

# **SAHARA ENERGY LTD.**

Statement of Reserves Data and Other Oil and Gas Information

FORM 51-101F1

Year Ended December 31, 2011

April 30, 2012

## ABBREVIATIONS

### Crude Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
boe	barrels of oil equivalent
Mbbls	thousand barrels
MMbbls	million barrels
bbls/d	barrels per day
boe/d	barrels of oil equivalent per day
NGLs	natural gas liquids
STB	stock tank barrels

### Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMbtu	million British Thermal Units
Bcf	billion cubic feet
GJ	gigajoule

### Other

AECO	EnCana Corp.'s natural gas storage facility located at Suffield, Alberta.
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE/d	barrel of oil equivalent per day
BOE	barrel of oil equivalent
m <sup>3</sup>	cubic metres
MBOE	1,000 barrels of oil equivalent
M\$	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

**BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

## CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	m <sup>3</sup>	28.174
thousand m <sup>3</sup>	Mcf	35.494
bbls	m <sup>3</sup>	0.159
m <sup>3</sup>	Bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

## CONVENTIONS

Certain terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders. All dollar amounts set forth in this Statement are in Canadian dollars, except where otherwise indicated.

## NOTES REGARDING RESERVES

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

## DEFINITIONS

Unless as otherwise provided in this Statement, the abbreviations and terms set forth below shall have the following meanings:

"**Cdn**" means Canadian;

"**COGE Handbook**" means the "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

"**DeGolyer**" means DeGolyer and MacNaughton Canada Limited;

"**DeGolyer Report**" means the independent reserves assessment and evaluation of the oil and gas properties of Sahara prepared by DeGolyer on March 7, 2012 with an effective date of December 31, 2011;

"**Developed Non-Producing Reserves**" are those reserves that either have not been on production, or have previously been on production but are shut-in and the date of resumption of production is unknown;

"**Developed Producing Reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"**Developed Reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

**"development well"** means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

**"exploration costs"** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

**"exploratory well"** means a well that is not a development well, a service well or a stratigraphic test well;

**"forecast prices and costs"** means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future;
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a);

**"future net revenue"** means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using forecast prices and costs and, at the option of Sahara, constant prices and costs;

"**Gross**" means:

- (a) in relation to Sahara's interest in production or reserves, its "company gross reserves", which is Sahara's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Sahara;
- (b) in relation to wells, the total number of wells in which Sahara has an interest; and
- (c) in relation to properties, the total area of properties in which Sahara has an interest;

"**Net**" means:

- (a) in relation to Sahara's interest in production or reserves, Sahara's working interest (operating or non-operating) share after deduction of royalty obligations, plus Sahara's royalty interests in production or reserves;
- (b) in relation to Sahara's interest in wells, the number of wells obtained by aggregating Sahara's working interest in each of its gross wells; and
- (c) in relation to Sahara's interest in a property, the total area in which Sahara has an interest multiplied by the working interest owned by Sahara;

"**NGL**" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons;

"**NI 51-101**" means National Instrument 51-101 *Standards of Disclosure For Oil and Gas Activities*;

"**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities;

"**Probable Reserves**" are those additional reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved Reserves plus Probable Reserves;

"**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract NGLs) and field storage of oil and gas;

"**Proved Reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves;

"**reserves**" are the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable, and must be disclosed. Reserves are classified according to the degree of certainty associated with the estimates;

"**reservoir**" means a porous and permeable subsurface rock formation containing a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is individual and is characterized by a single pressure system;

"**Sahara**" or the "**Corporation**" means Sahara Energy Ltd.;

"**service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion;

"**Statement**" means this statement of reserves data and other oil and gas information; and

"**stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as:

- (a) "exploratory type" if not drilled into a proved property; or
- (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells";

"**Undeveloped Reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

### **FORWARD-LOOKING STATEMENTS**

Certain statements included in this Statement may constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "will", "should", "could", "potential", "continue" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this Statement may include but are not limited to statements regarding the business strategy and objectives of Sahara, reserve quantities and the discounted present value of future net cash flows from such reserves, net revenue, future production levels, exploration plans, development plans, capacity quantities, supply, acquisition and disposition plans and the timing thereof, operating and other costs, royalty rates and crude oil and natural gas prices.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to any other assumptions identified in this Statement, assumptions have been made regarding, among other things:

- the ability to obtain equipment, services and supplies in a timely manner to carry out activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline, terminal and storage facility construction and expansion and the ability to secure adequate product transportation;
- the timely receipt of required regulatory approvals;
- the ability to obtain financing on acceptable terms;
- currency, exchange and interest rates;
- government regulation, including in relation to the areas of taxation, royalty rates and environmental protection;

- future oil and gas prices.

