FORM 51-102F4

BUSINESS ACQUISITION REPORT

1. Identity of Reporting Issuer

1.1 *Name and Address of Reporting Issuer*

Sahara Energy Ltd. (the "**Company**" or "**Sahara**")
800, 510 – 5th Street SW
Calgary, AB T2P 3S2

1.2 *Executive Officer*

For further information please contact Peter Boswell.

Phone: (403) 232-1359
Fax: (403) 232-1307

2. Details of Acquisition

2.1 *Nature of Business Acquired*

Sahara acquired Mirage Energy Ltd. ("**Mirage**") pursuant to a plan of arrangement (the "**Arrangement**") under the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**"). Prior to the Arrangement, Mirage was a corporation amalgamated under the ABCA engaged in the exploration, development and production of crude oil, natural gas and NGLs reserves in western Canada. Mirage was a reporting issuer in British Columbia and Alberta and the common shares of Mirage were listed for trading on the TSX Venture Exchange ("**TSXV**"). Immediately following the Arrangement Sahara and Mirage amalgamated and as result Mirage ceased to be a reporting issuer and its shares were delisted from the TSXV.

A special meeting of shareholders of Mirage was held March 28, 2008 where such shareholders approved the Arrangement. Following the meeting, the Arrangement was also approved by the Alberta Court of Queen's Bench.

2.2 *Date of Acquisition*

March 31, 2008

2.3 *Consideration*

Under the terms of the Arrangement, Sahara acquired all of the issued and outstanding common shares of Mirage (the "**Mirage Shares**") in exchange for the common shares of Sahara (the "**Sahara Shares**") such that each shareholder of Mirage received 0.5 of a Sahara Share for each Mirage Share held as of the effective date of the Arrangement. As a result of the Arrangement, Sahara issued 13,403,896 Sahara Shares to the former holders of Mirage Shares. Upon completion of the Arrangement, Mirage became a wholly-owned subsidiary of Sahara. In addition, Sahara assumed Mirage's obligations pursuant to outstanding 10% convertible debentures of Mirage in the principal amount of $567,000 such that the debentures are now convertible into securities of Sahara.

2.4 ***Effect on Financial Position***

For the effect of the Arrangement on Sahara's financial position please see the pro forma financial statements of Sahara giving effect to the Arrangement in Schedule "A" of this Business Acquisition Report.

2.5 ***Prior Valuations***

None

2.6 ***Parties to Transaction***

The acquisition of Mirage was not a transaction with an informed person, associate or affiliate of Sahara.

2.7 ***Date of Report***

June 10, 2008

3. **Financial Statements**

The following financial statements required by Part 8 of National Instrument 51-102 are included herein:

Schedule A hereto: Unaudited Pro Forma Consolidated Financial Statement of the Company for the period ended September 30, 2007 and for the year ended December 31, 2006, together with the notes thereto.

Schedule B hereto: Audited Financial Statements of Mirage as at December 31, 2007 and 2006 together with the notes thereto and the report of the auditors thereon.

Caution regarding Forward-Looking Statements

Certain information set forth in this Business Acquisition Report, including managements' assessment of the future plans and operations of Sahara and Mirage and the benefits of the Arrangement, contains forward looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the control of Sahara, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward looking statements. The actual results, performance or achievement of Sahara could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits that Sahara will derive therefrom. Sahara disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SCHEDULE "A"

Sahara Energy Ltd.

Pro Forma Consolidated Financial Statements
February 28, 2008

CHARTERED ACCOUNTANTS

MacKay LLP

Elveden House
Suite 1700, 717 – 7th Avenue S.W.
Calgary, Alberta T2P 0Z3

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To the Board of Directors of
Sahara Energy Ltd.

We have read the accompanying unaudited pro forma consolidated balance sheet of Sahara Energy Ltd. (the "Company") as at September 30, 2007 and the unaudited pro forma consolidated statement of loss and deficit for the nine month period ended September 30, 2007 and the period ended December 31, 2006 and have performed the following procedures:

1. With respect to the unaudited pro forma consolidated balance sheet of the Company as at September 30, 2007, we have performed the following procedures:

    (a) Compared the figures in the column captioned "Sahara Energy Ltd." to the unaudited balance sheet of the Company as at September 30, 2007 and found them to be in agreement.

    (b) Compared the figures in the column captioned "Mirage Energy Ltd." to the unaudited balance sheet of Mirage as at September 30, 2007 and found them to be in agreement.

    (c) Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Sahara Energy Ltd." and "Mirage Energy Ltd." and found the amounts in the column captioned "Pro Forma Consolidated" to be arithmetically correct.

2. With respect to the unaudited pro forma consolidated statement of loss and deficit of the company for the nine months ended September 30, 2007 and the period ended December 31, 2006, we have performed the following procedures:

    (a) Compared the figures in the column captioned "Sahara Energy Ltd." to the unaudited statement of loss and deficit for the nine months ended September 30, 2007 and the audited statement of loss and deficit of the Company for the year ended December 31, 2006 and found them to be in agreement.

