SAHARA ENERGY LTD.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2015

*The following management discussion and analysis ("MD&A") of SAHARA ENERGY LTD. (the "Company" or "Sahara") for the three and nine months ended September 30, 2015 contains financial highlights but does not contain the complete financial statements of the Company. It should be read in conjunction with the Company's September 30, 2015 unaudited condensed interim financial statements and the December 31, 2014 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 based on International Financial Reporting Standards ("IFRS"). All references to dollar amounts are in Canadian dollars. This MD&A includes events up to **October 29 2015**.*

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 and nine months ended September 30, 2015 and 2014 is presented in the table below:

	Three months ended September 30 2015	Three months ended September 30 2014	Nine months ended September 30 2015	Nine months ended September 30 2014
Cash flow used by operating activities	$ (314,489)	$ (212,985)	$ (1,151,599)	$ (818,758)
Change in non-cash working capital	78,118	34,053	458,907	182,011
Funds used by operations	$ (236,371)	$ (178,932)	$ (692,692)	$ (636,747)
Weighted average number of shares outstanding - Basic	289,684,072	176,640,594	289,684,072	118,988,101
Funds used by operations per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

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

As at September 30, 2015, JF Investment (Hong Kong) Co., Limited (the "Investor") owned and controlled 69% of the Company's issued and outstanding shares.

OUTLOOK

During 2014, the Company commenced the drilling of two heavy oil development wells in the Bodo area of central Alberta and acquired 384 hectares of undeveloped land in Alberta. Sahara intends to drill up to nine further wells, complete three perforation wells to increase the production of Sahara's existing wells 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 Company's 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 and nine months ended September 30, 2015, the Company earned net revenues of $54,451 and $80,066, respectively, and incurred net losses of $260,272 and $1,195,834, respectively. During the nine-month period, the Company recognized an impairment charge of $440,000 and incurred $137,223 of capital expenditures. There were no dispositions.

As at September 30, 2015, the Company reported a cash and cash equivalents balance of $6,790,116 (December 31, 2014 – $9,019,033), short-term deposits of $5,054,397 (December 31, 2014 – $5,025,068) and a working capital surplus of $12,291,410 (December 31, 2014 – $13,121,325).

Summary Information	As at September 30 2015	As at December 31 2014	As at December 31 2013
Working capital	$ 12,291,410	$ 13,121,325	$ 238,543
Exploration and evaluation assets	193,054	180,922	41,287
Property, plant and equipment	3,702,054	4,056,568	2,740,269
Total assets	16,603,071	18,727,491	3,448,220
Total liabilities	1,293,508	2,223,409	1,195,011
Total shareholders' equity	15,309,563	16,504,082	2,253,209

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net revenue	$ 54,451	$ 84,963	$ 80,066	$ 299,604
Net loss and comprehensive loss	(260,272)	(210,658)	(1,195,834)	(723,568)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.01)

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 September 30		Nine months ended September 30	
Per boe	2015	2014	2015	2014
Revenue	$ 38.70	$ 71.07	$ 41.53	$ 70.46
Royalties	(1.54)	(5.85)	(2.13)	(5.57)
Production and operating expenses	(37.77)	(75.30)	(58.66)	(66.43)
Field netback	$ (0.61)	$ (10.08)	$ (19.26)	$ (1.54)

The decline in the Company's field netback is due to shut-in heavy oil production in the first half of 2015 and reduced light-medium oil production combined with lower commodity prices.

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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Production				
Oil (bbls)	1,465	1,303	2,032	4,617
Oil (bbls/d)	16	14	7	17
Composition of production				
Light-medium oil	3%	21%	33%	19%
Heavy oil	97%	79%	67%	81%
Revenue, before royalty				
Oil	$ 56,700	$ 92,583	$ 84,393	$ 325,316
Oil ($/bbl)	$ 38.70	$ 71.07	$ 41.53	$ 70.46

Total oil production in the three months ended September 30, 2015 is higher than the 2014 comparative period due to increases in both heavy oil and light-medium oil volumes.

Total oil production in the nine months ended September 30, 2015 is lower than the 2014 comparative period due to the shut-in of heavy oil production for the first six months of 2015 due to low oil prices. The Company recommenced production on two heavy oil wells in the third quarter of 2015 to generate cash flow.