Although Sahara believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Sahara cannot give assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Sahara and described in the forward-looking statements or information. These risks and uncertainties include but are not limited to:

- changes in laws affecting Sahara, including laws relating to taxation, royalty regimes and environmental protection in the jurisdictions in which Sahara operates;
- the ability of management to execute its business plan;
- the risks of the oil and gas industry both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- risks and uncertainties involving geology of oil and gas deposits;
- risks inherent in marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- the ability to enter into or renew leases;
- fluctuations in oil and gas prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- uncertainties as to the availability and cost of financing;
- the ability to add production and reserves through development and exploration activities;
- general economic and business conditions;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- risks associated with any existing and/or potential future law suits and regulatory actions; and
- other risks and uncertainties described elsewhere in this Statement or in Sahara's other filings with Canadian securities regulatory authorities.

The forward-looking statements and information contained in this Statement speak only as of the date of this Statement. Except as expressly required by applicable securities laws, Sahara does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. The forward-looking statements and information contained in this Statement are expressly qualified by this cautionary statement.

## **STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION**

### **Disclosure of Reserves Data**

The tables below summarize Sahara's crude oil, natural gas and NGL reserves and the net present value of future net revenue attributable to such reserves as evaluated by DeGolyer, based on forecast price and cost assumptions. In accordance with NI 51-101, DeGolyer prepared the DeGolyer Report, evaluating the crude oil, natural gas and NGLs of Sahara's oil and gas properties, with an effective date of December 31, 2011. The preparation date of the DeGolyer Report is March 7, 2012. The information set forth below is prepared in accordance with standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101 and the COGE Handbook.

All of Sahara's reserves are in Canada, and specifically, in the provinces of Alberta and Saskatchewan. Sahara's Report of Management and Directors on Oil and Gas Disclosure the Report on Reserves Data by DeGolyer are attached as Schedule "A" and Schedule "B", respectively, hereto.

The tables summarize the data contained in the DeGolyer Report and as a result may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

The net present value of future net revenue attributable to the Corporation's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by DeGolyer. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation's reserves estimated by the DeGolyer represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Corporation's oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

Estimates of reserves and the related future net revenue presented below have an effective date of December 31, 2011.

The DeGolyer Report is based on certain factual data supplied by the Corporation and DeGolyer's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Corporation's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Corporation to DeGolyer and accepted without any further investigation. DeGolyer accepted this data as presented and neither title searches nor field inspections were conducted.

**SUMMARY OF RESERVES**  
**SAHARA ENERGY LTD.**  
**AS OF DECEMBER 31, 2011 (FORECAST PRICES & COSTS)**

<u>RESERVES CATEGORY</u>	Light & Medium Oil		Heavy Oil		Natural Gas <sup>(1)</sup>		Natural Gas Liquids	
	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)	Gross <sup>(2)</sup> (MMcf)	Net <sup>(3)</sup> (MMcf)	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)
<b>PROVED</b>								
Developed Producing	3	2	14	13	-	-	-	-
Developed Non-Producing	-	-	3	3	-	-	-	-
Undeveloped	-	-	15	12	-	-	-	-
<b>TOTAL PROVED</b>	<b>3</b>	<b>2</b>	<b>32</b>	<b>28</b>	-	-	-	-
<b>Probable</b>	-	1	408	340	-	-	-	-
<b>TOTAL PROVED + PROBABLE</b>	<b>3</b>	<b>3</b>	<b>440</b>	<b>368</b>	-	-	-	-
<b>Possible</b>	2	1	62	54	-	-	-	-
<b>TOTAL PROVED + PROB + POSS</b>	<b>5</b>	<b>4</b>	<b>502</b>	<b>422</b>	-	-	-	-

<sup>(1)</sup> Estimates of reserves of natural gas include associated and non-associated gas.

