SAHARA ENERGY LTD.
Amended and Restated
Management's Discussion and Analysis
For the period ended June 30, 2010

The information in this management discussion and analysis ("MD&A") of SAHARA ENERGY LTD. (the "Company", "Corporation" or "Sahara") is dated as of August 26, 2010, is for three and six months ended June 30, 2010 and contains financial highlights but does not contain the complete financial statements of the Corporation. It should be read in conjunction with the Corporation's unaudited interim financial statements and the related notes for the period ended June 30, 2010 and the audited financial statements for the year ended December 31, 2009. Additional information is available on SEDAR at www.sedar.com. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). All references to dollar amounts are in Canadian dollars. This MD&A includes events up to August 16, 2010.

Forward-Looking Statements

The matters discussed in this MD&A include certain forward-looking statements. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward-looking statements may be identified, without limitation, by the use of such words as "anticipates", "estimates", "expects", "intends", "plans", "predicts", "projects", "believes", or words or phrases of similar meaning. In addition, any statement that may be made concerning future performance, strategies or prospects and possible future corporate action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date. Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Corporation. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. The Corporation disclaims any intention or obligation to update or revise these forward-looking statements as a result of new information, future events or otherwise, except as required under applicable securities laws.

BASIS OF PRESENTATION

Certain financial measures referred to in this discussion, such as funds from operations and funds from operations per share, are not prescribed by generally accepted accounting principles (GAAP). Funds from operations is a key measure that demonstrates the ability to generate cash to fund expenditures. Funds from operations is calculated by taking the cash provided by operations from the statement of cash flows and adding back changes in non-cash working capital. Funds from operations per share is calculated using the same methodology for determining net income per share. These non-GAAP financial measures may not be comparable to similar measures presented by other companies. These financial measures are not intended to represent operating profits for the period nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with GAAP. The reconciliation between funds from operations and cash flow from operations for the three months and six months ended June 30, 2010 and 2009 is presented in the table below:

	Three months ended June 30		**Six months ended June 30**	
($)	**2010**	2009	**2010**	2009
Funds from operations	**(185,070)**	(56,161)	**(313,.42)**	(204,893)
Changes in non-cash working capital	**134,486**	(148,650)	**(357,294)**	68,833
Net cash flow from operations	**(50,584)**	(204,811)	**(670,336)**	(136,060)
Net cash flow per share	**0.00**	(0.01)	**(0.02)**	0.00

Management uses certain industry benchmarks such as field netback to analyze financial and operating performance. Field netback has been calculated by taking oil and gas revenue less royalties, operating costs and transportation costs. This benchmark does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Management considers field netback as an important measure to demonstrate profitability relative to commodity prices.

All barrels of oil equivalent (boe) conversions in this report are derived by converting natural gas to oil at the ratio of six thousand cubic feet (mcf) of natural gas to one barrel (bbl) of oil. Certain financial values are presented on a boe basis and such measurements may not be consistent with those used by other companies. Boe may be misleading, particularly if used in isolation. A boe conversion of six mcf to one boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead.

CORPORATION OVERVIEW AND PRINCIPAL BUSINESS RISKS

Sahara Energy Ltd. was incorporated under the Business Corporations Act (Alberta) and is listed on the TSX Venture Exchange (“the Exchange”), under the symbol ‘SAH’. The Company is a junior resource exploration company engaged in the acquisition, exploration and development of natural resource properties (primarily oil and gas). The Company’s business is presently focused on the exploration and evaluation of various oil and gas properties in Saskatchewan and Alberta.

The Corporation does not have a history of earnings. The Corporation’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations. During the six months ended June 30, 2010, the Company incurred a net loss of $431,060 and has an accumulated deficit of $14,796,543. At June 30, 2010, the Company had indebtedness of $1,828,848 and a working capital deficiency of $3,520,629.

The unaudited financial statements for the six months ended June 30, 2010 do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue its operations.

