

**SAHARA ENERGY LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Quarter ended March 31, 2008

Management's Discussion and Analysis ("MD&A") dated March 31, 2008, is management's assessment of the historical financial position and operating results of Sahara Energy Ltd. ("Sahara" or the "Company") to review financial results for the quarter ended March 31, 2008. The information has been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the audited financial statements for the period ended December 31, 2007.

Additional information relating to the Corporation, the Annual Information Form and Sahara's Statement of Reserves Data and Other Oil and Gas Information are available on SEDAR at www.sedar.com. Sahara is listed for trading on the Toronto Venture Exchange under the symbol "SAH".

Forward-looking Statements

This disclosure includes statements about expected future events and/or financial results that are forward-looking in nature and subject to substantial risks and uncertainties that may cause the actual results, performance or achievements expressed or implied by such forward-looking statements to differ. These risks include, but are not limited to: petroleum and natural gas price volatility, interest rate fluctuations, availability of services and supplies, market competition, uncertainties in the estimates of reserves, the timing of capital expenditures, production levels and the adequacy of funding for capital investments. Sahara Energy Ltd. cautions that actual performance will be affected by a number of factors, many of which are beyond its control.

Non-GAAP Financial Measures

This MD&A includes references to financial measures commonly used in the oil and gas industry. The terms "net petroleum and natural gas revenue" (petroleum and natural gas sales less royalties, production expenses and transportation costs) and "funds from (used by) operations" (net loss for the period adjusted for non-cash items in the statement of operations) are not GAAP measures and do not have standardized meanings prescribed by GAAP.

BOE Presentation

The term barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. All boe conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of natural gas to one barrel of oil. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Overview

Gross revenue for the period totalled \$876,578 compared to \$814,134 for the same period last year, an increase of \$ 62,444. The revenue net of royalties for the period was \$874,732 compared to \$676,587 for the same period in 2007. This is an increase of \$198,145.

As at March 31, 2008, the Company reported a bank overdraft of \$ 336,638 and a working capital deficiency of \$3,487,645 compared to \$4,337,515 reported in the period ending March 31, 2007. Included in the working capital deficiency is \$1,199,099 in convertible debentures due June 29, 2009 and convertible at \$0.90. The company has a credit line facility in the amount of \$336,638 which is included in the deficiency. Sahara will dispose of non-core properties to increase its working capital position.

The Company had a loss of \$ 547,894 for the three months ended March 31, 2008. Adjusting the net loss for non-cash items of depletion, depreciation, accretion and stock-based compensation, the Company had a net gain of \$ 157,127 for the three months ended March 31, 2008.

For the three month period ended March 31, 2008, the Company had a gain of \$1,941,504 from the sale of P&NG properties.

OPERATIONAL ACTIVITY

During the first quarter of 2008, Sahara was involved in drilling 1 prospect at Lloydminster Alberta and 2 recompletions both at Lloydminster.

During the quarter, the Company averaged production sales of 134 boepd, consisting of 120 BOPD of heavy oil and 71 mcf/d of gas. Marginal wells were either reworked to increase productivity or shut-in to reduce costs. Effective April 1st Sahara sold its heavy oil property at Buzzard Saskatchewan for \$ 1,387,141 in amounts owed to the operator.

During the quarter Sahara sold its combined interest in an operated oil well at Tangent Alberta for \$ 1,567,749. Sahara also sold its interest in a marginal non-operated oil well at Gold Creek for \$202,160. And at Pembina the company sold an operated marginal oil well for \$187,700. These property sales reduced Sahara's debt by \$ 3,344,751.

At Provost our facility applications where approved and production is to Sahara is now on at a net 10 bopd.

Sahara has drilled, cased and equipped a 100% interest heavy oil well at Lloydminster. Offset oil wells have produced at over 100 BOPD, Sahara will complete this oil well in the near future.

Sahara has a prospect inventory of 8 low risk development heavy oil locations. Sahara owns 100% of these and other prospects. The company will drill or farm –out these prospects depending on future financings.

Sahara will continue to add to its prospects inventory through land acquisitions. An example of this is at Bashaw, Alberta, where a half section of land was acquired on a Nisku reef prospect, with potential oil reserves of 500,000 barrels. Sahara operates and owns 94% of this high impact light oil play.