<sup>(2)</sup> "Gross Reserves" are Company's working interest reserves before the deduction of royalties.

<sup>(3)</sup> "Net Reserves" are Company's working interest reserves after deductions of royalty obligations plus the Company's royalty interests.

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

**SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE**  
**SAHARA ENERGY LTD.**  
**AS OF DECEMBER 31, 2011 (FORECAST PRICES & COSTS)**

<u>RESERVES CATEGORY</u>	Net Present Value (NPV) of Future Net Revenue (FNR) <sup>(1)</sup>										Unit Value BFIT Disc. @ 10% /Yr (\$/BOE) <sup>(3)</sup>
	Before Income Taxes - Discounted at (%/yr) <sup>(2)</sup>					After Income Taxes - Discounted at (%/yr) <sup>(2)</sup>					
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	
<b>PROVED</b>											
Developed Producing	95	109	121	129	136	95	109	121	129	136	7.77
Developed Non-Producing	51	47	41	38	35	51	47	41	38	35	15.09
Undeveloped	383	322	272	230	194	383	322	272	230	194	22.60
<b>TOTAL PROVED</b>	<b>529</b>	<b>478</b>	<b>434</b>	<b>397</b>	<b>365</b>	<b>529</b>	<b>478</b>	<b>434</b>	<b>397</b>	<b>365</b>	<b>14.31</b>
<b>Probable</b>	12,242	9,529	7,503	5,967	4,789	11,294	8,823	6,973	5,567	4,486	21.99
<b>TOTAL PROVED + PROBABLE</b>	<b>12,771</b>	<b>10,007</b>	<b>7,937</b>	<b>6,364</b>	<b>5,154</b>	<b>11,823</b>	<b>9,301</b>	<b>7,407</b>	<b>5,964</b>	<b>4,851</b>	<b>21.36</b>
<b>Possible</b>	2,538	1,792	1,297	963	732	1,941	1,369	993	740	566	23.51
<b>TOTAL PROVED + PROB + POSS</b>	<b>15,309</b>	<b>11,799</b>	<b>9,234</b>	<b>7,327</b>	<b>5,886</b>	<b>13,764</b>	<b>10,670</b>	<b>8,400</b>	<b>6,704</b>	<b>5,417</b>	<b>21.64</b>

(1) NPV of FNR includes all resource income: Sale of oil, gas, by-product reserves; Processing of third party reserves; Other income.

(2) Income Taxes includes all resource income, appropriate income tax calculations and prior taxpools.

(3) The unit values are based on net reserve volumes before income tax (BFIT).

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

**TOTAL FUTURE NET REVENUE (Undiscounted)**  
**SAHARA ENERGY LTD.**  
**AS OF DECEMBER 31, 2011 (FORECAST PRICES & COSTS)**

<b>RESERVES CATEGORY</b>	<b>Revenue</b>	<b>Royalties</b>	<b>Operating Cost <sup>(2)</sup></b>	<b>Development Costs</b>	<b>Aband. &amp; Reclamation Costs</b>	<b>BT Future Net Revenue <sup>(1)</sup></b>	<b>Income Taxes</b>	<b>AT Future Net Revenue <sup>(1)</sup></b>
	<b>(M\$)</b>	<b>(M\$)</b>	<b>(M\$)</b>	<b>(M\$)</b>	<b>(M\$)</b>	<b>(M\$)</b>	<b>(M\$)</b>	<b>(M\$)</b>
<b>PROVED DEVELOPED PRODUCING</b>	1,211	71	730	-	316	95	-	95
<b>PROVED DEVELOPED</b>	1,419	86	845	17	323	146	-	146
<b>TOTAL PROVED</b>	2,469	315	1,120	175	330	529	-	529
<b>TOTAL PROVED + PROBABLE</b>	34,349	5,723	11,210	3,909	736	12,771	949	11,823
<b>TOTAL PROVED + PROB + POSS</b>	39,709	6,392	13,293	3,966	748	15,309	1,546	13,764

(1) BT = Before Taxes and AT = After Taxes.

(2) Operating cost less processing and other income.

