SEA DRAGON ENERGY INC.

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

The following management's discussion and analysis (the "MD&A") is a review of results of operations and the liquidity and capital resources of the Company for its three and six months ended June 30, 2008 relative to June 30, 2007. This MD&A should be read in conjunction with the interim consolidated financial statements for the three and six months ended June 30, 2008 and 2007, the Company's audited financial statements as at and for the years ended December 31, 2007 and 2006 and the Company's Long-form Prospectus filed on SEDAR at www.sedar.com The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain information contained herein is forward-looking and based upon assumptions and anticipated results that are subject to risks, uncertainties and other factors. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Cautionary Statement Regarding Forward-Looking Information". Unless otherwise noted all financial references in this MD&A are in Canadian Dollars. All references to "Sea Dragon" and the "Company" refer to Sea Dragon Energy Inc. and its subsidiaries.

Corporate Summary

The Company continues to develop its focus on the offshore Dahab prospects in the eastern part of the oil and gas concession granted with respect to the East Wadi Araba area located in the Gulf of Suez, Egypt (the "EWA Concession") in an area close to producing fields. In order to proceed on these prospects and in accordance with the terms of the Concession Agreement, the Company requested Dover Investments Ltd ("Dover") provide an election to Egyptian General Petroleum Corporation ("EGPC") that it would enter the Second Exploration Phase of the concession agreement (the "Concession Agreement"). On January 15, 2008, the Company put in place a letter of guarantee in the amount of $3,524,215 (the "BMO Letter of Guarantee") in favour of EGPC for this election and the election was granted. Subsequent to June 30, 2008, based on the EGPC audit for costs incurred on the EWA 4-x well US$1,961,239 (CDN$2,057,144) of prior costs were recognized, the Company subsequently reduced the amount of the BMO Letter of Guarantee to US$1,521,875 (CDN$1,596,295).

The Company completed the convertible debenture offering (the "Convertible Debenture Offering") pursuant to which the Company issued convertible debentures in the aggregate principal amount of $7,500,000 (the "Convertible Debentures"). The Convertible Debentures are unsecured and non-interest bearing and were to mature on March 31, 2008 and were convertible into common shares of the Company at a conversion price of $0.35 per share. The maturity date was extended to June 30, 2008 pursuant to an amending agreement dated March 30, 2008 between the Company and a majority of the holders of the Convertible Debentures. On June 19, 2008, pursuant to a second debenture amending agreement, the convertible debentures were extended to July 31, 2008 as agreed to by lenders holding at least two thirds of the aggregate principal amount of the outstanding debentures.

On March 23, 2008, the Company received approval from EGPC and the Arab Republic of Egypt ("ARE") for its 75% working interest in the Concession Agreement. In exchange for this additional 35% working interest, through its acquisition of Egypt Oil Holdings Ltd. ("EOH"), the Company is responsible for 100% of the costs for the next two wells committed under the concession agreement.

Through a series of transactions, EOH acquired a 20% working interest from Mogul Energy International, Inc. ("MEII"), and a 15% carried interest from Dover and its related parties, in the Concession Agreement. On March 21, 2008, the Company entered into the share exchange agreement with EOH and shareholders of EOH (the "Vendors") to acquire all of the EOH common shares, thus acquiring EOH's 35% working interest in the Concession Agreement. This transaction closed on April 23, 2008. As consideration for the EOH shares, the Company issued to the shareholders of EOH 24,000,000 common shares of the Company. As a condition of the acquisition, each of the Vendors has agreed to enter into a voluntary escrow agreement (the "EOH Voluntary Escrow Agreement"), pursuant to which 90 percent of the Company's common shares acquired by EOH and its shareholders will be restricted from sale or transfer except upon the occurrence of certain events, and the occurrence of the earlier of: (i) the Company announcing the drilling results of its second exploratory well drilled on the EWA

Concession; and (ii) July 31, 2009. Currently there are 21,600,000 common shares held in escrow pursuant to the EOH Voluntary Escrow Agreement..

