property taxes of CAD 10.96 million. The Group was also charged with overdue penalties of CAD 5.26 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 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 recognised 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, 2020, the Group had incurred CAD4.46 million in liens against them during the ordinary course of business.

The Notes are translated into Canadian dollars at the period end exchange rate of $1USD = $1.2732 CAD.

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

For the three and twelve months ended December 31, 2020, the Group reported a net loss of $41 million and the net profit of $2 million, respectively. At December 31, 2020, the Group had a working capital deficiency of $509 million including senior notes of $252.9 million and an accumulated deficit of $1,211.2 million.

The Group's debt-to-asset ratio, measured on the basis of total liabilities divided by total assets was 78% as at December 31, 2020, compared to 79% as at December 31, 2019 (restated).

The Group is exposed to currency risks primarily through loan receivables, loans from related companies, other loans, senior notes and convertible bonds and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollar ("HK$"), United States dollar ("US$") and Renminbi ("RMB").

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2020			2019		
	HK$ CAD'000	US$ CAD'000	RMB CAD'000	HK$ CAD'000	US$ CAD'000	RMB CAD'000
Asset						
Bank balances and cash	440	1	379	577	1	25
Loan receivables	12,882	-	-	13,411	-	-
Liabilities						
Convertible bonds	(9,306)	-	-	-	(13,572)	-
Loan from related companies	(16,764)	-	(16,148)	(12,040)	-	(4,965)
Other loans	(13,204)	-	-	(14,461)	-	-
Senior notes	-	(252,911)	-	-	(257,999)	-
	(25,952)	(252,910)	(15,769)	(12,513)	(271,570)	(4,940)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

Commitments and Contingencies

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

Transactions with Related Parties

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

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

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

As of December 31, 2020, Mr. Kwok Ping Sun, the Group's Executive Chairman, has beneficial ownership of, or control or direction of 36,308,540 common shares of the Group that represents approximately 28.03% of the Group's outstanding common shares.

As at December 31, 2020, the Company had loans from related companies which are unsecured, interest bearing at 10% per annum, and of which approximately CAD 32,744,000 are due within one year and approximately CAD $263,000 is repayable in 2 years.

Off-balance Sheet Arrangements

As at December 31, 2020, the Group did not have any other off-balance sheet arrangements.

Subsequent Events

Interest waiver with holders of senior notes

On February 5, 2021, the Company and the Forbearing Holders entered into an interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holders agree to unconditionally and irrevocably waive the interest accrued between January 1, 2020 to December 31, 2020 at 10.0% per annum on the outstanding amounts (principal and interests) under the Forbearance Reinstatement and Amending Agreement ("FRAA") dated April 24, 2020 (the "Waiver of Interest") which amounted to US$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

COVID-19 outbreak

The global impact of COVID-19 has resulted in significant declines in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. In addition, there has been a significant drop in the price of oil in global and Canadian markets. These factors may have a negative impact on the Company's operations and its ability to raise financing in the near future or on terms favourable to the Company. The potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time.

Conversion of Convertible Bonds by Executive Chairman

The Company received notice for conversion from Prime Union Enterprises Ltd on October 1, 2020 stating that it intended to convert the convertible bonds subscribed under the Subscription Agreement dated April 1, 2020 (Hong Kong time), in full. The resolutions approving such conversion were duly passed at the special general meeting of the Company held on March 5, 2021 (Hong Kong time). On March 4, 2021 (Hong Kong time), the Securities and Futures Commission of Hong Kong granted the whitewash waiver in this connection. As at the date hereof, the conversion has yet to be completed.

Critical Accounting Policies and Estimates

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

For a detailed discussion regarding to the Group's critical accounting policies and estimates, please refer to Note 5 to the consolidated annual financial statements for the year ended December 31, 2020

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Group, their potential impact and the Group's principal risk management strategies are substantially unchanged from those disclosed in the Group's MD&A for the year ended December 31, 2020. The 2020 annual report of the Group will be available at the Group's website at www.sunshineoilsands.com, and the website of the SEHK, www.hkexnews.hk.

Disclosure Controls and Procedures

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Frank Ng, who temporarily assumes direct responsibility for all CEO tasks and functions, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Group is made known to the Group's CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. As at December 31, 2020, the Chief Financial Officer and the interim Chief Executive Officer evaluated the design and operation of the Group's DC&P. Based on that evaluation, the Executive Director of the Board and the Chief Financial Officer and the interim Chief Executive Officer concluded that the Group's DC&P were effective as at December 31, 2020.

Internal Controls over Financial Reporting

Gloria Ho, Executive Director of the Board and Chief Financial Officer and Mr. Frank Ng, who temporarily assumes direct responsibility for all CEO tasks and functions, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Group's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Group used the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework); they have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Group's ICFR at December 31, 2020, and concluded that the Group's ICFR are effective at December 31, 2020 for the foregoing purpose.

No material changes in the Group's ICFR were identified during the three months and year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Group's ICFR. It should be noted that a control system, including the Group's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

ADVISORY SECTION

Non-GAAP Measures

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

Cash Flow Used in Operations

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

	For the three months ended December 31,		For the twelve months ended December 31,	
($ thousands)	2020	2019	2020	2019 (restated)
Net cash used in operating activities	$ 2,299	$ (6,682)	$ (11,341)	$ (16,115)
Add Net change in non-cash operating working capital items	(5,452)	5,411	(5,265)	5,202
Cash flow used in operations	$ (3,153)	$ (1,271)	$ (16,606)	$ (10,913)

Forward-Looking Information

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

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

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

Additional Stock Exchange Information

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

Code of Corporate Governance Practice (the "Code")

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

The Group confirms that the Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Hong Kong Listing Rules"), has been complied with following its public listing, save that the Group has not entered into formal letters of appointment with its Directors. Consistent with the market practice in Canada, each of the Group's Directors are appointed on an annual basis by the shareholders of the Group at each annual general meeting. This is a deviation from D.1.4 of the Code.

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

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

Movements in Stock Options

The table below presents the movements in stock options for Directors, the chief executive and other executive management of the Group during the period ended December 31, 2020.

Name	December 31, 2019 Restated	Granted	Exercised	Forfeited	Expired	December 31, 2020
Kwok Ping Sun	6,933,580	-	-	-	-	6,933,580
Michael Hibberd	933,580	-	-	-	-	933,580
Gloria Ho	400,000	-	-	-	-	400,000
Yi He	150,000	-	-	-	-	150,000
Linna Liu	-	-	-	-	-	-
Xijuan Jiang	20,000	-	-	-	-	20,000
Guangzhong Xing (1)	100,000	-	-	-	-	100,000
Alfa Li	-	-	-	-	-	-
Sub-total for Directors	8,537,160	-	-	-	-	8,537,160
Sub-total for other share option holders	628,527	-	-	(109,686)	-	518,841
Total	9,165,687	-	-	(109,686)	-	9,056,001

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

Please refer to our consolidated financial statements included in the 2020 Annual Report for additional details on our stock option plans and movements for the year ended December 31, 2020.

Fair Value of Share Options Granted

The weighted average fair value of the share options granted for the period ended December 31, 2020 was CAD 0.6 (year ended December 31, 2019 – CAD 0.012). Options were valued using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non- transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility of the Group during 2020 and 2019.

The table below details the input variables used in the Black-Scholes model to determine the fair value of options granted for the year ended December 31, 2020 and December 31, 2019.

Input variables	2020	2019
Grant date share price ($)	0.60-2.00	0.012
Exercise price ($)	0.60-2.00-	0.012
Expected volatility (%)	61.88-63.91-	63.91
Option life (years)	1.32-2.50-	2.84
Risk-free interest rate (%)	1.48-1.95-	1.48
Expected forfeitures (%)	15.39-	15.39

Purchase, Sale or Redemption of Sunshine's Listed Securities

Class "A" Common Shares

General mandate

2020

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

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

On February 27, 2020, the Company entered into a settlement agreement for a total of 1,443,000 consolidated Class "A" common shares at a price of HKD $1.31 per share (post-consolidation) for gross proceeds of HKD 1,896,000 (CDN 324,000）. On March 5, 2020, the Company completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party.

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

2019

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

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

On August 9, 2019 the Group entered into a settlement agreement for a total of 57,690,480 class "A" common shares at a price of HKD 0.077 per share for settlement of debt with an independent third party of HKD 4,442,000. On August 16, 2019 the Group completed the closing of this settlement agreement. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

On August 16, 2019, the Group entered into a settlement agreement for a total of 100,900,000 class "A" common shares at a price of HKD 0.070 per share for settlement of trade payables with an independent third party of HKD $7,063,000. On August 22, 2019, the Group completed the closing of this settlement agreement. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

On October 11, 2019, the Group entered into a settlement agreement for a total of 37,728,000 class "A" common shares at a price of HKD 0.063 per share for settlement of trade payables with an independent third party of HKD 2,377,000. On October 17, 2019, the Group completed the closing of this settlement agreement. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

On December 5, 2019, the Group entered into a settlement agreement for a total of 51,636,500 class "A" common shares at a price of HKD 0.0524 per share for settlement of trade payables with an independent third party of HKD 2,706,000. On December 16, 2019, the Group completed the closing of this settlement agreement. This settlement agreement was entered into for settlement of trade payables with an independent third party. The entire amount of the proceeds raised was used to offset the indebtedness that the Company owed to its trade creditors. Nil amount of the proceeds was unutilized. All proceeds were used in accordance with the intention stated previously.