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

**NET PRESENT VALUE OF FUTURE NET REVENUE BY PRODUCTION GROUP**  
**SAHARA ENERGY LTD.**  
**AS OF DECEMBER 31, 2011 (FORECAST PRICES & COSTS)**

<b>RESERVES CATEGORY</b>	<b>PRODUCTION GROUP</b>	<b>BFIT Future Net Revenue Discounted</b>	<b>UNIT VALUE <sup>(1)</sup></b>
		<b>(10% /Yr) <sup>(1)</sup></b>	<b>(\$/BOE)</b>
		<b>(M\$)</b>	
<b>PROVED</b>	Light & Medium Crude Oil (including solution gas)	82	33.61
	Heavy Oil	359	12.87
	Natural gas (including by-products but excluding solution gas from oil wells)	-	-
<b>PROVED + PROBABLE</b>	Light & Medium Crude Oil (including solution gas)	114	34.88
	Heavy Oil	7,830	21.26
	Natural gas (including by-products but excluding solution gas from oil wells)	-	-
<b>PROVED + PROB + POSS</b>	Light & Medium Crude Oil (including solution gas)	149	34.54
	Heavy Oil	9,093	21.53
	Natural gas (including by-products but excluding solution gas from oil wells)	-	-

(1) The unit values are based on net reserve volumes before income tax (BFIT).

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

***Forecast Price and Cost Assumptions***

The forecast price and cost assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized by DeGolyer in the DeGolyer Report were the DeGolyer forecasts as of December 31, 2011, as per Schedule 'C'.

The weighted average historical prices for Sahara for the fiscal period ending December 31, 2011 was \$3.46 per Mcf for natural gas, \$63.35 per bbl for heavy oil and \$82.39 per bbl for light and medium oil.

**RESERVES RECONCILIATION – FORECAST PRICE CASE  
COMPANY SHARE GROSS**

	Total Oil (BBL)	Light/Med Oil (BBL)	Heavy Oil (BBL)	Sales Gas (MMCF)	BOE (BBL)
<b>TOTAL PROVED</b>					
Opening Balance (Dec 31, 2010)	127,429	1,473	125,956	–	127,429
Extensions	–	–	–	–	–
Improved Recovery	–	–	–	–	–
Technical revisions *	(29,315)	2,464	(31,779)	–	(29,315)
Discoveries	–	–	–	–	–
Acquisitions **	–	–	–	–	–
Dispositions **	(50,000)	–	(50,000)	–	(50,000)
Economic Factors ***	(1,083)	(15)	(1,068)	–	(1,083)
Production	(12,469)	(1,339)	(11,130)	–	(12,469)
Closing Balance (Dec 31, 2011)	34,562	2,583	31,979	–	34,562
<b>TOTAL PROBABLE</b>					
Opening Balance (Dec 31, 2010)	422,735	934	421,801	36	428,735
Extensions	–	–	–	–	–
Improved Recovery	–	–	–	–	–
Technical revisions *	15,775	(55)	15,830	–	15,775
Discoveries	–	–	–	–	–
Acquisitions **	–	–	–	–	–
Dispositions **	(31,014)	–	(31,014)	(36)	(37,014)
Economic Factors ***	1,244	(11)	1,255	–	1,244
Production	–	–	–	–	–
Closing Balance (Dec 31, 2011)	408,740	868	407,872	–	408,740
<b>TOTAL PROVED + PROBABLE</b>					
Opening Balance (Dec 31, 2010)	550,164	2,407	547,757	36	556,164
Extensions	–	–	–	–	–
Improved Recovery	–	–	–	–	–
Technical revisions *	(13,540)	2,409	(15,949)	–	(13,540)
Discoveries	–	–	–	–	–
Acquisitions **	–	–	–	–	–
Dispositions **	(81,014)	–	(81,014)	(36)	(87,014)
Economic Factors ***	161	(26)	187	–	161
Production	(12,469)	(1,339)	(11,130)	–	(12,469)
Closing Balance (Dec 31, 2011)	443,302	3,451	439,851	–	443,302

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

\* Includes technical revisions due to reservoir performance, geological and engineering changes, economic revisions due to changes in economic limits and working interest changes resulting from the timing of interest reversions.

\*\* Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.

\*\*\* Includes economic revisions related to price, operating cost and royalty factor changes.