    (b) Compared the figures in the column captioned "Mirage Energy Ltd." to the unaudited statement of loss and deficit for the nine months ended September 30, 2007 and the audited statement of loss and deficit of Mirage for the period from March 17, 2006 to December 31, 2006 and found them to be in agreement.

    (c) Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Sahara Energy Ltd." and "Mirage Energy Ltd." and found the amounts in the column captioned "Pro Forma Consolidated" to be arithmetically correct.

3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:

    (a) The basis for determination of the pro forma adjustments; and

(b) Whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various Securities Commissions and similar regulatory authorities in Canada.

The officials of the Company:

(a) Described to us the basis for determination of the pro forma adjustments; and

(b) Stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various Securities Commissions and similar regulatory authorities in Canada.

4. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Calgary, Canada
February 28, 2008

(signed) "Mackay LLP"
Chartered Accountants

Sahara Energy Ltd.
Unaudited Pro Forma Consolidated Balance Sheet

As at September 30, 2007	Sahara Energy Ltd.	Mirage Energy Ltd.	Pro Forma Adjustments	Notes	Pro Forma Consolidated
ASSETS					
Current					
Accounts receivable	$ 1,425,531	$ 1,010,494	$ (1,085,000)	2(f)	$ 1,351,025
Prepaid expenses	360,441	35,134			395,575
	1,785,972	1,045,628	(1,085,000)		1,746,600
Property, plant and equipment	15,327,071	8,696,039	(2,493,060)	2(b), 2(d)	21,530,050
	$ 17,113,043	$ 9,741,667	$ (3,578,060)		$ 23,276,650
LIABILITIES					
Current					
Bank Indebtedness	$ 1,711,089	$ 6,153	$ (1,072,340)	2(b), 2(c), 2(d)	$ 644,902
Operating loan	-	925,000	(925,000)	2(b), 2(c), 2(d)	-
Accounts payable and accrued liabilities	3,170,852	1,118,340	(1,537,242)	2 (e), 2(f), 2(g)	2,751,950
Current portion of convertible debentures	520,000	-	-		520,000
Current portion of note payable	-	-	236,690	2(g)	236,690
	5,401,941	2,049,493	(3,297,892)		4,153,542
Note payable	-	-	295,552	2 (g)	295,552
Convertible debentures	780,000	567,020	-		1,347,020
Asset retirement obligation	496,017	217,889	-		713,906
Future tax liability	3,888,235	2,310,214	-		6,198,449
	10,566,193	5,144,616	(3,002,340)		12,708,469
SHAREHOLDER’S EQUITY					
Share capital	9,271,098	5,953,125	(1,851,794)	2(b), 2(c)	13,372,429
Warrants	24,512	-	-		24,512
Contributed surplus	1,153,913	740,557	(740,557)	2(b)	1,153,913
Deficit	(3,902,673)	(2,096,631)	2,016,631	2(b), 2(e)	(3,982,673)
	6,546,850	4,597,051	(575,720)		10,568,181
	$ 17,113,043	$ 9,741,667	$ (3,578,060)		$ 23,276,650

See notes to the unaudited pro forma consolidated financial statements

Sahara Energy Ltd.
Unaudited Pro Forma Consolidated Statement of Loss and Deficit

For the nine month period ended September 30, 2007	Sahara Energy Ltd.	Mirage Energy Ltd.	Pro Forma Adjustments	Notes	Pro Forma Consolidated
REVENUE					
Petroleum and natural gas sales	$ 1,776,554	$ 930,927			$ 2,707,481
Interest income and other revenue	4,396	2,012			6,408
Royalties	(330,603)	(224,102)			(554,705)
	1,450,347	708,837			2,159,184
EXPENSES					
Operating	1,264,226	470,885			1,735,111
Stock-based compensation	275,347	300,796			576,143
General and administration	727,611	387,528			1,115,139
Other interest	59,844	17,151			76,995
Interest on convertible debentures	77,841	37,853			115,694
Depletion, depreciation and accretion	985,208	808,606			1,793,814
	3,390,077	2,022,819			5,412,896
Net loss for the period	(1,939,730)	(1,313,982)			(3,253,712)
Deficit, beginning of the period	(1,962,943)	(782,649)			(2,745,592)
Deficit, end of the period	$ (3,902,673)	$ (2,096,631)			$ (5,999,304)
Basic and diluted loss per share	$ (0.10)	$ (0.06)			$ (0.10)

See notes to the unaudited pro forma consolidated financial statements

Sahara Energy Ltd.
Unaudited Pro Forma Consolidated Statement of Loss and Deficit

