SAHARA ENERGY LTD.

Management's Discussion and Analysis
For the three months ended March 31, 2018

*The following management discussion and analysis ("MD&A") of SAHARA ENERGY LTD. (the "Company" or "Sahara") for the three months ended March 31, 2018 contains financial highlights but does not contain the complete financial statements of the Company. It should be read in conjunction with the Company's March 31, 2018 unaudited condensed interim financial statements and the December 31, 2017 audited financial statements and related notes thereto. 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 **May 30, 2018**.*

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 Company. 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 Company 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 (used by) operations and funds from (used by) operations per share, are not prescribed by IFRS. Funds from (used by) operations is a key measure used by management that demonstrates the ability to generate cash to fund capital expenditures. Funds from (used by) operations is calculated by taking the cash flow from (used by) operating activities as presented in the statement of cash flows and adding back the change in non-cash working capital. Funds from (used by) operations per share is 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 flow from (used by) operating activities, net income or other measures of financial performance calculated in accordance with IFRS.

The reconciliation between funds from (used by) operations and cash flow from (used by) operating activities for the three months ended March 31, 2018 and 2017 is presented in the table below:

	Three months ended March 31 2018	2017
Cash flow used by operating activities	$ (249,042)	$ (144,654)
Change in non-cash working capital	(10,818)	25,261
Funds used by operations	$ (259,860)	$ (119,393)
Weighted average number of shares outstanding - Basic	289,684,072	289,684,072
Funds used by operations per share	$ (0.00)	$ (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 natural gas sales revenue less royalties and production and operating expenses. 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.

CORPORATE 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 the evaluation, exploration and development of various oil and gas properties in Saskatchewan and Alberta.

As at March 31, 2018, JF Investment (Hong Kong) Co., Limited (the "Investor") owned and controlled 69% of the Company's issued and outstanding shares.

OUTLOOK

Equipping and tie-in activities for two heavy oil development wells in the Bodo area of central Alberta were suspended in 2015 due to low commodity prices.

Sahara intends to drill new wells and complete certain perforation wells to increase the production on Sahara's existing oil and gas concessions and acquire new lands for exploration and drilling. Sahara is also actively looking for assets with considerable production volume to purchase in order to increase the cash flows of the Company and to maximize shareholder value.

The Company will proceed with its exploration, development and acquisition plans in due course.

OVERVIEW AND SIGNIFICANT EVENTS

During the three months ended March 31, 2018, the Company earned oil and gas revenue of $12,703 and incurred a loss of $219,864. The Company did not incur any capital expenditures during the first quarter of 2018. There were no dispositions.

As at March 31, 2018, the Company reported a cash and cash equivalents balance of $541,518 (December 31, 2017 – $812,084), short-term deposits of $9,359,673 (December 31, 2017 – $9,338,149) and a working capital surplus of $10,183,724 (December 31, 2017 – $10,443,584).

Summary Information	As at March 31 2018	As at December 31 2017	As at December 31 2016
Working capital	$ 10,183,724	$ 10,443,584	$ 11,046,147
Property, plant and equipment	3,510,549	3,489,094	3,539,128
Total assets	14,138,114	14,401,325	15,060,463
Total liabilities	891,340	934,687	965,812
Total shareholders' equity	13,246,774	13,466,638	14,094,651

	Three months ended March 31	
	2018	2017
Oil and gas revenue	$ 12,703	$ 13,018
Loss and comprehensive loss	(219,864)	(130,095)
Loss per share	(0.00)	(0.00)

HEAVY OIL – BODO, ALBERTA

Equipping and tie-in activities in the Bodo area of central Alberta will commence when it makes economic sense based on crude oil prices.

OPERATIONAL ACTIVITIES

Field netback

	Three months ended March 31	
Per boe	2018	2017
Revenue	$ 56.23	$ 52.91
Royalties	(1.61)	(1.52)
Production and operating expenses	(211.77)	(96.23)
Field netback	$ (157.15)	$ (44.84)

The effect of higher commodity prices in the three months ended March 31, 2018 was offset by an increase in production and operating expenses as discussed below.

Variances in the Company's field netbacks are explained in more detail by changes in the following components:

(a) Production volumes and revenues

		Three months ended March 31 2018		2017
Total production				
Light-medium oil (bbls)		226		246
Daily production				
Light-medium oil (bbls/day)		2.5		2.7
Revenue, before royalty				
Light-medium oil	$	12,703	$	13,018
Oil ($/bbl)	$	56.23	$	52.91
Benchmark oil price				
Cdn Light Sweet ($/bbl)	$	70.09	$	64.74

Total oil production in the three months ended March 31, 2018 is lower than the 2017 comparative quarter due to natural declines. The price per barrel earned by the Company increased in the 2018 period, consistent with a general increase oil prices.