### **Additional Information Relating to Reserves Data**

#### ***Undeveloped Reserves***

The following discussion generally describes the basis on which Sahara attributes proved and probable undeveloped reserves and its anticipated plans for developing those undeveloped reserves.

### ***Proved Undeveloped Reserves***

Proved undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. In addition, such reserves may relate to planned infill drilling locations. The majority of these reserves are planned to be on-stream within a two year timeframe.

The following table discloses, for each product type, the gross volumes of proved undeveloped reserves that were first attributed in each of the most recently completed three financial years.

Year	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMcf)	NGLs (Mbbbl)
2011	-	-	-	-
2010	-	-	-	-
2009	-	15	-	-
Prior thereto	-	70	-	-

### ***Probable Undeveloped Reserves***

Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The majority of these reserves are planned to be on-stream within a two year timeframe.

The following table discloses, for each product type, the gross volumes of probable undeveloped reserves that were first attributed in each of the most recently completed three financial years.

Year	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMcf)	NGLs (Mbbbl)
2011	-	-	-	-
2010	-	19	-	-
2009	-	36	-	-
Prior thereto	-	288	50	-

### ***Significant Factors or Uncertainties Affecting Reserves Data***

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

***Future Development Costs***

The table below sets out the development costs deducted in the estimation of future net revenue attributable to proved reserves and proved plus probable reserves (using forecast prices and costs only).

**FUTURE DEVELOPMENT COSTS <sup>(1)</sup>**  
**SAHARA ENERGY LTD.**  
**AS OF DECEMBER 31, 2011**

<b>YEAR</b>	<b>Forecast Prices &amp; Costs</b>	
	<b>For Proved Reserves (M\$)</b>	<b>For Proved + Probable Reserves (M\$)</b>
2011	-	-
2012	175	541
2013	-	2,557
2014	-	181
2015	-	531
<b>REMAINING</b>	-	99
<b>TOTAL</b>	175	3,909
<b>Undiscounted</b>	175	3,909
<b>Discounted @ 10%</b>	166	3,290

(1) Future Development Costs shown are associated with booked reserves in the Reserves Report and do not necessarily represent the Company's full exploration and development budget.

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

On an ongoing basis, the Corporation will use internally generated cash flow from operations, debt and new equity issues, if available on favourable terms, to finance its capital expenditure program. The cost of funding is not expected to have any effect on disclosed reserves or future net revenue, nor make the development of a property uneconomic for the Corporation.

**Other Oil and Gas Information*****Principal Properties***

Sahara has focused its oil and gas field operations in the provinces of Alberta and Saskatchewan. The following is a description of Sahara's principal producing oil and gas properties. Unless otherwise stated, gross and net acres and well count information are as at December 31, 2011.

*Lloydminster, Alberta*

The Lloydminster property is located near Lloydminster, Alberta. The Lloydminster property was producing approximately 25 BOE/d as the average for 2011, 100% of which was heavy oil, which represents approximately 81% of Sahara's total 2011 production volumes. Sahara's property interests in Lloydminster are 100% except for well 02/07-02-050-02W4/0 which is currently 15% royalty interest. Sahara operates four wells associated with this property. Well depths average 633 metres in this area and target the Mannville formation. Production from the area is processed at a third party facility.

The Lloydminster property consists of 49 gross (49 net) hectares of developed land and 121 gross (113 net) hectares of undeveloped land. An additional well is under consideration for the 2012-2013 period.

*Minor Properties*

Sahara also has a number of minor non-core properties located throughout Alberta and Saskatchewan. These properties account for approximately 19% of Sahara's current production. Sahara does not currently intend to focus a material amount of time on these properties.

*Disposed of Properties*

In 2011, Sahara farmed-out one non-core Alberta well and surrendered one Alberta well to the Crown. These wells represent dispositions in the Company's reserves reconciliation.

