SAHARA ENERGY LTD.

Management's Discussion and Analysis
For the three months ended March 31, 2014

The following management discussion and analysis ("MD&A") of SAHARA ENERGY LTD. (the "Company" or "Sahara") for the three months ended March 31, 2014 contains financial highlights but does not contain the complete financial statements of the Company. It should be read in conjunction with the Company's unaudited condensed interim March 31, 2014 financial statements and December 31, 2013 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 29, 2014****.*

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, 2014 and 2013 is presented in the table below:

	Three months ended March 31 2014	2013
Cash flow used by operating activities	$ (178,956)	$ (120,248)
Change in non-cash working capital	(29,712)	(71,541)
Funds used by operations	$ (208,668)	$ (191,789)
Weighted average number of shares outstanding - Basic	89,684,072	89,684,072
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 petroleum 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 presently focused on the exploration and evaluation of various oil and gas properties in Saskatchewan and Alberta.

The Company does not have a history of earnings. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, and/or complete equity financings and obtain borrowings from third parties sufficient to meet current and future obligations. The Company incurred a net loss of $246,122 and had negative cash flows from operating activities of $178,956 for the three months ended March 31, 2014. As at March 31, 2014, the Company had an accumulated deficit of $4,197,507 and a working capital surplus of $29,179.

Management's efforts are focused on securing additional financing which will enable the Company to consider opportunities for the acquisition of new lands and the drilling of new wells. There is no certainty that such events will occur or that sources of financing will be obtained on terms acceptable to management. In April 2014, the Company signed two agreements for the issuance of 200,000,000 common shares for aggregate proceeds of $16.2 million. See the Liquidity and Capital Resources section.

The March 31, 2014 unaudited condensed interim financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

OUTLOOK

Sahara intends to use the net proceeds of the $16.2 million private placements discussed under the Liquidity and Capital Resources section to drill up to 11 new wells, complete nine perforation wells to increase the production of Sahara's existing wells on Sahara's existing oil and gas concessions, to new lands for exploration and drilling and for general working capital.

OVERVIEW AND SIGNIFICANT EVENTS

During the three months ended March 31, 2014, the Company earned net revenues of $110,807 and incurred a net loss of $246,122. The Company incurred $696 of capital expenditures during the 2014 period. There were no dispositions.

As at March 31, 2014, the Company reported a cash balance of $288,763 (December 31, 2013 – $468,415) and working capital of $29,179 (December 31, 2013 – $238,543). Sahara continues to evaluate various financing options to maintain a strong working capital position.

Summary Information		As at March 31 2014		As at December 31 2013
Working capital	$	29,179	$	238,543
Exploration and evaluation assets		41,287		41,287
Property, plant and equipment		2,715,439		2,740,269
Total assets		3,280,104		3,448,220
Total liabilities		1,269,387		1,195,011
Total shareholders' equity		2,010,717		2,253,209

		Three months ended March 31		
		2014		2013
Net revenue	$	110,807	$	74,596
Net loss and comprehensive loss		(246,122)		(242,103)
Net loss per share		(0.00)		(0.00)

CORE AREA: HEAVY OIL – LLOYDMINSTER, ALBERTA

During the reporting period, Sahara did not participate in the drilling of any new wells in its core area.

OPERATIONAL ACTIVITIES

Field netback

Per boe	Three months ended March 31 2014	2013
Revenue	$ 66.95	$ 40.21
Royalties	(6.15)	(4.59)
Production and operating expenses	(64.62)	(50.48)
Field netback	$ (3.82)	$ (14.86)

The decline in the Company's field netback is due to reduced production combined with higher operating costs.

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 2014	2013
Production		
Oil (bbls)	1,823	2,094
Oil (bbls/d)	20	23
Composition of production		
Light-medium oil	16%	16%
Heavy oil	84%	84%
Revenue, before royalty		
Oil	$ 122,019	$ 84,215
Oil ($/bbl)	$ 69.85	$ 40.21

The drop in total oil production in the three months ended March 31, 2014 compared to the 2013 period is due to natural declines.

The average price of oil earned by the Company in the three months ended March 31, 2014 is higher than the 2013 comparative period due to an increase in industry.