OVERVIEW AND SIGNIFICANT EVENTS

For the six months ended June 30, 2010 the Company had net revenues of $255,761 and for the six months ended June 30, 2009, the Company had net revenues of $398,314. The Company had a net loss of

$431,060 for the six months ended June 30, 2010 and a net loss of $835,882 for the six months ended June 30, 2009.

During the six months ended June 30, 2010 the Company incurred capital expenditures of $39,561.

A total of $299,586 was received for property dispositions during the six months ended June 30, 2010.

As at June 30, 2010, the Company reported a bank balance of $13,623 and a working capital deficiency of $3,520,629.

OPERATIONAL ACTIVITIES

For the six months ended June 30, 2010 Company averaged 28 boepd which consisted of 25 bbls/day of heavy oil and 20 mcf/d (3 boepd) of natural gas.

Divestments

During the first six months, the company sold a non-producing well in the Lloydminster area. In the Hayter area of Alberta Sahara also sold used well equipment from non-producing wells. The proceeds from these dispositions totalled $299,586.

Core Area –Heavy Oil – Lloydminster, Alberta

During the reporting period, Sahara did not participate in the drilling of any new wells in our core area. The Forent Energy farm-out agreement on our Blackfoot property is awaiting government approval for downspacing. Sahara expects that Forent will spud a well on the Blackfoot heavy oil play in September.

During the first quarter of 2010 Sahara had three wells go down due to mechanical failures. Subsequent to the reporting period Sahara has put two of the three oil wells that were down back on production. Advance from King World were used to bring the oil wells back on production. The third oil well lease is under water from heavy rain, the lease is being drained and weather permitting this oil well will be re-equipped and placed on production by the end of August.

Production and Prices

For the six months end June 30, 2010 and June 30, 2009 production has decreased by 24 boe/d in 2010. The company experienced mechanical failure on three wells during the first quarter of 2010 and is therefore producing below more capacity. For the three months end June 30, 2010 and June 30, 2009 production declined significantly due to wells being down and natural declines in production.

	Three months ended June 30		**Six months ended June 30**	
Production by Product	**2010**	2009	**2010**	2009
Oil (bbls/d)	**12**	54	**25**	49
Natural gas (mcf/d)	**7**	60	**20**	33
Total (boe/d) (6:1)	**13**	64	**28**	55

Average product prices for the six months ended June 30, 2010 were $56.49 compared to $44.34 for the six months ended June 30, 2009. Product prices have continued to improve during 2010 as economic conditions continue to improve. Average product prices for the three months ended June 30, 2010 were $53.40 compared to $50.87 for the three months ended June 30, 2009.

Product Prices	Three months ended June 30 **2010**	2009	Six months ended June 30 **2010**	2009
Oil ($/bbl)	**60.87**	56.75	**63.32**	47.15
Natural gas ($/mcf)	**(4.09)**	3.05	**3.10**	3.20
Combined average ($boe) (6:1)	**53.40**	50.87	**56.49**	44.44

Oil and Natural Gas Revenues

Revenues for the six months ended June 30, 2010 were $286,313 compared to $441,556 for the six ended June 30, 2009. Revenues for the three months ended June 30, 2010 were $64,140 compared to $296,281 for the three ended June 30, 2009. Revenues are down considerably for the six month and three month period ended June 30, 2010 when compared to June 30, 2009. Revenues are down to a significant reduction in production volumes. Production volumes have gone down as a result of mechanical failure on existing wells and also as a result of selling properties during the latter half of 2009.

	Three months ended June 30 **2010**	2009	Six months ended June 30 **2010**	2009
Oil ($)	**66,651**	280,330	**275,111**	422,318
Natural gas ($)	**(2,511)**	16,491	**11,202**	19,238
	64,140	296,281	**286,313**	441,556

Royalties

Royalties have trended downward during 2010 due to lower production volumes.