(b) Royalties

		Three months ended March 31 2018		2017
Royalties	$	367	$	375
As a % of oil and natural gas revenue		2.9%		2.9%
Per boe (6:1)	$	1.61	$	1.52

Royalties as a percentage of revenue for the three months ended March 31, 2018 are consistent with those of the 2017 comparative quarter.

(c) Production and operating expenses

		Three months ended March 31 2018		2017
Production and operating expenses	$	47,840	$	23,678
Per boe (6:1)	$	211.77	$	96.23

Operating costs per boe are higher in the three months ended March 31, 2018 due to approximately $24,000 of repair and maintenance expenditures on two of the Company's shut-in heavy oil wells.

General and administrative expenses

	Three months ended March 31			
		2018		2017
Salaries, benefits and director fees	$	42,938	$	70,098
Office and general		57,993		47,082
Consulting and professional fees		42,387		28,616
Travel and business promotion		3,984		1,154
Shareholder and regulatory		8,994		2,130
Bad debt expense		28,455		–
	$	184,751	$	149,080

Salaries and benefits are lower in the three months ended March 31, 2018 due a reduction in management and office staff offset by an increase in the use of consultants and other professionals.

Office and general expenses incurred in the three months ended March 31, 2018 are higher than amounts incurred in the 2017 period due to an increase in rent and insurance costs.

Travel and business promotion fees relate to travel between Canada and China for Investor and management meetings. Travel and business promotion fees are higher in the three months ended March 31, 2018 than the 2017 comparative period due to an increase in travel between Canada and China.

Shareholder and regulatory expenses are higher in the three months ended March 31, 2018 due to the timing of expenses and a refund received in the 2017 period for charges related to the Company's annual general meeting held in December 2016.

During the three months ended March 31, 2018, the Company wrote-off $28,455 of trade and other receivables older than 90 days.

Depletion and depreciation

	Three months ended March 31					
		2018			2017	
			Per boe			Per boe
Depletion	$	2,611	11.56	$	2,862	11.63
Depreciation		3,971			5,625	
	$	6,582		$	8,487	

Depletion of development and production assets is calculated on a unit-of-production basis. Depletion expense per boe is lower in the three months ended March 31, 2018 due to an increase in the estimated proved plus probable reserves at December 31, 2017 (664,000 barrels) used for 2018 depletion calculations as compared to proved plus probable reserves reported at December 31, 2016 (661,000 barrels) used for 2017 depletion calculations.

Depreciation of furniture and equipment is calculated on a declining-balance basis. Depreciation expense is lower in the three months ended March 31, 2018 as depreciation expense in comparative period was calculated on a higher balance. The Company did not purchase any furniture and equipment in the 2018 or 2017 periods.

Allowance for credit losses

During the three months ended March 31, 2018, the Company recognized a $17,460 allowance for credit losses based on its history of non-collection of trade accounts receivable over 90 days.

Capital expenditures

The Company did not engage in any drilling or related activities during the first quarter of 2018 or 2017.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had a working capital surplus of $10,183,724 compared to $10,443,584 at December 31, 2017. The decrease in working capital is due to $259,860 of funds used by operations.

The Company's March 31, 2018 working capital surplus includes $541,518 of cash and cash equivalents and $9,359,673 of term deposits with terms of greater than three months, ensuring that the Company has sufficient cash resources to meet its financial obligations, comprised of trade and other payables of $443,841, on standard payment terms.

SUBSEQUENT EVENTS

There were no reportable events subsequent to March 31, 2018.

SHARE CAPITAL

Common shares

As at March 31, 2018, December 31, 2017 and the date of this MD&A, the Company had 289,684,072 common shares outstanding.

QUARTERLY SUMMARY

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

	1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017
Net Revenue [(1)]	$12,339	$13,253	$11,379	$ 12,320
Net Loss and Comprehensive Loss	(219,864)	(187,894)	(131,369)	(178,655)
Net Loss per share Basic and fully diluted	(0.001)	(0.001)	(0.000)	(0.001)
Weighted Average Number of Shares In Thousands	289,684	289,684	289,684	289,684

	1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016
Net Revenue [(1)]	$ 12,643	$ 12,738	$ 11,436	$ 11,550
Net Loss and Comprehensive Loss	(130,095)	(288,573)	(174,749)	(226,926)
Net Loss per share Basic and fully diluted	(0.000)	(0.001)	(0.001)	(0.001)
Weighted Average Number of Shares In Thousands	289,684	289,684	289,684	289,684