The following table provides benchmark industry pricing for the comparative periods:

Benchmark oil prices	Three months ended March 31 2014	2013
Cdn Par Edmonton Oil ($/bbl)	$ 100.18	$ 88.65
Cdn Heavy Hardisty ($/bbl)	$ 76.58	$ 50.18

Royalties

	Three months ended March 31 2014	2013
Royalties	$ 11,212	$ 9,619
As a % of oil and natural gas revenue	9.2%	11.4%
Per boe (6:1)	$ 6.15	$ 4.59

Royalties as a percentage of revenue are lower in the three months ended March 31, 2014 as compared to the 2013 period year due to lower volumes resulting in lower rates for crown royalties.

(b) Production and operating expenses

	Three months ended March 31 2014	2013
Production and operating expenses	$ 117,768	$ 105,717
Per boe (6:1)	$ 64.62	$ 50.48

Operating costs per boe are higher in the three months ended March 31, 2014 than the 2013 comparative period due primarily to the effect of allocating fixed costs over lower production volumes.

General and administrative expenses

	Three months ended March 31 2014	2013
Salaries, benefits and director fees	$ 104,269	$ 87,631
Office and general	45,271	28,128
Consulting and professional fees	37,951	32,228
Shareholder and regulatory	7,620	11,898
Travel and business promotion	6,752	1,084
Total	$ 201,863	$ 160,969
Per boe (6:1)	$ 110.76	$ 76.86

Salaries, benefits and director fees are higher for the three months ended March 31, 2014 compared to the 2013 period due to two new employees hired in January 2014.

Office and general expenses are higher in the three months ended March 31, 2014 compared to the 2013 period due mainly to an increase in office rent, following the move to new office premises in the fourth quarter of 2013.

Consulting and professional fees and travel and business promotion fees are higher in the three months ended March 31, 2014 compared to the 2013 period due to costs associated with financing activities and the related due diligence as discussed under the Liquidity and Capital Resources section.

Shareholder and regulatory expenses are lower in the three months ended March 31, 2014 compared to the 2013 period as the 2013 period included stock exchange fees related to the re-pricing of stock options that occurred in late 2012.

Depletion and depreciation

	Three months ended March 31 2014	2013
Depletion and depreciation	$ 30,629	$ 31,118
Per boe (6:1)	$ 16.81	$ 14.86

Depletion and depreciation expense per boe is higher in the 2014 period due to a reduction in proved and probable reserves compared to those used for the calculation for the 2013 period as a result of natural declines.

Share-based compensation

Share-based compensation measures the implicit cost of compensating key personnel through the issuance of stock options. During the three months ended March 31, 2014, the Company recognized $3,630 of share-based compensation expense (three months ended March 31, 2013 – $17,658).

Capital Expenditures

The Company incurred minor capital expenditures during the three months ended March 31, 2014 due to limited capital resources.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2014, the Company had a working capital surplus of $29,179 compared to $238,543 at December 31, 2013. The change in working capital is due to $208,668 of funds used by operations and $696 of capital expenditures.

As at March 31, 2014, the Company had cash resources of $288,763, which is not sufficient to meet its financial obligations, comprised of trade and other payables of $494,199 within the next twelve months.

In April 2014, the Company signed two agreements with JF Investment (Hong Kong) Co., Limited ("JF Investment") for the purchase by JF Investment of the Company's common shares for aggregate proceeds of $16.2 million, of which $0.6 million was received in June 2013 (the above-noted non-refundable deposit). Pursuant to the agreements, the Company will issue 5,000,000 common shares at $0.12 per share and 195,000,000 common shares at $0.08 per share.

Completion of the subscription for 195,000,000 common shares is subject to all applicable government and regulatory approvals, specifically the TSX Venture Exchange and relevant Chinese governmental authorities, and the approval of the shareholders of both Sahara and JF Investment.

Subject to regulatory and shareholder approvals, the private placements are expected to close before the end of June 2014.

Upon closing of the transactions, JF Investment will hold 69% of the Company's outstanding shares and will be entitled to appoint six directors to the Company's board, which will be re-constituted to consist of nine directors.

COMMITMENTS AND CONTINGENCIES

Premises lease: The Company is committed to lease rental payments and a proportionate share of operating costs pursuant to the terms of an office lease agreement in the amount of $11,189 per month from January 1, 2014 until August 31, 2014, $10,613 per month from September 1, 2014 to August 31, 2015 and $10,845 per month from September 1, 2015 to August 31, 2017.

The Company has not entered into any off-balance sheet arrangements.

