

**Sahara Energy Ltd.**

**Condensed Interim Financial Statements**

**For the three months ended March 31, 2020**

(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, 2020.

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

As at	March 31 2020	December 31 2019
<b>Assets</b>		
Current assets		
Cash	\$ 481,334	\$ 635,434
Term deposits	8,519,771	8,483,659
Goods and Services Tax receivable	8,459	7,786
Inventory	5,050	5,050
Prepaid expenses and deposits	660,370	688,085
	9,674,984	9,820,014
Property and equipment (Note 3)	3,417,883	3,541,483
<b>Total Assets</b>	<b>\$ 13,092,867</b>	<b>\$ 13,361,497</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Trade and other payables	\$ 414,483	\$ 488,001
Decommissioning obligation (Note 4)	522,604	526,601
<b>Total Liabilities</b>	<b>937,087</b>	<b>1,014,602</b>
Shareholders' Equity		
Share capital	20,465,084	20,465,084
Contributed surplus	1,244,119	1,244,119
Accumulated deficit	(9,553,423)	(9,362,308)
<b>Total Shareholders' Equity</b>	<b>12,155,780</b>	<b>12,346,895</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 13,092,867</b>	<b>\$ 13,361,497</b>

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	2020	2019
<b>Revenue</b>		
Oil sales (Note 5)	\$ 8,603	\$ 48,614
Royalties	(241)	(352)
	8,362	48,262
<b>Expenses</b>		
Production and operating	18,121	57,349
General and administrative	91,631	137,977
Depletion and depreciation (Note 3)	5,600	15,460
Impairment (Note 3)	118,000	-
Accretion (Note 4)	2,237	2,279
	235,589	213,065
<b>Loss from operating activities</b>	<b>(227,227)</b>	<b>(164,803)</b>
Interest income	36,112	41,126
<b>Net loss and comprehensive loss</b>	<b>\$ (191,115)</b>	<b>\$ (123,677)</b>
<b>Net loss per share - basic</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted average number of common shares outstanding	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 three months ended March 31	2020	2019
<b>Share capital</b>		
289,684,072 common shares issued and outstanding		
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>Accumulated deficit</b>		
Balance, beginning of period	(9,362,308)	(8,911,957)
Net loss and comprehensive loss	(191,115)	(123,677)
Balance, end of period	(9,553,423)	(9,035,634)
<b>Total Shareholders' Equity</b>	<b>\$ 12,155,780</b>	<b>\$ 12,673,569</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	2020	2019
<b>Operating activities</b>		
Net loss	\$ (191,115)	\$ (123,677)
Add back (deduct) non-cash items:		
Depletion and depreciation (Note 3)	5,600	15,460
Impairment (Note 3)	118,000	-
Accretion (Note 4)	2,237	2,279
Abandonment expenditures (Note 4)	(6,234)	(10,758)
Change in non-cash working capital		
Goods and Services Tax receivable	(673)	1,347
Inventory	-	17,860
Prepaid expenses and deposits	27,715	3,491
Trade and other payables	(73,518)	(34,531)
Cash flows used in operating activities	(117,988)	(128,529)
<b>Investing activities</b>		
Term deposit purchase	(36,112)	(38,107)
Cash flows used in investing activities	(36,112)	(38,107)
<b>Change in cash</b>	<b>(154,100)</b>	<b>(166,636)</b>
<b>Cash, beginning of period</b>	<b>635,434</b>	<b>777,027</b>
<b>Cash, end of period</b>	<b>\$ 481,334</b>	<b>\$ 610,391</b>

See the accompanying notes to these condensed interim financial statements.

**Sahara Energy Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the three months ended March 31, 2020**  
**(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 400, 444 – 7<sup>th</sup> Avenue SW, Calgary, Alberta.

As at March 31, 2020, 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. 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, 2019.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on May 28, 2020.

**3. Property and equipment**

	Furniture and equipment	Development and production assets	Total
<b>Cost</b>			
As at December 31, 2019	\$ 217,798	\$ 4,849,404	\$ 5,067,202
Additions	–	–	–
As at March 31, 2020	\$ 217,798	\$ 4,849,404	\$ 5,067,202
<b>Accumulated depletion and depreciation</b>			
As at December 31, 2019	\$ 187,869	\$ 1,337,850	\$ 1,525,719
Depletion and depreciation	2,018	3,582	5,600
Impairment	–	118,000	118,000
As at March 31, 2020	\$ 189,887	\$ 1,459,432	\$ 1,649,319
<b>Net carrying amount</b>			
As at December 31, 2019	\$ 29,929	\$ 3,511,554	\$ 3,541,483
As at March 31, 2020	\$ 27,911	\$ 3,389,972	\$ 3,417,883

Depletion and depreciation:

The calculation of 2020 depletion and depreciation expense included an estimated \$0.6 million (December 31, 2019 – \$0.6 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.

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**Notes to Condensed Interim Financial Statements**  
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**(in Canadian dollars)**

Impairment:

At March 31, 2020, the Company identified certain business risks related to its CGU such as a decline in forward commodity prices. As a result, the Company tested its petroleum and natural gas CGU for impairment at March 31, 2020 based on the 15% discounted net present value of cash flows from oil and natural gas reserves as estimated by a mechanical update of the Company's December 31, 2019 reserve report prepared independent reserves evaluator. As at March 31, 2020, the estimate of the 'fair value less costs of disposal' of the Company's petroleum and natural gas assets was less than the carrying value of the CGU and therefore the Company recognized \$118,000 of impairment in the March 31, 2020 statement of loss and comprehensive loss.

A 1% increase in the assumed discount rate would result in \$72,000 of additional impairment; a 5% decrease in the forward commodity price estimates would result in \$273,000 of additional impairment.

The March 31, 2020 impairment test used the following commodity price estimates:

	Cdn\$/bbl
2020 (remainder)	32.87
2021	42.47
2022	46.95
2023	50.29
2024	52.19
2025	54.10
2026	55.20
2027	56.32
Escalation rate thereafter	+ 2% per year

**4. Decommissioning obligation**

Balance, December 31, 2019	\$	526,601
Accretion		2,237
Expenditures		(6,234)
Balance, March 31, 2020	\$	522,604

**5. Oil sales**

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 oil sales revenue is from the sale of heavy and light-medium oil from non-operated properties. Oil sales were earned from one working interest partner (the property operator) during the three months ended March 31, 2020 (three months ended March 31, 2019 – two working interest partners and property operators) representing 100% of revenue and \$nil of accounts receivable at March 31, 2020 and December 31, 2019.

Composition of oil sales revenue:

For the three months ended March 31	2020		2019	
Light-medium oil	\$	8,603	\$	12,214
Heavy oil		–		36,400
	\$	8,603	\$	48,614