	Three months ended June 30 **2010**	2009	Six months ended June 30 **2010**	2009
Royalties	**3,749**	34,679	**30,559**	43,447
As a % of oil and natural gas revenue	**5.84**	11.70	**10.67**	9.84
Per boe (6:1) ($)	**3.12**	5.96	**6.03**	4.37

Production Expenses

Production expenses for the six months ended June 30, 2010 were $134,395 compared to $304,357 for the three months ended June 30, 2009. Production expenses are lower during the first six months due a reduction in production volumes. Production expenses for the three months ended June 30, 2010 were $(29,145) compared to $177,144 for the three months ended June 30, 2009. Production expenses are negative during the second quarter due to one time credits received from an Operator of some of Sahara's non-operated wells. Excluding the credit of approximately $60,000, Sahara's operating costs for the second quarter would have been $30,926 or $25.75 per boe. The credits were the result of audit adjustments to periods prior to the current reporting period.

	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
Operating expenses ($)	**(29,145)**	177,144	**134,395**	304,357
As a % of oil and natural gas revenue	**(45.44)**	59.79	**46.94**	68.93
Per boe (6:1) ($)	**(24.26)**	30.37	**26.52**	30.60

Operating Netback

Operating Netbacks were $23.94 for the six month period ended June 30, 2010 compared to $9.44 for the six months ended June 30, 2009. Operating Netbacks were $74.54 for the three month period ended June 30, 2010 compared to $14.49 for the three months ended June 30, 2009. The Operating Netbacks have improved during the six month and three month periods due to increased commodity prices and lower operating costs.

	Three months ended June 30		Six months ended June 30	
($ per boe)	**2010**	2009	**2010**	2009
Revenue	**53.40**	50.87	**56.49**	44.44
Royalties	**3.12**	5.96	**6.03**	4.37
Production expenses	**(24.26)**	30.42	**26.52**	30.63
Field netback	**74.54**	14.49	**23.94**	9.44

General & Administrative Costs

General and administrative ("G & A") expenses for the six months ended June 30, 2010 were $245,398 compared to $193,240 for the six months ended June 30, 2009. General and administrative ("G & A") expenses for the three months ended June 30, 2010 were $122,834 compared to $86,507 for the three months end June 30, 2009. G&A costs have increased during the six month and three month reporting periods due to increased regulatory costs and indirect costs associated with the Company's Creditors Proposal.

	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
General & Administrative ($)	**122,834**	86,507	**245,398**	193,240
As a % of oil and natural gas revenue	**191.51**	29.20	**85.71**	43.76
Per boe (6:1)	**102.26**	14.86	**48.42**	19.45

Stock-based compensation

Stock based compensation measures the implicit cost of compensating key personnel through the issuance of stock options. Stock based compensation for the three months ended June 30, 2010 was $ Nil as compared to $16,710 for the three months ended June 30, 2009. Stock based compensation for the six months ended June 30, 2010 was $ Nil as compared to $41,766 for the six months ended June 30, 2009.

Interest Expense

Interest expense has ceased since March 22, 2010 due to Sahara's Creditors Proposal under the Bankruptcy and Insolvency Act. Interest from prior periods is associated with accrued interest for convertible debentures, promissory notes and interest on overdue accounts payable.

	Three months ended June 30		**Six months ended June 30**	
	2010	2009	**2010**	2009
Interest expense ($)	**-**	47,402	**33,742**	93,875
Per boe (6:1)	**-**	8.14	**6.66**	9.45

Depletion Depreciation and Accretion (DD&A)

Depletion, depreciation and accretion expenses were $118,018 for the six months ended June 30, 2010 compared to $833,631 for the six months ended June 30, 2009. Depletion, depreciation and accretion expenses were $35,487 for the three months ended June 30, 2010 compared to $612,019 for the three months ended June 30, 2009. Depletion costs are significantly lower during the reporting period due to lower production volumes and an impairment charge of $3,713,421 in the fourth quarter of 2009. The impairment occurred because Sahara is seeking to restructure corporately and will most likely not spend the capital required to develop its probable reserves. As such the P&NG properties have been written down to reflect only the proven reserves.

