SAHARA ENERGY LTD.

Management's Discussion and Analysis
For the period ended March 31, 2011

The following management discussion and analysis ("MD&A") of SAHARA ENERGY LTD. (the "Company", "Corporation" or "Sahara") for three months ended March 31, 2011 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 March 31, 2011 and the audited financial statements for the year ended December 31, 2010. Additional information is available on SEDAR at www.sedar.com. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). All references to dollar amounts are in Canadian dollars. This MD&A includes events up to June 28, 2011.

The condensed interim financial statements and comparative information have been prepared in accordance with International Financial Reporting Standard ("IFRS") 1 "First‐time Adoption of International Financial Reporting Standards" and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS. Canadian GAAP now comprises IFRS. The adoption of IFRS has not had an impact on the company's operations, strategic decisions and cash flow. The most significant area of impact was the adoption of the IFRS upstream oil and gas accounting principles. Further information on the IFRS impacts is provided in the Accounting Policies and Estimates Section of this MD&A.

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 International Financial Reporting Standards (IFRS). Funds from operations are a key measure that demonstrates the ability to generate cash to fund expenditures. Funds from operations are 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 are calculated using the same methodology for determining net income per share. These non-IFRS 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 IFRS. The reconciliation between funds from operations and cash flow from operations for the three months ended March 31, 2011 and 2010 is presented in the table below:

Three months ended March 31	**2011**	**2010**
	$	**$**
Funds from operations	**(244,022)**	**(127,972)**
Changes in non-cash working capital	**(422,352)**	**(126,645)**
Net cash flow from operations	**(666,374)**	**(254,617)**
Net cash flow per share	**(0.01)**	**(0.01)**

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 IFRS 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 therefrom, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations. During the three months ended March 31, 2011, the Company incurred a net loss of $664,340 and has an accumulated deficit of $964,578. At March 31, 2010, the Company had a working capital surplus of $818,709.

The unaudited financial statements for the three months ended March 31, 2011 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 three months ended March 31, 2011 the Company had net revenues of $176,043 and for the three months ended March 31, 2010, the Company had net revenues of $195,370. The Company had a net loss of $664,340 for the three months ended March 31, 2011 and a net loss of $210,504 for the three months ended March 31, 2010.

During the three months ended March 31, 2011 the Company incurred capital expenditures of $115,243.

There have been no dispositions during the three months ended March 31, 2011.

As at March 31, 2011, the Company reported a bank balance of $738,885 and a working capital surplus of $818,709. Sahara has been looking at various financing options to increase its working capital position.

OPERATIONAL ACTIVITIES

For the three months ended March 31, 2011, the Company averaged 39 boepd which consisted of 34 bbls/day of heavy oil and 30 mcf/d (5 boepd) of natural gas.

Divestments

During the first quarter, the company has not sold any properties.

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.

Production and Prices

For the three months ended March 31, 2011 and March 31, 2010 production was basically flat, only decreasing by 4 boe/d in 2011. Production was recovered from two wells in February and another two wells in March.

Production by Product

Three months ended March 31	2011	2010
Oil (bbls/d)	**34**	**37**
Natural gas (mcf/d)	**30**	**36**
Total (boe/d) (6:1)	**39**	**43**

Average product prices for the three months ended March 31, 2011 were $53.82 compared to $57.68 for the three months ended March 31, 2010. Product prices have decreased during the first quarter of 2011 compared to the fourth quarter of 2010 and the first quarter of 2010.

Product Prices

Three months ended March 31	2011	2010
Oil ($/bbl)	**58.92**	**61.70**
Natural gas ($/mcf)	**3.47**	**4.58**
Combined average ($boe) (6:1)	**53.82**	**57.68**

Oil and Natural Gas Revenues

Revenues for the three months ended March 31, 2011 were $200,442 compared to $318,983 for the three ended March 31, 2010. Revenues were down for the current quarter due to wells being shut in for a period of time during the current quarter.

Three months ended March 31	2011	2010
Oil ($)	**190,337**	**300,706**
Natural gas ($)	**10,105**	**18,726**
	200,442	**318,983**

Royalties

Royalties were consistent during first quarter of 2011 compared to first quarter of 2010.

Three months ended March 31	2011	2010
Royalties ($)	**24,399**	**26,810**
As a % of oil and natural gas revenue	**12.71**	**12.07**
Per boe (6:1) ($)	**6.92**	**6.96**

Production Expenses

Production expenses for the three months ended March 31, 2011 were $170,982 compared to $163,540 for the three months ended March 31, 2010.

Three months ended March 31	2011	2010
Operating expenses ($)	**170,982**	**163,540**
As a % of oil and natural gas revenue	**85.30**	**73.61**
Per boe (6:1) ($)	**48.46**	**42.46**

Operating Netback

Operating Netbacks were $1.43 for the three month period ended March 31, 2011 compared to $8.26 for the three months ended March 31, 2010. The Operating Netbacks were lower due to low production. The higher operating costs per boe were the result of reduced sales volumes that were caused by well shut in and initial payments for reactivating four wells.