Shares Outstanding

As at December 31, 2020 the Group has 129,554,630 Class "A" common shares issued and outstanding.

Employees

As at December 31, 2020, the Group has 21 full-time employees. For the three and twelve months ended December 31, 2020, total staff costs amounted to $1 million and $6 million, respectively.

Dividends

The Group has not declared or paid any dividends in respect of the year ended December 31, 2020 (year ended December 31, 2019 - $Nil).

Review of Annual Results

The audited consolidated financial statements for the Group for the three and twelve months ended December 31, 2020, were reviewed by the Audit Committee of the Group and approved by the Board.

Publication of Information

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

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

Outlook

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

SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

CONTENTS

Prism CPA Limited
栢淳會計師事務所有限公司

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Hong Kong
香港九龍尖沙咀柯士甸路 20 號
保發商業大廈 10 樓 1002-03 室

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF SUNSHINE OILSANDS LTD.
(Incorporated in the Province of Alberta, Canada with limited liability)

Opinion

We have audited the consolidated financial statements of Sunshine Oilsands Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 6 to 87, which comprise the consolidated statement of financial position as at December 31, 2020, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (the “IAASB”). Our responsibilities under those standards are further described in the “*Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to the Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group’s total current liabilities exceeded its total current assets by approximately CAD509,044,000 as at December 31, 2020. This conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed a disclaimer opinion of exploration and evaluation assets and property, plant and equipment on those statements on March 30, 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Impairment assessment of Exploration and Evaluation ("E&E") Assets

Refer to note 12 to the consolidated financial statements and the accounting policies on pages 25 and 26.

The key audit matter	How the matter was addressed in our audit
As at December 31, 2020, the carrying amount of the Group's E&E assets was approximately CAD256,195,000. The management of the Company reviewed petroleum properties, which comprise different cash generating units ("CGUs"), for indicators of possible impairment or reversal of impairment by considering events or changes in circumstances. Such events and changes in circumstances included the economic impact on these CGUs resulting from fluctuation of crude oil prices, production costs and change in production and oil reserve volumes. The management of the Company compared the carrying amount of each CGU with its recoverable amount, which was estimated by calculating the fair value less costs of disposal using a discounted cash flow forecast, to determine the amount of impairment or reversal of impairment, if any. In determining fair value less costs of disposal, the estimated future cash flows of contingent resources were discounted to their present value using a post-tax discount rate. The management of the Company applied critical judgment in determining the recoverable amount. The preparation of discounted cash flow forecast involves the exercise of significant management judgement, particularly in estimating for the quantity of contingent resources, future commodity prices, production rates, operating expenses and development costs, as well as a discount rate. The management of the Company engages independent qualified reserves evaluators to evaluate the proved and probable oil reserves associated with the E&E assets. We have identified the impairment assessment of the E&E assets as a key audit matter because the amount is significant to the consolidated financial statements as a whole and involve the exercise of significant management judgement in estimating the inputs in the impairment assessment models, which a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions.	Our audit procedures were designed to perform, amongst others: • Understanding the process and testing the design and implementation of the key controls over management's review on impairment assessment of E&E assets. • Examining and challenging management's assessment of impairment indicators, specifically on status of the evaluation and development activities. • Examining the methodology adopted by management in the impairment assessments with reference to the requirements of the prevailing accounting standards. • Evaluating the competence, capabilities, and objectivity of the independent qualified reserves evaluators engaged by the management, and the methodology used by the independent qualified reserves evaluators. • Examining the impairment assessment prepared by the management of the Company, with involving our expert to assist us in assessing whether the management's discount rate and future commodity prices, by comparing it against market data and other external data. • Considering the disclosures in the consolidated financial statements in respect of the impairment assessment of petroleum and natural gas properties and the key assumptions adopted with reference to the requirements of the prevailing accounting standards.

Key audit matters (Continued)

Impairment assessment of property, plant and equipment

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 26 and 27.

The key audit matter	How the matter was addressed in our audit
As at December 31, 2020, the carrying amount of the Group's property, plant and equipment was approximately CAD481,825,000. The management of the Company performed impairment assessment of the property, plant and equipment by determining recoverable amount with reference to the value-in-use calculations. The value-in-use calculations were based on discounted cash flows forecast, with the use of estimates on future selling prices for crude oil, future production profiles and in determining appropriate discount rates. We have identified the impairment assessment of the property, plant and equipment as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Company.	The audit procedures that we performed, amongst others, included: • Understanding the process and testing the design and implementation of the key controls over management's review on impairment assessment of property, plant and equipment. • Examining and challenging management's assessment of impairment indicators and the methodology adopted by management in the impairment assessments with reference to the requirements of the prevailing accounting standards. • Evaluating the competence, capabilities, and objectivity of the independent qualified reserves evaluators engaged by the Group, and the methodology used by the independent qualified reserves evaluators. • Comparing the forecasted commodity prices used in the estimate of proved and probable reserves to those published by other reserve engineering companies. • Comparing estimates of forecasted production, forecasted operating, royalty and capital cost assumptions used in the estimate of proved and probable reserves to historical results. • Examining the impairment assessment prepared by the management of the Company, with involving our expert to assist us in assessing whether the management's discount rate, by comparing it against market data and other external data. • Evaluating the disclosures in the financial statements in respect of the impairment assessment of the CGUs and the key assumptions adopted with reference to the requirements of the prevailing accounting standards.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and Audit Committee 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Kwok Lun.

Prism CPA Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294

Hong Kong
March 26, 2021

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Notes	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
		CAD'000	CAD'000 (restated)	CAD'000
Assets				
Current assets				
Trade and other receivables	9	1,636	5,449	16,665
Loan receivables	10	-	9,825	-
Cash and cash equivalents	11	838	1,254	583
		2,474	16,528	17,248
Non-current assets				
Exploration and evaluation assets	12	256,195	253,144	269,218
Property, plant and equipment	13	481,825	479,055	492,815
Right-of-use assets	14	1,722	2,084	-
Other receivables	9	6,562	6,261	-
Loan receivables	10	12,882	3,586	-
		759,186	744,130	762,033
Total Assets		761,660	760,658	779,281
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and accrued liabilities	15	223,711	247,603	183,137
Loans from related companies	18	32,745	12,622	-
Other loans	16	1,158	12,793	24,462
Senior notes	16	252,911	257,999	270,990
Lease liabilities	14	993	1,066	-
		511,518	532,083	478,589
Non-current liabilities				
Convertible bonds	17	9,306	13,572	-
Loans from related companies	18	263	4,383	-
Other loans	16	13,204	1,668	-
Lease liabilities	14	801	1,157	-
Provisions	19	61,148	48,910	48,739
		84,722	69,690	48,739
Total liabilities		596,240	601,773	527,328

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(CONTINUED)

	Notes	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
		CAD'000	CAD'000 (restated)	CAD'000
Shareholders' equity				
Share capital	20	1,296,814	1,296,523	1,293,379
Convertible bonds equity reserve	17	4,170	-	
Reserve for share-based compensation		76,411	75,904	74,531
Exchange fluctuation reserve		(412)	-	
Accumulated deficit		(1,211,241)	(1,213,469)	(1,115,957)
Equity attributable to owners of the Company		165,742	158,958	251,953
Non-controlling interests		(322)	(73)	-
Total shareholders' equity		165,420	158,885	251,953
Total Liabilities and Shareholders' Equity		761,660	760,658	779,281
Going concern	2			
Commitments and contingencies	33			
Subsequent events	38			

The consolidated financial statements on pages 6 to 87 were approved and authorised for issue by the board of directors on March 26, 2021 and are signed on its behalf by:

David Yi He,
Independent Non-Executive Director

Kwok Ping Sun,
Executive Director

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 CAD'000	2019 CAD'000
Revenue	21	4,179	41,716
Other income	23	50,201	14,264
		54,380	55,980
Expenses			
Diluent costs		(1,842)	(11,716)
Transportation costs		(2,526)	(13,955)
Operating costs		(9,721)	(17,989)
Depletion and depreciation	13,14	(3,554)	(15,707)
Impairment loss on financial assets		(988)	-
Impairment losses on exploration and evaluation assets	12	-	(16,870)
General and administrative costs		(8,309)	(9,050)
Finance costs	24	(24,950)	(66,905)
Share-based compensation	29	(507)	(1,373)
		(52,397)	(153,565)
Profit (loss) before income tax		1,983	(97,585)
Income tax expenses	30	-	-
Profit (loss) for the year	25	1,983	(97,585)
Profit (loss) for the year attributable to:			
Owners of the Company		2,228	(97,512)
Non-controlling interests		(245)	(73)
		1,983	(97,585)
Other comprehensive expense			
Items that will not be reclassified subsequently to profit of loss			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		(416)	-
Other comprehensive expense for the year		(416)	-
Total comprehensive income (expense) for the year		1,567	(97,585)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		1,816	(97,512)
Non-controlling interests		(249)	(73)
		1,567	(97,585)
Earnings (loss) per share			
Basic and diluted (CAD cents)	26	1.72	(1.57)