On July 15, 2008, the Company successfully closed its initial public offering ("IPO") of Common Shares, raising gross proceeds of $35,000,000. A total of 58,333,334 common shares were issued at a price of $0.60 per share. Net proceeds of the offering were $32,726,500, which included agents' closing costs of approximately $173,500 and the agents' commission of approximately $2,100,000 being 6% of the gross proceeds raised on the offering. Legal costs associated with the IPO amounted to $307,265 for the period ended June 30, 2008 and have been recorded as a Deferred Asset on the Company's balance sheet. Upon the closing of the IPO the deferred asset will be charged against the share capital raised by the offer.

Upon closing the IPO, the $7.5 million convertible debentures automatically converted into 21,428,571 common shares. The shares were listed under the symbol SDX on the TSX Venture Exchange on July 17, 2008. In conjunction with the initial public offering the Company approved a stock option plan equivalent to 10% of the outstanding and issued shares from time to time. From this stock option plan the Management has granted to certain officers and directors stock options totaling 4,200,000 shares and to consultants for investor relation services, stock options totaling 500,000 shares at an exercise price of $0.60 per share. The options expire on July 16, 2013.

Share Capital

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preference shares, issuable in one or more series.

The following table sets forth the designation and number of principal amount of : (a) each class and series of voting or equity securities of the Company for which there are securities outstanding; (b) each class and series of securities of Sea Dragon for which there are securities outstanding if the securities are convertible into, or exercisable or exchangeable for, voting or equity securities of the Company; and (c) each class and series of voting or equity securities of the Company that are issuable on the conversion, exercise or exchange of outstanding securities the Company.

Designation	**Authorized**	**As at August 29,2008**	**As at June 30, 2008**	**As at December 31, 2007**
		(Unaudited)	**(Unaudited)**	(Audited)
Total Common Shares	Unlimited	144,509,405 (Note 1)	64,747,500	40,747,500
Total Options and Warrants	N/A	13,981,671(Note 3)	5,781,671(Note 2)	5,745,271
Convertible Debenture	7,500,000	-	21,428,571	-

Note 1: Includes the 58,333,334 common shares issued upon closing the IPO and the 21,428,571 common shares issued due to the conversion of the convertible debentures.
Note 2: 4,402,750 options and warrants will expire on July 17, 2010 and 1,378,921 will expire on January 17, 2010
Note 3: Includes the options and warrants outstanding at June 30, 2008 (Note 2) plus the 4,700,000 stock options granted to Directors, Officers and Consultants which expire July 16, 2013, and the 3,500,000 compensation options granted to the agent's connected to the IPO which expire January 15, 2010.

Financial Review

Dilution Impacts

On April 23, 2008 the Company issued 24,000,000 Common Shares in connection with the acquisition of EOH.

Subsequent to June 30, 2008 the Company completed its IPO by issuing 58,333,334 Common Shares at $0.60 per share for gross proceeds of $35,000,000.

Subsequent to June 30, 2008, the IPO and listing on the TSX Venture Exchange triggered a liquidity event, pursuant to which the Convertible Debentures converted into 21,428,571 common shares of the Company.

Subsequent to June 30, 2008 options to purchase a total of 4,700,000 common shares of the Company were granted to certain officers, directors and a consultant of the Company.

Managements Discussion and Analysis of Financial Condition and Results of Operations for the Three and Six Months Ended June 30, 2008 as Compared to the Three and Six Months Ended June 30, 2007.

Selected Unaudited Financial Information for the Three Months Ended June 30, 2008 Compared to June 30, 2007

		Three months ended June 30, 2008		Three months ended June 30, 2007	Percentage Change (%)
Expenses					
Wages	$	89,200	$	65,936	35%
Professional fees	$	185,810	$	25,878	618%
Travel and promotion	$	65,167	$	27,948	133%
Letter of Guarantee	$	15,955	$	-	100%
Other expenses	$	64,927	$	23,220	179%
Interest expense	$	25,000	$	-	100%