The combined average price of oil earned by the Company in the three and nine months ended September 30, 2015 is lower than the 2014 comparative periods due to the decrease in industry prices.

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

	Three months ended September 30		Nine months ended September 30	
Benchmark oil prices	2015	2014	2015	2014
Cdn Light Sweet ($/bbl)	$ 55.10	$ 97.71	$ 59.09	$ 100.53
Cdn Heavy Hardisty ($/bbl)	$ 38.59	$ 81.08	$ 43.59	$ 81.39

(b) Royalties

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Royalties	$ 2,249	$ 7,620	$ 4,327	$ 25,712
As a % of oil and natural gas revenue	4.0%	8.2%	5.1%	7.9%
Per boe (6:1)	$ 1.54	$ 5.85	$ 2.13	$ 5.57

Royalties as a percentage of revenue are lower in the three months ended September 30, 2015 than in the 2014 comparative period due to the reversal of previous crown royalty accruals as production volumes and revenue in the first half of 2015 were below the crown royalty threshold. Royalties as a percentage of revenue are lower in the nine months ended September 2015 than in the comparative 2014 period due to the lack of heavy oil revenue in the first six months of 2015, which bear a higher royalty rate than light-medium oil royalties.

(c) Production and operating expenses

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Production and operating expenses	$ 55,332	$ 98,084	$ 119,191	$ 306,737
Per boe (6:1)	$ 37.77	$ 75.30	$ 58.66	$ 66.43

Operating costs per boe are lower in the 2015 periods due to an increase in production in the third quarter. In addition, operating costs per boe were higher in the 2014 periods due to the effect of repair and maintenance costs.

General and administrative expenses

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Salaries, benefits and director fees	$ 93,556	$ 97,200	$ 306,379	$ 311,807
Office and general	69,436	44,558	198,414	138,150
Consulting and professional fees	36,843	26,174	119,947	110,840
Travel and business promotion	31,520	18,410	78,948	34,071
Shareholder and regulatory	4,849	(19,747)	18,607	23,715
Total	$ 236,204	$ 166,595	$ 722,295	$ 618,583

Salaries, benefits and director fees are lower in the three and nine months ended September 30, 2015 compared to the 2014 periods due to staff reductions made at the end of February 2015.

Office and general expenses are higher in the three and nine months ended September 30, 2015 compared to the 2014 periods due mainly to an increase in office rent following the move to new office premises in February 2015.

Consulting and professional fees are higher in the three and nine months ended September 30, 2015 compared to the 2014 periods due to primarily to the effect of the capitalization of professional fees to share issue costs for services incurred in direct relation to the completion of a private placement in the third quarter of 2014.

Travel and business promotion fees are higher in the three and nine months ended September 30, 2015 compared to the 2014 periods due to costs travel between Canada and China for Investor and management meetings.

Shareholder and regulatory expenses are credit position the three months ended September 30, 2014 due to the reclassification of certain incremental expenses directly related to the 2014 private placement to share issue costs. Shareholder and regulatory expenses are lower in the nine months ended September 30, 2015 due to a reduction in activity.

Depletion and depreciation

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Depletion and depreciation	$ 31,736	$ 27,232	$ 64,636	$ 83,045
Per boe (6:1)	$ 21.66	$ 20.91	$ 31.81	$ 17.99

Depletion and depreciation expense per boe is higher in the three and nine months ended September 30, 2015 due primarily to the impact of depreciation on field vehicles acquired in the last half of 2014 over lower 2015 production volumes.

The depletion rate for the three and nine months ended September 30, 2015 was $12.74 and $12.73 per boe, respectively, compared to $16.13 and $16.20 per boe, respectively, for the three and nine months ended September 30, 2014. The decrease in the depletion rate is due to an increase in the depletable base associated with drilling activity in the fourth quarter of 2014.

Impairment

During the previous quarter ended June 30, 2015, the Company identified certain business risks related to its cash generating unit ("CGU") such as a decline in forward commodity prices. As a result, the Company performed an impairment test at June 30, 2015 and recognized an impairment charge of $440,000.

Management estimated the recoverable amount of the Company's CGU based on the 'fair value less costs to sell' using 15% discounted cash flows expected to be derived from the CGU's proved plus probable reserves as reported in the Company's December 31, 2014 externally prepared reserve report updated for June 30, 2015 commodity price estimates.