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

		Attributable to owners of the Company							
		Share Capital	Convertible bonds equity reserve	Reserve for share-based compensation	Exchange fluctuation reserve	Accumulated Deficit	Total	Non-controlling interests	Total Equity
	Notes	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000	CAD’000
Balance at January 1, 2020, as originally stated (audited)		1,296,523	-	75,904	-	(1,196,599)	175,828	(73)	175,755
Prior year adjustments	3	-	-	-	-	(16,870)	(16,870)	-	(16,870)
Balance at January 1, 2020, as restated		1,296,523	-	75,904	-	(1,213,469)	158,958	(73)	158,885
Profit for the year		-	-	-	-	2,228	2,228	(245)	1,983
Other comprehensive income (expense)									
Items that will not be reclassified subsequently to profit of loss									
- Exchange differences arising on translation of financial statements from functional currency to presentation currency		-	-	-	(412)	-	(412)	(4)	(416)
Total comprehensive (expense) income for the year		-	-	-	(412)	2,228	1,816	(249)	1,567
Issue of common shares	20	324	-	-	-	-	324	-	324
Issue of convertible bonds	17	-	4,170	-	-	-	4,170	-	4,170
Recognition of equity-settled share-based payments	29	-	-	507	-	-	507	-	507
Share issue costs, net of deferred tax	20	(33)	-	-	-	-	(33)	-	(33)
Balance at December 31, 2020		1,296,814	4,170	76,411	(412)	(1,211,241)	165,742	(322)	165,420

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

(CONTINUED)

		Attributable to owners of the Company							
		Share Capital	Convertible bonds equity reserve	Reserve for share-based compensation	Exchange fluctuation reserve	Accumulated Deficit	Total	Non-controlling interests	Total Equity
	Notes	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Balance at January 1, 2019		1,293,379	-	74,531	-	(1,115,957)	251,953	-	251,953
Loss and total comprehensive expense for the year		-	-	-	-	(80,642)	(80,642)	(73)	(80,715)
Issue of common shares	20	2,812	-	-	-	-	2,812	-	2,812
Issue of shares under Director Share Arrangement	20	344	-	-	-	-	344	-	344
Recognition of equity-settled share-based payments	29	-	-	1,373	-	-	1,373	-	1,373
Share issue costs, net of deferred tax	20	(12)	-	-	-	-	(12)	-	(12)
Balance at December 31, 2019		1,296,523	-	75,904	-	(1,196,599)	175,828	(73)	175,755

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	CAD'000	CAD'000 (restated)
Operating activities		
Profit (loss) before income tax	1,983	(97,585)
Adjustments for:		
Finance costs	24,950	66,905
Loss on disposal of property, plant and equipment	1,026	-
Income from over-provision of trade payable	(326)	(223)
Unrealised foreign exchange (gain) loss	(6,209)	(13,952)
Income from waived of interest expense on senior notes, including yield maintenance premium	(42,992)	-
Gain on derecognition of right-of-use and lease liabilities	(82)	-
Interest income	(5)	(8)
Depletion, depreciation and impairment	3,554	15,707
Impairment losses on exploration and evaluation assets	-	16,870
Impairment loss on financial assets	988	-
Share-based compensation	507	1,373
Operating cash flows before movements in working capital	(16,606)	(10,913)
Decrease in trade and other receivables	1,983	8,680
Decrease (increase) in prepaid expenses and deposits	1,542	(3,726)
Decrease (increase) in trade and accrued liabilities	1,740	(10,156)
Net cash used in operating activities	(11,341)	(16,115)
Investing activities		
Payments for exploration and evaluation assets	(1,077)	(979)
Payments for property, plant and equipment	(397)	(1,660)
Proceeds from sale of property, plant and equipment	3,762	-
Interest received	5	8
Net cash generated from (used in) investing activities	2,293	(2,631)

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(CONTINUED)

	2020	2019
	CAD'000	CAD'000 (restated)
Financing activities		
Payments for share issue costs	(33)	(12)
Payment for finance costs	(2,412)	(1,266)
Proceeds from convertible bonds	-	13,677
Proceeds from other loans	104	7,619
Repayment of other loans	(3,678)	(16,933)
Proceeds from related companies' loans	17,605	18,510
Repayment of related companies' loans	(1,972)	(1,243)
Repayment of lease liabilities	(963)	(1,225)
Net cash generated from financing activities	8,651	19,127
Net (decrease) increase in cash and cash equivalents	(397)	381
Cash and cash equivalents, beginning of year	1,254	583
Effect of foreign exchange rate changes	(19)	290
Cash and cash equivalents, end of year	838	1,254

The accompanying notes form part of these annual consolidated financial statements.

1. CORPORATE INFORMATION

Sunshine Oilsands Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on February 22, 2007. Its ultimate controlling party is Mr. Sun Kwok Ping ("Mr. Sun"). 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 Group is engaged in the evaluation and the development of oil properties for the future production of crude oil products in the Athabasca oilsands region in Alberta, Canada. Details of the subsidiaries are set out in note 35.

The consolidated financial statements are presented in Canadian Dollars ("CAD") which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 6.

2. BASIS OF PREPARATION (CONTINUED)

As at December 31, 2020, the Group's total current liabilities exceeded its total current assets by approximately CAD509,044,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- The ultimate controlling party, Mr. Sun, has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future;

- The senior notes holders with the aggregate principal and accrued interest amount of approximately US$312,007,000 (equivalent to approximately CAD397,247,000), has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future;

- The Group is expected to generate adequate cash flows to maintain its operations; and

- The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months for the twelve months ending December 31, 2021.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its ultimate controlling parties and senior note holders.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

3. PRIOR YEAR ADJUSTMENTS

The effects of prior year adjustments on the Group's consolidated financial position as at December 31, 2019 and the results for the year ended December 31, 2019 are as follows:

The Group and the Company

Consolidated statement of profit or loss and other comprehensive income

	For the year ended December 31, 2019			
	As originally stated	Prior year adjustments	Note	As restated
	CAD'000	CAD'000		CAD'000
Impairment loss on exploration and evaluation assets	-	(16,870)	(a)	(16,870)

Statement of profit or loss and other comprehensive income

	For the year ended December 31, 2019			
	As originally stated	Prior year adjustments	Note	As restated
	CAD'000	CAD'000		CAD'000
Impairment loss on exploration and evaluation assets	-	(16,870)	(a)	(16,870)

Consolidated statement of financial position

	As at December 31, 2019			
	As originally stated	Prior year adjustments	Notes	As restated
	CAD'000	CAD'000		CAD'000
Non-current assets				
Exploration and evaluation assets	270,014	(16,870)	(a)	253,144
Shareholders' equity				
Accumulated deficit	(1,196,599)	(16,870)	(a)	(1,213,469)

Statement of financial position

	As at December 31, 2019			
	As originally stated	Prior year adjustments	Notes	As restated
	CAD'000	CAD'000		CAD'000
Non-current assets				
Exploration and evaluation assets	270,008	(16,870)	(a)	253,138
Shareholders' equity				
Accumulated deficit	(1,187,475)	(16,870)	(a)	(1,204,345)

3. PRIOR YEAR ADJUSTMENTS (CONTINUED)

Note:

a) Adjustment to recognise the impairment loss on exploration and evaluation assets approximately of CAD16,870,000.

The directors of the Company have identified that the decline in crude oil prices has sustained for a period of time during 2020 and could not be regarded as temporary. As such, the directors considered to reassess the impairment assessment of exploration and evaluation assets and property, plant and equipment for the year ended December 31, 2019. The directors of the Company prepared a revised discount cash flow model in determining the recoverable amount of exploration and evaluation assets and property, plant and equipment for the year ended December 31, 2019 and December 31, 2020. The directors of the Company became aware of the impairment loss of the exploration and evaluation assets of approximately CAD16,870,000 and no impairment loss of the property, plant and equipment during the year ended December 31, 2019. Detail disclosed in notes 12 and 13 respectively to the consolidated financial statements.

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied for the first time the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB").

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[3]
Amendments to IFRS 16	COVID-19 - Related Rent Concessions[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[4]
Amendments to IAS 39, IFRS4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform - Phase 2[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 1	Classification of liabilities as Current or Non-current[3]
Amendments to IFRSs	Annual Improvements to IFRS 2018 - 2020 cycle[2]

[1] Effective for annual periods beginning on or after January 1, 2021
[2] Effective for annual periods beginning on or after January 1, 2022
[3] Effective for annual periods beginning on or after January 1, 2023
[4] Effective date not yet been determined
[5] Effective for annual periods beginning on or after June 1, 2020

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantages) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group’s returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group’s voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leasing

Definition of a lease

Under IFRS 16 *Leases*, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient for all leases.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. CAD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 added to 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.

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

Retirement benefits costs and termination benefits

Payments to the defined contribution plans, state-managed retirement benefit schemes, the Mandatory Provident Fund Scheme (the "MPF scheme") and the Employee Provident Fund (the "EPF scheme") and Canada Pension Plan ("CPP") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each 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 on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and natural gas exploration and development expenditures

Exploration and evaluation ("E&E") assets

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 capitalised 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 capitalised 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 amortisation is charged during the E&E phase.

Impairment

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and natural gas exploration and development expenditures (Continued)

Impairment (Continued)

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 us ed 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.

Property, plant and equipment

Property, plant and equipment comprises mainly computers and office equipment and development and production assets (includes crude oil products assets), The initial cost of a property, plant and equipment 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. Property, plant and equipment are carried at cost less the total of accumulated depletion, depreciation and impairment losses.

Turnaround costs

Turnaround costs, which are the costs related to the turnaround 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 profit and loss and other comprehensive income.

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 capitalised and depreciated over the remaining life of the asset. The net carrying value of the asset or substantial part being replaced is derecognised at the time the replacement is capitalised. 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 products 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Maintenance and repairs (Continued)

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives 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 the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

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 for which the estimates of future cash flows have not been adjusted.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on property, plant and equipment and right-of-use assets (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) 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 had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 23).

