Sahara Energy Ltd.

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2018

(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, 2018.

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

As at	September 30 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents (Note 5)	$ 4,413,644	$ 812,084
Term deposits (Note 5)	5,231,471	9,338,149
Trade and other receivables (Note 6)	36,659	84,660
Prepaid expenses and deposits	696,629	677,338
	10,378,403	10,912,231
Property, plant and equipment (Note 7)	3,473,991	3,489,094
	$ 13,852,394	$ 14,401,325
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	$ 420,005	$ 468,647
Decommissioning obligation (Note 8)	452,146	466,040
	872,151	934,687
Shareholders' equity		
Share capital	20,465,084	20,465,084
Contributed surplus	1,244,119	1,244,119
Accumulated deficit	(8,728,960)	(8,242,565)
	12,980,243	13,466,638
	$ 13,852,394	$ 14,401,325

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	
	2018	2017	2018	2017
Revenue				
Oil and natural gas sales (Note 4)	$ 60,982	$ 11,715	$ 141,057	$ 37,416
Royalties	(1,707)	(336)	(4,001)	(1,074)
	59,275	11,379	137,056	36,342
Expenses				
Production and operating	46,121	17,007	136,066	80,004
General and administrative	153,474	139,075	492,566	452,352
Depletion and depreciation (Note 7)	16,911	8,532	43,196	25,608
Accretion (Note 8)	2,330	2,237	7,069	6,677
Allowance for credit losses (Note 6)	-	-	17,460	-
	218,836	166,851	696,357	564,641
Loss from operating activities	(159,561)	(155,472)	(559,301)	(528,299)
Interest income	23,261	24,103	72,906	88,180
Net loss and comprehensive loss	$ (136,300)	$ (131,369)	$ (486,395)	$ (440,119)
Net loss per share - basic	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Basic weighted average number of common shares outstanding	289,684,072	289,684,072	289,684,072	289,684,072

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		2018		2017
Share capital				
289,684,072 common shares issued and outstanding				
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
Accumulated deficit				
Balance, beginning of period		(8,242,565)		(7,614,552)
Net loss		(486,395)		(440,119)
Balance, end of period		(8,728,960)		(8,054,671)
Total Shareholders' Equity	$	12,980,243	$	13,654,532

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		2018		2017
Operating activities				
Net loss	$	(486,395)	$	(440,119)
Add back (deduct) non-cash items:				
Depletion and depreciation (Note 7)		43,196		25,608
Decommissioning obligation accretion (Note 8)		7,069		6,677
Abandonment expenditures (Note 8)		(49,000)		-
Change in non-cash working capital				
Trade and other receivables		48,001		5,087
Prepaid expenses and deposits		(19,291)		9,959
Trade and other payables		(48,642)		(67,727)
Cash flows used in operating activities		(505,062)		(460,515)
Investing activities				
Term deposit purchase		4,106,678		(70,314)
Development and production asset expenditures		(56)		(168)
Cash flows used in investing activities		4,106,622		(70,482)
Change in cash and cash equivalents		3,601,560		(530,997)
Cash and cash equivalents, beginning of period		812,084		1,493,768
Cash and cash equivalents, end of period	$	4,413,644	$	962,771

See the accompanying notes to these condensed interim financial statements.

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, 2018, 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 for impact of new accounting policies). 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, 2017.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on November 28, 2018.

3. Changes in accounting standards

On January 1, 2018, the Company retrospectively adopted IFRS 9 Financial Instruments ("IFRS 9") which includes new requirements for the classification and measurement of financial assets, a new credit loss impairment model and new model to be used for hedge accounting for risk management contracts. The Company does not currently have any risk management contracts. The adoption of IFRS 9 did not have a material impact on the Company's condensed interim financial statements and management applied the provision matrix practical expedient as part of the adoption of the standard. The additional disclosures required by IFRS 9 are detailed in Note 6.

