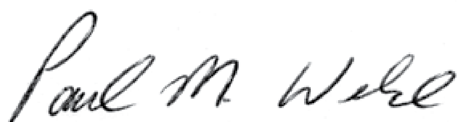
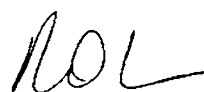
Interim Consolidated Balance Sheets (UNAUDITED)

(thousands of United States dollars)	Note	As at September 30, 2013	As at December 31, 2012
Assets			
Cash and cash equivalents		**1,300**	5,658
Trade and other receivables		**10,160**	8,072
Inventory		**3,254**	3,301
Deferred transaction costs	6	**351**	370
Assets held for sale	5	**5,571**	–
Current assets		**20,636**	17,401
Deferred transaction costs	6	**760**	1,019
Property, plant and equipment, net	5	**22,282**	33,586
Non-current assets		**23,042**	34,605
Assets		**43,678**	52,006
Liabilities			
Bank indebtedness	6	**3,202**	3,000
Trade and other payables		**5,225**	7,756
Current liabilities		**8,427**	10,756
Equity			
Share capital	7	**119,574**	119,574
Contributed surplus		**8,529**	7,892
Accumulated other comprehensive loss		**(2,477)**	(2,477)
Accumulated deficit		**(90,375)**	(83,739)
Equity		**35,251**	41,250
Equity and liabilities		**43,678**	52,006

The notes are an integral part of these interim consolidated financial statements.

Approved on behalf of the Board of Directors





Paul Welch
Chief Executive Officer

Olivier Serra
Chief Financial Officer

Interim Consolidated Statements of Comprehensive Income/(Loss) (UNAUDITED)

(thousands of United States dollars, except per share data)	Note	THREE MONTHS ENDED SEPTEMBER 30 2013	THREE MONTHS ENDED SEPTEMBER 30 2012	NINE MONTHS ENDED SEPTEMBER 30 2013	NINE MONTHS ENDED SEPTEMBER 30 2012
Revenue, net of royalties	*9*	**8,149**	5,217	**22,578**	15,337
Revenue		**8,149**	5,217	**22,578**	15,337
Direct operating expense		**2,192**	965	**6,220**	3,102
Exploration and evaluation expense		**(34)**	745	**589**	2,843
Depletion, depreciation and amortization	*5*	**1,210**	1,028	**4,089**	2,912
Impairment expense		**–**	19,222	**7,158**	19,222
Foreign exchange loss		**27**	39	**391**	123
Stock based compensation	*8*	**185**	78	**637**	425
Loss on disposal of fixed assets		**–**	24	**–**	24
General and administrative expenses		**1,739**	976	**4,580**	3,630
Operating income/(loss)		**2,830**	(17,860)	**(1,086)**	(16,944)
Finance expense		**215**	334	**663**	882
Income/(loss) before income taxes		**2,615**	(18,194)	**(1,749)**	(17,826)
Current income tax expense		**1,770**	1,304	**4,887**	3,835
Total comprehensive income/(loss) for the period		**845**	(19,498)	**(6,636)**	(21,661)
Net income/(loss) per share - basic and diluted	*11*	**$ 0.00**	$ (0.05)	**$ (0.02)**	$ (0.06)

The notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statement of Changes in Equity (UNAUDITED)

(thousands of United States dollars)	NINE MONTHS ENDED SEPTEMBER 30 2013	2012
Share capital		
Balance, beginning of period	**119,574**	119,574
Balance, end of period	**119,574**	119,574
Warrants		
Balance, beginning of period	**–**	4,122
Balance, end of period	**–**	4,122
Contributed Surplus		
Balance, beginning of period	**7,892**	3,289
Share based payments	**637**	425
Balance, end of period	**8,529**	3,714
Accumulated Other Comprehensive Loss		
Items that will not be reclassified to net income:		
Balance, beginning of period	**(2,477)**	(2,477)
Balance, end of period	**(2,477)**	(2,477)
Accumulated Deficit		
Balance, beginning of period	**(83,739)**	(55,631)
Total comprehensive income/(loss) for the period	**(6,636)**	(21,661)
Balance, end of period	**(90,375)**	(77,292)
Total Equity	**35,251**	47,641

The notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statement of Cash Flows (UNAUDITED)