Three months ended March 31	2011	2010
Revenue ($ per boe)	**56.81**	**57.68**
Royalties	**6.92**	**6.96**
Production expenses	**48.46**	**42.46**
Field netback	**1.43**	**8.26**

General & Administrative Costs

General and administrative ("G & A") expenses for the three months ended March 31, 2011were $249,083 compared to $122,564 for the three months end March 31, 2010. G&A costs were higher due to the expenses paid for reorganization, auditing and legal fees, which were higher than the accrued liabilities.

Three months ended March 31	2011	2010
General & Administrative ($)	**249,083**	**122,564**
As a % of oil and natural gas revenue	**124.27**	**55.17**
Per boe (6:1)	**70.60**	**31.82**

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 March 31, 2011 was $362,563 as compared to $nil for the three months ended March 31, 2010.

Interest Expense

Interest expense for the three months ended March 31, 2011 was $8,706 as compared to $37,969 for the three months ended March 31, 2010. Interest expense was lower in the quarter and due to the payment of a promissory note during the quarter.

Three months ended March 31	**2011**	**2010**
Interest expense ($)	**8,706**	**37,969**
Per boe (6:1)	**2.47**	**8.76**

Depletion Depreciation and Accretion

Depletion, depreciation and accretion expenses were $49,049 under IFRS for the three months ended March 31, 2011 compared to $73,884 under Canadian GAAP for the three months ended March 31, 2010.

Three months ended March 31	**2011 (IFRS)**	**2010 (Canadian GAAP)**
Depletion and Depreciation ($)	**49,049**	**73,884**
Per boe (6:1)	**13.90**	**19.18**
Accretion ($)	**-**	**8,647**
Per boe (6:1)	**-**	**2.24**

Income tax

Sahara does not have current income tax payable and does not expect to pay current income taxes in 2011 as the Company had estimated tax pools available of $8,810,000 at December 31, 2010.

Capital Expenditures

Three months ended March 31	**2011**	**2010**
	$	**$**
Land	**-**	**27,602**
Geological & Geophysical	**-**	**-**
Well completions & workovers	**-**	**4,176**
Well and office equipment	**115,243**	**1,620**
Total operations	**115,243**	**33,397**
Property dispositions	**-**	**(286,087)**
Total (net of dispositions)	**115,243**	**(252,690)**

Capital expenditures were higher during the three months ended March 31, 2011 when compared to the three months ended March 31, 2010 due to the expenditures paid for recovery of well production.

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.

	1st Quarter 2011 IFRS	4th Quarter 2010 Canadian GAAP	3rd Quarter 2010 Canadian GAAP	2nd Quarter 2010 Canadian GAAP
Net Revenue	**$ 176,043**	**$ 47,205**	**$ 81,123**	**$ 60,391**
Net Loss	**(644,340)**	**(188,886)**	**(164,613)**	**(176,667)**
Loss per share				
Basic	(0.009)	(0.007)	(0.026)	(0.028)
Fully Diluted	(0.009)	(0.007)	(0.026)	(0.028)
Weighted Average Number of Shares In Thousands	72,666	28,443	6,339	6,339

	1st Quarter 2010 Canadian GAAP	4th Quarter 2009 Canadian GAAP	3rd Quarter 2009 Canadian GAAP	2nd Quarter 2009 Canadian GAAP
Net Revenue	**$ 195,370**	**$ 274,710**	**$ 375,791**	**$ 261,633**
Net Loss	**(210,504)**	**(3,680,127)**	**(284,240)**	**(564,876)**
Loss per share				
Basic	(0.033)	(0.0581)	(0.045)	(0.089)
Fully Diluted	(0.033)	(0.581)	(0.045)	(0.089)
Weighted Average Number of Shares In Thousands	6,339	6,339	6,339	6,339

LIQUIDITY AND CAPITAL RESOURCES

Funds flow from operations for the first quarter of 2011 totalled $(666,374) compared to $(619,752) for the first quarter of 2010. The Company had a working capital surplus of $818,709 for the quarter ended March 31, 2011.

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 $62,000 per year. The new lease agreement expires September 2014.

RELATED PARTY TRANSACTIONS

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

During 2011 consulting fees were paid to a corporation controlled by officers of the Company of $61,500. Interest of $5,164 was charged on promissory notes payable to certain officers, directors and corporations under their control. The share based compensation is $362,563.

SUBSEQUENT EVENTS

There are no subsequent events to disclose.

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 three months ended March 31, 2011. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at March 31, 2011.

BUSINESS RISKS

The Corporation is engaged in the exploration and development of crude oil and natural gas. 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

Explanation of transition to IFRS

In January 2006, the Canadian Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, the AcSB confirmed that Canadian publicly accountable entities will be required to report under International Financial Reporting Standards (IFRS), which will replace Canadian GAAP for years beginning on or after January 1, 2011. Accordingly, the condensed interim financial statements for the three months ended March 31, 2011, including required comparative information, have been prepared in accordance with IFRS 1, First - time Adoption of International Financial Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The adoption of IFRS has not had a material impact on the Company’s operations, strategic decisions or internal controls. The most significant area of impact was the accounting treatment of full cost oil and gas assets, depletion, flow-through shares, share-based payment transactions and decommissioning liabilities.

The reconciliations to IFRS from the previous Canadian GAAP financial statements are summarized in note 19. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used, they are explained in note 18 of financial statements for the three month period ended March 31, 2011.

A more detailed explanation of the impact of the adoption of IFRS can be found in note 19 to the condensed interim financial statements at March 31, 2011.