	Three months ended June 30		**Six months ended June 30**	
	2010	2009	**2010**	2009
Depletion and Depreciation ($)	**26,840**	574,702	**100,724**	760,100
Per boe (6:1)	**22.34**	98.69	**19.87**	76.51
Accretion ($)	**8,647**	(6,547)	**17,294**	23,456
Per boe (6:1)	**7.20**	(1.12)	**3.41**	2.36

Income tax

Sahara does not have current income tax payable and does not expect to pay current income taxes in 2010 as the Company had estimated tax pools available of $10,842,000 at December 31, 2009.

Capital Expenditures

Capital expenditures were minimal during the six months ended June 30, 2010 when compared to the six months ended June 30, 2009. Expenditures were higher in 2009 as a result of re-completions and workovers to increase the company's production. Divestment of a non-producing well in the Lloydminster area of Alberta and well equipment sales from non-producing wells in the Hayter area of Alberta netted proceeds of $299,586 during the first six months of 2010.

$	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Land	**(1,458)**	3,234	**26,143**	4,325
Geological & Geophysical	**-**	-	**-**	2,070
Well completions & workovers	**7,622**	95,156	**11,798**	119,318
Well and office equipment	**-**	-	**1,620**	6,634
Total operations	**6,164**	98,390	**39,561**	177,347
Property dispositions	**(13,499)**	(45,000)	**(299,586)**	(45,000)
Total (net of dispositions)	**(7,335)**	53,390	**(260,025)**	132,347

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of $3,520,629 for the six months ended June 30, 2010. Included in the working capital deficiency are $1,337,020 convertible debentures that matured on June 29, 2009. The maturity date for these debentures has since been extended to September 30, 2009. The convertible debentures have yet to be repaid and are part of Sahara's Creditors Proposal as outlined in the Subsequent Events section of this report.

COMMITMENTS AND CONTINGENCIES

The following is a summary of commitments and contingencies for the reporting period.

Premises lease: The Company entered into a lease agreement on September 1, 2009 for a period of five years that calls for annual basic rent payments of $58,000 per year. The new lease agreement expires September 2014.

RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the period measured at the exchange rate, which is the amount established and agreed to by the related parties and which are similar to those negotiable with third parties:

On June 30, 2010 the Company had promissory notes payable of $289,019 of which $270,000 is owed to senior management and directors of the Company.

During 2010 consulting fees were paid to a corporation controlled by an officer of the Company of $68,000. Interest of $7,274 was charged on promissory notes payable to certain officers, directors and corporations under their control.

SUBSEQUENT EVENTS

On March 18, 2010 the Company entered into an arm's length letter of intent agreement with Gallic Energy Ltd. to negotiate the sale by Sahara of its Alberta and Saskatchewan properties for consideration of approximately 13,500,000 class A common shares of Gallic and the assumption by Gallic of $500,000 of Sahara's secured debt. This agreement was subsequently terminated on June 4, 2010.

On March 22, 2010, the Company filed a Notice of Intention to make a Proposal ("NOI") pursuant to Section 50.4(1) of the Bankruptcy and Insolvency Act ("BIA"). Sahara must now file a Proposal within 30 days following the filing of the NOI or within any further extension of that period approved by the Court. On April 20, 2010 an extension was granted until June 4, 2010. Once a Proposal has been filed, a meeting of creditors to consider the Proposal will be held within 21 days. Pursuant to Section 69 of the BIA, all proceedings against Sahara are now stayed and service to Sahara cannot be discontinued.

On June 8, 2010 Sahara entered into a Memorandum of Understanding with King World International Holdings Limited. The MOU provides for a proposal to be made and accepted by creditors of Sahara, a 6 to 1 consolidation of the common shares of Sahara and an equity private placement of up to 58,000,000 common shares on a post-consolidation basis at a price of $0.05 per common share for gross proceeds to the Company of up to $2.9 million. Pursuant to the MOU King will subscribe for 48,000,000 of the new shares to be issued pursuant to the private placement, representing $2.4 million of the potential gross proceeds to the Company. Pursuant to the MOU, King has advanced an aggregate of $100,000 to Sahara in the form of promissory notes secured by a first-ranking priority over the assets of Sahara.