(thousands of United States dollars)	Note	THREE MONTHS ENDED SEPTEMBER 30 2013	2012	NINE MONTHS ENDED SEPTEMBER 30 2013	2012
Cash flows from/(used in) operating activities					
Net income for the period		**845**	(19,498)	**(6,636)**	(21,661)
Adjustments for:					
Depletion, depreciation and amortization	5	**1,210**	1,028	**4,089**	2,912
Impairment expense		**–**	19,222	**7,158**	19,222
Amortization of deferred transaction costs		**93**	92	**278**	278
Unrealized foreign exchange gain/(loss)		**(11)**	19	**(293)**	(51)
Stock–based compensation		**185**	78	**637**	425
Loss on disposal of fixed assets		**–**	24	**–**	24
Operating cash flows before change in non–cash working capital		**2,322**	965	**5,233**	1,149
Change in non–cash working capital including non-current provision		**(1,509)**	1,519	**(4,573)**	5,077
Net cash from/(used in) operating activities		**813**	2,484	660	6,226
Cash flows from/(used in) investing activities:					
Property, plant and equipment expenditures	5	**(2,059)**	(1,787)	**(5,514)**	(6,024)
Exploration and evaluation expenditures		**–**	(115)	**–**	(973)
Restricted cash		**–**	2,000	**–**	–
Net cash from/(used in) investing activities		**(2,059)**	98	**(5,514)**	(6,997)
Cash flows from/(used in) financing activities:					
Proceeds from bank facility	6	**3,359**	–	**5,359**	5,000
Repayment of bank facility	6	**(3,056)**	(4,337)	**(5,156)**	(5,000)
Net cash from/(used in) financing activities		**303**	(4,337)	**203**	–
Change in cash and cash equivalents		**(943)**	(1,755)	**(4,651)**	(771)
Effect of foreign exchange on cash and cash equivalents		**11**	(19)	**293**	51
Cash and cash equivalents, beginning of period		**2,232**	7,179	**5,658**	6,125
Cash and cash equivalents, end of period		**1,300**	5,405	**1,300**	5,405
Supplemental information					
Interest paid		**30**	49	**95**	180

The notes are an integral part of these interim consolidated financial statements.

(tabular amounts are in thousands of United States dollars except per share data)

Note 1 Reporting entity:

Sea Dragon Energy Inc. ("Sea Dragon" or "the Company") is a company domiciled in Canada. The address of the Company's registered office is 1900, 520 – 3rd Avenue SW, Centennial Place, East Tower, Calgary Alberta T2P 0R3. The consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2013 and 2012 comprise the Company and its wholly owned subsidiaries. The Company is engaged in the exploration for and development and production of oil and natural gas and conducts many of its activities jointly with others; these consolidated financial statements reflect only the Company's proportionate interest in such activities. The Company's principle properties are located in the Arab Republic of Egypt.

The Company is listed on the Toronto Venture Stock Exchange (TSX-V) and trades under the symbol SDX.

Note 2 Basis of preparation and accounting policies:

Basis of preparation

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2013 have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim Consolidated Financial Statements of Sea Dragon Energy were approved by the Audit Committee on November 21, 2013.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new standards and interpretations effective January 2013.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

The Company has assessed the impact of these standards and determined that it has no impact on the financial statements.

Note 3 Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of financial instrument valuation methods have been defined as follows:

Level 1 - Fair value measurements are based on unadjusted quoted market prices.

Level 2 - Fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 - Fair Value Measurements are based on unobservable information.

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, and bank debt included in the consolidated balance sheet approximate fair value due to the short term nature of those instruments.

Stock options:

The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general option holder behavior, expected dividends, and the risk-free interest rate.

Note 4 Financial risk management:

(a) Overview:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk;
- market risk;
- foreign currency risk; and
- other price risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners, oil and natural gas marketers, and cash held with banks. The maximum exposure to credit risk at the end of the period is as follows:

	CARRYING AMOUNT	
	September 30, 2013	December 31, 2012
Cash and cash equivalents	**1,300**	5,658
Trade and other receivables	**10,160**	8,072
Total	**11,460**	13,730

Trade and other receivables:

All of the Company's operations are conducted in Egypt. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party.

Receivables relating to oil and gas sales are due from Ganope and EGPC, two Government of Egypt controlled corporations and are normally collected in four to six months following production. The Company expects to collect the outstanding receivables in the normal course of operations.