**Oil and Gas Wells**

The following table sets forth the number and status of wells in which Sahara had a working interest as at December 31, 2011.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	7.00	4.50	2.00	2.00	-	-	-	-
Saskatchewan	-	-	16.00	5.12	-	-	-	-
Total	7.00	4.50	18.00	7.12	-	-	-	-

*Properties with no Attributable Reserves*

The following table sets out the Sahara's developed and undeveloped land holdings as at December 31, 2011.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	1,778	701	1,779	1,238	3,557	1,939
Saskatchewan	1,918	662	-	-	1,918	662
Total	3,696	1,363	1,779	1,238	5,475	2,601

The Corporation does not expect any of its rights to explore, develop or exploit its properties to expire during 2012. At this time, no exploration on these properties is planned for 2012 for various economic reasons.

*Exploration and Development Activities*

The following table sets forth the gross and net exploratory and development wells in which Sahara participated in the year ended December 31, 2011.

	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil	0	0	0	0
Natural Gas	0	0	0	0
Service	0	0	0	0
Dry	0	0	0	0
Total	0	0	0	0

### ***Production History***

The following tables summarize certain information in respect of Sahara's production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	Quarter Ended			
	2011			
	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Average Daily Production <sup>(1)</sup>				
Oil (bbls/d)	26	32	27	37
Gas (Mcf/d)	-	-	-	22
Combined (BOE/d)	26	32	27	41
Average Price Received				
Oil (bbls/d)	73.69	61.31	72.57	57.90
Gas (\$/Mcf)	-	-	-	3.47
Combined (\$/BOE)	73.69	61.31	72.57	54.55
Royalties Paid				
Combined (\$/BOE)	7.31	16.42	11.82	6.64
Production Costs <sup>(2)</sup>				
Combined (\$/BOE)	43.24	33.40	30.34	46.54
Netback Received <sup>(3)</sup>				
Combined (\$/BOE)	23.14	11.49	30.41	1.37

Notes:

- (1) Before deduction of royalties.
- (2) Operating recoveries associated with operating properties are included in operating costs.
- (3) Netbacks are calculated by subtracting royalties and operating costs from revenues.

The following table indicates Sahara's average daily production from its major fields for the year ended December 31, 2011:

	Light and Medium Oil (bbls/d)	Heavy Oil (bbls/d)	Gas (Mcf/d)	NGLS (bbls/d)
Lloydminster	0	25	0	0
Other Alberta	4	0	0	0
Other Saskatchewan	0	0	6	0
Total	4	25	6	0

### ***Forward Contracts***

The Corporation's crude oil, natural gas and natural gas liquids production is sold directly to credit-worthy counterparties, with the exception of some quantities of non-operated properties which are marketed by the operator. The Corporation has no hedging instruments in place.

***Additional Information Concerning Abandonment and Reclamation Costs***

The Corporation uses its internal historical costs to estimate its abandonment and reclamation costs when available. The costs are estimated on an area-by-area basis. The industry's historical costs are used when available. If representative comparisons are not readily available, an estimate is prepared based on the various regulatory abandonment requirements. As at December 31, 2011 the Corporation had three net wells for which it expects to eventually incur abandonment and reclamation costs.

The total abandonment and reclamation costs in respect of proved and probable reserves using forecast prices is \$736,000 (undiscounted) and \$388,000 (discounted at 10%).

The following table sets forth abandonment and reclamation costs deducted in the estimation of the expected future abandonment and reclamation costs related to facilities are expected to match the salvage value recovery.

**ABANDONMENT & RECLAMATION COSTS  
SAHARA ENERGY LTD.  
AS OF DECEMBER 31, 2011 (FORECAST PRICES & COSTS)**

	<b>Total Abandonment and Reclamation Costs Including Well Abandonment and Disconnect Costs (M\$)</b>
<b>Total Proved Reserves (Yr)</b>	
2011	-
2012	40
2013	41
2014	188
2015	42
<b><u>Remaining</u></b>	19
<b>Undiscounted Total</b>	330
<b>Discounted @ 10%</b>	261
<b>Proved + Probable Reserves (Yr)</b>	
2011	-
2012	-
2013	41
2014	136
2015	54
<b><u>Remaining</u></b>	505
<b>Undiscounted Total</b>	736
<b>Discounted @ 10%</b>	388

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

***Tax Horizon***

The Corporation was not required to pay income taxes during the year ended December 31, 2011. Based on a strategy of re-investing fully all internally generated cash flow in an exploration and development program and based on the commodity prices used in the DeGolyer Report, the Corporation estimates that it will not be required to pay income taxes in 2015.