Land

The following table sets out the **Sahara's** combined (after the Mirage merger) developed and undeveloped land holdings as of March 31, 2008.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	6501.93	3276.16	15060.0	6917.06	21561.93	10193.22
Saskatchewan	2652.24	1208.57			2652.24	1208.57
Montana	-	-	1440.00	1440.00	1440.00	1440.00
Total	9154.17	4484.73	16500.0	8357.06	25654.17	12841.79

CORE AREAS

HEAVY OIL (Lloydminster/Lashburn areas)

During the third quarter of 2007, Sahara participated in the drilling of one well and two recompletions at Lloydminster, Alberta. At Buzzard, Saskatchewan (50% working interest) Sahara sold its non – operated working interest in the Buzzard heavy oil pool.

GAS/LIGHT OIL (Grande Prairie areas)

At the Sahara operated Gold Creek 4-26 (30% interest), the Nikanassin zone which was completed, fracture stimulated and production tested. The well was placed on production at a rate of 250 mcf/day and a small amount of condensate. (5- 10 bpd)

A non-operated well in the Gold Creek area of Alberta was sold as was a marginal operated oil well at Pembina, Alberta.

During the quarter, Sahara focused on completing and optimizing its oil production and gas well facility issues. Sahara also focused on selling non-operated properties using the sale proceeds to pay down debt.

RESERVES

The following tables describe Sahara's updated reserves whereby Degolyer and MacNaughton Canada limited has prepared an appraisal and update report as of April 1, 2008 on Sahara. This report is on the current Sahara after its merger with Mirage Energy Ltd.

TOTAL COMPANY Reserve Category	COMPANY SHARE - FORECAST PRICE CASE				
	Future Cash Flow Before Income Tax as of April 1, 2008				
	Undis- counted	Discounted			
		at 5%	at 10%	at 15%	at 20%
M\$	M\$	M\$	M\$	M\$	
Proved Developed					
Producing	1,162	1,111	1,065	1,021	981
Non-Producing	3,455	2,842	2,416	2,110	1,880
Total Proved Developed	4,617	3,953	3,481	3,131	2,861
Proved Undeveloped	1,474	1,191	955	757	590
Total Proved	6,091	5,144	4,436	3,888	3,451
Probable	10,330	8,437	6,972	5,809	4,868
Total Proved + Probable	16,421	13,581	11,408	9,697	8,319
Possible	2,702	1,782	1,217	852	604
Total	19,123	15,363	12,625	10,549	8,923

Forecast Price Case

	Proved Developed Producing (M\$)	Proved Developed (M\$)	Total Proved (M\$)	Proved Plus Probable (M\$)	Proved Plus Probable Plus Possible (M\$)
Future Gross Revenue	3,829	11,070	17,092	48,754	60,427
Royalties	401	2,070	2,963	6,919	8,192
Operating Expenses	1,833	3,427	5,531	17,771	23,365
Processing and other income	-	-	-	-	-
Capital Costs	-	380	1,794	6,275	8,186
Abandonment Costs	433	576	713	1,372	1,564
Future Cash Flows Before Future Income Tax	1,162	4,617	6,091	16,421	19,123
Future Income Tax	-	-	-	-	-
Future Cash Flows After Future Income Tax	1,162	4,617	6,091	16,421	19,123
Present Worth at 5 Percent	1,111	3,953	5,144	13,581	15,363
Present Worth at 10 Percent	1,065	3,481	4,436	11,408	12,625
Present Worth at 15 Percent	1,021	3,131	3,888	9,697	10,549

Present Worth at 20 Percent

981 2,861 3,451 8,319 8,923

NOTE: The numbers in this table may not exactly add due to rounding.

TOTAL COMPANY	COMPANY SHARE - FORECAST PRICE CASE							
	Remaining Reserves as of April 1, 2008							
	Light Crude Oil		Heavy Crude Oil		Natural Gas		NGL	
	Gross Mbbl	Net Mbbl	Gross Mbbl	Net Mbbl	Gross MMcf	Net MMcf	Gross Mbbl	Net Mbbl
Proved Developed								
Producing	4	4	50	46	87	75	3	2
Non-Producing	6	5	60	46	391	294	7	5
Proved Undeveloped	-	-	116	99	-	-	-	-
Total Proved	10	9	226	191	478	369	10	7
Probable	4	3	598	528	136	99	2	1
Total Proved + Probable	14	12	824	719	614	468	12	8
Possible	-	-	228	205	-	-	-	-
Total	14	12	1,052	924	614	468	12	8