	Year ended December 31, 2006 Sahara Energy Ltd.	Period from Incorporation on March 17, 2006 to December 31, 2006 Mirage Energy Ltd.	Pro Forma Adjustments	Notes	Pro Forma Consolidated
REVENUE					
Petroleum and natural gas sales	$ 818,571	$ 197,306			$ 1,015,877
Interest income and other revenue	113,692	45,000			158,692
Royalties	(125,825)	(28,641)			(154,466)
	806,438	213,665			1,020,103
EXPENSES					
Operating	420,276	108,154			528,430
Stock-based compensation	748,406	420,037			1,168,443
General and administration	568,339	331,397			899,736
Interest on convertible debentures	89,064	-			89,064
Depletion, depreciation and accretion	584,988	136,726			721,714
	2,411,073	996,314			3,407,387
Net loss for the period	(1,604,635)	(782,649)			(2,387,284)
Deficit, beginning of the period	(358,308)	-			(358,308)
Deficit, end of the period	$ (1,962,943)	$ (782,649)			$ (2,745,592)
Basic and diluted loss per share	$(0.11)	$(0.09)			$ (0.07)

See notes to the unaudited pro forma consolidated financial statements

1. Basis of Presentation

On February 28, 2008 Sahara Energy Ltd. (the "Company") agreed to acquire all of the issued and outstanding shares of Mirage Energy Ltd. for 13,403,896 common shares of the Company. Mirage Energy Ltd. ("Mirage") is a publicly traded corporation listed on the TSX Venture exchange.

The accompanying unaudited pro forma consolidated financial statement of Sahara Energy Ltd. ("Sahara") have been prepared by the management of Sahara to give the effect of the Mirage acquisition described above in accordance with Canadian generally accepted accounting principles.

The unaudited pro forma consolidated balance sheet of Sahara as at September 30, 2007 and the unaudited pro forma consolidated statement of loss and deficit for the nine months ended September 30, 2007 and the periods ended December 31, 2006 ("the Pro Forma Consolidated Financial Statements") have been prepared from information derived from the following:

- The unaudited interim financial statements of Sahara and Mirage as at and for the nine month period ended September 30, 2007.
- The audited financial statements of Sahara for the year ended December 31, 2006 and the audited financial statements of Mirage for the period from incorporation on March 17, 2006 to December 31, 2006.
- The additional information set out in Note 2.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements.

In the opinion of the management of Sahara, these unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation in accordance with Canadian generally accepted accounting principles. The unaudited pro forma consolidated balance sheet gives effect to proposed transactions as if they had occurred on September 30, 2007 but does not give effect to changes in the future tax liability as a result of the fair value reduction in property, plant and equipment values. The unaudited pro forma consolidated statements of loss and deficit for the nine month period ended September 30, 2007 and the periods ended December 31, 2006 have not been adjusted for any changes in depletion and future income taxes as a result of the fair value reduction in property, plant and equipment values.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position or results of operations that would have occurred if the events reflected herein had been in effect on the dates indicated or the results that may be obtained in the future. The unaudited pro forma consolidated financial statements have been prepared using accounting policies consistent with those used in the audited financial statements of Mirage and Sahara for the periods ended December 31, 2006. In preparing the unaudited pro forma consolidated financial statements, no adjustments have been made to reflect any operating or administrative synergies. The purchase price allocation for the acquisition of Mirage is based on preliminary estimates and the actual allocation could vary from these estimates.

2. Pro Forma Adjustments

a) No options of Mirage were in the money as of the transaction date and such, were all cancelled as part of the transaction.

b) The acquisition of Mirage by Sahara through the issuance of 13,403,896 common shares on the basis of one-half Sahara share for each Mirage share.

Allocation of Purchase Price Based on Fair Values

Assets Acquired:	
Accounts Receivable	$ 1,010,494
Prepaid Expenses	35,134
Property, Plant and Equipment	7,972,889
	9,018,517
Liabilities Assumed:	
Bank Indebtedness	6,153
Operating Loan	697,570
Accounts Payable and Accrued Liabilities	1,118,340
Convertible Debentures	567,020
Future Tax Liability	2,310,214
Asset Retirement Obligation	217,889
	4,917,186
Net Assets Acquired	$ 4,101,331
Consideration given:	
13,403,896 common shares of Sahara Energy Ltd.	$ 4,101,331
Estimated costs to complete the transaction	$ 80,000

The operating loan balance has been reduced by $227,430 to reflect the net proceeds received upon the issuance of 2,905,375 flow-through common shares by Mirage during December 2007, as explained in Note 2(c).

c) Issue of 2,905,375 flow-through common shares by Mirage in December 2007 for net proceeds of $227,430 which is reflected as a reduction of the operating loan.

d) The sales of certain properties jointly owned by Sahara and Mirage for net proceeds of $1,769,910 which were used to reduce bank debt.

e) To reflect $80,000 in estimated transaction completion costs.

f) The elimination of inter-company balances.

g) The issuance by Sahara of a promissory note that bears interest at 10% per annum for outstanding payables in the amount of $532,242. The note is repayable in monthly blended payments of $25,000.