**Costs Incurred**

The following table summarizes Sahara's property acquisition costs, exploration costs and development costs for the year ended December 31, 2011 (irrespective of whether such costs were capitalized or charged to expense when incurred).

	2011
Property Acquisition Costs	
Proved Properties	\$ -
Unproved Properties	\$ -
Exploration Costs	\$ -
Development Costs	\$ 48,153
Total	<u>\$ 48,153</u>

**Production Estimates**

The following table sets forth the volume of Sahara's production estimated for year 2011 reflected in the estimates of gross proved reserves and gross probable reserves disclosed in the tables contained under "Disclosure of Reserves Data".

**SUMMARY OF PRODUCTION ESTIMATES BY PRODUCTION GROUP  
TOTAL PROVED AND PROBABLE RESERVES FOR YEAR 2012  
SAHARA ENERGY LTD.  
AS OF DECEMBER 31, 2011**

<u>RESERVES CATEGORY</u>	Forecast Prices & Costs		
	Total Proved	Probable	Total Proved + Probable
	Gross Daily Production <sup>(2)</sup>	Gross Daily Production <sup>(2)</sup>	Gross Daily Production <sup>(2)</sup>
Light & Medium Oil (bbls/d)	3	0	4
Heavy Oil (bbls/d)	28	39	67
Associated and Non-Associated Gas (Mcf/d)	-	-	-
Natural Gas Liquids (bbls/d)	-	-	-
<b>TOTAL (1) (boe/d)</b>	<b>32</b>	<b>39</b>	<b>71</b>

(1) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 6 Mcf/1 bbl.

(2) Gross production is Company interest before all royalty deductions.

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

**SUMMARY OF COMPANY SHARE GROSS PRODUCTION ESTIMATES <sup>(1)</sup> BY FIELD  
TOTAL PROVED RESERVES FOR YEAR 2012  
SAHARA ENERGY LTD.  
AS OF DECEMBER 31, 2011 (FORECAST PRICES & COSTS)**

<b>FIELD</b>	<b>Light &amp; Medium Oil (bbl/d)</b>	<b>Heavy Oil (bbl/d)</b>	<b>Natural Gas <sup>(2)</sup> (Mcf/d)</b>	<b>Natural Gas Liquids (bbl/d)</b>
<b>Bodo</b>	-	-	-	-
<b>Czar</b>	3	-	-	-
<b>Hillmond</b>	-	-	-	-
<b>Lashburn</b>	-	7	-	-
<b>Lloydminster</b>	-	20	-	-
<b>Macoun</b>	-	-	-	-
<b>Maidstone</b>	-	1	-	-
<b>Rush Lake</b>	-	-	-	-
<b>TOTAL</b>	<b>3</b>	<b>28</b>	<b>-</b>	<b>-</b>

(1) Daily production is taken from the Reserves Report as of December 31, 2011

(2) Natural Gas includes Associated and Non-Associated sales gas volumes.

Note: The totals shown above may not match the corporate totals due to rounding.

**SCHEDULE "A"**

**FORM 51-101F3**

**REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE**

Management of Sahara Energy Ltd. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented below.

The board of directors of the Company has

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

DATED as of this 30th day of April, 2012.

(signed) "De Jiang (Martin) Feng"

De Jiang (Martin) Feng  
Chief Executive Officer

(signed) "Gary Chang"

Gary Chang  
Chief Financial Officer

(signed) "Dr. Gang Fang"

Dr. Gang Fang  
Director

(signed) "Douglas Wine"

Douglas Wine  
Director

## SCHEDULE "B"

### FORM 51-101F2

#### REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

To the board of directors of Sahara Energy Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2011, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
			Audited M\$	Evaluated M\$	Reviewed M\$	Total M\$
DeGolyer and MacNaughton Canada Limited	Appraisal Report as of December 31, 2011 on Certain Properties owned by Sahara Energy Ltd. in Canada dated March 7, 2012	Canada	-	\$7,937	-	\$7,937

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

EXECUTED as to our report referred to above:

DeGolyer and MacNaughton Canada Limited, Calgary, Alberta, dated March 7, 2012.

Per: (signed) "Colin P. Outtrim"

Colin P. Outtrim, P. Eng.

President