Total general and administrative expenses for the quarter increased to $421,059 from $142,982 in the comparable period in 2007. This increase was due to a number of factors including: (i) increases in legal costs classified as Professional fees which increased 618% compared to the same quarter in 2007. This increase primarily related to the organization of a special shareholders meeting, general legal matters related to review of corporate resolutions and minute books and general advice and consultation. In addition, the Company incurred legal fees pertaining to the lawsuit initiated by Dr. Ghareeb Awad and Transpacific Petroleum Corp with no such costs incurred in the same quarter in the prior year; (ii) Other expenses increased 179% over the similar period in 2007 due to a general increase in corporate activity. Included under other expenses are office rents and office expenses, filing and transfer agent fees and costs related to the lease of a suite in Toronto, used by Sea Dragon's executives requiring accommodation for extended periods during the Company's efforts to raise capital and the acquisition of the additional interest in the EWA Concession; (iii) Travel and Promotion expenses increased 133% over the comparable quarter in 2007 due to increased activity and a road show to promote the Company to potential investors; and (iv) BMO Letter of Guarantee expenses of $15,955 pertained to the quarterly maintenance fee for the BMO Letter of Guarantee with no such costs in the comparable period in the prior year.

Interest expense related to the accretion on the Convertible Debentures, for which there is no comparable expense for the comparative quarter in 2007. As a result, the debt discount has been fully accreted and the Convertible Debentures are recorded at their full face value of $7,500,000 at June 30, 2008.

Selected Unaudited Financial Information for the Six Months Ended June 30, 2008 Compared to June 30, 2007

		Six months ended June 30, 2008		Six months ended June 30, 2007	Percentage Change (%)
Expenses					
Wages	$	177,110	$	74,057	139%
Professional fees	$	297,176	$	94,677	213%
Travel and promotion	$	92,023	$	54,468	68%
Letter of Guarantee	$	69,323	$	-	100%
Other expenses	$	81,650	$	57,256	43%
Interest expense	$	902,262	$	-	100%

General and administrative expenses increased from $280,458 to $717,282 for the six months ended June 30, 2008. The large increase was due to a number of factors including: (i) The Company issued a Letter of Guarantee on January 15, 2008. The Letter of Guarantee was required in order for the Company to enter into the Second Extension for the EWA Concession. Fees incurred to setup and maintain this Letter amounted to $69,323 with no such expenses incurred during the same period in the prior year; (ii) Wages increased from $74,057 in 2007 to 177,110 in 2008 primarily due to increased activity and pay increases to key personnel (these pay increases were enacted in November of 2007); and (iii) Professional fees, primarily legal, increased by 213% over the same period in the prior year due to increased activity related to review of corporate resolutions and minute books, the preparation for a special shareholder meeting, general advice and consultation and legal fees pertaining to the lawsuit initiated by Dr. Ghareeb Awad and Transpacific Petroleum Corp.

Interest expense relates to the accretion of the discount on the Company's $7,500,000 convertible debenture. There was no comparable expense for the same period in the prior year. The debt discount has been fully accreted and the Convertible Debentures are recorded at their full face value of $7,500,000 at June 30, 2008.

Net loss and Cash Flow

As at June 30, 2008, the Company had an accumulated deficit of $3,225,058. (December 31, 2007 - $1,686,169)

The Company incurred a net loss of $458,308 (or $0.01 per share) for the three-month period and $1,538,889 (or $0.01 per share) for the six months ended June 30, 2008 (or $0.03 per share) compared to a net loss of $102,008 (or $0.01 per share) and $244,191 (or $0.01 per share) for the same periods in 2007. The net loss in all periods is due to the fact that the Company has no revenue other than interest against which to offset expenses.

Cash used in operating activities for the quarter was $60,917 compared to $108,061 in 2007. Cash used in operations for the six months ended Jun 30, 2008 was $355,769 compared to $241,212 in 2007. This is due primarily to activities involved in maintaining offices in Canada.

Cash used in financing activities for the quarter was $181,918 compared to $21,906 for the comparable quarter in 2007. The Deferred cost of the IPO reduced cash inflows in both the three and six month periods for 2008 by $192,919 and $307,265 respectively. During the period ended June 30, 2008 there was a cash inflow of $709,571 for the issuance of the last tranche of the Convertible Debenture was offset by $605,401 for deferred cash received for debentures prior to December 31, 2007. The increase in cash for the comparable six month period during 2007 was due to net proceeds of $515,040 from a financing carried out in March and April and was offset by payments made to related parties of $144,098.