Selected Quarterly Information

Three months ended March 31	2008	2007
(\$ except for share information)		
Petroleum and natural gas revenue	801,899	807,897
Total revenues, net of royalties	876,578	814,134
Cash Flow from operations	538,059	242,921
Net gain (Loss before Non-Cash Items)	157,127	(155,719)
Loss per common share – basic and diluted	(0.01)	(0.03)
Total fixed assets	11,158,345	23,636,062
Working capital (deficiency)	(3,487,645)	(4,337,515)
Total debt	336,638	648,843
Shareholders' equity	5,609,710	12,417,384
Common shares outstanding:		
- basic	38,036,302	42,734,649

Production

Sahara's oil sales volumes during the first quarter averaged 120 bopd.

Natural gas sales during the third quarter averaged 71 mcf/d.

	Three months ended September	
	2008	2007
Light oil (BOPD)	-	-
Heavy oil (BOPD)	120	-
Natural gas (BOEPD)	14	-
BOEPD (6:1)	134	-

Petroleum and Natural Gas Revenues

Revenues for the three months ended March 31, 2008 was \$801,899.

Revenue and Royalties

Royalties averaged 0.23% for the period ending March 31, 2008. This rate reflects the Alberta Petroleum Marketing Commission royalty rebate. It is anticipated that the royalty rate will remain near 20% in the upcoming quarters.

Production Expenses

Production expenses for the period totalled \$336,673, a decrease of \$96,993 from the period ending March 31, 2007. The production costs were reduced with the shutting-in of non-profitable wells during the quarter.

General and Administrative Costs

General and administrative ("G & A") expenses for the three months ended March 31, 2008 were \$317,512 a decrease of \$133,780 compared to the same period of the previous year. These expenses include \$24,170 in engineering and land costs associated with the Company's year end reserve report, as well as \$145,373 in costs related to accounting, legal, shareholding reporting and other costs. The company also received overhead recoveries of \$5,901 for the quarter.

General and Administrative Expenses (\$)	Three months ended March 31	
	2007	2007

Gross expense	317,512	451,292
Overhead recoveries	(5,901)	(71,186)
Capitalized expense	-	-
Net expense	\$ 311,611	\$380,106

Stock-based compensation

Sahara stock-based compensation expense totalled \$146,500 at the period ended March 31, 2008 compared to \$576,143 in the quarter of the prior year. Stock based compensation measures the implicit cost of compensating key personnel through the issuance of stock options.

Interest

Interest expense of \$69,321 for the three months ended March 31, 2008007 was higher than in the same period of the prior year due to financing charges related to the revolving bank loan.

Depletion Depreciation and Accretion

Depletion, depreciation and accretion expenses for the three months ended March 31, 2008 were \$558,521, a decrease of \$81,448 compared to the same period of the previous year. This decrease is attributed to the sale of P&NG properties during the period ending March 31, 2008.

Capital Expenditures

During the first quarter of 2008, the Company realized a profit of \$1,941,505 from the sale of P&NG properties. The funds from these sales were used to reduce Company debt.

Cash Flow from Operations

	Three Months March 31, 2008	Year Ended December 31, 2007
Gross revenues	\$876,578	\$3,733,964
Royalties	\$ 1,846	\$ 762,435
Operating Expenses	<u>\$ 336,673</u>	<u>\$ 2,534,078</u>
Net Cash Flow from Operations	\$ 538,059	\$ 437,451

Future Taxes

Balance at December 31, 2007	\$ 1,175,454
Flow through share renouncement	\$ -
Balance at March 31, 2008	<u>\$ 1,175,454</u>

Liquidity and Capital Resources

The Company had a working capital deficiency of \$3,487,645 as of March 31, 2008. Included in the working capital deficiency are \$ 1,199,099 convertible debentures that are convertible at \$0.90 which are exercisable prior to June 29, 2009.

On June 27, 2007, convertible debentures were issued during the period for \$620,000 that are converted at \$.90 and mature June 29, 2009.

Commitments

The Company entered into an office lease agreement for a period of five years that calls for annual basic rent payments of \$211,741 a year of which \$82,389 is recovered by a sub lease of office space. The net office lease to Sahara is \$129,352 per annum.