[(1)] Oil and gas revenue less royalties

- The net loss for the 1st Quarter of 2018 is higher than the previous quarter due to an increase in general and administrative expenses and the recognition of an allowance for credit losses offset by a decrease in depletion and depreciation expense.
- The net loss for the 4th Quarter of 2017 is higher than the previous quarter due to an increase in production and operating expenses and general and administrative expenses.
- The net loss for the 3rd Quarter of 2017 is lower than the previous quarter due to a decrease in production and operating expenses and general and administration expenses.
- The net loss for the 2nd Quarter of 2017 is higher than the previous quarter due to an increase in production and operating expenses for property taxes and lease rentals and an increase in general and administrative expenses related to consulting and professional fees.
- The net loss for the 1st Quarter of 2017 is lower than the previous quarter due primarily to a decrease in production and operating expenses and general and administrative expenses. The 1st Quarter of 2017 did not include the recognition of exploration expenses or impact of property dispositions.
- The net loss for the 4th Quarter 2016 is higher than the previous quarter due to $193,054 of exploration expense and an increase in general and administrative expenses offset by the recognition of a $174,416 gain on disposition of three non-producing wells.
- The net loss for the 3rd Quarter of 2016 is lower than the previous quarter due to a decrease in general and administrative expenses.

CONTROLS AND PROCEDURES

As the Company 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, 2018. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at March 31, 2018.

BUSINESS RISKS

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

Environment risks

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 Company 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 Company's financial condition, results from operations and or prospects.

Operational risks

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 Company closely follows the applicable government regulations. The Company carries insurance coverage to protect itself against those potential losses that could be economically insured against.

Financial risks

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 Company's growth.

- Commodity price risk – Due to the volatility of commodity prices, the Company is exposed to adverse consequences in the event of declining prices. The Company does not have any contracts in place to protect against commodity price changes.
- Interest rate risk – The Company does not have any debt subject to floating rates and is therefore not exposed to fluctuations in the market rate of interest.
- Foreign currency exchange risk – The Company 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 Company is not currently exposed to commodity price risk, credit risk or interest rate risk except as described above. The Company does not use derivative instruments to reduce exposure to commodity price or foreign currency exchange risk.

Credit risk

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

The maximum exposure to credit risk related to trade and other receivables at March 31, 2018 is $58,945 before the Company's allowance for credit losses (December 31, 2017 – $84,660). One working interest partner and property operator that represent 100% of revenue reported in the three months ended March 31, 2018 comprises $nil of accounts receivable at March 31, 2018 (December 31, 2017 – $1,520).

Composition of trade and other receivables:

		March 31 2018		December 31 2017
Production revenue receivable	$	–	$	1,520
Joint venture partner and cash call receivables		45,807		73,237
Goods and Services Tax and other receivables		13,138		9,903
		58,945		84,660
Allowance for credit losses		(17,460)		–
	$	41,485	$	84,660

Included in general and administrative expenses for the three months ended March 31, 2018, is $28,455 for the write-off of trade and other receivables older than 90 days. During the three months ended March 31, 2018, the Company recognized an allowance for credit losses based on its history of non-collection of trade accounts receivable over 90 days. As at March 31, 2018, all of the Company's trade and other receivables are less than 60 days old except for approximately $34,287 (December 31, 2017 – $73,985) which are greater than 60 days old.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, term deposits, trade and other receivables, deposits and trade and other payables. Management has utilized valuation methodologies available as at the period 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.

USE OF JUDGMENTS AND ESTIMATES IN FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from estimated amounts. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

Detailed disclosures on the Company's use of critical judgments in applying accounting policies and key sources of estimation uncertainty can be found in Note 2(d) to the Company's December 31, 2017 audited financial statements as well as the Company's December 31, 2017 MD&A.

CHANGES IN ACCOUNTING STANDARDS

On January 1, 2018, the Company retrospectively adopted IFRS 9 Financial Instruments ("IFRS 9") which includes new requirements for the classification and measurement of financial assets, a new credit loss impairment model and new model to be used for hedge accounting for risk management contracts. The Company does not currently have any risk management contracts. The adoption of IFRS 9 did not have a material impact on the Company's condensed interim financial statements and management applied the provision matrix practical expedient as part of the adoption of the standard. The additional disclosures required by IFRS 9 are detailed in Note 6 to the March 31, 2018 unaudited condensed interim financial statements.

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") using the retrospective method of adoption. The adoption of IFRS 15 did not have a material impact on the Company's unaudited condensed interim financial statements and as a result, the Company did not apply any practical expedients as part of the adoption of IFRS 15. The additional disclosures required by IFRS 15 are detailed in Note 4 to the March 31, 2018 unaudited condensed interim financial statements.