Cash used in investing activities for the quarter was $23,137 compared to $9,511 in 2007. Cash used for investing activities for the six months ended June 30, 2008 was $3,884,584 while cash used in the comparable period in 2007 was $6,530. The difference can primarily be attributed to $3,539,811 of cash used to obtain the BMO Letter of Guarantee for the six months ended June 30, 2008 for which there was no similar cash outflow in the comparable period in 2007. Spending related to deferred exploration cost had reduced during the six month period in 2008 relative to the comparable period in 2007 by 43% as the 4X well had been drilled and abandoned and the Company's focus had turned to securing further financing to continue with its planned drilling program for the Second Extension of the Concession Agreement.

Summary of Quarterly Results (Unaudited)

	Total Assets ($)	Working Capital ($)	Cash Flow from Operations ($)	Net Loss ($)	Net Loss per Share ($0.00)
06/30/2008	11,437,336	(7,855,647)	(60,917)	(458,308)	(0.01)
03/31/2008	7,989,334	(7,351,380)	(289,152)	(1,080,581)	(0.03)
12/31/2007	8,189,132	(2,349,707)	(754,898)	(948,926)	(0.02)

Capitalized Exploration Costs

The Company capitalizes costs associated with the acquisition and mineral development activities related to the EWA Concession. These costs increased from $3,029,254 as at December 31, 2007 to $7,486,686 at June 30, 2008. This large increase was primarily the result of the share exchange agreement the Company closed on April 24, 2008,pursuant to which the Company acquired all of the outstanding common shares of EOH. The Company satisfied payment of the purchase price by issuing one common share in exchange for each EOH share acquired (being an aggregate of 24,000,000 common shares) for which Sea Dragon acquired a 35% interest in the Concession Agreement. At the date of the transaction, there were no reserves attributable to the Concession Agreement; hence, the acquisition was not accounted for as a business transaction. In addition, the amount receivable of $764,776 which was owed to Sea Dragon by MEII was assumed by EOH upon its acquisition of a 20% interest in the Concession Agreement from MEII. As such it was included in the purchase price of EOH as the receivable eliminated upon consolidation.

A summary of the consolidated capitalized exploration costs, excluding the amount paid to acquire EOH, incurred during the six months ended June 30, 2008 and the year ended December 31, 2007 follows:

		June 30, 2008		**December 31, 2007**
Geological and Geophysical	$	82,000	$	164,000
Exploratory Drilling				
-Rig lease for 4X-well				592,000
-Engineering services				430000
-Balance of exploratory drilling costs (including other leased equipment materials, site preparation and other		32,000		1,077,000
Administrative		440,000		274,000
Materials and other		107,000		268,000
Total Capitalized Costs	**$**	**661,000**	**$**	**2,805,000**

Debt Instruments and Commitments

The Company completed the Convertible Debenture offering in three tranches on November 26 and 30, 2007 and January 15, 2008 pursuant to which the Company issued Convertible Debentures in the aggregate principal amount of $7,500,000. The Convertible Debentures are unsecured, non-interest bearing and mature on March 31, 2008. Pursuant to an amending agreement dated March 30, 2008 between the Company and a majority of the holders of the Convertible Debentures the maturity date was extended to June 30, 2008. On June 19, 2008 the debenture holders agreed to further extend the maturity date to July 31, to allow the Company additional time to complete its Initial Public Offering. Subject to the terms and conditions set forth therein, the Convertible Debentures are convertible at any time before maturity at the option of the Convertible Debenture holder on the basis of One Common Share per $0.35 of the principal amount of the Convertible Debenture. In addition, upon a Liquidation Event, all of the outstanding Convertible Debentures are automatically converted into Common Shares at the same conversion price. On July 14, 2008 the 7,500,000 Convertible Debentures were converted into 21,428,571 common shares of the Company.