3. Pro Forma Share Capital

Common shares outstanding:

	Number of shares	Amount
Balance, September 30, 2007	20,106,626	$ 9,271,098
Shares Issued to Mirage Shareholders	13,403,896	4,101,331
Pro Forma Balance, September 30, 2007	33,510,522	$ 13,372,429

SCHEDULE "B"

Mirage Energy Ltd.

Financial Statements

December 31, 2007 and 2006

CHARTERED ACCOUNTANTS

MacKay LLP

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Auditors' Report

To the Shareholders of Mirage Energy Ltd.

We have audited the balance sheets of Mirage Energy Ltd. as at December 31, 2007 and 2006 and the related statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles

(Signed) "MacKay LLP"

Calgary, Canada
May 29, 2008

Chartered Accountants

Mirage Energy Ltd.

Balance Sheets

December 31,	**2007**	2006
Assets		
Current		
Cash and cash equivalents	**$ -**	$ 775,285
Accounts receivable	**304,354**	641,405
Prepaid expenses	**2,630**	15,982
	306,984	1,432,672
Property and equipment (note 3)	**4,967,826**	7,353,828
	$ 5,274,810	$ 8,786,500
Liabilities		
Current		
Bank indebtedness (note 4)	**$ 301,017**	$ -
Accounts payable and accrued liabilities	**707,438**	1,049,943
Due to Sahara Energy Ltd.(note 11)	**450,589**	-
	1,459,044	1,049,943
Convertible debentures (note 7)	**508,530**	-
Asset retirement obligations (note 5)	**213,795**	183,221
Future income taxes (note 9)	**554,373**	-
	2,735,742	1,233,164
Shareholders' Equity		
Share capital (note 6)	**5,917,927**	7,735,313
Warrants (note 6)	**38,900**	180,635
Contributed surplus (note 8)	**1,102,377**	420,037
Deficit	**(4,520,136)**	(782,649)
	2,539,068	7,553,336
	$ 5,274,810	$ 8,786,500

Commitments (note 10)
Subsequent events (note 12)

Approved by the Board:

(Signed) "Peter J. Boswell"_____, Director

(Signed) "Quentin Enns", Director

Mirage Energy Ltd.

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31,		**2007**		2006
Revenue				
Petroleum and natural gas sales	**$**	**1,275,913**	$	197,306
Royalties		**(333,779)**		(28,641)
Interest income		**2,014**		45,000
		944,148		213,665
Expenses				
Production expenses		**743,448**		108,154
General and administrative		**376,596**		45,314
Audit, legal and shareholder reporting		**79,894**		30,067
Land and engineering services		**97,940**		66,012
Salaries and benefits		**144,370**		113,145
Office rent		**58,557**		69,709
Advertising and promotion		**5,884**		7,150
Stock-based compensation		**429,790**		420,037
Depletion, depreciation and accretion		**4,411,339**		136,726
Interest expense		**89,658**		136,726
		6,437,476		996,314
Loss before income taxes		**(5,493,328)**		(782,649)
Future income tax recovery (note 9)		**1,755,841**		-
Net loss and comprehensive loss for the year		**(3,737,487)**		(782,649)
Deficit, beginning of year		**(782,649)**		-
Deficit, end of year	**$**	**(4,520,136)**	$	(782,649)
Net loss per share – basic and diluted	**$**	**(0.19)**	$	(0.09)
Weighted average number of shares outstanding		**23,309,294**		8,963,695

Mirage Energy Ltd.

Statements of Cash Flows

Years ended December 31,	2007	2006
Operating activities		
Net loss	**$ (3,737,487)**	$ (782,649)
Items not affecting cash:		
Future income tax recovery	**(1,755,841)**	-
Accretion on interest expense	**16,307**	-
Depletion, depreciation and accretion	**4,411,339**	136,726
Stock-based compensation	**429,790**	420,037
	(635,893)	(225,886)
Changes in non-cash working capital		
Accounts receivable	**337,051**	(641,405)
Prepaid expenses	**13,352**	(15,982)
Accounts payable and accrued liabilities	**32,434**	431,635
	(253,055)	(451,638)
Financing activities		
Bank borrowings	**301,017**	-
Issue of common shares	**-**	943,000
Issue of convertible debentures	**567,020**	-
Issue of flow-through shares	**534,305**	6,767,136
Exercise of stock options and warrants	**37,500**	137,900
Share issue costs	**(42,960)**	(271,754)
	1,396,882	7,576,282
Investing activities		
Cash acquired on business acquisition (note 3)	**-**	339,666
Petroleum and natural gas property and expenditures	**(2,394,927)**	(7,307,333)
Sale of petroleum and natural gas properties	**400,165**	-
Accounts payable for capital expenditures	**75,650**	618,308
	(1,919,112)	(6,349,359)
Increase (decrease) in cash	**(775,285)**	775,285
Cash, beginning of year	**775,285**	-
Cash, end of year	**$ -**	$ 775,285
Supplemental cash flow information		
Broker warrants issued for share issue costs	**$ -**	$ 19,724
Asset retirement obligations incurred	**22,300**	177,846
Cash interest paid	**73,352**	136,726

1. Incorporation, nature of business and going concern

Mirage Energy Ltd. ("the Company") was incorporated under the Business Corporations Act (Alberta) on March 17, 2006. 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.

