

**Sahara Energy Ltd.**

**Condensed Interim Financial Statements**

**For the three months ended March 31, 2017**

(Unaudited – Prepared by Management)

## **Notice of No Auditor Review of Condensed Interim Financial Statements**

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In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at and for the three months ended March 31, 2017.

**Sahara Energy Ltd.**  
**Condensed Interim Statements of Financial Position**  
(Unaudited)  
(in Canadian dollars)

As at	March 31 2017	December 31 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 4)	\$ 1,322,189	\$ 1,493,768
Term deposits (Note 4)	9,272,600	9,245,675
Trade and other receivables	104,495	106,253
Prepaid expenses and deposits	649,733	675,639
	11,349,017	11,521,335
Property, plant and equipment (Note 5)	3,530,641	3,539,128
	\$ 14,879,658	\$ 15,060,463
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Trade and other payables	\$ 422,263	\$ 475,188
Decommissioning obligation	492,839	490,624
	915,102	965,812
Shareholders' equity		
Share capital	20,465,084	20,465,084
Contributed surplus	1,244,119	1,244,119
Accumulated deficit	(7,744,647)	(7,614,552)
	13,964,556	14,094,651
	\$ 14,879,658	\$ 15,060,463

See the accompanying notes to these condensed interim financial statements.

**Sahara Energy Ltd.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
(Unaudited)  
(in Canadian dollars)

For the three months ended March 31	2017	2016
<b>Revenue</b>		
Oil and natural gas sales	\$ 13,018	\$ 11,663
Royalties	(375)	(314)
	12,643	11,349
<b>Expenses</b>		
Production and operating	23,678	57,081
General and administrative	149,080	212,356
Depletion and depreciation	8,487	16,795
Decommissioning obligation accretion	2,215	3,628
	183,460	289,860
<b>Loss from operating activities</b>	(170,817)	(278,511)
Interest income	40,722	44,865
<b>Net loss and comprehensive loss</b>	\$ (130,095)	\$ (233,646)
<b>Net loss per share</b>		
Basic and diluted (Note 7)	\$ (0.00)	\$ (0.00)

See the accompanying notes to these condensed interim financial statements.

**Sahara Energy Ltd.**  
**Condensed Interim Statements of Changes in Equity**  
(Unaudited)  
(in Canadian dollars)

For the three months ended March 31	2017	2016
<b>Share capital</b>		
Balance, beginning and end of period	\$ 20,465,084	\$ 20,465,084
<b>Contributed surplus</b>		
Balance, beginning and end of period	1,244,119	1,244,119
<b>Deficit</b>		
Balance, beginning of period	(7,614,552)	(6,690,658)
Net loss	(130,095)	(233,646)
Balance, end of period	(7,744,647)	(6,924,304)
<b>Total Shareholders' Equity</b>	<b>\$ 13,964,556</b>	<b>\$ 14,784,899</b>

See the accompanying notes to these condensed interim financial statements.

**Sahara Energy Ltd.**  
**Condensed Interim Statements of Cash Flows**  
(Unaudited)  
(in Canadian dollars)

For the three months ended March 31	2017	2016
<b>Operating activities</b>		
Net loss	\$ (130,095)	\$ (233,646)
Add back (deduct) non-cash items:		
Depletion and depreciation	8,487	16,795
Decommissioning obligation accretion	2,215	3,628
Change in non-cash working capital		
Trade and other receivables	1,758	(6,804)
Prepaid expenses and deposits	25,906	(44,787)
Trade and other payables	(52,925)	(3,227)
Cash flows used by operating activities	(144,654)	(268,041)
<b>Investing activities</b>		
Term deposit purchase	(26,925)	(4,081,490)
Development and production asset expenditures	-	(431)
Change in non-cash working capital		
Trade and other payables	-	(67,889)
Cash flows used by investing activities	(26,925)	(4,149,810)
<b>Change in cash and cash equivalents</b>	<b>(171,579)</b>	<b>(4,417,851)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,493,768</b>	<b>6,682,584</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,322,189</b>	<b>\$ 2,264,733</b>

See the accompanying notes to these condensed interim financial statements.

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**Sahara Energy Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the three months ended March 31, 2017**  
(Unaudited)  
(in Canadian dollars)

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**1. Nature of operations**

Sahara Energy Ltd. (the “Company”) was incorporated under the Business Corporations Act (Alberta) and is listed on the TSX Venture Exchange (“the Exchange”). The Company is a junior resource exploration company engaged in the acquisition, exploration and development of petroleum and natural gas reserves in Western Canada. The Company’s registered address is 610, 700 – 4<sup>th</sup> Avenue SW, Calgary, Alberta.

As at March 31, 2017, JF Investment (Hong Kong) Co., Limited (“JF Investment”) owned and controlled 69% of the Company’s issued and outstanding shares.

**2. Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented (see Note 3). These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2016.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on May 26, 2017.

**3. Changes in accounting standards**

On January 1, 2017, the Company adopted amendments to *IAS 7 Statement of Cash Flows*. The adoption of these amendments had no impact on the amounts recorded in the condensed interim consolidated financial statements for the three months ended March 31, 2017.

**4. Cash and cash equivalents and term deposits**

	March 31 2017	December 31 2016
Cash and cash equivalents		
Cash in bank	\$ 488,661	\$ 72,934
Term deposits with maturities of three months or less	833,528	1,420,834
	1,322,189	1,493,768
Term deposits		
Term deposits with maturities over three months	9,272,600	9,245,675
	\$ 10,594,789	\$ 10,739,443

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**Sahara Energy Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the three months ended March 31, 2017**  
(Unaudited)  
(in Canadian dollars)

**5. Property, plant and equipment**

	Furniture and equipment	Development and production assets	Total
<b>Cost</b>			
As at December 31, 2016 and March 31, 2017	\$ 217,798	\$ 4,711,497	\$ 4,929,295
<b>Accumulated depletion and depreciation</b>			
As at December 31, 2016	\$ 138,201	\$ 1,251,966	\$ 1,390,167
Depletion and depreciation	5,625	2,862	8,487
As at March 31, 2017	\$ 143,826	\$ 1,254,828	\$ 1,398,654
<b>Net carrying amount</b>			
As at December 31, 2016	\$ 79,597	\$ 3,459,531	\$ 3,539,128
As at March 31, 2017	\$ 73,972	\$ 3,456,669	\$ 3,530,641

Depletion and depreciation:

The calculation of 2017 depletion and depreciation expense included an estimated \$4.5 million (2016 – \$4.5 million) for future development costs associated with proved plus probable reserves. The Company has not capitalized any directly attributable general and administrative expenses to development and production assets.

**6. Stock options**

The following table provides a continuity of stock options outstanding:

	Number of options	Weighted-average exercise price
Balance, December 31, 2016	700,000	\$ 0.10
Expired	–	(0.10)
Balance, March 31, 2017	–	\$ –

**7. Per share amounts**

Basic net loss per share is calculated as follows:

For the three months ended March 31	2017	2016
Net loss:	\$ (130,095)	\$ (233,646)
Weighted average number of shares – basic and diluted:		
Issued common shares at January 1	289,684,072	289,684,072
Effects of shares issued	–	–
	289,684,072	289,684,072
Net loss per share – basic and diluted:	\$ (0.00)	\$ (0.00)