

**Sahara Energy Ltd.**

**Condensed Interim Financial Statements**

**For the three months ended March 31, 2015**

(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, 2015.

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

| As at                                       | March 31<br>2015 | December 31<br>2014 |
|---------------------------------------------|------------------|---------------------|
| <b>Assets</b>                               |                  |                     |
| Current assets                              |                  |                     |
| Cash and cash equivalents (Note 3)          | \$ 12,835,964    | \$ 9,019,033        |
| Term deposits (Note 3)                      | -                | 5,025,068           |
| Trade and other receivables                 | 137,501          | 150,602             |
| Prepaid expenses and deposits               | 367,258          | 295,298             |
|                                             | 13,340,723       | 14,490,001          |
| Exploration and evaluation assets           | 180,922          | 180,922             |
| Property, plant and equipment (Note 4)      | 4,133,183        | 4,056,568           |
|                                             | \$ 17,654,828    | \$ 18,727,491       |
| <b>Liabilities and Shareholders' Equity</b> |                  |                     |
| Current liabilities                         |                  |                     |
| Trade and other payables                    | \$ 527,863       | \$ 1,368,676        |
| Decommissioning obligation (Note 5)         | 879,883          | 854,733             |
|                                             | 1,407,746        | 2,223,409           |
| Shareholders' equity                        |                  |                     |
| Share capital                               | 20,465,084       | 20,465,084          |
| Contributed surplus                         | 1,244,119        | 1,242,804           |
| Accumulated deficit                         | (5,462,121)      | (5,203,806)         |
|                                             | 16,247,082       | 16,504,082          |
|                                             | \$ 17,654,828    | \$ 18,727,491       |

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    | 2015         | 2014         |
|----------------------------------------|--------------|--------------|
| <b>Revenue</b>                         |              |              |
| Oil and natural gas sales              | \$ 11,074    | \$ 122,019   |
| Royalties                              | (841)        | (11,212)     |
|                                        | 10,233       | 110,807      |
| <b>Expenses</b>                        |              |              |
| Production and operating               | 28,343       | 117,768      |
| General and administrative             | 251,236      | 201,863      |
| Depletion and depreciation             | 16,256       | 30,629       |
| Share-based payments (Note 6)          | 1,315        | 3,630        |
|                                        | 297,150      | 353,890      |
| <b>Loss from operating activities</b>  | (286,917)    | (243,083)    |
| Interest income                        | 31,622       | 156          |
| Decommissioning obligation accretion   | (3,020)      | (3,195)      |
| <b>Net loss and comprehensive loss</b> | \$ (258,315) | \$ (246,122) |
| <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.

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

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| For the three months ended March 31 | 2015                 | 2014                |
|-------------------------------------|----------------------|---------------------|
| <b>Share capital</b>                | \$ 20,465,084        | \$ 4,970,443        |
| <b>Contributed surplus</b>          |                      |                     |
| Balance, beginning of period        | 1,242,804            | 1,234,151           |
| Share-based payments (Note 6)       | 1,315                | 3,630               |
| Balance, end of period              | 1,244,119            | 1,237,781           |
| <b>Deficit</b>                      |                      |                     |
| Balance, beginning of period        | (5,203,806)          | (3,951,385)         |
| Net loss                            | (258,315)            | (246,122)           |
| Balance, end of period              | (5,462,121)          | (4,197,507)         |
| <b>Total Shareholders' Equity</b>   | <b>\$ 16,247,082</b> | <b>\$ 2,010,717</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                   | 2015                 | 2014              |
|-------------------------------------------------------|----------------------|-------------------|
| <b>Operating activities</b>                           |                      |                   |
| Net loss                                              | \$ (258,315)         | \$ (246,122)      |
| Add back (deduct) non-cash items:                     |                      |                   |
| Depletion and depreciation                            | 16,256               | 30,629            |
| Share-based payments                                  | 1,315                | 3,630             |
| Decommissioning obligation accretion                  | 3,020                | 3,195             |
| Change in non-cash working capital                    |                      |                   |
| Trade and other receivables                           | 13,101               | 6,811             |
| Prepaid expenses and deposits                         | (71,960)             | (43,177)          |
| Trade and other payables                              | (180,247)            | 66,078            |
|                                                       | (476,830)            | (178,956)         |
| <b>Investing activities</b>                           |                      |                   |
| Development and production asset expenditures         | (64,558)             | (696)             |
| Furniture and equipment expenditures                  | (6,183)              | -                 |
| Redemption of term deposits                           | 5,025,068            | -                 |
| Change in non-cash working capital                    |                      |                   |
| Trade and other payables                              | (660,566)            | -                 |
|                                                       | 4,293,761            | (696)             |
| <b>Change in cash and cash equivalents</b>            | <b>3,816,931</b>     | <b>(179,652)</b>  |
| <b>Cash and cash equivalents, beginning of period</b> | <b>9,019,033</b>     | <b>468,415</b>    |
| <b>Cash and cash equivalents, end of period</b>       | <b>\$ 12,835,964</b> | <b>\$ 288,763</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, 2015**  
(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 3700, 400 – Third Avenue SW, Calgary, Alberta.

