SAHARA ENERGY LTD.

Management's Discussion and Analysis
For the year ended December 31, 2009

This management discussion and analysis ("MD&A") of SAHARA ENERGY LTD. (the "Company", "Corporation" or "Sahara") for year ended December 31, 2009 contains financial highlights but does not contain the complete financial statements of the Corporation. It should be read in conjunction with the Corporation's 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 March 31, 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 years ended December 31, 2009 and 2008 is presented in the table below:

($)	Three months ended December 31		Year ended December 31	
	2009	2008	**2009**	2008
Funds from operations	**(267,591)**	(505,638	**(362,230)**	(641,895)
Changes in non-cash working capital	**304,401**	101,288	**(146,401)**	1,693,199
Net cash flow from operations	**36,810**	(404,350)	**(508,631)**	1,051,304
Net cash flow per share	**0.00**	(0.02)	**(0.01)**	0.03

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 year ended December 31, 2009, the Company incurred a net loss of $4,800,249 and has an accumulated deficit of $14,365,483. At December 31, 2009, the Company had indebtedness of $1,784,731 and a working capital deficiency of $3,789,991.

The audited financial statements for the year ended December 31, 2009 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

Effective March 31, 2008 Sahara purchased all of the outstanding shares in the capital of Mirage Energy Ltd. in exchange for 0.5 of a common share of Sahara for each Mirage common share, for a total purchase price of $1,072,312 . The number of common shares issued by Sahara was 13,403,896. Sahara shares with an assigned value of $0.08/share. Under the terms of the acquisition, Sahara acquired all of the issued and outstanding shares of Mirage as well as the obligations pursuant to outstanding convertible

debentures of Mirage. This acquisition has been accounted for using the purchase method of accounting with the results from operations included from the closing date of the acquisition. Please refer to notes to financial statements for the details and the purchase equation.

For the year ended December 31, 2009 the Company had net revenues of $1,048,815 and for the three months ended December 31, 2009, the Company had net revenues of $274,708. The Company had a net loss of $4,800,249 for the year and a net loss of $3,859,934 for the three months ended December 31, 2009.

During the year the Company incurred capital expenditures of $353,825.

A total of $482,041 was received for property dispositions during the year.

As at December 31, 2009, the Company reported a bank balance of $16,630 and a working capital deficiency of $3,789,991. Sahara has been looking at various financing options to increase its working capital position.

OPERATIONAL ACTIVITIES

For the year the Company averaged 58 boepd which consisted of 51 bbls/day of heavy oil and 36 mcf/d (7 boepd) of natural gas. For the three months ended December 31, 2009 the company averaged 62 boepd which consisted of 53 bbls/day of heavy oil and 52 mcf/d (9 boepd) of natural gas.

Divestments

During the second quarter, the company sold its interests in the Pembina and Willisden Green areas for proceeds of $45,000. During the third quarter, the company sold various interests in the Lloydminster area for proceeds of $370,000. In the fourth quarter the Company sold a minor property for $32,000. The company benefited from these sales by increasing working capital and removing substantial abandonment liabilities.

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 Sahara 15-14 well was recompleted in the first quarter of 2009, which has increased production. The production suggests that two follow up locations are possible on this 100% owned property.

During the first quarter of 2009 Sahara began a recompletion program through a farm-out agreement. Recompletions were done at well locations 16A, 16B and 16C – 4, which concluded during the second quarter of 2009.

During the reporting period, Sahara focused its effort on reducing the operating expenses to increase company netbacks. This has been achieved through hiring a new field operator that has been able to reduce operating costs and increase well production, which has increased the Company netbacks. Increased heavy oil prices have also been a major factor in contributing to increased netbacks.

SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2009	**2008**	**2007**
Production (boe/d)	64	60	138
Petroleum and natural gas revenue ($)	1,196,723	1,890,718	2,445,248
Average realized price ($/boe)	50.91	86.72	48.55
Royalties ($/boe)	6.30	4.07	8.51
Operating expense ($/boe)	22.09	82.13	35.55
Field netback ($/boe)	22.52	0.52	4.49
Net G&A expense($)	452,382	651,815	772,906
Stock-based compensation	41,766	232,893	634,557
Funds from (used by) operations ($)	(362,230)	(641,895)	(1,110,781)
Per share – basic and diluted ($)	(0.01)	(0.02)	(0.06)
Net loss ($)	(4,800,249)	(1,530,990)	(6,071,301)
Per share – basic and diluted ($)	(0.13)	(0.04)	(0.30)
Total assets ($)	2,624,336	8,309,138	9,900,396
Working capital (deficiency) ($)	(3,789,991)	(3,894,401)	(4,382,838)
Total liabilities ($)	4,294,467	5,220,786	6,428,361
Shareholders' equity ($)	(1,670,131)	3,088,352	3,472,035

Production and Prices

Production increased by 12 boe/d in the fourth quarter as a result of a number of workovers that were carried out during the third quarter to help maximize the Company's production.

Year over year production was basically flat, only increasing by 3 boe/d in 2009. This was the result of selling some of the Company's production in the second and third quarters of 2009 which reduced production temporarily and regaining production from the Company's workover program.

