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**For Immediate Release**  
**Calgary, Alberta**

**Tuesday, August 29, 2006**  
**TSXV: "SAH"**  
**15,654,000 Common Shares Issued**

## **SAHARA ENERGY RELEASES SECOND QUARTER RESULTS**

**CALGARY, ALBERTA** – August 29, 2006. Sahara Energy Ltd. ("Sahara" or the "Company") announces its financial and operating results for the quarter ended June 30, 2006. As at June 30, 2006, the Company reported a cash balance of \$6,236,226 and a working capital position of \$4,818,486 with net revenues of \$103,557 for the three months ended June 30, 2006 and \$165,657 for the six month period. The Company incurred capital expenditures totalling \$2,260,887 for the six month period with expenditures of \$1,299,558 for the three month period ended June 30. For the three month period ended June 30, the Company spent \$37,133 on land acquisitions and \$1,262,447 on exploration and development drilling.

The Company incurred a net loss of \$514,816 for the three month period ended June 30, 2006 and a combined net loss of \$809,963 for the six months ended June 30, 2006. The Company's net loss is affected by items which are non-cash in nature. At June 30, 2006 these included stock based compensation expense of \$283,670 and depletion and depreciation expenses of \$150,544 resulting in an adjusted net loss from operations at June 30, 2006 of \$375,749. Legal, audit, shareholder reporting, and one time third party services made up approximately \$150,000 of general and administrative expenditures for the six months.

Sahara's production during the quarter averaged 30 BOEPD. Production was restricted as a result of wells being shut down due to rain and weather related problems. Production is currently at 100 BOEPD with an estimated 200 BOEPD behind pipe.

During the second quarter of 2006, Sahara experienced delays in its drilling program through weather related problems and an extended spring breakup. This resulted in Sahara drilling 13 wells in June with a 40% interest, resulting in 3 gas wells and 7 oil wells and 3 abandoned wells. Since July 1, Sahara has drilled another 13 wells resulting in 11 oil wells, 1 gas well and 1 abandoned well due to lost circulation. Sahara's current production is 100 BOEPD with an estimated 200 BOEPD behind pipe, awaiting tie in and completion. Sahara expects the estimated 200 BOEPD behind pipe production to be on stream within the next 60 days.

Since Sahara has commenced its drilling program in June it has operated 10 wells with industry partners operating the remaining 16 wells for a total of 26 wells. (average working interest 40%). Drilling began in June in western Saskatchewan at Buzzard, Soda Lake, Lashburn, Hillmond and Dee Valley. Sahara's total wells drilled with these new 26 locations is now 43 wells. Sahara has a 40% working interest in a further 32 locations to be drilled before year end.

In Alberta, Sahara operated two Mississippian test wells at Little Bow (75% working interest) resulting in 2 potential gas wells. To expand this play, Sahara has acquired a seismic option on 12 sections of land with full 3D seismic coverage. Since reviewing the seismic, Sahara has committed to a Mississippian test earning well. Sahara will participate for a 45% working interest in this company generated prospect. Interpretation of this 3D seismic allows Sahara to identify additional locations on this large land base with multi zone potential. Additional wells were drilled at Czar, Lloydminster, Morgan, Pembina and Tangent with Sahara's average working interest being 40%.

Also in Alberta, Sahara is currently operating a deep Halfway gas test at Gold Creek with a 20% working interest and is participating in a deep oil prospect for a 17.5% working interest at Willisden Green.

With the existing 43 wells drilled and the additional 32 wells to be drilled this year Sahara's well count will increase to 75 gross wells and 30 net wells by year end. The majority of these drilling locations have been identified through seismic .

With a large inventory of drilling prospects Sahara looks forward to a very busy drilling program for the balance of 2006.

The Company reported that it has filed its quarterly financial statements and related Management's Discussion and Analysis for the period ended June 30, 2006 with Canadian securities regulatory authorities on SEDAR. This information may be accessed electronically at [www.sedar.com](http://www.sedar.com).

Sahara is a junior oil and gas company focused on the acquisition, exploration and development of oil and natural gas in western Canada.

For further information please contact:

**Peter Boswell**

President and CEO of Sahara Energy Ltd.

800- 510 5<sup>th</sup> Street Avenue SW

Calgary, Alberta T2P 3J4

Telephone: (403) 232-1359

Fax: (403) 232-1307 or by email at

[pete@saharaenergy.ca](mailto:pete@saharaenergy.ca)

**ADVISORY**

*Certain information regarding the Company including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities laws and necessarily involve risks associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserve estimates, environment risks, completion from other producers and ability to assess sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.*

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