While these financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions and events that cast substantial doubt on the validity of this assumption.

During the year ended December 31, 2007, the Company incurred a net loss of $3,737,487 and has an accumulated deficit of $4,520,136. At December 31, 2007, the Company had bank indebtedness of $301,017 and had a working capital deficiency of $1,152,060.

As a junior exploration stage company, the Company is currently unable to self-finance its operations. The ability of the Company to carry on as a going concern and the ultimate recovery of the Company's investment in its oil and gas properties is dependent upon the discovery, development and sale of oil and gas reserves, the ability to joint venture or sell its resource properties and the ability to raise sufficient capital to finance this operation. The Company continues to seek new capital and reorganization options and will continue to require additional funds to both finance its administrative expenditures and meet its property commitments. As of March 31, 2008, the Company was acquired by Sahara Energy Ltd. ("Sahara"). Upon completion of the arrangement, Mirage became a wholly-owned subsidiary of the Company (see note 12). The risk of continuing operations now vests with Sahara.

If the going concern assumptions were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. The adjustments could be material.

2. Significant accounting policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Revenue recognition

Revenues associated with sales of petroleum and natural gas and all other items are recorded when the risks and rewards of ownership are transferred to the buyer.

b) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events at the balance sheet date. Actual results could differ from those estimated. Specifically, the ceiling test and the amounts recorded for depletion, depreciation, accretion and asset retirement obligations are based on estimates of proved reserves, future oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

c) Property, plant and equipment

The Company follows the full-cost method of accounting for oil and gas properties, whereby all costs associated with the exploration for, and development of oil and natural gas reserves, whether productive or unproductive, are capitalized. Costs capitalized include land acquisitions costs, geological and geophysical expenditures, carrying charges on undeveloped properties and drilling and overhead expenses related to exploitation and development of both productive and non-productive wells.

The Company performs a ceiling test calculation under a two part process. Part I, the recognition of impairment, is determined by comparing the carrying value of property and equipment with the sum of the undiscounted cash flows expected to result from the production of the Company's proved reserves. Cash flows are calculated based on management's best estimate of future prices. If impairment exists, Part II calculates the magnitude of the impairment by comparing the carrying value of the property and equipment to the fair value of proved and probable reserves. Fair value is estimated using accepted present value techniques, which incorporate risk and other uncertainties as well as the future value of reserves when determining expected cash flows. Any excess carrying value above the net present value of future cash flows would be recorded as impairment and charged as additional depletion expense in the statement of operations.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, without any gain or loss being recognized, unless such sale would significantly alter the rate of depletion.

Under full cost accounting, petroleum and natural gas properties are depleted using the unit-of-production method based upon estimated proved petroleum and natural gas reserves determined by independent petroleum engineers. Costs of significant unproved properties, met of impairments, are excluded from the depletion calculation. These properties are assessed annually to ascertain whether impairment has occurred.

2. Significant accounting policies (continued)

d) Joint operations

All oil and gas exploration and development activities are conducted jointly with others and accordingly, the Company only reflects its proportionate interest in such activities.

e) Flow-through shares

Resource expenditures deductions for income tax purposes that arise from exploration and development activities and which have been funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. On the date that the Company files the renunciation with the tax authorities, a future income tax liability is recorded and share capital is reduced by the estimated tax benefits transferred to shareholders.

f) Cash and cash equivalents

The Company considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

g) Asset retirement obligations

The Company recognizes the estimated fair value of an asset retirement obligation (“ARO”) in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset. ARO is initially measured at fair value and subsequently adjusted for the accretion of discount and any changes to the underlying cash flows. The capitalized amount is depleted on a unit-of-production basis over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost will result in an increase or decrease to ARO. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded

h) Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the earnings (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share are calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of the dilutive stock options and warrants are used to repurchase common shares at the average market price during the year.

2. Significant accounting policies (continued)

i) Stock-based compensation

The Company uses the fair value method of accounting for options granted to employees and consultants. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model and charged to earnings over the vesting period with a corresponding increase in contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

j) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes reflect the tax consequences of temporary differences between the balance sheet carrying amounts and their corresponding tax bases. Future income taxes are calculated using the tax rates and laws that are expected to apply when these temporary differences are reflected in taxable income. No recognition is made for future tax assets unless it is more likely than not that the Company would obtain future profitable operations.

k) Other property, plant and equipment

The Company amortizes other property, plant and equipment on the declining balance method at the following rates:

Leasehold improvements	Straight Line – 5 years
Computer equipment	30%
Furniture and equipment	20%

The rates are reduced by one-half in the year of acquisition.

l) New accounting standards

On January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

i) Section 3855, “Financial instruments – Recognition and Measurement”

This section describes the standards for recognizing and measuring financial asset, financial liabilities, and non-financial derivatives.