Related party transactions

The Company had the following related party transactions during the period 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:

As of March 31, 2008, \$392,500 pertaining to debentures came due on December 31, 2007 of which \$320,000 is owed to senior management of the Company.

Subsequent events

In April, 2008, the Company agreed to a payment schedule for the payment of debentures due December 31, 2007 in the amount of \$100,000 to the former Chief Financial Officer of the Company. Under the terms and conditions of this agreement, a monthly payment will see the debt retired in October 2008.

On April 24, 2008, the Company sold non-operated heavy oil property in Western Saskatchewan for settlement of the \$1,387,141 outstanding to the Operator. The

Company also sold its working interest in an oil well for \$187,700. Proceeds from the sale were used to reduce outstanding bank debt by \$60,000 to \$295,000. These transactions reduced the Company's reported debt as at March 31, 2008 by \$1,574,841. The bank debt was \$295,000 as of March 31, 2008; the current bank debt is \$195,000.

In May 2008 the Company signed an agreement with a third party to rent out office space at a rate of \$5,000.00 per month. This agreement commences July 1, 2008

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company.

Full Cost

The Company follows the full-cost method of accounting for oil and natural gas properties, whereby all costs associated with the exploration for, and development of, petroleum and natural gas reserves, whether productive or unproductive, are capitalized in cost centers. Costs capitalized include land acquisitions costs, geological and geophysical expenditures, rentals on undeveloped properties and drilling and overhead expenses related to exploration and development activities. Proceeds from disposition of property are credited to the net book value of the property and equipment. Gains and losses are not recognized upon disposition of oil and gas properties, unless the disposition would significantly alter the rate of depletion.

Costs capitalized are depleted and amortized using the unit-of-production method based on gross proved oil and gas reserves as determined by independent engineers. For purposes of the depletion calculation, proved oil and gas reserves are converted to a common unit of measure on the basis of the relative energy content of 6,000 cubic feet of natural gas per barrel of oil.

In applying the full cost method, the Company calculates a ceiling test for each cost centre whereby the carrying value of property and equipment is compared at each reporting period to the sum of the undiscounted cash flows expected to result from the future production of proved reserves and the sale of unproved properties. Cash flows are estimated using third party quoted forward prices, adjusted for transportation and quality, less estimated costs directly associated with the development, production and sale of reserves. Should the ceiling test result in an excess carrying value, the Company would then measure the amount of impairment for the cost centre by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves and the sale of unproved properties. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying amount would be recorded as a permanent impairment.

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.

Multilateral instrument 52-109

Effective March 2006, all reporting issuers in Canada are subject to new disclosure requirements as per Multilateral Instrument 52-109 (“MI 52-109”). As a result of MI 52-109 the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) have to certify that they have designed internal controls over financial reporting to provide reasonable assurance over the reliability of financial reporting and the preparation of external financial statements in compliance with GAAP. In addition, they are subject to a second certification that they have ensured disclosure of changes in internal control that has had or may have a material effect on the Company’s internal control.

Disclosure Controls and Procedures

The Company has disclosure controls and procedures to ensure that information required to be disclosed by Sahara is assembled and communication to management. The Company’s CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the annual filings, that disclosure controls and procedures are effective to provide reasonable assurance that material information related to Sahara is made known to them by others within the organization, except as noted below. Though the CEO and CFO certify that Sahara’s disclosure controls and procedures are effective to provide a reasonable level of assurance, they are not able to conclude that the disclosure controls and procedures are capable of preventing all frauds and errors. A control system, no matter how well conceived or administered, can provide only reasonable, not absolute, assurance that the objective of the control system are met.

Internal Controls over Financial Reporting

The CEO and CFO of Sahara are responsible for designing internal controls over financial or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with Canadian GAAP. Management has assessed the design of the Company’s internal control over financial reporting as of the end of the period by the annual filings and has certified that the controls over financial reporting are effective. Expenditure transactions volume has increased significantly requiring the addition of accounting staff that have been hired.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk, which even with a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by Sahara will result in new discoveries of oil and natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of Sahara depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Sahara will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Sahara may determine that current markets, terms of acquisition and participations or pricing conditions make such acquisitions or participations uneconomic. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recover of drilling, completion and operating cost. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rate over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blowouts, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.