	Three months ended December 31		Year ended December 31	
Production by Product	**2009**	2008	**2009**	2008
Oil (bbls/d)	**53**	47	**58**	51
Natural gas (mcf/d)	**52**	9	**36**	60
Total (boe/d) (6:1)	**62**	48	**64**	61

Average product prices for the year ended December 31, 2009 were $50.91 compared to $86.72 for the year ended December 31, 2008. Product prices for the quarter ended December 31, 2009 were $55.70 compared to $91.33 for the quarter ended December 31, 2008. Product prices were reduced drastically in the fourth quarter of 2008 in conjunction with the financial crisis and ensuing recession.

	Three months ended December 31		Year ended December 31	
Product Prices	**2009**	2008	**2009**	2008
Oil ($/bbl)	**62.56**	94.85	**54.56**	90.01
Natural gas ($/mcf)	**3.84**	6.25	**3.25**	8.26
Combined average ($boe) (6:1)	**55.70**	91.33	**50.91**	86.72

Oil and Natural Gas Revenues

Revenues for the year ended December 31, 2009 were $1,196,723 compared to $1,890,718 for the year ended December 31, 2008. Revenues are down significantly due to significantly lower commodity prices in 2009 when compared to 2008. Revenues for the quarter ended December 31, 2009 were $318,983 compared to $224,476 for the quarter ended December 31, 2008. Revenues were up for the current quarter due to improved commodity prices and well performance which was accomplished through the Company's re-completion and workover program.

	Three months ended December 31		**Year ended December 31**	
	2009	2008	**2009**	2008
Oil ($)	**300,706**	400,341	**1,150,953**	1,804,359
Natural gas ($)	**18,726**	4,921	**45,770**	86,359
	318,983	405,262	**1,196,723**	1,890,718

Royalties

Royalties have trended upward during 2009 due to additional overriding royalties paid to a third party as part of a farm-out to re-complete certain wells in the Lloydminster area.

	Three months ended December 31		**Year ended December 31**	
	2009	2008	**2009**	2008
Royalties	**44,295**	61,751	**148,156**	88,703
As a % of oil and natural gas revenue	**13.89**	27.51	**12.38**	4.69
Per boe (6:1) ($)	**7.73**	13.92	**6.30**	4.07

Production Expenses

Production expenses for the year ended December 31, 2009 were $519,272 compared to $1,790,630 for the year ended December 31, 2008. Production expenses for the quarter ended December 31, 2009 were $1,948 compared to $122,530 for the quarter ended December 31, 2008. Production expenses have generally trended downward as Sahara has hired a new field operator that has been able to reduce propane and other operating costs. The company has also sold high operating cost properties which have also helped to reduce overall operating costs.

	Three months ended December 31		**Year ended December 31**	
	2009	2008	**2009**	2008
Operating expenses ($)	**1,948**	122,530	**519,272**	1,790,630
As a % of oil and natural gas revenue	**0.61**	54.58	**43.39**	94.71
Per boe (6:1) ($)	**0.34**	27.61	**22.09**	82.13

Operating Netback

Operating Netback totalled $22.52 for the year and $47.63 for the three month period ended December 31, 2008. The Operating Netbacks were significantly higher as compared to the same periods last year, due to lower production expenses resulting from lower servicing & decreased well workover costs. Subsequent to the reporting period, Sahara hired a new field operator and operating expenses have been reduced substantially.

General & Administrative Costs

General and administrative ("G & A") expenses for the year were $452,382 and $259,142 for the three months ended December 31, 2009. G&A costs were significantly higher compared to the same periods last year, as the Company incurred onetime costs related to the acquisition of Mirage Energy Ltd. These onetime costs of $62,150 related to legal, auditing, engineering evaluation, shareholder reports and accounting.

	Three months ended December 31		**Year ended December 31**	
	2009	2008	**2009**	2008
General & Administrative ($)	**259,142**	62,268	**452,382**	661,489
As a % of oil and natural gas revenue	**81.24**	27.74	**37.80**	34.99
Per boe (6:1)	**45.25**	14.03	**19.25**	30.34

Stock-based compensation

Stock based compensation measures the implicit cost of compensating key personnel through the issuance of stock options. Sahara stock-based compensation expenses incurred for the year ended December 31, 2009 was $41,766 as compared to $232,893 for the year ended December 31, 2008. Stock based compensation for the three months ended December 31, 2009 was $ Nil as compared to $96,393 for the three months ended December 31, 2008. Stock based compensation was lower during 2009 due to the expiry of stock options.

Interest Expense

Interest expense incurred for the year ended December 31, 2009 was $192,393, compared to $257,497 for the year ended December 31, 2008. Interest expense for the three months ended December 31, 2009 was $45,946 as compared to $113,429 for the three months ended December 31, 2008. Interest expense was lower in the fourth quarter and year ended December 31, 2009 due to the repayment of the bank loan in 2008.