This section requires that:

- All financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;
- All derivative instruments be measured at fair value, even when they are part of a hedging relationship;

2. Significant accounting policies (continued)

l) New accounting standards (continued)

The Company has classified its cash and cash equivalents as held for trading. The accounts receivable was classified as loans and receivables and the accounts payable and accrued liabilities and shareholder loans as other financial liabilities.

The classification of financial instruments occurred upon adoption of the standard, and is irrevocable.

i) Section 3865, “Hedges”

This section provides an alternative treatment to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation”.

ii) Section 1400, “General Standards of Financial Statement Presentation”

This section includes requirements to assess and disclose an entity’s ability to continue as a going concern (going concern assumption). This new standard will not have any significant impact on the consolidated financial statements of the Company.

iii) Section 1530, “Comprehensive income”

This section establishes standards for reporting and presentation of certain gains and losses recognized in comprehensive income, but excluded from net income.

iv) Section 3251, “Equity”

This section establishes standards for the presentation of equity and changes in equity. The requirements of this section are in addition to those in “Comprehensive Income”, Section 1530, “Share Capital”, Section 3240, and “Reserves”, Section 3260.

v) Section 1506, “Accounting changes”

This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, this section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided above. The adoption of this section had no further effect on the financial statements of the Company for the year ended December 31, 2007.

The implementation of these new accounting standards had no significant impact on the Company’s consolidated financial statements.

2. Significant accounting policies (continued)

m) Impact of accounting policies not yet adopted

The Canadian Institute of Chartered Accountants published the following new sections that will apply to interim and annual financial statements relating to the fiscal years beginning on or after October 1, 2007:

Section 3862, “Financial Instruments – Disclosures”, describes the required disclosures to evaluate the significance of financial instruments for the entity’s financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, “Financial Instruments – Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, “Financial Instruments – Disclosure and Presentation”.

Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

These future accounting standards are not expected to have a significant effect on the Company’s consolidated financial statements when the Company applies these accounting standards in the fiscal year beginning on January 1, 2008.

Section 3064, “Goodwill and Intangible Assets”. This section replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009.

The Company is currently assessing the impact that the adoption of this standard will have on its consolidated financial statements.

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. The Company continues to monitor and assess the impact of the convergence of GAAP and IFRS Financial instruments

3. Property and equipment

				2007
	Cost	**Accumulated amortization**	**Impairment of P&NG properties**	**Net book value**
Petroleum and natural gas properties	**$ 9,539,478**	**$ 1,416,342**	**$ 3,184,000**	**$ 4,939,136**
Furniture, equipment and leasehold improvements	**43,427**	**14,737**	**-**	**28,690**
	$ 9,582,905	**$ 1,431,079**	**$ 3,184,000**	**$ 4,967,826**

			2006
	Cost	Accumulated amortization	Net book value
Petroleum and natural gas properties	$ 7,444,541	$ 125,505	$ 7,319,036
Furniture, equipment and leasehold improvements	40,638	5,846	34,792
	$ 7,485,179	$ 131,351	$ 7,353,828

Costs excluded from depletion for 2007 $409,000 (2006 - $2,883,824) as these costs are for unproved and major development projects at year end. The Company conducted a separate impairment test on these properties and concluded that no impairment had occurred.

Upon the review of the Company's properties appraisal Report complied by an independent party, DeGolyer and MacNaughton, Management with the approval of the Board of Directors has provided an impairment of $3,184,000 as of December 31, 2007.

The future prices used by the Company in estimating cash flows were based on forecasts by an independent reserves evaluator, adjusted for the Company's quality and transportation differentials. The following table summarizes the benchmark prices used in the calculation at an exchange rate of $1 CDND to $1 USD:

	WT1 @Cushing $US/BBL	**EDM Oil price D2S2 $/BBL**	**Heavy Oil 25 API Hardisty $/BBL**	**Alberta AECO average current $/Mcf Cdn.**	**Condensate $/bbl Cdn.**
2008	90.00	89.50	63.55	6.69	91.29
2009	86.52	86.01	61.06	7.29	87.73
2010	84.87	84.34	59.88	7.18	86.03
2011	83.32	82.78	58.78	7.13	84.44
2012	82.23	82.23	58.38	7.19	83.87
2013	82.19	81.62	58.36	7.21	83.26
Thereafter	Various escalation rates				

4. Bank indebtedness

The Company has available to it a revolving loan up to maximum of $950,000. The loan is due on demand at an interest rate of prime plus 1%, subject to covenants and a general security agreement. As at December 31, 2007, $301,017 was withdrawn against the facility.

5. Asset retirement obligations

At the date of completion of drilling and testing, the Company identified obligations related to oil and gas properties and records a liability equal to the present value of expected future assets retirement obligations. The total future ARO was estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its total ARO to be $213,795 as at December 31, 2007 ($183,221 in 2006) based on an undiscounted future liability of $388,749 and incorporated the Company's credit-adjusted risk-free interest rate of 9.0% and inflation rate of 2.0%. These payments are expected to be made over the next eight years.