On or about January 15, 2008, the Company obtained and deposited the BMO Letter of Guarantee in connection with the election to proceed into the Second Exploration Phase of the Concession Agreement $3,524,215 (US$3,483,114). As at June 30, 2008 the Letter of Guarantee, including interest was $3,359,811 (US$3,540,196). Subsequent to June 30, 2008 the EGPC recognized US$1,961,239 (CDN2,057,144) of prior costs, the Company subsequently reduced the amount of the BMO Letter of Guarantee to US$1,521,875 (CDN$1,596,295). The Company believes it will be able to reclaim the balance of the deposit upon completing the required drilling program in 2009.

On May 30, 2008 (as amended on June 30, 2008), a statement of claim (the “Claim”) was filed in the province of British Columbia by Transpacific Petroleum Corp. and Ghareeb Awad (the “Plaintiffs”) against the Minister of Petroleum – Egypt, Dover Investments Limited and the Company (the “Defendants”). The Plaintiffs allege, among other things, that the actions on behalf of the Defendants have resulted in Transpacific not being recognized for a 25% interest in the Concession Agreement. They seek injunctions and damages as compensation.

The Company strongly believes the Claim to be without merit and will vigoursly defend itself against this action. As an assessment of the likelihood of loss is indeterminable at this time, no provision has been made in these financial statements for this claim.

Liquidity

At June 30, 2008 the Company had working capital deficit of ($7,855,647) (December 31, 2007 – $2,349,707)

Working capital requirements will be recognized as costs are incurred. Subject to certain conditions the holders of the Convertible Debentures can convert in whole or in part the debentures to common shares at a conversion price of $0.35 per Common Share. In addition, upon a Liquidation Event, all of the outstanding debentures are automatically converted into common shares of the Company at the same conversion price. On March 31, 2008, the debenture holders agreed to extend the maturity date to June 30, 2008 from March 31, 2008. On June 19, 2008 the debenture holders agreed to extend the maturity date further to July 31, to allow the company additional time to complete the Initial Public Offering. On July 15, 2008, the Company closed its initial public offering upon which the $7,500,000 principle amount of the convertible debentures converted into 21,428,571 common shares on July 14, 2008.

Due to the nature of the oil and gas exploration business, the exploration and development of oil and gas reserves requires significant expenditures prior to the commencement of production. To date, the Company has financed its activities through the issuance of equity securities and debt financing.

Capital Resources

The Company has committed to drilling a minimum of two wells in the EWA Concession by July 2009. The Company has budgeted these costs for drilling and completion to be USD$10,000,000 per well. Should the Company not meet this drilling obligation it will risk losing the EWA Concession back to EGPC.

The Company expects to meet this drilling commitment through the proceeds of the offering. The Company has planned through the offering to fund the drilling and completion costs of three wells. Should the Company make a discovery it will seek additional funding through further offerings and/or debt to fund additional development of the EWA Concession.

Related Party Transactions

The Company owed officers, directors and consultants $13,380 (2007 - $2,544) for out of pocket expenses, accrued payroll and for administration, travel and promotion. This amount is due to directors and is non-interest bearing, unsecured and repayable on demand.

The amount receivable was due from MEII (a company with whom a director of the Company is a significant shareholder). It represented cash calls MEII was required to make to fulfill its 1/3 working interest in the exploration program on the EWA Concession in fiscal 2007 and to April 23, 2008. These cash calls were provided by Company on MEII's behalf. The amount receivable is non-interest bearing, unsecured, and has no other specific terms or conditions. Due to the acquisition of MEII's interest in the Concession Agreement by EOH and Company's subsequent acquisition of EOH on April 23, 2008, the receivable, with a balance of $764,776 at that time, became an inter company balance that has been eliminated upon consolidation.

Accounting Policies and Estimates

Effective January 1, 2008, the Company adopted three new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (a) Handbook Section 1535, *Capital Disclosures*; (b) Handbook Section 3862, *Financial Instruments – Disclosures*; and (c) Handbook Section 3863, *Financial Instruments –Presentatio* . The main requirements of these new standards and the resulting financial statement impact are described below.