The Company does not anticipate any default as it expects continued payment from customers. As such a provision for doubtful accounts has not been recorded as at September 30, 2013 and December 31, 2012.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

	CARRYING AMOUNT	
	September 30, 2013	December 31, 2012
Government of Egypt controlled corporations	**9,146**	7,418
Joint venture partners	**496**	539
Other	**518**	115
Total trade and other receivables	**10,160**	8,072

The Company's most significant customers, EGPC and Ganope, government controlled corporations in Egypt, account for $4.5 million and $4.3 million respectively of the trade receivables at September 30, 2013 (December 31, 2012: $7.0 million).

As at September 30, 2013 and December 31, 2012, the Company's trade and other receivables is aged as follows:

	September 30, 2013	December 31, 2012
Current (less than 90 days)	**7,241**	5,944
Past due (more than 90 days)	**2,919**	2,128
Total	**10,160**	8,072

The balances which are past due are not considered impaired.

Subsequent to September 30, 2013 the Company collected $2.1 million from government of Egypt controlled corporations.

Cash and cash equivalents:

The Company limits its exposure to credit risk by only investing in liquid securities and only with highly rated counterparties. The Companies cash and cash equivalents are currently held by banks with AA or equivalent credit ratings or better. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political unrest. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on projects to further manage capital expenditure and has a Board of Director approved signing authority matrix. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue to the extent possible.

As at September 30, 2013, the Company's financial liabilities are due within one year.

(d) Market risk:

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

(e) Foreign currency risk:

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The reporting and functional currency of the Company is United States dollars US$. Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the CDN$ and the US$, GBP and the US$ and the US$ and EGP. The majority of capital expenditures are incurred in US$ and oil revenues are received in both US$ and EGP. The Company has utilized EGP locally, with the remainder being exchanged from time to time into US$, therefore reducing the Company's exposure to foreign exchange risk during the period.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

	Total per FS[1]	US$	EGP	EUR	CAD	GBP
As at September 30, 2013				*US$ Equivalent*		
Cash and cash equivalents	1,300	718	356	69	65	92
Trade and other receivables	10,160	9,865	–	38	38	220
Bank indebtedness	(3,202)	(3,202)	–	–	–	–
Trade and other payables	(5,225)	(4,905)	–	(75)	(46)	(200)
Balance sheet exposure	3,033	2,476	356	32	57	112

[1] *denotes Financial Statements*

The average exchange rate during the three and nine months ended September 30, 2013 was 1 US$ equals $1.0390 CDN$ (2012 – 1 US$: $0.9958 CDN$) and 1 US$ equals $1.0234 CDN$ (2012 – 1 US$: $1.0025 CDN$). The exchange rate at September 30, 2013 was 1 US$ equals $1.0299 CDN$ (2012 – 1 US$: $0.9833 CDN$).

The average exchange rate during the three and nine months ended June 30, 2013 was 1 US$ equals $6.9331 EGP (2012 – 1 US$: $6.0370 EGP) and 1 US$ equals $6.8275 EGP (2012 – 1 US$: $6.0067 EGP). The exchange rate at September 30, 2013 was 1 US$ equals $6.7738 EGP (2012 – 1 US$: $6.0467 EGP).

The average exchange rate during the three and nine months ended September 30, 2013 was 1 US$ equals $0.6454 GBP (2012 – 1 US$: $0.6331 GBP) and 1 US$ equals $0.6333 GBP (2012 – 1 US$: $0.6338 GBP). The exchange rate at September 30, 2013 was 1 US$ equals $0.6195 GBP (2012 – 1 US$: $0.6185 GBP).

(f) Other price risk:

Other price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the United States dollar and other currencies but also world economic events that impact the perceived levels of supply and demand.

The Company may hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company's production is sold on the daily average price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts.

At September 30, 2013 the Company did not have any outstanding derivatives in place.

(g) Capital management:

The Company defines and computes its capital as follows:

	September 30, 2013	December 31, 2012
Equity	**35,251**	41,250
Working capital[1]	**(12,209)**	(6,645)
Total capital	**23,042**	34,605

[1] *Working capital is defined as current assets less current liabilities.*

The Company's objective when managing its capital is to ensure it has sufficient capital to maintain its ongoing operations, pursue the acquisition of interests in producing or near to production oil and gas properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of its interests in its existing properties and to pursue other opportunities.