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost as well as financial guarantee. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 12 months past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Convertible bonds

Convertible bonds contains liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity ("convertible bonds equity reserve").

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in "convertible bonds equity reserve" until the embedded option is exercised (in which case the balance stated in "convertible bonds equity reserve" will be transferred to share capital. Where the option remains unexercised at the expiry date, the balance stated in "convertible bonds equity reserve" will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Convertible bonds (Continued)

Convertible bonds contains liability and equity components (Continued)

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions including decommissioning costs are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions

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 recognised share-based compensation associated with such instrument is not reversed. If unvested instruments are forfeited, previously recognised 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

When measuring fair value except value in use of exploration and evaluation assets, property, plant and equipment and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

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 recognised in the consolidated financial statements.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies (Continued)

Going concern

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Depletion and impairment of property, plant and equipment

The amounts recorded for depletion and impairment of property, plant and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Group's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under the Canadian Oil and Gas Evaluation Handbook ("COGEH"). Changes in reserve estimates impact the financial results of the Group as reserves and estimated future development costs are used to calculate depletion and are also used in impairment calculations.

The decision to transfer exploration and evaluation assets to property, plant and equipment is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

For impairment testing, property, plant and equipment and exploration and evaluation assets are aggregated into CGUs, based on management's judgment in defining the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The discount rate used to calculate the net present value of cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate company and industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of oil and production profile. Management uses all readily available information in determining an amount that is a reasonable approximately of recoverable amount, including estimates basis on reasonable and supportable assumptions and projections of future oil prices and production profile.

Decommissioning costs

A provision is required to be recognised 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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance recognised in respect of trade and other receivables and loan receivables

The impairment provisions for trade and other receivables and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at December 31, 2020, the carrying amounts of trade and other receivables and loan receivables are approximately CAD2,426,000 (2019: CAD4,776,000) and CAD12,882,000 (2019: CAD13,411,000) respectively, with accumulated loss allowance on trade and other receivables and loan receivables of approximately CAD176,000 (2019: nil) and CAD812,000 (2019: nil) respectively.

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.

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.

7. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes other loans and senior notes in note 16, convertible bonds disclosed in note 17, loans from related companies in note 18, net of cash and cash equivalents disclosed in note 11 and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

8. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 CAD'000	2019 CAD'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	21,474	24,186
Financial liabilities		
Financial liabilities at amortised cost	535,092	552,863

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, cash and cash equivalents, trade and accrued liabilities, lease liabilities, loans from related companies, other loans, senior notes and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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.

8. FINANCIAL INSTRUMENTS (CONTINUED)

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.

(a) 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 crude oil products 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.

(b) Currency risk

The Group is exposed to currency risks primarily through loan receivables, loans from related companies, other loans, senior notes and convertible bonds and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollar ("HK$"), United States dollar ("US$") and Renminbi ("RMB").

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2020			2019		
	HK$ CAD'000	US$ CAD'000	RMB CAD'000	HK$ CAD'000	US$ CAD'000	RMB CAD'000
Asset						
Bank balances and cash	440	1	379	577	1	25
Loan receivables	12,882	-	-	13,411	-	-
Liabilities						
Convertible bonds	(9,306)	-	-	-	(13,572)	-
Loan from related companies	(16,764)	-	(16,148)	(12,040)	-	(4,965)
Other loans	(13,204)	-	-	(14,461)	-	-
Senior notes	-	(252,911)	-	-	(257,999)	-
	(25,952)	(252,910)	(15,769)	(12,513)	(271,570)	(4,940)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

8. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

(b) Currency risk (Continued)

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A negative number below indicates a decrease (2019: an increase) in pre-tax profit (2019: pre-tax loss) where respective functional currency weakened 5% (2019: 5%) against the relevant foreign currency. For a 5% (2019: 5%) strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the pre-tax profit (2019: pre-tax loss) and the balances below would be negative.

	Effect on profit or loss	
	2020 CAD'000	2019 CAD'000
HK$	(947)	(457)
US$	(9,231)	(9,912)
RMB	(576)	(180)

(c) Interest risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances carried at prevailing market rates. The Group also exposed to fair value interest rate risk in relation to fixed-rate restricted bank balance and obligation under a finance lease. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal due to short-term maturities, hence, no sensitivity analysis is prepared.

8. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Credit risk

As at December 31, 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge all obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, loan receivables, and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on an collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase the Group compares the risk of a default occurring on the asset as at the reporting date with the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external 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 result of the borrower;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

8. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

8. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

				2020			2019		
	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
				US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade receivables	9	(Note)	Lifetime ECL (simplified approach)	-	-	-	2,595	-	2,595
Other receivables	9	Performing	12-month ECL	2,602	(176)	2,426	2,181	-	2,181
Loan receivables	10	Performing	12-month ECL	13,694	(812)	12,882	13,411	-	13,411
					(988)			-	

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 8 includes further details on the loss allowance for these assets respectively.

The Group has concentration of credit risk as 100% (2019: 100%) and 100% (2019: 100%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at December 31, 2020 and December 31, 2019.

8. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	Weighted average effective interest rate	Within one year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total contractual undiscounted cash flows	Carrying value
		CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
At December 31, 2020						
Trade and accrued liabilities	N/A	223,711	-	-	223,711	223,711
Convertible bonds	8%	-	12,066	-	12,066	9,306
Loans from related companies	10%	35,387	88	222	35,697	33,008
Other loans	2%	1,436	13,204	-	14,640	14,362
Senior notes	10%	269,751	-	-	269,751	252,911
Lease liabilities	10%	1,101	606	240	1,947	1,794
		531,386	25,964	462	557,812	535,092
At December 31, 2019						
Trade and accrued liabilities	N/A	247,603	-	-	247,603	247,603
Convertible bonds	10%	-	-	15,558	15,558	13,572
Loans from related companies	10%	13,884	4,754	438	19,076	17,005
Other loans	2%	13,045	-	1,668	14,713	14,461
Senior notes	10%	283,799	-	-	283,799	257,999
Lease liabilities	9%	1,206	867	375	2,448	2,223
		559,537	5,621	18,039	583,197	552,863

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	CAD'000	CAD'000 (restated)
Trade receivables	-	2,595
Other receivables (note a)	2,602	2,181
Deposits (note b)	5,328	4,745
Prepayments	444	2,189
	8,374	11,710
Less: loss allowance (notes c and d)	(176)	-
	8,198	11,710
Analysed as:		
Current assets	1,636	5,449
Non-current assets	6,562	6,261
	8,198	11,710

Notes:

(a) As at December 31, 2020, included in other receivables, amount of approximately CAD1,999,000 (net of allowance of approximately CAD145,000) (2019: CAD1,889,000 with no allowance) represented the amount due form Renergy Petroleum (Canada) Co., Ltd., which Mr. Kwok Ping Sun and Nobao Energy Holding (China) Company Limited* 挪寶能源控股(中國)有限公司 ("Nobao Energy (China)"), a company under the control of Mr. Sun, has conditionally acquired Changjiang's interest in. The amount is unsecured, interest-free and repayment on demand.

(b) As at December 31, 2020, included in deposits, amount of approximately CAD4,563,000 (2019: CAD4,372,000) represented the deposits paid for the occupation permit on a land situated in the People's Republic of China (the "PRC"). The Group is in the process of applying the title documents of certain rights of occupation permit. The directors of the Company believe that title documents will be obtained on due course without sufficient additional costs in the future.

(c) The Group measures the loss allowance for other receivables at an amount equal to 12-month ECL. The Group recognised 12-month ECL for other receivables based on the internal credit rating of receivables as follows:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	CAD'000	CAD'000
As at December 31, 2020			
Performing	6.76%	2,602	176

As at December 31, 2019, the directors of the Company considered the ECL on other receivables was insignificant.

* For identification purpose only

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) The movement in the loss allowance for other receivables is set out below:

	2020	2019
	CAD'000	CAD'000 (restated)
At January 1	-	-
Loss allowance recognised in profit or loss during the year	176	-
At December 31	176	-

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

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

	2020	2019
	CAD'000	CAD'000
Within 30 days	-	2,595

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

As at December 31, 2020 and 2019, the directors of the Company considered the ECL on trade receivables was insignificant.

10. LOAN RECEIVABLES

	2020	2019
	CAD'000	CAD'000
Analysed as:		
Current	-	9,825
Non-current	13,694	3,586
	13,694	13,411
Less: loss allowance (notes b and c)	(812)	-
	12,882	13,411

Notes:

a) As at December 31, 2020 and 2019, the loans provided to the independent third parties were interest-free and were repayable according to the loan agreement. At December 31, 2020 and 2019, the loan receivables have been pledged as security for the borrowing.

b) During the year ended December 31, 2020, in determining the 12-month ECL for the loan receivables, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the debtors operate, various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets individually occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

   There has been no change in the estimation techniques or significant assumptions made during both years.

c) The following is an aged analysis of net loan receivables, presented based on the dates which loans are granted to borrowers.

	2020	2019
	CAD'000	CAD'000
Within 90 days	-	-
90-365 days	-	9,825
Over 1 year	12,882	3,586
At December 31	12,882	13,411

10. LOAN RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) The following is an aged analysis of net loan receivables, presented based on the dates which loans are granted to borrowers.