	Three months ended December 31		**Year ended December 31**	
	2009	2008	**2009**	2008
Interest expense ($)	**45,946**	113,429	**192,393**	257,497
Per boe (6:1)	**8.02**	25.56	**8.18**	11.81

Depletion Depreciation and Accretion (DD&A)

Depletion, depreciation and accretion expenses were $4,958,207 for the year ended December 31, 2009 and $3,895,486for the three months ended December 31, 2009. Depletion costs are significantly higher for the year, due to an impairment charge of $3,713,421. 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 December 31		**Year ended December 31**	
	2009	2008	**2009**	2008
Depletion and Depreciation ($)	**3,895,486**	(90,640)	**4,958,207**	1,064,357
Per boe (6:1)	**680.20**	(20.43)	**210.93**	48.82
Accretion ($)	**9,866**	2,149	**93,046**	16,589
Per boe (6:1)	**1.72**	0.48	**3.96**	0.76

Income tax

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

Capital Expenditures

	Three months ended	**Year ended**
($)	**December 31, 2009**	
Land	**1,898**	**22,546**
Geological & Geophysical	**-**	**2,070**
Well completions & workovers	**196,930**	**273,700**
Well and office equipment	**13,098**	**55,509**
Total operations	**211,926**	**353,825**
Property dispositions	**(83,650)**	**(482,041)**
Total (net of dispositions)	**128,276**	**(128,216)**

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of $3,789,991 for the year ended December 31, 2009. 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 additional accrued interest is also owed to the convertible debenture holders.

The debentures are convertible at the option of the holder into 1,337,020 units, each unit consisting of one common share and one common share purchase warrant at a price of $0.50 per share. The warrants expired June 29, 2009.

COMMITMENTS AND CONTINGENCIES

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

Flow-through expenditures: During 2009, the Company has renounced resource expenditures to the

subscribers for income tax purposes and is committed to renounce qualifying expenditures of this amount by December 31, 2009 and to incur qualifying expenditures of this amount by December 31, 2009. The renunciation of the qualifying resource expenditures to shareholders was filed with the tax authorities in February 2010. There are no more renunciations to be made which relate to Flow-Through Shares issued in 2006.

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 $71,000 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 December 31, 2009 the Company had promissory notes payable of $294,902 of which $270,000 is owed to senior management and directors of the Company.

On December 31, 2009 the Company owed $141,258 to Corporations for field work that are owned by a Director of Sahara.

During 2009 consulting fees were paid to a corporation controlled by an officer of the Company of $132,000. Interest of $30,986 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. Gallic has made a refundable deposit of $50,000 under the terms of the letter of intent, to be applied against the sale price at closing.

On March 23, 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.

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 year ended December 31, 2009. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2009.

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

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.

	2009				2008			
Financial ($)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Operating ($)								
Revenues	318,983	436,184	296,281	145,275	224,476	603,599	349,905	531,952
Royalties	44,295	60,414	34,679	8,768	(61,751)	(44,412)	4,873	17,634
Other revenue	20	21	31	174	(74,462)	162	412	74,676
Revenues, net of royalties	274,688	375,770	261,602	136,507	162,726	559,349	355,191	624,062
Production expenses	1,948	212,966	177,144	127,214	122,530	195,046	196,168	228,018
Operating income ($)	272,760	162,804	84,458	9,467	40,196	364,303	159,023	396,044
G & A / other expenses ($)	445,827	131,871	93,248	111,726	135,083	268,761	585,035	334,116
Depletion & depreciation ($)	3,895,486	312,270	612,019	221,612	(88,494)	232,647	237,276	390,102
Net Income (Loss) ($)	(3,859,934)	(284,240)	(564,876)	(271,006)	(1,530,990)	(137,105)	(663,288)	(328,174)
Operations								
Production								
Average (boe/d)	64	86	64	46	48	68	30	92
$ per boe								
Average selling price	55.70	55.30	50.79	35.31	42.11	97.81	125.52	64.85
Royalties	7.73	7.66	5.94	2.13	7.00	8.16	(0.86)	(2.01)
Operating expenses	0.34	27.00	30.37	30.92	32.65	31.27	69.88	27.75
Netback	47.63	20.64	14.48	2.26	2.46	58.38	56.50	39.11
Period End Balances ($)								
Working Capital	(3,789,991)	(3,409,380)	(4,042,407)	(4,143,036)	(3,894,401)	(1,868,515)	(2,218,069	(2,518,577)
Total Assets	2,624,336	6,560,610	7,370,928	8,373,536	8,309,138	10,439,155	11,201,496	12,161,340
Total Liabilities	4,294,467	4,550,613	5,076,692	5,531,134	5,220,786	5,821,749	6,369,794	6,551,001
Shareholders' Equity	(1,670,131)	2,009,997	2,294,236	2,842,402	3,088,352	4,603,007	4,831,702	5,609,710
Shares Outstanding	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032	38,036,032	24,632,406

Factors that caused variations over the quarters

Revenue was down considerably during the second quarter of 2008. During this time a number of wells needed workovers. The workovers were successful and production volumes along with revenue increased during the third quarter of 2008. During the second quarter of 2008 G & A costs were up considerably as accounting and legal fees associated with the merger of Mirage Energy Ltd. were not capitalized. Subsequent to the second quarter of 2008, G & A costs were more in line with expectations. 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.