The non- current assets which were contained within Property, plant and equipment related to the Kom Ombo concession have been moved to current assets held for sale. This is shown on the face of the balance sheet under current assets – "assets held for sale"; the amount being US$ 5,571 and is contained within Working Capital in the above table.

Note 5 Property, plant and equipment:

	Oil interests	Assets held for sale	Furniture and Fixtures	Total
Cost:				
Balance at December 31, 2011	**16,152**	**38,797**	**390**	**55,339**
Additions	3,028	4,354	–	7,382
Acquistion	1,964	–	–	1,964
Transfer from intangible exploration assets	3,690	–	–	3,690
Disposals	–	–	(24)	(24)
Balance at December 31, 2012	**24,834**	**43,151**	**366**	**68,351**
Additions	4,945	433	136	5,514
Intergroup Transfer	1,118	(1,118)	–	–
Balance at September 30, 2013	**30,897**	**42,466**	**502**	**73,865**
Accumulated depletion and depreciation:				
Balance at December 31, 2011	**(4,952)**	**(16,601)**	**(177)**	**(21,730)**
Depletion and depreciation for the year	(1,352)	(2,811)	(52)	(4,215)
Impairment for the year	–	(8,820)	–	(8,820)
Balance at December 31, 2012	**(6,304)**	**(28,232)**	**(229)**	(34,765)
Depletion and depreciation for the period	(3,157)	(896)	(36)	(4,089)
Intergroup Transfer	609	(609)	–	–
Impairment for the period	–	(7,158)	–	(7,158)
Balance at September 30, 2013	**(8,852)**	**(36,895)**	**(265)**	**(46,012)**
Property, plant and equipment, net	**22,045**	**5,571**	**237**	**27,853**

During the period ended September 30, 2013, the Company capitalized $2.0 million of operational expenditure related to development and production activities in Egypt (September 30, 2012 - $1.3 million).

At September 30, 2013, future development costs totaling $4.6 million (September 30, 2012 - $28.6 million) have been included in costs subject to depletion.

The non-current assets in relation to Kom Ombo have been reclassified as current assets held for sale.

Note 6 Loans and borrowings:

On September 23, 2011 the Company entered into a credit agreement with HSBC and BNP Paribas for a 5-year senior secured credit facility (the "Facility") in the amount of USD $50 million. The Facility is secured by a first charge on the shares, project accounts and interests of certain of the Sea Dragon group of Companies.

The facility is composed of two tranches:

i) Tranche A borrowing base is determined as a percentage of the specified value of risked 1P estimated future cash flows from certain fields (including NW Gemsa), priced at LIBOR plus 4.75%.

ii) Tranche B borrowing base is determined as 95 percent of the value of existing receivables no more than six months past due from certain fields (including NW Gemsa and Kom Ombo), priced at LIBOR plus 3%.

As at September 30, 2013 this resulted in amounts available for borrowing of $9.7 million under tranche A and $0.8 millionunder tranche B. The Facility includes standard borrowing base ratios and other customary covenants. The borrowing base is subject to routine semi-annual re-determination based on updated forecast reserves, production and receivables. All covenant requirements were complied with during the period ended September 30, 2013.

As at September 30, 2013, $3.2 million was drawn on the facility, all of which is classified as current:

	September 30, 2013	December 31, 2012
Tranche A	**2,358**	–
Tranche B	**844**	3,000
Total	**3,202**	3,000

As at September 30, 2013 there is $1.1 million of deferred transaction costs. The deferred transaction costs are being amortized straight line over the term of the loan facility of five years, of which $0.4 million is amortized within the next 12 months and $0.7 million over the remainder of the term. For the three and nine months ended September 30, 2013 there has been $92,627 and $277,881, respectively, of transaction costs amortized which is included in the finance expenses.

Note 7 Share capital:

The Company is authorized to issue unlimited common shares with no-par value and unlimited preferred shares with no-par value.

	Number of Shares *(000's)*	Amount *($)*
Balance December 31, 2012 and September 30, 2013	**376,459**	**119,574**

Note 8 Stock Options:

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company.