SUBSEQUENT EVENTS

In April 2014, the Company the Company signed two agreements for the issuance of 200,000,000 common shares for aggregate proceeds of $16.2 million as disclosed under Liquidity and Capital Resources section.

SHARE CAPITAL

Common shares

As at March 31, 2014 and December 31, 2013 and the date of this MD&A, the Company had 89,684,072 common shares outstanding.

Stock options

As at March 31, 2014 and December 31, 2013 and the date of this MD&A the Company had 3,100,000 stock options outstanding, of which 2,866,667 stock options are exercisable at a weighted average exercise price of $0.10 per share.

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 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013
Net Revenue	$ 110,807	$ 77,748	$ 152,936	$ 108,297
Net Loss	(246,122)	(318,248)	(182,446)	(182,397)
Loss per share				
Basic and fully diluted	(0.003)	(0.004)	(0.002)	(0.002)
Weighted Average Number of Shares In Thousands	89,684	89,684	89,684	89,684

	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012
Net Revenue	$ 74,596	$ 151,293	$ 111,462	$ 109,047
Net Loss	(242,103)	(261,418)	(233,236)	(303,979)
Loss per share				
Basic and fully diluted	(0.003)	(0.003)	(0.003)	(0.003)
Weighted Average Number of Shares In Thousands	89,684	89,684	89,684	89,684

- The increase in net revenue for the 1st Quarter of 2014 is due to an increase production and oil prices compared to the 4th Quarter of 2013. The decrease in net loss compared to the previous quarter is due to an increase in net revenue and a decrease in general and administrative expenses.
- The decrease in net revenue for the 4th Quarter of 2013 is due to a decrease in both production and oil prices compared to the 3rd Quarter. The increase in net loss is due to the decrease in net revenue combined with increases in operating costs and general and administrative expenses.
- The increase in net revenue for the 3rd Quarter of 2013 is due to an increase in both production and oil prices over the previous quarter. The decrease in the net loss is due to the increase in net revenue.
- The increase in net loss for the 2nd Quarter 2013 is due to a decrease in net revenue combined with a decrease in general and administrative expenses and share-based payments expense. The decrease in net revenue is due primarily to a decrease in production.
- The decrease in net revenue for the 1st Quarter 2013 is due to a decline in both production and pricing. The decrease in net loss is due to a reduction in general and administrative expenses and share-based payments expense.
- The decrease in net revenue for the 2nd Quarter 2012 is due to a decline in production. The increase in net loss for the period is due to an increase in general and administrative expenses and share-based payments expense.
- The decrease in net loss for the 1st Quarter 2012 is due to decreases in operating costs, general and administrative expenses and share-based payments expense.

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, 2014. 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, 2014.

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

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

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

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, interest rate risk or foreign currency exchange risk except as described above. The Company does not use derivative instruments to reduce exposure to commodity price or foreign currency exchange risk.

The Company is also exposed to credit risk and liquidity risk:

- 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 Company does not anticipate any default or non-performance with respect to its receivables. As such a provision for doubtful accounts has not been recorded. As at March 31, 2014, all of the Company's trade and other receivables are less than 60 days old except for approximately $16,000 (December 31, 2013 - $16,000) which is greater than 60 days old.
- Liquidity risk – Liquidity risk would occur if the Company is not able to meet its financial obligations as they come due. Historically, the Company has suffered substantial operating losses. As at March 31, 2014, the Company has an accumulated deficit of $4,197,507 (December 31, 2013 – $3,951,385) and a working capital surplus of $29,179 (December 31, 2013 – $238,543). The Company's goal with respect to managing liquidity risk is to prudently spend its capital while improving its credit reputation amongst its suppliers.

  As at March 31, 2014, the Company did not have sufficient cash resources to ensure its financial obligations, comprised of trade and other payables of $494,199, are met within the next twelve months. However, the $15.6 million of private placement proceeds expected to be received June 2014 will significantly reduce the Company's liquidity risk.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables, deposits and trade and other payables. 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.

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 3(d) to the Company’s December 31, 2013 audited financial statements as well as the Company’s December 31, 2013 MD&A.

CHANGES IN ACCOUNTING PRONOUNCEMENTS

As of January 1, 2014, the Company adopted the new and amended standards for IAS 36 “Impairment of Assets”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRIC 21 "Levies". The adoption of these standards and amendments had no impact on the amounts recorded or disclosures included in these financial statements.