	Expected loss rate	Gross carrying amount	Loss allowance
	%	CAD'000	CAD'000
At December 31, 2020			
Performing	5.93%	13,694	812

As at December 31, 2019, the directors of the Company estimate the ECL on loan receivables was insignificant.

(b) The movement in the loss allowance for loan receivables is set out below:

	2020	2019
	CAD'000	CAD'000
At 1 January	-	-
Loss allowance recognised in profit or loss during the year	812	-
At 31 December	812	-

11. CASH AND CASH EQUIVALENTS

Bank balances and cash

Bank balances carry interest at market rates which range from 0% to 0.5% (2019: 0% to 1.8%) per annum.

12. EXPLORATION AND EVALUATION ASSETS

	CAD'000 (restated)
Balance at January 1, 2019	269,218
Capital expenditures	979
Non-cash expenditures (note a)	(183)
Impairment	(16,870)
Balance at December 31, 2019 (restated)	253,144
Balance at January 1, 2020, as originally stated (audited)	270,014
Prior year adjustment	(16,870)
Balance at January 1, 2020, as (restated)	253,144
Capital expenditures	1,077
Non-cash expenditures (note a)	1,974
Balance at December 31, 2020	256,195

Note:

(a) Non-cash expenditures include capitalised 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 assessment, 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 with reference to cash flow forecast provided by management of Company. Key assumptions for the FVLCD calculations relate to the estimation of cash flows which include forecasted crude oil prices, sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations. The post-tax discount rate in measuring the FVLCD was 10% in relation to E&E assets.

For the year ended December 31, 2019, the Group assessed E&E assets for any indicators of impairment due to industry pricing fundamentals. Impairment assessment is performed on the basis of declines in crude oil prices which is considered as an impairment indicator for the year ended December 31, 2019. Accordingly, the Group has recognised an impairment loss of CAD16,870,000 in profit or loss for the year ended December 31, 2019.

For the year ended December 31, 2020, the Group assessed E&E assets for any indicators of impairment due to industry pricing fundamentals. Based on recent crude oil prices forecast, there were no impairment recognised for the year ended December 31, 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Crude oil assets	Corporate assets	Total
	CAD'000	CAD'000	CAD'000
Cost			
Balance at January 1, 2019	893,729	5,405	899,134
Additions	1,579	82	1,661
Non-cash expenditures (note a)	(793)	-	(793)
Balance at December 31, 2019 and January 1, 2020	894,515	5,487	900,002
Additions	-	397	397
Disposal and written-off	(4,850)	-	(4,850)
Non-cash expenditures (note a)	9,762	-	9,762
Exchange alignment	-	(2)	(2)
Balance at December 31, 2020	899,427	5,882	905,309
Accumulated depletion, depreciation and impairment			
Balance at January 1, 2019	402,317	4,002	406,319
Depletion and depreciation charge for the year	14,203	425	14,628
Balance at December 31, 2019 and January 1, 2020	416,520	4,427	420,947
Depletion and depreciation charge for the year	2,120	481	2,601
Elimination on disposal and written-off	(62)	-	(62)
Exchange alignment	-	(2)	(2)
Balance at December 31, 2020	418,578	4,906	423,484
Carrying values			
At December 31, 2020	480,849	976	481,825
At December 31, 2019	477,995	1,060	479,055

Note:

(a) Non-cash expenditures include capitalised share-based compensation and changes in decommissioning obligations.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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, 2020. 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 pre-tax discount rates applied in the impairment calculation as at December 31, 2020 was 10% (2019: 10%) based on the specific risk to the assets.

For the year ended December 31, 2020 and 2019, the Group did not recognise an impairment loss based on its assessment that the estimated recoverable amount exceeded the carrying value.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Trucks and Trailers	Offices	Total
	CAD'000	CAD'000	CAD'000
Balance at January 1, 2019	861	1,643	2,504
Additions	-	659	659
Depreciation	(213)	(866)	(1,079)
Balance at December 31, 2019 and January 1, 2020	648	1,436	2,084
Termination of lease	(591)	-	(591)
Additions	-	1,198	1,198
Depreciation	(57)	(896)	(953)
Exchange alignment	-	(16)	(16)
Balance at December 31, 2020	-	1,722	1,722

The Group has lease arrangements for office premise (2019: trucks and trailers and office premises) with the lease terms of generally ranged from 2 to 3 years (2019: ranged from 3 to 6 years).

Additions to the right-of-use assets for the year ended December 31, 2020 amounted to approximately CAD1,198,000 (2019: CAD659,000) due to new leases of office premise.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities

	2020 CAD'000	2019 CAD'000 (restated)
Current	993	1,066
Non-current	801	1,157
	1,794	2,223

Amounts payable under lease liabilities	2020 CAD'000	2019 CAD'000
Within one year	993	1,066
After one year but within two years	566	810
After two years but within five years	235	347
	1,794	2,223
Less: Amount due for settlement within 12 months (shown under current liabilities)	(993)	(1,066)
Amount due for settlement after 12 months	801	1,157

During the year ended December 31, 2020, the Group entered into a lease agreement in respect of renting office and recognised lease liabilities of CAD1,198,000 (year ended December 31, 2019: CAD659,000).

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 5.4% for the trucks and trailers, and 8.3% for the office premises.

(c) Amount recognised in profit or loss

	2020 CAD'000	2019 CAD'000
Depreciation of right-of-use assets	953	1,079
Interests on lease liabilities	182	261
Expense relating to short-term leases	78	273

(d) Others

During the year ended December 31, 2020, the total cash outflow for lease amount to approximately CAD963,000 (2019: CAD1,225,000).

At December 31, 2020 and 2019, no lease agreement which not yet commenced is committed by the Group.

15. TRADE AND ACCRUED LIABILITIES

	2020	2019
	CAD'000	CAD'000
Trade payables	15,493	16,994
Interest payables (note a)	184,972	211,116
Other payables	15,884	13,192
Accrued liabilities	7,362	6,301
	223,711	247,603

Note:

(a) The interest payables as at December 31, 2020 is including the interest payable relating to senior notes of approximately CAD182,422,000 (2019: CAD209,772,000), loan from related companies of approximately CAD981,000 (2019: CAD649,000), convertible bond of nil (2019: CAD653,000) and other loans of approximately CAD1,569,000 (2019: CAD42,000) respectively.

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

	2020	2019
	CAD'000	CAD'000
Within 90 days	554	1,459
91 - 180 days	180	-
181 - 365 days	295	-
Over 365 days	14,464	15,535
	15,493	16,994

The average credit period granted by its suppliers of 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

16. DEBT

(a) Other loans

	2020	2019
	CAD'000	CAD'000
Current	1,158	12,793
Non-current	13,204	1,668
	14,362	14,461

As at December 31, 2020, the balances are unsecured interest bearing of 0%-20% (2019: 0-20%) per annum, and of which approximately CAD1,158,000 (2019: CAD12,793,000) have a maturity date by December 31, 2020 and approximately CAD13,204,000 (2019: CAD1,668,000) have a maturity date of June 1, 2022, August 11, 2022, October 18, 2022 and June 7, 2023 respectively.

16. DEBT (Continued)

(a) Other loans (Continued)

Included in the above balance is approximately CAD13,204,000 (2019: CAD13,411,000) 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 (“HK$”) loan from the investment holding company. The Group has to repay HK$ to receive CNY from the investment holding company.

(b) Senior notes

	2020	2019
	CAD’000	CAD’000
Balance at January 1,	257,999	270,990
Exchange realignment	(5,088)	(12,991)
Balance at December 31,	252,911	257,999

On August 8, 2014, the Company completed an offering of US$200 million senior secured notes (the “Notes”) at an offering price of US$938.01 per US$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 US$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 US$2.8 million representing 20% of the yield maintenance premium originally due on August 1, 2016;
- Payment of US$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 US$5.2 million was paid;
- the Company agreed to repurchase and the Forbearing Holders agreed to sell up to US$11.2 million of Senior Notes in exchange for common shares of the Company, pending on conditions.

16. DEBT (Continued)

(b) Senior notes (Continued)

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 US$9.6 million to be repaid on August 1, 2017 in cash;
  Make principal repayments to the Forbearing Holders of US$5.0 million on April 30, 2017, US$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 US$0.2 million upon signing the Amended FA, which was paid on September 26, 2017;
- Repayment of US$1.8 million by October 30, 2017;
- Repayment of US$5.0 million and US$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 US$5.0 million within 45 days after signing the Amended FA;
- The Company was to obtain financing of US$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 US$1.8 million on October 30, 2017, US$5.0 million on February 1, 2018 and US$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 US$5.0 million by April 30, 2019 to maintain sufficient liquidity.

16. DEBT (CONTINUED)

(b) Senior notes (Continued)

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

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

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

After the reporting date, the Independent note holders ("Transferee Holders") entered into note assignment and transfer agreements with the ultimate controlling party, Mr. Sun (the "Note transferee"), and agreed to assign the initial nominal principal amount of notes from the transferee Holders of approximately US$188,658,000 (equivalent to approximately CAD240,200,000) to the Note transferee.

17. CONVERTIBLE BONDS

2019 CB

On June 17, 2019, the Company issued a 10% convertible bond ("2019 CB") with a principal amount of US$10,450,000 (equivalent to approximately CAD13,572,000 at the issuance date) to an independent third party, carrying conversion right to convert into 19,979,685 Class "A" common shares at the conversion price of HK$4.09 per share (after share consolidation held on February 26, 2020) and maturing on June 16, 2021 which is two years from the date of issue of the 2019 CB. All the subscription proceeds were subsequently received on July 29, 2019. There was no conversion made during the year ended December 31, 2019.