Sahara has made the Creditors Proposal to its existing creditors on the following basis:

- Each unsecured creditor of Sahara will receive a cash payment of $0.15 for each $1.00 owed by Sahara to such creditor; and
- Each secured creditor will receive a cash payment of $0.15 plus 17 new shares for each $1.00 owed by Sahara to such creditor.

The Creditor Proposal was voted in favor of at a meeting of the creditors held on June 22, 2010. The Creditors Proposal has been approved by the Court of Queen's Bench of Alberta. The Creditors Proposal and the terms in the Memorandum of Understanding are still subject to regulatory and shareholder approval. Shareholder approval will be sought at the Company's Annual and Special Meeting of Shareholders to be held on September 3, 2010.

CONTROLS AND PROCEDURES

As the Corporation is classified as a Venture Issuer under applicable securities legislation, it is required to file basic Chief Executive Officer and Chief Financial Officer Certifications, which it has done for the six months ended June 30, 2010. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at June 30, 2010.

BUSINESS RISKS

The Corporation is engaged in the exploration and development of crude oil. The Corporation's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced.

- **Environment**

  All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a complex blend of federal, provincial, and municipal laws and regulations. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or materially increase the costs of production, development, and exploration activities or otherwise adversely affect the Corporation's financial condition, results from operations and or prospects.

- **Financial**

  Financial risks associated with the petroleum industry include fluctuation in commodity prices, interest rates, and currency exchange rates. Other financial risks include, but are not limited to, the availability of funds through equity markets and or debt to invest in capital projects to support the Corporation's growth.

- **Operational**

  Operational risks include competitive environmental factors, reservoir performance uncertainties and dependence upon third parties for commodity transportation and processing and a complex regulatory environment. The Corporation closely follows the applicable government regulations. The Corporation carries insurance coverage to protect itself against those potential losses that could be economically insured against.

  - **Commodity Price Risk Management**

    The Corporation does not have any contracts in place to protect against commodity price changes.

  - **Fair Value of Financial Instruments**

    The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, line of credit, accounts payable and accrued liabilities, and note payable. Management has utilized valuation methodologies available as at the year end and has determined that the carrying amounts of such financial instruments approximate their fair value in all cases due to the short-term maturity of these instruments.

  - **Foreign Currency Exchange Risk**

    The Corporation is exposed to foreign currency fluctuations as crude oil to be received are referenced in United States dollar denominated prices.

    It is management's opinion that the Corporation is not currently exposed to commodity price risk, credit risk or interest rate risk except as described above. The Corporation does not use derivative instruments to reduce exposure to commodity price or foreign currency exchange risk.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its financial statements in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the year of the financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in notes of the audited financial statements for the year ended December 31, 2009, as well as in the *Accounting Policies – Accounting Standards Implemented by the Corporation in 2008* discussed below.

The Corporation evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the financial statements are estimates used in determining the fair value of investments, revenue recognition and other matters. Actual results could differ materially from those estimates and assumptions.

ACCOUNTING POLICIES – ACCOUNTING STANDARDS IMPLEMENTED BY THE CORPORATION IN 2008

The Corporation's accounting policies are disclosed in the notes to the 2009 audited annual financial statements and in the following disclosure of the impact of new accounting standards implemented by the Corporation in the year ended December 31, 2009.

Capital Disclosures

On January 1, 2008, the Corporation prospectively adopted CICA Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing its capital structure. The disclosures have been included in notes to the audited financial statements for the year ended December 31, 2009.

Financial Instruments

On January 1, 2008, the Corporation prospectively adopted the following two new CICA standards: Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863), which replace Financial Instruments – Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an Omnibus Exposure Draft that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section – *Accounting Changes,* paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to Exposure Draft.

The Corporation is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Corporation does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the information.