Capital Disclosures, Section 1535

This section establishes standards for disclosures about an entity's capital and how it is managed. Under this standard the Company is required to disclose qualitative information about its objectives, policies and processes for managing capital; to disclose quantitative data about what it regards as capital; and to disclose whether an entity has complied with any externally imposed capital requirements and, if not, the consequences of such noncompliance. The adoption of this standard required additional disclosure but had no effect on the financial statements of the Company.

Financial Instruments, Disclosure, Section 3862

This section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

The adoption of this standard required additional disclosure but had no effect on the financial statements of the Company.

Financial Instruments –Presentation, Section 3863

This Section establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of this standard required additional disclosure but had no effect on the financial statements of the Company.

Other Future Accounting Changes:

The CICA Accounting Standards Board has adopted the following new or amended Handbook Sections:

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, ("Section 3064") replacing Section 3062, *Goodwill and other intangible assets* ("Section 3062") and Section 3450, *Research and development costs*. Various changes have been made to other standards to be consistent with the new Section 3064. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009.

Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements has yet to be determined.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions based on information available at the time. These estimates and assumptions affect the reported amounts of assets, particularly the recoverability of the resource property acquisition and deferred exploration costs, the recording of liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because of various factors affecting future costs and operations, actual results could differ from management's best estimates. Principal estimates used in the preparation of the financial statements include estimates for the realizable value of resource property acquisition and deferred exploration costs, ability to continue as a going concern, and stock-based compensation amounts related to granting of finders' fee options and share purchase warrants.

Unevaluated Oil and Gas Costs

In accordance with CICA Accounting Guideline 16, the Company accounts for exploration and development activities under the full-cost method. All costs associated with oil and gas property acquisition, exploration and development are capitalized on a country-by-country cost centre basis pending determination of the feasibility of the project. Costs incurred include license acquisition costs, materials and drilling costs for both productive and on productive wells, geological and geophysical consulting fees and expenses related to exploration activities. The total of these capitalized for the period ended June 30, 2008 totaled $7,486,686. If an oil and gas property development project is successful, the related expenditures will be depleted and amortized over the estimated life of the reserves on a unit of production basis. Where a license or deed of assignment is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs will be charged to earnings during the period.

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed yearly to ascertain whether impairment has occurred. When proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the full cost pool.

Depletion of oil and gas properties and depreciation of production equipment are calculated using the unit of production method based upon estimated proved reserves, before royalties, as determined by an independent engineer. For purposes of the calculation, oil and gas reserves and production are converted to equivalent volumes of petroleum based upon relative energy content.

Once commercial production is achieved, the Company will apply a "ceiling test" to ensure that capitalized costs do not exceed total estimated future net revenues from the production of proved reserves less general and administrative expenses, financing costs, site restoration costs and income taxes related to future production. Any reduction in value as a result of the ceiling test will be charged to operations as additional depletion, depreciation, and amortization. The Company did not apply a ceiling test in 2007 or 2006, or for the period ended March 31, 2008 because it is in the exploration stage and no proven reserves have been established. Cost centres in the exploration stage are assessed at each reporting date to determine whether it is likely that the net costs, in aggregate, may be recovered in the future. Costs considered unlikely to be recovered are charged to earnings during the period. No impairment was determined to have occurred for the six months ended June 30, 2008 (June 30, 2007 - $nil).

Financial Instruments

Sea Dragon's financial instruments presented in the balance sheet consist of cash, amounts receivable, deposit, deposit – letter of guarantee, accounts payable and accrued liabilities, due to related parties and convertible debentures. The estimated fair values of recognized financial instruments have been determined based on the Company's assessment of available market information and appropriate valuation methodologies. However, these estimates may not necessarily be indicative of the amounts that could be realized or settled in current market transactions.

Economic Factors Affecting Sea Dragon

The following economic factors represent both positive and negative changes in global and local economies and more specifically the oil and gas industry in Egypt. Sea Dragon has no direct control over these factors and is subject to the full effect that these factors may have upon the Company and its operations. In several cases, mitigating actions have been taken by Sea Dragon; however, there is no assurance that such actions will have any continuing impact in controlling these factors and their effect on Sea Dragon.