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") using the retrospective method of adoption. The adoption of IFRS 15 did not have a material impact on the Company's unaudited condensed interim financial statements and as a result, the Company did not apply any practical expedients as part of the adoption of IFRS 15. The additional disclosures required by IFRS 15 are detailed in Note 4.

4. Revenue

The Company sells its production pursuant to fixed and variable price contracts with varying length terms up to 1 year. Under the contracts, the Company is required to deliver a fixed or variable volume of light-medium oil to the contract counterparty. The transaction price is based on the commodity price, adjusted for quality, location or other factors.

All of the Company's revenue is from the sale of heavy and light-medium oil from non-operated properties. Oil sales were earned from two working interest partners (the property operators) during the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – a single working interest partner and property operator) representing 100% of revenue for the three and nine months ended

(in Canadian dollars)

September 30, 2018 and 2017 and $nil of accounts receivable at September 30, 2018 (December 31, 2017 – $1,520).

Composition of oil and gas sales revenue:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Light-medium oil	$ 12,709	$ 11,715	$ 41,564	$ 37,416
Heavy oil	48,273	–	99,493	–
Total oil and gas sales revenue	$ 60,982	$ 11,715	$ 141,057	$ 37,416

5. Cash and cash equivalents and term deposits

	September 30 2018	December 31 2017
Cash and cash equivalents		
Cash in bank	$ 4,413,644	$ 378,556
Term deposits with maturities of three months or less	–	433,528
	4,413,644	812,084
Term deposits		
Term deposits with maturities over three months	5,231,471	9,338,149
	$ 9,645,115	$ 10,150,233

6. Trade and other receivables

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. Substantially all of the Company's trade and other receivables are with customers and joint venture partners in the petroleum and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. Receivables related to the sale of the Company's petroleum and natural gas production are from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery.

The maximum exposure to credit risk related to trade and other receivables at September 30, 2018 is $54,119 before the Company's $17,460 allowance for credit losses (December 31, 2017 – $84,660). One working interest partner that represents 71% of revenue reported in the nine months ended September 30, 2018 comprises $nil of accounts receivable at September 30, 2018 (December 31, 2017 – $1,520).

(in Canadian dollars)

Composition of trade and other receivables:

	September 30 2018	December 31 2017
Production revenue receivable	$ –	$ 1,520
Joint venture partner and cash call receivables	45,617	73,237
Goods and Services Tax and other receivables	8,502	9,903
	54,119	84,660
Allowance for credit losses	(17,460)	–
	$ 36,659	$ 84,660

Included in general and administrative expenses for the nine months ended September 30, 2018, is $28,455 for the write-off of trade and other receivables older than 90 days. During the nine months ended September 30, 2018, the Company recognized an allowance for credit losses based on its history of non-collection of trade accounts receivable over 90 days. As at September 30, 2018, all of the Company's trade and other receivables are less than 60 days old except for approximately $17,940 (December 31, 2017 – $73,985) which are greater than 60 days old and primarily comprised of cash calls receivable for which the related capital spending has been postponed.

7. Property, plant and equipment

	Furniture and equipment	Development and production assets	Total
Cost			
As at December 31, 2017	$ 217,798	$ 4,695,538	$ 4,913,336
Additions	–	56	56
Decommissioning revisions	–	28,037	28,037
As at September 30, 2018	$ 217,798	$ 4,723,631	$ 4,941,429
Accumulated depletion and depreciation			
As at December 31, 2017	$ 160,702	$ 1,263,540	$ 1,424,242
Depletion and depreciation	11,911	31,285	43,196
As at September 30, 2018	$ 172,613	$ 1,294,825	$ 1,467,438
Net carrying amount			
As at December 31, 2017	$ 57,096	$ 3,431,998	$ 3,489,094
As at September 30, 2018	$ 45,185	$ 3,428,806	$ 3,473,991

The calculation of 2018 depletion and depreciation expense included an estimated $4.5 million (December 31, 2017 – $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.

8. Decommissioning obligation

Balance, December 31, 2017	$	466,040
Accretion		7,069
Revisions		28,037
Expenditures		(49,000)
Balance, September 30, 2018	$	452,146