As at the reporting date, the Company has settled the principal amount and accrued interest of 2019 CB in full.

17. CONVERTIBLE BONDS (CONTINUED)

2020 CB

On April 1, 2020, the Company and Prime Union Enterprises Limited ("Prime Union"), a company wholly-owned by Mr. Sun, entered into a Subscription Agreement ("Subscription Agreement") for a convertible bond ("2020 CB") with a principal amount of HK$72,000,000 (equivalent to approximately CAD12,660,000 at the issuance date). The 2020 CB will mature on March 31, 2022. The coupon interest of 2020 CB is 8% per annum and payable at maturity. The 2020 CB is convertible into 113,924,051 conversion shares at any time between the date of issue of the convertible bonds and the maturity date at the bondholder's option at initial conversion price of HK$0.632 per conversion share. The Subscription Agreement has been approved by the independent shareholders at the Special General Meeting on May 25, 2020. The subscription was completed on June 15, 2020. The entire proceeds will be used for financing general working capital and repayment of debts.

The movement of liability component of the 2020 CB is as follows:

	2020 CB
	CAD '000
Liability component at January 1, 2020	-
Liability component on initial recognition	8,194
Effective interest expenses	1,654
Exchange realignment	(542)
Liability component at December 31, 2020	9,306

The liability component of the 2020 CB is classified under non-current liabilities.

The 2020 CB issued during the year ended December 31, 2020 recognised in the consolidated statement of financial position are as follows:

	2020 CB
	CAD '000
Fair value of convertible bond issued	12,660
Equity conversion component recognised under convertible bonds reserve	(4,466)
Liability component on initial recognition at issue date	8,194

The fair value of the 2020 CB were valued by an independent professional valuer, as at their respective issue dates and were calculated by using the Binomial Model. The inputs into the model were as follows:

	2020 CB
	CAD '000
Share price	HK$2.62
Conversion price	HK$0.632
Effective interest rate	37.38%
Expected volatility	0.60
Expected life since the completion of the subscription	1.79 years
Risk free rate	0.35%
Expected dividend yield	Nil

17. CONVERTIBLE BONDS (CONTINUED)

The effective interest rate was determined with reference to the average of the bond yields of the comparable companies with similar businesses and credit rating of the Company. Risk free rate was determined with reference to yield of 3 years Hong Kong government bonds near the valuation dates of June 15, 2020. Expected volatility was determined using the historical volatility of the Company's share price over the previous 3 years as at the valuation dates of June 15, 2020.

The 2020 CB comprise a liability component and equity conversion component. The residual amount, representing the value of the equity component, is included in the convertible bonds reserve under equity attributable to the owners of the Company.

18. LOAN FROM RELATED COMPANIES

Related companies	2020	2019
	CAD'000	CAD'000
Prime Union Enterprises Limited (note b)	15,837	10,073
Jiangxi Nobao Electrical Company Limited* 江西挪寶電器有限公司 (note b)	10,194	-
Others (note b)	6,977	6,932
	33,008	17,005
Analysed as:		
Current	32,745	12,622
Non-current	263	4,383
	33,008	17,005

Notes:

(a) As at December 31, 2020 and 2019, the Company had loans from related companies which are unsecured, interest bearing at 10% per annum, and of which approximately CAD32,744,000 are due within one year and CAD263,000 is repayable in 2 years (2019: CAD12,622,000 can be rollover for a period of 3 to 6 months and approximately CAD4,383,000 is repayable in 2 years).

(b) The director of the Company, Mr. Sun is also the common director of related companies.

* For identification purpose only

19. PROVISIONS

	2020	2019
	CAD'000	CAD'000
Decommissioning obligations, non-current		
Balance, beginning of year	48,910	48,739
Effect of changes in discount rate	11,736	(975)
Unwinding of discount rate	502	1,146
Balance, end of year	61,148	48,910

As at December 31, 2020, the Group's estimated total undiscounted cash flows required to settle asset decommissioning obligations was approximately CAD73,900,000 (2019: CAD75,500,000). 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 products properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 0.22% to 1.33% (2019: 1.4% to 2.34%) per annum and inflated using an inflation rate of 2.0% (2019: 2%) per annum.

20. SHARE CAPITAL

The Company's authorised 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.

	Number of shares	Amount
		CAD '000
Issued and fully paid		
At January 1, 2019	6,135,846,624	1,293,379
Issue of new shares under Director Share Arrangement (note b)	21,779,902	344
Issue of new shares under private placement (note c)	247,954,980	2,812
Share issue costs, net of deferred tax (nil)	-	(12)
At December 31, 2019 and January 1, 2020	6,405,581,506	1,296,523
Issue of new shares under private placement (note d)	1,443,000	324
Share consolidation (note e)	(6,277,469,876)	-
Share issue costs, net of deferred tax (nil)	-	(33)
At December 31, 2020	129,554,630	1,296,814

20. SHARE CAPITAL

Notes:

(a) 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.

(b) Director Share Arrangement during the year ended December 31, 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 HK$0.092 (equivalent to approximately CAD0.015) per share.

(c) Private placement during the year ended December 31, 2019

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 HK$0.077 per share for gross proceeds of approximately HK$4,442,000 (equivalent to approximately CAD752,000). 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 HK$0.070 per share for gross proceeds of approximately HK$7,063,000 (equivalent to approximately CAD1,200,000). 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 HK$0.063 per share for gross proceeds of approximately HK$2,377,000 (equivalent to approximately CAD403,000). 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 HK$0.0524 per share for gross proceeds of approximately HK$2,706,000 (equivalent to approximately CAD457,000). 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.

(d) Private placement during the year ended December 31, 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 HK$1.31 per share (post-consolidation) for gross proceeds of approximately HK$1,896,000 (equivalent to approximately CAD324,000). 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.

20. SHARE CAPITAL (CONTINUED)

Notes:

(e) Share consolidation

The Company has implemented the share consolidation of every fifty issued Class "A" common shares in the share capital of the Company into one consolidated Class "A" common shares on February 26, 2020.

(f) Conversion of 2020 CB

On February 3, 2021, the Company announced that Prime Union proposed for converting all the convertible bonds of 2020 CB into a total of 113,924,051 new Class "A" common shares at the conversion price of HK$0.632 per share ("Proposed Conversion"). The proposed conversion was passed by the ordinary resolution at the extraordinary general meeting of the Company held on March 5, 2021. The new shares rank pari passu with the existing shares in are respects.

21. REVENUE

Revenue represents revenue arising on sales of crude oil products. An analysis of the Group's revenue for the year is as follows:

	2020	2019
	CAD'000	CAD'000
Revenue from contracts with customers within the scope of IFRS 15		
- Crude oil products sales	4,184	42,334
- Royalties	(5)	(618)
	4,179	41,716

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

Revenue from the sale of crude oil products is recognised 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 products are recognised 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 recognised 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 crude oil products sales and increases for every dollar that the WTI crude oil products price in Canadian dollars is priced above CAD55 per barrel, to a maximum of 9% when the WTI crude oil products price is CAD120 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.

22. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: mining, production and sales of crude oil products. The directors of the Company monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about geographical area

As all of the Group's revenue is derived from the customers based in the Canada (country of domicile) and majority of the Group's non-current assets are located in Canada, no geographical information is presented.

Information about major customers

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

	2020	2019
	CAD'000	CAD'000
Customer A	4,179	41,716

23. OTHER INCOME

	2020	2019
	CAD'000	CAD'000
Income from waived of interest expense on senior notes, including yield maintenance premium (note)	42,992	-
Foreign exchange gain, net	6,476	13,734
Income from over-provision of trade payable	326	223
Others	320	61
Gain on derecognition of right-of-use asset and lease liabilities	82	-
Interest income	5	8
Gain on share issuance from private placement	-	238
	50,201	14,264

Note: On February 5, 2021, the Company and the Forbearing Holders entered into an interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holders agree to unconditionally and irrevocably waive the interest accrued between January 1, 2020 to December 31, 2020 at 10.0% per annum on the outstanding amounts (principal and interests) under the Forbearance Reinstatement and Amending Agreement ("FRAA") dated April 24, 2020 (the "Waiver of Interest") which amounted to CAD42,992,000 (equivalent to US$31.5 million). Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

24. FINANCE COSTS

	2020	2019
	CAD'000	CAD'000
Interest on:		
- Senior notes, including yield maintenance premium	20,084	61,200
- Other loans	1,385	1,832
- Leases liabilities	182	261
- Convertible bonds	1,654	1,207
Other interest expense	1,143	1,259
Unwinding of discounts on provisions	502	1,146
	24,950	66,905

25. PROFIT (LOSS) FOR THE YEAR

	2020	2019
	CAD'000	CAD'000 (restated)
Profit (loss) for the year has been arrived at after charging :		
Directors' and chief executive's emoluments	3,157	4,112
Salaries, wages, allowances and other benefits	2,266	3,284
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	128	172
Total staff costs (note 27)	5,551	7,568
Auditor's remuneration	247	213
Depletion and depreciation of property, plant and equipment	2,557	14,628
Depreciation of right-of-use assets	953	1,079
Impairment loss on trade and other receivables	176	-
Impairment loss on loan receivables	812	-
Impairment on exploration and evaluation assets	-	16,870
Loss on disposal and written-off of property, plant and equipment	1,026	-

26. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted profit (loss) per share attributable to the owners of the Company is based on the following data:

	2020	2019
	CAD'000	CAD'000 (restated)
Earnings (loss)		
Profit (loss) for the purpose of basic earnings (loss) per share for the year attributable to owners of the Company	2,228	(97,512)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	-	-
Earnings (loss) for the purpose of diluted earnings (loss) per share	2,228	(97,512)

	2020	2019
Number of shares		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	129,298,360	6,214,865,925
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	129,298,360	6,214,865,925

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted for the consolidation of shares on February 26, 2020.