Foreign Exchange Fluctuations

Sea Dragon operates in a US dollar based environment. All future revenues and the majority of the Company's costs (both capital and operating) are in US dollars. However, as a Canadian company, Sea Dragon reports its financial results in Canadian currency. Accordingly, all US dollar expenditures are presented in Sea Dragon's financial statements converted to Canadian funds based on the Canadian to US dollar exchange rates prevailing at the respective transaction date.

For the period ended June 30, 2008, the Company had a foreign exchange loss of $11,616 as compared to a loss of $30,907 in 2007. The movement in foreign exchange is primarily attributable to foreign exchange rate movements on US Dollar denominated cash held for the Companies Letter of Credit.

Equipment/Labour Shortages and Inflationary Costs

As a result of the sharp increase in world crude oil prices and a surge in oil and gas exploration activity throughout the world, Sea Dragon has noted an increase in demand for and difficulty in obtaining capital equipment, service providers and qualified labour to support the exploration program. Directly associated with this increased demand is an increase in the cost of obtaining such equipment and services if and when they are available. Sea Dragon is cognizant of the impact that these issues have, particularly on an international oil company, and is constantly trying to secure quality services at reasonable prices.

Business Risk Assessment

There are a number of inherent risks associated with oil and gas operations and development. Many of these risks are beyond the control of management. The following outlines some of the principal risks and their potential impact to the Company.

Foreign Investments

All of the Company's oil investments are located outside of Canada. These investments are subject to the risks associated with foreign investment including tax increases, royalty increases, re-negotiation of contracts, currency exchange fluctuations and political uncertainty. The jurisdiction in which the Company operates, Egypt, has a well established fiscal regime and there are some improved fiscal terms to encourage investments. The functional currency in the primary operating area is US dollars. Sea Dragon expects to be paid in US dollars when it commences production.

As operations are primarily carried out in US dollars, the main exposure to currency exchange fluctuations is the conversion to equivalent Canadian funds for reporting purposes.

Competition

The Company operates in the highly competitive areas of oil and gas exploration, development and acquisition with a substantial number of other companies, including U.S.-based and foreign companies doing business in Egypt. The Company faces intense competition from independent, technology-driven companies as well as from both major and other independent oil and gas companies in seeking oil and gas exploration licences and production licences in Egypt; and acquiring desirable producing properties or new leases for future exploration. The Company also faces competition in marketing oil and natural gas production; acquiring exploration leases; hiring skilled industry personnel; and acquiring the equipment and expertise necessary to develop and operate properties.

The Company believes it has significant in-country relationships within the business community and government authorities needed to obtain cooperation to execute projects. The Company also has excellent relationships with its working interest partner in the EWA Concession. The Company believes that it is well positioned in Egypt to compete with other companies operating in the region.

Disclosure 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 certificates, which it has done for the six months ended June 30, 2008. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at June 30, 2008.

Outlook

The Company remains on target to contract a drilling rig to commence drilling the first target in the EWA Concession in the 4th quarter of 2008. A jack up rig has been identified and negotiations are now underway. The Company fully expects to meet its drilling obligations under the concession terms.

The Company is also actively looking at other potential oil opportunities in Egypt with some production assets. If the company can secure one of these opportunities it will help the company to offset some of the exploration risk on EWA.

The company is in the process of setting up an office in Calgary, Alberta, (Canada) which it expects to open before the end of the 4th quarter.

Cautionary Statement regarding Forward-Looking Information

Certain statements contained in this MD&A including statements which contain certain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD& A includes, but is not limited to: statements relating to “reserves” and “resources” as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future; expected cash provided by future operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and growth of our business and operations; the maintenance of existing government, supplier and partner relationships; supply channels; accounting policies; balance sheet financial instruments; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. These Forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, including, without limitation: the risks associated with foreign operations; foreign exchange fluctuations; commodity prices; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil prices; oil product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us and other factors, many of which are beyond our control.