Share-based compensation

Share-based compensation measures the implicit cost of compensating key personnel through the issuance of stock options. During the three and nine months ended September 30, 2015, the Company recognized $nil and $1,315, respectively, of share-based compensation expense (three and nine months ended September 30, 2014 – $1,680 and $6,972, respectively).

Capital Expenditures

	Nine months ended September 30 2015	2014
Office equipment	$ 10,645	$ –
Land and lease rentals	1,479	1,316
Field and equipment	28,829	46,271
Drilling and completion	84,138	–
	125,091	47,877
Exploration and evaluation assets	12,132	9,632
Total capital expenditures	$ 137,223	$ 57,509

During the first quarter of 2015, the Company continued drilling and completion activities on two wells in the Bodo area of central Alberta prior to halting activities due to low oil prices. The Company incurred minor expenditures in the second quarter of 2015 and in the third quarter, the Company capitalized geological fees directly related to the evaluation of recompletion targets and future drilling locations.

Office equipment expenditures incurred during the nine months ended September 30, 2015, are primarily comprised office furniture and computer purchases.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Company had a working capital surplus of $12.3 million compared to $13.1 million at December 31, 2014. The increase in working capital is due to $692,692 of funds used by operations and $137,223 of capital expenditures.

The Company's September 30, 2015 working capital surplus includes $6.97 million of cash and cash equivalents and a $5.05 million six-month term deposit, ensuring that the Company has sufficient cash resources to meet its financial obligations, comprised of trade and other payables of $416,553, on standard payment terms.

SUBSEQUENT EVENTS

There were no reportable events subsequent to September 30, 2015.

SHARE CAPITAL

Common shares

As at September 30, 2015, December 31, 2014 and the date of this MD&A, the Company had 289,684,072 common shares outstanding.

Stock options

As at September 30, 2015, December 31, 2014 and the date of this MD&A the Company had 2,400,000 stock options outstanding, all of which 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.

	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014
Net Revenue	$ 54,451	$ 15,382	$ 10,233	$ 63,281
Net Loss	(260,272)	(677,247)	(258,315)	(528,853)
Loss per share				
Basic and fully diluted	(0.001)	(0.002)	(0.001)	(0.002)
Weighted Average Number of Shares In Thousands	289,684	289,684	289,684	289,684

	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013
Net Revenue	$ 84,963	$ 103,834	$ 110,807	$ 77,748
Net Loss	(210,658)	(266,788)	(246,122)	(318,248)
Loss per share				
Basic and fully diluted	(0.001)	(0.003)	(0.003)	(0.004)
Weighted Average Number of Shares In Thousands	176,641	89,684	89,684	89,684

- The increase in net revenue for the 3rd Quarter of 2015 is due to an increase in production. The Company did not recognize any further impairment in the 3Rd Quarter which, combined with higher revenue, resulted in a lower net loss.

- The increase in net revenue for the 2nd Quarter of 2015 is due to an increase in production combined with an increase in commodity prices. The increase in net loss is due to the recognition of $440,000 of impairment offset by the increase in net revenue combined with a decrease in general and administrative expenses.
- The decrease in net revenue for the 1st Quarter of 2015 is due to a decrease in production following the shut-in of the Company's wells due to low oil prices. The decrease in net loss compared to the previous quarter is due to a decrease in expenses, particularly operating expenses and depletion due to reduced production.
- The decrease in net revenue for the 4th Quarter of 2014 is due to a decrease in production and commodity prices. The increase in the net loss compared to previous 2014 quarters is due to an increase in general and administrative expenses and depletion expense.
- The decrease in net revenue for the 3rd Quarter of 2014 is due to a decrease in production. The decrease in net loss compared to previous 2014 quarters is due to a decrease in general and administrative expenses.
- The increase in net revenue for the 2nd Quarter of 2014 is due to an increase in oil prices combined with a decrease in royalty rates. The increase in the net loss compared to the previous quarter is due to an increase in general and administrative expenses offset by the increase in net revenue and a decrease in production and operating costs.
- The increase in net revenue for the 1st Quarter of 2014 is due to an increase in 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.

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 and nine months ended September 30, 2015. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at September 30, 2015.

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, 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.

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, 2014 audited financial statements as well as the Company's December 31, 2014 MD&A.