For the years ended December 31, 2020 and 2019, the computation of neither basic nor diluted earnings (loss) per share has assumed the conversion of the Company's outstanding convertible bonds since the exercise would result in an increase in earnings per share and a decrease in loss per share respectively.

27. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS

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

	2020	2019
	CAD'000	CAD'000
Directors' emoluments (note a)		
Director's fees	393	482
Salaries and allowances	2,251	2,251
Contribution to retirement benefits scheme	6	6
Share-based compensation	507	1,373
	3,157	4,112
Other staff costs		
Salaries and other benefits	2,266	3,284
Contribution to retirement benefits scheme	128	172
Share-based compensation	-	-
	2,394	3,456
Total staff costs, including directors' emoluments	5,551	7,568

(a) Directors' emoluments

Details of the directors' emoluments are as follows:

For the year ended December 31, 2020

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based payments	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Executive directors					
Mr. Sun	53	859	3	470	1,385
Gloria Ho	46	583	3	23	655
Non-Executive Directors:					
Michael Hibberd	50	809	-	-	859
Xijuan Jiang	46	-	-	-	46
Linna Liu	38	-	-	-	38
Independent Non-Executive Directors:					
Yi He	59	-	-	7	66
Guangzhong Xing[4]	51	-	-	7	58
Alfa Li[5]	50	-	-	-	50
	393	2,251	6	507	3,157

27. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2019

Name of Director	Director's Fees	Salaries and allowances	Contribution to retirement benefits scheme	Share-based payments	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Executive directors					
Mr. Sun	70	859	3	1,277	2,209
Gloria Ho	50	583	3	64	700
Non-Executive Directors:					
Michael Hibberd	63	809	-	-	872
Xijuan Jiang	51	-	-	-	51
Linna Liu	39	-	-	-	39
Hong Luo[1]	23	-	-	-	23
Independent Non-Executive Directors:					
Raymond Fong[2]	31	-	-	-	31
Yi He	59	-	-	16	75
Joanne Yan[3]	34	-	-	-	34
Guangzhong Xing[4]	26	-	-	16	42
Alfa Li[5]	24	-	-	-	24
Jeff Jingfeng Liu[6]	12	-	-	-	12
	482	2,251	6	1,373	4,112

Notes:

(1) Resigned on June 3, 2019
(2) Passed away on June 23, 2019
(3) Resigned on June 24, 2019
(4) Appointed on June 25, 2019
(5) Appointed July 29, 2019
(6) Resigned on March 7, 2019

Mr. Sun is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors and chief executive of the Company waived or agreed to waive the emolument paid by the Group during the years ended December 31, 2020 and 2019.

No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years end December 31, 2020 and 2019.

27. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals include three (2019: two) directors of the Company for the year ended December 31, 2020. The emoluments of the remaining two (2019: three) non-director individuals are as follows:

	2020 CAD'000	2019 CAD'000
Salaries and other emoluments	700	917
Contribution to retirement benefit scheme	11	9
	711	926

The emoluments fell within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK$nil to HK$1,000,000 (equivalent to approximately CAD172,000)	-	-
HK$1,000,001 (equivalent to approximately CAD172,000) to HK$1,500,000 (equivalent to approximately CAD259,000)	-	-
HK$1,500,001 (equivalent to approximately CAD259,000) to HK$2,000,000 (equivalent to approximately CAD345,000)	1	1
HK$2,000,001 (equivalent to approximately CAD345,000) to HK$2,500,000 (equivalent to approximately CAD432,000)	1	1
HK$2,500,001 (equivalent to approximately CAD432,000) to HK$3,500,000 (equivalent to approximately CAD604,000)	-	-
HKD3,500,001 (equivalent to approximately CAD604,000) to HK$4,000,000 (equivalent to approximately CAD691,000)	-	1

28. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (equivalent to CAD250) per month, to the MPF Scheme, in which the contribution is matched by employees.

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

The Group operates the CPP Scheme for all qualifying employees in Canada. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5.25% of relevant payroll costs, capped at CAD292 per annually, to the CPP Scheme, in which the contribution is matched by employees.

During the year ended December 31, 2020, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately CAD134,000 (2019: CAD178,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

29. SHARE-BASED COMPENSATION

(a) 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.

29. SHARE-BASED COMPENSATION (CONTINUED)

(b) Fair value of share options granted in the year

There was no share options granted for the year ended December 31, 2020. The weighted average fair value of the share options granted for the year ended December 31, 2020 was CAD0.6 (2019: CAD0.012). 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. 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:

	2020	2019
Input variables		
Grant date share price ($)	0.6 - 2.00	0.012
Exercise price ($)	0.6 - 2.00	0.012
Expected volatility (%)	61.88 - 63.91	63.91
Option life (years)	1.32 - 2.50	2.84
Risk-free interest rate (%)	1.48 - 1.95	1.48
Expected forfeitures (%)	15.39	15.39

(c) Movements in stock options

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

	2020		2019	
	Number of options	Weighted average exercise prices CAD	Number of options (restated)	Weighted average exercise prices CAD (restated)
Balance, beginning of year	9,165,687	2.67	9,820,117	2.97
Granted	-	-	200,000	0.60
Forfeited	(109,686)	2.84	(718,363)	5.16
Expired	-	-	(136,067)	6.04
Balance, end of year	9,056,001	2.70	9,165,687	2.67
Exercisable, end of year	8,989,336	2.71	6,872,355	2.93

As at December 31, 2020, stock options outstanding had a weighted average remaining contractual life of 2.68 years (2019: 2.9 years).

29. SHARE-BASED COMPENSATION (CONTINUED)

(d) Share-based compensation

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

	2020			2019		
	Expensed	Capitalised	Total	Expensed	Capitalised	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Stock options	507	-	507	1,373	-	1,373

30. INCOME TAX EXPENSES

(a) Current income tax

No provision for income tax was made for the years ended December 31, 2020 and 2019 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:

	2020	2019
	CAD'000	CAD'000 (restated)
Profit (loss) before income tax	2,228	(97,512)
Tax at the tax rate of 27%	602	(26,328)
Tax effect of expenses not deductible for tax purposes	794	558
Tax effect of income not taxable for tax purposes	(11,697)	(65)
Tax effect of utilisation of deductible temporary differences previously not recognised	1,093	8,814
Tax effect of tax losses not recognised	9,058	16,760
Effect of different tax rates of subsidiaries operating in other jurisdictions	150	261
Income tax	-	-

30. INCOME TAX EXPENSES (CONTINUED)

(b) Deferred income tax

At the end of the reporting period, the Group has not recognised 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 recognised are as follows:

	2020	2019
	CAD'000	CAD'000 (restated)
Deferred tax assets (liabilities)		
E&E assets and property, plant and equipment	(92,861)	(92,171)
Decommissioning liabilities	13,605	13,469
Share issue costs	85	377
Tax losses	326,504	335,562
	247,333	257,237

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

31. DIVIDENDS

The Directors did not recommend or declare the payment of any dividend in respect of the years ended December 31, 2020 and 2019.

32. 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.

(a) Trading transactions

For the year ended December 31, 2020, a consulting company, to which a director of the Company is related, charged the Group CAD0.5 million (2019: CAD0.5 million) for management and advisory services.

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

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.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) 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:

	2020	2019
	CAD'000	CAD'000
Directors' fees	393	482
Salaries and allowances	2,962	3,163
Contribution to retirement benefit scheme	12	11
Share-based compensation	507	1,373
	3,874	5,029

33. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2020	2019
	CAD'000	CAD'000
Capital expenditure in respect of the acquisition of drilling machinery contracted for but not provided in the consolidated financial statements	380	1,481
Rental commitment in relation to exploration and evaluation assets (note)	3,482	4,881

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

33. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Litigations

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 CAD40 million plus interest at 15% per annum since the date of the share subscription agreement. The Company's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. As at December 31, 2020, no amounts have been accrued in the Condensed Consolidated Interim Financial Statements as the ultimate resolution is undeterminable at this time. The Group will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2020 municipal property taxes of CAD10.96 million. The Group was also charged with overdue penalties of CAD5.26 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

The Group is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to 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 recognised 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, 2020, the Group had incurred CAD4.46 million in liens against them during the ordinary course of business.

On or around February 27, 2019, Group was required to pay CAD700,000 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, CAD540,000 of cash was to be put aside for creditor repayment subsequent to end of June 30, 2020. The court case was then dismissed.

