

Sahara Energy Ltd.

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2017

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Condensed Interim Financial Statements

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 and nine months ended September 30, 2017.

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

As at	September 30 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents (Note 4)	\$ 962,771	\$ 1,493,768
Term deposits (Note 4)	9,315,989	9,245,675
Trade and other receivables	101,166	106,253
Prepaid expenses and deposits	665,680	675,639
	11,045,606	11,521,335
Property, plant and equipment (Note 5)	3,513,688	3,539,128
	\$ 14,559,294	\$ 15,060,463
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	\$ 407,461	\$ 475,188
Decommissioning obligation	497,301	490,624
	904,762	965,812
Shareholders' equity		
Share capital	20,465,084	20,465,084
Contributed surplus	1,244,119	1,244,119
Accumulated deficit	(8,054,671)	(7,614,552)
	13,654,532	14,094,651
	\$ 14,559,294	\$ 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 September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Revenue				
Oil and natural gas sales	\$ 11,715	\$ 11,768	\$ 37,416	\$ 35,319
Royalties	(336)	(332)	(1,074)	(984)
	11,379	11,436	36,342	34,335
Expenses				
Production and operating	17,007	26,848	80,004	116,828
General and administrative	139,075	178,168	452,352	600,124
Depletion and depreciation	8,532	11,226	25,608	37,974
Decommissioning obligation accretion	2,237	2,840	6,677	9,728
	166,851	219,082	564,641	764,654
Loss from operating activities	(155,472)	(207,646)	(528,299)	(730,319)
Interest income	24,103	32,897	88,180	94,998
Net loss and comprehensive loss	\$ (131,369)	\$ (174,749)	\$ (440,119)	\$ (635,321)

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 nine months ended September 30	2017	2016
Share capital		
Balance, beginning and end of period	\$ 20,465,084	\$ 20,465,084
Contributed surplus		
Balance, beginning and end of period	1,244,119	1,244,119
Deficit		
Balance, beginning of period	(7,614,552)	(6,690,658)
Net loss	(440,119)	(635,321)
Balance, end of period	(8,054,671)	(7,325,979)
Total Shareholders' Equity	\$ 13,654,532	\$ 14,383,224

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 nine months ended September 30	2017	2016
Operating activities		
Net loss	\$ (440,119)	\$ (635,321)
Add back (deduct) non-cash items:		
Depletion and depreciation	25,608	37,974
Decommissioning obligation accretion	6,677	9,728
Abandonment expenditures	-	(69,963)
Change in non-cash working capital		
Trade and other receivables	5,087	19,648
Prepaid expenses and deposits	9,959	(75,998)
Trade and other payables	(67,727)	(30,786)
Cash flows used by operating activities	(460,515)	(744,718)
Investing activities		
Term deposit purchase	(70,314)	(4,127,748)
Development and production asset expenditures	(168)	(543)
Change in non-cash working capital		
Trade and other payables	-	(80,637)
Cash flows used by investing activities	(70,482)	(4,208,928)
Change in cash and cash equivalents	(530,997)	(4,953,646)
Cash and cash equivalents, beginning of period	1,493,768	6,682,584
Cash and cash equivalents, end of period	\$ 962,771	\$ 1,728,938

See the accompanying notes to these condensed interim financial statements.

Sahara Energy Ltd.
Notes to Condensed Interim Financial Statements
For the three and nine months ended September 30, 2017
(Unaudited)
(in Canadian dollars)

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 – 4th Avenue SW, Calgary, Alberta.

As at September 30, 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 November 28, 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 September 30, 2017 condensed interim consolidated financial statements.

4. Cash and cash equivalents and term deposits

	September 30 2017	December 31 2016
Cash and cash equivalents		
Cash in bank	\$ 529,243	\$ 72,934
Term deposits with maturities of three months or less	433,528	1,420,834
	962,771	1,493,768
Term deposits		
Term deposits with maturities over three months	9,315,989	9,245,675
	\$ 10,278,760	\$ 10,739,443

Sahara Energy Ltd.
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(Unaudited)
(in Canadian dollars)

5. Property, plant and equipment

	Furniture and equipment	Development and production assets	Total
Cost			
As at December 31, 2016	\$ 217,798	\$ 4,711,497	\$ 4,929,295
Additions	–	168	168
As at September 30, 2017	\$ 217,798	\$ 4,711,665	\$ 4,929,463
Accumulated depletion and depreciation			
As at December 31, 2016	\$ 138,201	\$ 1,251,966	\$ 1,390,167
Depletion and depreciation	16,875	8,733	25,608
As at September 30, 2017	\$ 155,076	\$ 1,260,699	\$ 1,415,775
Net carrying amount			
As at December 31, 2016	\$ 79,597	\$ 3,459,531	\$ 3,539,128
As at September 30, 2017	\$ 62,722	\$ 3,450,966	\$ 3,513,688

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, September 30, 2017	–	\$ –

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7. Per share amounts

Basic net loss per share is calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Net loss for the period:	\$ (131,369)	\$ (174,749)	\$ (440,119)	\$ (635,321)
Weighted average number of shares – basic:				
Issued common shares at January 1	289,684,072	289,684,072	289,684,072	289,684,072
Effects of shares issued	–	–	–	–
	289,684,072	289,684,072	289,684,072	289,684,072
Net loss per share – basic:	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)