The following table reconciles the Company's asset retirement obligations:

		2007		2006
Balance, beginning of period	**$**	**183,221**	$	-
New liabilities incurred		**22,300**		177,846
Accretion expense		**8,274**		5,375
Balance, December 31, 2007	**$**	**213,795**	$	183,221

6. Share capital

Authorized:

Unlimited number of:

Common voting shares

Preferred non-voting shares

Issued:

	2007 Number of shares	**2007** Amount	2006 Number of shares	2006 Amount
Common shares				
Balance, beginning of year	**23,282,417**	**$ 7,737,313**	-	$ -
On incorporation	**-**	**-**	2,000	500
Pursuant to private placement				
Non flow-through shares	**-**	**-**	3,770,000	942,500
Flow-through shares	**3,462,875**	**539,305**	3,770,000	942,500
Business acquisition (note 3)	**-**	**-**	4,035,500	339,666
Private placement of flow-through shares	**-**	**-**	7,829,000	3,748,500
Private placement of flow-through shares	**-**	**-**	3,516,417	1,992,636
Exercise of flow-through warrants	**62,500**	**37,500**	120,000	95,089
Exercise of options	**-**	**-**	239,500	47,900
Subscription receivable	**-**	**(5,000)**	-	(82,500)
Share issue costs	**-**	**(42,960)**	-	(291,478)
Tax effect of flow-through renunciation	**-**	**(2,310,214)**	-	-
Fair value of warrants exercised	**-**	**2,883**	-	-
Fair value of flow-through shares warrants	**-**	**(38,900)**	-	-
Balance, end of year	**26,807,792**	**$ 5,917,927**	23,282,417	$ 7,735,313

	2007 Number of warrants	**2007** Amount	2006 Number of warrants	2006 Amount
Warrants				
Balance, beginning of year	**3,915,485**	**$ 180,635**	-	$ -
Flow-through share warrants on issue of flow-through shares	**557,500**	**38,900**	3,914,500	166,000
Issuance of agent warrants	**12,690**	**-**	120,985	19,724
Exercise of warrants	**(62,500)**	**(2,883)**	(120,000)	(5,089)
Warrants expired	**(3,852,985)**	**(177,752)**	-	-
Balance, end of year	**570,190**	**$ 38,900**	3,915,485	$ 180,635

6. Share capital (continued)

Warrants

As at December 31, 2007, the following warrants were outstanding:

Warrants outstanding	Warrant price	Weighted average remaining contractual life	Number of warrants currently exercisable	Weighted average exercisable price of warrants currently exercisable
570,190	0.65	0.05	570,190	$ 0.65

The compensation warrants have been issued on debenture financing (7,500) and the issuance of flow-through shares (4,200). These warrants expire June 29, 2008.

The warrants issued as part of the flow-through shares issued in the year entitled the holder to acquire one common share at $1.05 for each warrant. The warrants expired January 18, 2008 unexercised.

Options

	Stock options	Weighted average exercise price $	Stock options	Weighted average exercise price $
Outstanding, beginning of period	3,410,000	0.40		
Granted	600,000	0.40	3,760,000	0.40
Cancelled or expired	(1,750,000)	0.40	(350,000)	0.40
Outstanding, end of period	2,260,000	0.40	3,410,000	0.40

Options outstanding	Option price	Weighted average remaining contractual life	Number of options currently exercisable	Weighted average exercisable price of options currently exercisable
2,260,000	0.40	3.50	2,123,333	$ 0.40

The Company has an option plan (the “Option Plan”) for its directors, officers, employees and consultants. Under the Option Plan, the Company has reserved for issuance of a total of 3,929,200 common shares. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares. Under the plan, options are exercisable at varying vesting provisions for a maximum term of five years.

6. Share capital (continued)

Options (continued)

For the year ended December 31, 2007, the Company recorded compensation expense totaling $429,790 ($420,037 - 2006) included within contributed surplus for the options issued and vested during the period as determined based on the fair value of the stock options at the grant date estimated using the Black-Scholes model with the following assumptions:

	2007	2006
Volatility rate	**116%**	75%
Risk-free interest rate	**4.17%**	3.0%
Dividend yield rate	**0.00%**	0.00%
Forfeiture rate of	**0.00%**	0.00%
Weighted average life	**5.00 years**	5.00 years

Escrow

As at December 31, 2007, there were 4,096,502 (2006 – 6,144,750) shares held in escrow.

7. Convertible debentures

		2007	2006
Principal amount	**$**	**567,020**	-
Value assigned to conversion option		**(74,797)**	-
		492,223	
Accretion		**16,307**	
Balance, December 31, 2007	**$**	**508,530**	

The convertible debentures bear interest at 10% payable quarterly and are due June 29, 2009.