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 CAD'000	2019 CAD'000 (restated)
Asset			
Current assets			
Trade and other receivables	(a),(c)	427	12,712
Prepaid expenses and deposits		926	2,329
Cash and cash equivalents		442	751
		1,795	15,792
Non-current assets			
Exploration and evaluation assets		256,189	253,138
Property, plant and equipment		481,708	478,644
Right-of-use assets		1,331	1,078
Other receivables		1,999	1,889
Loan receivables		12,882	3,586
Amounts due from subsidiaries		11,499	12,100
		765,608	750,435
Total Asset		767,403	766,227
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and accrued liabilities		223,037	247,397
Lease liabilities	(c)	590	383
Loans from related companies	(c)	24,325	12,040
Other loans		1,158	12,793
Senior notes		252,911	257,999
Amount due to subsidiaries		3,456	2,643
		505,477	533,255
Non-current liabilities			
Convertible bonds		9,306	13,572
Other loans		13,204	1,668
Lease liabilities	(c)	766	740
Provisions		61,148	48,910
		84,424	64,890
Total liabilities		589,901	598,145
Shareholders' Equity			
Share capital		1,296,814	1,296,523
Convertible bonds equity reserve	(b)	4,170	-
Reserve for share-based compensation	(b)	76,411	75,904
Accumulated Deficit	(b)	(1,199,893)	(1,204,345)
Total shareholders' equity		177,502	168,082
Total Liabilities and Shareholders' Equity		767,403	766,227

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(a) Included in the other receivables as at December 31, 2020, approximately CAD2,144,000 (2019: CAD1,889,000) represented the amount due form Renergy Petroleum (Canada) Co., Ltd. , which Mr. Sun and Nobao Energy Holding (China) Company Limited (a company under the control of Mr. Sun) has conditionally acquired Changjiang's interest in. The amount is unsecured, interest-free and repayment on demand.

(b) Reserves movement of the Company is as follows:

	Convertible bonds equity reserve	Reserve for share-based compensation	Accumulated deficit	Total
	CAD'000	CAD'000	CAD'000	CAD'000
At January 1, 2019	-	74,531	(1,109,795)	(1,035,264)
Loss and total comprehensive loss for the year	-	-	(94,550)	(94,550)
Recognition of share-based payments (note 28(d))	-	1,373	-	1,373
At December 31, 2019 (restated)	-	75,904	(1,204,345)	(1,128,441)
At January 1, 2020, as originally stated (audited)	-	75,904	(1,187,475)	(1,111,571)
Prior year adjustment (note 3)	-	-	(16,870)	(16,870)
At January 1, 2020, as restated	-	75,904	(1,204,345)	(1,128,441)
Profit and total comprehensive income for the year	-	-	4,452	4,452
Issue of convertible bonds (note 16)	4,170	-	-	4,170
Recognition of share-based payments (note 28(d))	-	507	-	507
At December 31, 2020	4,170	76,411	(1,199,893)	(1,119,312)

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(c) Certain comparative figures have been reclassified to confirm the presentation of the current year for the purpose of better representation of the Company's activities:

Other receivables of approximately CAD1,889,000 which had previously been recorded as current assets in the financial statements for the year ended December 31, 2019, was reclassified as non-current assets.

Other receivables of approximately CAD1,918,000 which had previously been recorded as current assets in the financial statements for the year ended December 31, 2019, was reclassified as "Loan receivables" under non-current assets.

Lease liabilities of approximately CAD383,000 which had previously been recorded as non-current liabilities in the financial statements for the year ended December 31, 2019, was reclassified as current liabilities.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at December 31, 2020 and 2019 are as follows:

Name of subsidiaries	Place of incorporation / establishment / operation	Class of shares held	Issued and fully paid ordinary share capital / registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				Direct		Indirect		
				2020	2019	2020	2019	
Sunshine Oilsands (Hong Kong) Ltd.	Hong Kong	Ordinary	HK$100	100%	100%	-	-	Provision of corporate management services and act as holding investment
Boxian Investments Limited	BVI	Ordinary	US$1	100%	100%	-	-	Pursuing new investment opportunities
Sang Xiang Petroleum & Chemical (Shanghai) Limited *桑祥石油化工(上海)有公司 (note(i))	PRC	Registered capital	RMB100	-	-	100%	100%	Pursuing new investment opportunities
Sang Xiang (Hebei) (note(i) and (ii))	PRC	Registered capital	HK$9,690,000	-	-	51%	51%	Inactive

* For identification purpose only

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

(i) The nature of legal entity established in PRC is limited liability company.

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

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

Per the announcement dated March 4, 2019, both the Company and the Affiliate expected to initially invest up to a total of HK$19,000,000 into the JV Project Company by contributing to its registered capital. The JV Project Company is established in Chengde City, Hebei Province. The contribution amount will be HK$9,690,000 by Sunshine and HK$9,310,000 by the Affiliate, representing their proportionate interests held in the JV Project Company, i.e. 51% and 49% respectively.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable	Lease liabilities	Senior notes	Other loans	Convertible bonds	Loans from related companies	Total
	CAD'000 (note 15)	CAD'000 (note 14)	CAD'000 (note 16)	CAD'000 (note 16)	CAD'000 (note 17)	CAD'000 (note 32)	CAD'000
Balance at January 1, 2020	211,116	2,223	257,999	14,461	13,572	17,005	516,376
Changes in cash items:							
Addition	-	-	-	104	-	17,605	17,709
Repayment	(2,412)	(963)	-	(3,678)	-	(1,972)	(9,025)
Changes in non-cash items:							
Waive of interest on senior note	(42,992)	-	-	-	-	-	(42,992)
Accrued interest	20,084	182	-	1,385	1,654	1,143	24,448
Increase in other payables	(824)	(142)	-	-	-	-	(966)
Derecognition of lease	-	(673)	-	-	-	-	(673)
Additional of lease	-	1,198	-	-	-	-	1,198
Repayment of convertible bonds from other loans	-	-	-	13,677	(13,677)	-	-
Issue of convertible bonds	-	-	-	-	8,194	(12,660)	(4,466)
Reallocation of accounts	-	-	-	(11,870)	-	11,870	-
Exchange realignment	-	(31)	(5,088)	283	(437)	16	(5,257)
Balance at December 31, 2020	184,972	1,794	252,911	14,362	9,306	33,007	496,352

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Interest payable	Lease liabilities	Senior notes	Other loans	Convertible bonds	Loans from related companies	Total
	CAD'000 (note 15)	CAD'000 (note 14)	CAD'000 (note 16)	CAD'000 (note 16)	CAD'000 (note 17)	CAD'000 (note 32)	CAD'000
Balance at January 1, 2019	150,638	-	270,990	24,462	-	-	446,090
Changes in cash items:							
Addition	-	-	-	7,619	13,677	18,510	39,806
Repayment	(1,266)	(1,225)	-	(16,933)	-	(1,243)	(20,667)
Changes in non-cash items:							
Accrued interest	61,744	261	-	1,832	-	1,922	65,759
Additional of lease	-	3,163	-	-	-	-	3,163
Reallocation of accounts	-	-	-	13,410	-	-	13,410
Exchange realignment	-	24	(12,991)	(15,929)	(105)	(2,184)	(31,185)
Balance at December 31, 2019	211,116	2,223	257,999	14,461	13,572	17,005	516,376

37. MAJOR NON-CASH TRANSACTION

During the year ended December 31, 2020, the Group entered into the new arrangements in respect of lease of office. Right-of-use assets and lease liabilities of approximately CAD1,198,000 were recognised at the commencement of the lease.

During the year ended December 31, 2020, the Group issued class "A" common shares of 1,443,000 shares (2019: 4,959,000 shares) under general mandate for the settlement of trade payables of approximately CAD324,000 (2019: CAD2,812,000).

During the year ended December 31, 2020, the Group issued convertible bond of HK$72,000,0000 (equivalent to CAD12,660,000) for settlement of loans.

During the year ended December 31, 2020, the Group has redemption of convertible bond of US$10,450,000 (equivalent to CAD13,677,000) through other loans.

During the year ended December 31, 2019, the Group issued class "A" common shares of 435,598 shares under general mandate for payment of director fee approximately CAD344,000.

38. SUBSEQUENT EVENTS

a) Interest waiver with holders of senior notes

On February 5, 2021, the Company and the Forbearing Holders entered into an interest waiver agreement (the "Interest Waiver Agreement") pursuant to which the Forbearing Holders agree to unconditionally and irrevocably waive the interest accrued between January 1, 2020 to December 31, 2020 at 10.0% per annum on the outstanding amounts (principal and interests) under the Forbearance Reinstatement and Amending Agreement ("FRAA") dated April 24, 2020 (the "Waiver of Interest") which amounted to US$31.5 million. Save as the Waiver of Interest, all other terms and conditions as stipulated in the FRAA remain unchanged.

b) COVID-19 outbreak

The global impact of COVID-19 has resulted in significant declines in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. In addition, there has been a significant drop in the price of oil in global and Canadian markets. These factors may have a negative impact on the Company's operations and its ability to raise financing in the near future or on terms favourable to the Company. The potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time.

39. COMPARATITIVE FIGURE

Certain comparative figures have been reclassified to confirm the presentation of the current year for the purpose of better representation of the Group's activities:

Lease liabilities of approximately CAD1,066,000 which had previously been recorded as non-current liabilities in the financial statements for the year ended December 31, 2019, was reclassified as current liabilities.

Loan receivables of approximately CAD11,743,000 and CAD1,668,000 which had previously been recorded as "Trade and other receivables" under current assets and "Other receivables" under non-current assets in the financial statements for the year ended December 31, 2019, was reclassified as "Loan receivables" under current assets and "Loan receivables" under non-current assets respectively.

Other receivables of approximately CAD1,918,000 which had previously been recorded as current assets in the financial statements for the year ended December 31, 2019, was reclassified as "Loan receivables" under non-current assets.

Other receivables of approximately CAD6,261,000 which had previously been recorded as currents assets in the financial statements for the year ended December 31, 2019, was reclassified as non-current assets.