QUARTERLY SUMMARY

Factors that caused variations over the quarters

During the third and fourth quarters of 2008 Sahara received over $100,000 in crown royalty credits. This was the result of overpaying royalties at Tangent 16-33-80-24 W5M. Royalties were overpaid to the APMC during the prior year. During the fourth quarter of 2008, Sahara's revenue dropped significantly as crude oil prices had fallen during the same time as the financial crisis was unravelling. Production had dropped off as well due to Sahara selling some of its properties to pay down debt.

During the second quarter of 2009 Sahara entered into an agreement with a third party to recomplete and workover four wells in the Lloydminster area in exchange for a royalty interest. This program was successful and production increased during the second and third quarters of 2009. During the fourth quarter of 2009 operating costs were reduced as costs for a workover at our Lloydminster 11-14 were capitalized which had been previously expensed in the third quarter of 2009. Production fell off during the fourth quarter as the results expected from the Lloydminster 11-14 workover did not achieve expectations.
G & A expenses were significantly higher in the fourth quarter due to significant accounting, engineering and legal costs associated with the year end audit and expenses associated with getting the Cease Trade Order revoked by the Alberta Securities Commission.

In the first quarter of 2010 three of Sahara's wells in the Lloydminster area went down to mechanical failures. These failures reduced the Company's production by 21 boepd when compared to the fourth quarter of 2009 and had an equally significant impact on revenue and royalties. Production expenses were higher than expected in the first quarter due to fixed costs and surface lease rentals. G & A expenditures for the quarter were in line with budgeted expectations. The three wells that went down during the first quarter did not return to production in the second quarter. Two of the three wells were placed back on production during July 2010 and are producing at similar rates prior to the mechanical failures.

Below is a summary of the Corporation's financial results for the past eight quarters. This information should be read in conjunction with the unaudited quarterly and audited annual financial statements of the Corporation available at www.sedar.com.

	2010		2009				2008	
Financial ($)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Operating ($)								
Revenues	64,140	222,172	318,983	436,184	296,281	145,275	224,476	603,599
Royalties	3,749	26,810	44,295	60,414	34,679	8,768	(61,751)	(44,412)
Other revenue	-	7	20	21	31	174	(74,462)	162
Revenues, net of royalties	60,391	195,362	274,688	375,770	261,602	136,507	162,726	559,349
Production expenses	(29,145)	163,540	1,948	212,966	177,144	127,214	122,530	195,046
Operating income ($)	89,536	31,830	272,760	162,804	84,458	9,467	40,196	364,303
G & A / other expenses ($)	150,692	126,060	266,022	131,871	93,248	111,726	135,083	268,761
DD & A ($)	35,487	82,531	3,895,486	312,270	612,019	221,612	(88,494)	232,647
Net Income (Loss) ($)	(220,557)	(210,504)	(3,859,934)	(284,240)	(564,876)	(271,006)	(1,530,990)	(137,105)
Operations								
Production								
Average (boe/d)	13	43	64	86	64	46	48	68
$ per boe								
Average selling price	53.40	57.68	55.70	55.30	50.87	35.31	42.11	97.81
Royalties	3.12	6.96	7.73	7.66	5.96	2.13	7.00	8.16
Operating expenses	(24.26)	42.46	0.34	27.00	30.42	30.92	32.65	31.27
Netback	74.54	8.26	47.63	20.64	14.49	2.26	2.46	58.38
Period End Balances ($)								
Working Capital	(3,520,629)	(3,340,946)	(3,789,991)	(3,409,380)	(4,042,407)	(4,143,036)	(3,894,401)	(1,868,515)
Total Assets	1,921,093	2,015,993	2,624,336	6,560,610	7,370,928	8,373,536	8,309,138	10,439,155
Total Liabilities	4,022,284	3,896,628	4,294,467	4,550,613	5,076,692	5,531,134	5,220,786	5,821,749
Shareholders' Equity	(2,101,191)	(1,880,634)	(1,670,131)	2,009,997	2,294,236	2,842,402	3,088,352	4,603,007
Shares Outstanding	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032