For accounting purposes, the value assigned to the conversion option uses an effective risk free interest rate of 18% and the liability component of the debenture will be accreted to the principal amount over the term of the debenture.

The debentures are convertible at the option of the holder into 567,020 units, each unit consisting of one common share and one common share purchase warrant at a price of $0.50 per share. The warrants expire June 29, 2009.

Costs relating to the issue of the debenture of $16,800 have been expensed.

The debentures are also automatically convertible at the option of the holder in the event that the Company fails to pay interest or failure to repay the principal amount and accrued interest on the maturity date.

8. Contributed surplus

A summary of the status of contributed surplus as of December 31, 2007 and the changes during the period is presented below:

		2007		2006
Balance, beginning of period	**$**	**420,037**	$	-
Fair value assigned to stock options		**429,790**		420,037
Fair Value of conversion factor of debenture		**74,797**		-
Value of warrants expired		**177,753**		-
Balance, end of period	**$**	**1,102,377**	$	420,037

9. Income taxes

(a) Income tax expense

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main difference is as follows:

For the period ended December 31,		2007		2006
Loss before income taxes	**$**	**(5,476,528)**	$	(782,649)
Enacted income tax rate		**33.0%**		35.07%
Expected income tax recovery		**(1,807,254)**		(274,500)
Increase (decrease) in taxes resulting from:				
Resource allowance		**(758,485)**		23,000
Rate change		**379,242**		23,000
Stock-based compensation		**141,831**		147,000
Non-deductible expenses		**825**		5,000
Valuation allowance		**288,000**		99,500
Income tax expense/(recovery)	**$**	**(1,755,841)**	$	-

9. Income taxes (continued)

(b) Components of the net future income tax asset (liability)

Temporary differences and carry forwards that give rise to future income tax assets as of December 31, 2007 are as follows:

As at December 31,		**2007**		2006
Non-capital losses	**$**	**212,000**	$	160,000
Property, plant and equipment		**(554,373)**		(131,500)
Share issue costs		**76,000**		71,000
Valuation allowance		**(288,000)**		(99,500)
Net future income tax liability	**$**	**(554,373)**	$	-

The valuation allowance offsets the net future income tax assets for which there is no assurance of recovery. The valuation allowance is evaluated considering positive and negative evidence about whether the future income tax assets will be realized. At the time of evaluation, the allowance is either increased or reduced, reduction could result in the complete elimination of the allowance, if positive evidence indicated that the value of the future income tax assets is no longer impaired and the allowance is no longer required.

(c) Tax pools

As at December 31, 2007, the Company has available for deduction against future taxable income, the following approximate amounts:

		2007	**Rate**
Operating loss carry forwards	**$**	**1,035,000**	**-**
Share issue costs		**232,000**	**20%**
Canadian development and exploration expenditures		**1,113,000**	**30-100%**
Canadian oil and gas property expenditures		**1,067,000**	**10%**
Capital cost allowances		**816,000**	**20-25%**
	$	**4,263,000**	

The availability of deduction of the operating loss carry forwards against future taxable income expires in the year 2021. The balances are subject to adjustment on review by Canada Revenue Agency.

The Company has renounced available tax pools in Canadian development and exploration expenditures to its shareholders as outlined in Note 10 with respect to its flow-through share commitments.

10. Commitments

During 2007, the Company issued 3,525,375 of flow-through common shares for proceeds of $571,805. The Company is committed to renounce resource expenditures to the subscribers for income tax purposes by December 31, 2007 and to incur qualifying expenditures of this amount by December 31, 2008. The renunciation of the qualifying resource expenditures to shareholders was filed with the tax authorities in February 2008. As of December 31, 2007, the Company has incurred $7,516,191 in flow-through related expenses. The Company has fulfilled its flow-through responsibilities in full.

A future tax liability approximating $200,500 will be recorded in 2008 with a corresponding reduction in share capital.

11. Related party transactions

The Company had the following related party transactions 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.

The Company owes Sahara Energy Ltd. (“Sahara”) by virtue of common directors $450,589 included in accounts payable and accrued liabilities for costs associated with joint venture operations during the period. In addition, the Company paid $85,536 with respect to general and administrative costs for the period and paid $69,709 for office rent.

12. Subsequent events

On February 19, 2008, the Company sold its 30% working interest in an oil property located in the Tangent area of Alberta for $762,000. The proceeds from the sale where used to reduce the Company’s bank debt. In addition, the Company sold a 17% working interest in a section of Nikanassin rights in the Gold Creek area of Alberta for $101,000. The proceeds from this sale were used to reduce other existing corporate debt.

On March 31, 2008, the Company was acquired by Sahara in a share exchange such that each shareholder of Mirage received 0.5 share of Sahara for each share held as of the effective date of the arrangement. Upon completion of the arrangement, Mirage became a wholly-owned subsidiary of Sahara. In addition, Sahara assumed Mirage’s obligations pursuant to outstanding convertible debentures of Mirage such that the debentures are now convertible into securities of the amalgamated company.