As at March 31, 2015, JF Investment (Hong Kong) Co., Limited (“JF Investment”) owned and controlled 69% of the Company’s issued and outstanding shares.

**2. Basis of preparation**

These unaudited condensed interim financial statements (“financial statements”) have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. These financial statements do not include all of the information required for full annual financial statements.

These financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements of the Company for the year ended December 31, 2014. The disclosures provided herein are incremental to those included with the audited annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto in the Company’s annual filings for the year ended December 31, 2014.

These financial statements were authorized for issue by the Board of Directors on May 29, 2015.

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

|                                                                                           | March 31<br>2015 | December 31<br>2014 |
|-------------------------------------------------------------------------------------------|------------------|---------------------|
| Cash and cash equivalents                                                                 |                  |                     |
| Cash in bank                                                                              | \$ 771,079       | \$ –                |
| Term deposits with maturities of three months or less<br>or redeemable without penalty    | 12,064,885       | 9,019,033           |
|                                                                                           | 12,835,964       | 9,019,033           |
| Term deposits                                                                             |                  |                     |
| Term deposits with maturities over three months with<br>restricted early redemption terms | –                | 5,025,068           |
|                                                                                           | \$ 12,835,964    | \$ 14,044,101       |

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**Sahara Energy Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the three months ended March 31, 2015**  
(Unaudited)  
(In Canadian dollars)

**4. Property, plant and equipment**

|                                               | Furniture and<br>equipment | Development<br>and production<br>assets | Total        |
|-----------------------------------------------|----------------------------|-----------------------------------------|--------------|
| <b>Cost</b>                                   |                            |                                         |              |
| As at December 31, 2014                       | \$ 207,153                 | \$ 4,665,922                            | \$ 4,873,075 |
| Additions                                     | 6,183                      | 64,558                                  | 70,741       |
| Decommissioning revisions                     | –                          | 22,130                                  | 22,130       |
| As at March 31, 2015                          | \$ 213,336                 | \$ 4,752,610                            | \$ 4,965,946 |
| <b>Accumulated depletion and depreciation</b> |                            |                                         |              |
| As at December 31, 2014                       | \$ 54,383                  | \$ 762,124                              | \$ 816,507   |
| Depletion and depreciation                    | 12,771                     | 3,485                                   | 16,256       |
| As at March 31, 2015                          | \$ 67,154                  | \$ 765,609                              | \$ 832,763   |
| <b>Net carrying amount</b>                    |                            |                                         |              |
| As at December 31, 2014                       | \$ 152,770                 | \$ 3,903,798                            | \$ 4,056,568 |
| As at March 31, 2015                          | \$ 146,182                 | \$ 3,987,001                            | \$ 4,133,183 |

Future development costs:

The March 31, 2015 calculation of depletion and depreciation expense included an estimated \$4.4 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.

Impairment:

The Company did not identify any indicators of impairment as at March 31, 2015.

**5. Decommissioning obligation**

As at March 31, 2015, the Company has estimated the total undiscounted inflation-adjusted amount of cash flows required to settle its decommissioning liabilities to be \$960,631. This amount will be substantially incurred over the next six years. The Company calculated the decommissioning liabilities using an average risk-free discount rate of 0.97% per annum and an inflation rate of 2% per annum.

|                            |            |
|----------------------------|------------|
| Balance, December 31, 2014 | \$ 854,733 |
| Accretion                  | 3,020      |
| Revisions                  | 22,130     |
| Balance, March 31, 2015    | \$ 879,883 |

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**Notes to Condensed Interim Financial Statements**  
**For the three months ended March 31, 2015**  
(Unaudited)  
(In Canadian dollars)

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**6. Share-based payments**

As at March 31, 2015 and December 31, 2014, the Company had 2,400,000 stock options outstanding, all of which are exercisable at March 31, 2015. The stock options are exercisable at \$0.10 per share and expire between January 2016 and March 2017.

During the three months ended March 31, 2015, the Company recognized \$1,315 of share-based compensation expense (three months ended March 31, 2014 – \$3,630). As at March 31, 2015, the Company's remaining unvested share-based compensation is \$nil.

**7. Per share amounts**

Basic net loss per share is calculated as follows:

| For the three months ended March 31                    | 2015         | 2014         |
|--------------------------------------------------------|--------------|--------------|
| Net loss for the period:                               | \$ (258,315) | \$ (246,122) |
| Weighted average number of shares – basic and diluted: |              |              |
| Issued common shares at January 1                      | 289,684,072  | 89,684,072   |
| Effects of shares issued                               | –            | –            |
|                                                        | 289,684,072  | 89,684,072   |
| Net loss per share – basic and diluted:                | \$ (0.00)    | \$ (0.00)    |

The effect of stock options is anti-dilutive in loss periods.