The number and weighted average exercise prices of share options are as follows:

	Number of Options (000's)	Weighted Average Exercise Price (CDN$)
Outstanding January 1, 2012	**20,010**	**0.29**
Forfeited during the year	(2,750)	0.25
Granted during the year	18,350	0.10
Outstanding December 31, 2012	**35,610**	**0.19**
Cancelled during the period	(15,350)	0.31
Outstanding September 30, 2013	**20,260**	**0.11**
Exercisable September 30, 2013	**2,423**	**0.18**

On June 7, 2013 there were 15,350,000 options cancelled. Upon cancellation, the Company reversed the expenses associated with those options that have not been vested. Effective October 11, 2013 the Company agreed to re-issue 4,400,000 options that were cancelled on June 7, 2013 on the same terms with a price of $0.13 per share expiring July 8, 2016.

The range of exercise prices of the outstanding options is as follows:

	OUTSTANDING OPTIONS		VESTED OPTIONS	
Exercise Price Range	Number of options	Remaining contractual life	Number of options	Remaining contractual life
$0.01 to $0.18	19,610,000	4.1 years	1,523,326	2.8 years
$0.19 to $0.39	550,000	1.7 years	550,000	1.7 years
$0.40 to $0.59	100,000	1.1 years	100,000	1.1 years
	20,260,000	4.0 years	2,173,326	2.4 years

Note 9 Revenue:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Oil revenue	**16,698**	11,130	**46,243**	32,645
Royalties	**(8,712)**	(5,913)	**(23,973)**	(17,308)
Oil revenue, net of royalties	**7,986**	5,217	**22,270**	15,337
Gas revenue	**103**	–	**199**	–
Royalties	**(43)**	–	**(83)**	–
Gas revenue, net of royalties	**60**	–	**116**	–
Natural gas liquids revenue	**176**	–	**329**	–
Royalties	**(73)**	–	**(137)**	–
Natural gas liquids revenue, net of royalties	**103**	–	**192**	–
Total net revenue	**8,149**	5,217	**22,578**	15,337

The royalties are those attributable to the government take in accordance with the fiscal terms of the concessions.

Note 10 Income tax:

Pursuant to the terms of the Company's concession agreements, the corporate tax liability of the joint venture partners is paid by the government controlled corporations ("Corporations") out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes the corporate taxes paid by the Corporations are treated as a benefit earned by the Company; the amount is included in net oil revenues and deducted as an income tax expense.

Note 11 Loss per share:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Profit/(loss) for the period	**845**	(19,498)	**(6,636)**	(21,661)
Weighted average number of shares *(000's)*				
Basic and diluted	**376,459**	376,459	**376,459**	376,459
Per share				
Basic and diluted	**$0.00**	$ (0.05)	**$ (0.02)**	$ (0.06)

Basic income or loss per share is calculated by dividing the income or loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Anti-dilutive incremental options and warrants are excluded from the weighted average number of diluted shares outstanding.

Note 12 Segmental Reporting:

Geographical segments

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors consider the business from predominantly a geographic perspective. The Company has corporate offices in Canada and the UK and operations in Egypt. Set out below is segmented information on a geographic basis.

	THREE MONTHS ENDED SEPTEMBER 30, 2013				THREE MONTHS ENDED SEPTEMBER 30, 2012			
	Canada	**Egypt**	**UK**	**Total**	Canada	Egypt	UK	Total
Segment revenue	**–**	**8,149**	**–**	**8,149**	–	5,217	–	5,217
Segment direct operating expenses	**–**	**2,192**	**–**	**2,192**	–	965	–	965
Segment exploration and evaluation expense	**(34)**	**–**	**–**	**(34)**	295	450	–	745
Segmented depletion, depreciation and amortization	**8**	**1,193**	**9**	**1,210**	24	1,004	–	1,028
Segmented impairment	**–**	**–**	**–**	**–**	–	19,222	–	19,222
Segmented foreign exchange loss	**(182)**	**209**	**(0)**	**27**	39	–	–	39
Segment stock based compensation	**185**	**–**	**–**	**185**	78	–	–	78
Segment loss on disposal of fixed assets	**–**	**–**	**–**	**–**	–	24	–	24
Segment general and administrative expenses	**861**	**223**	**655**	**1,739**	764	212	–	976
Segment operating income/(loss)	**(838)**	**4,332**	**(664)**	**2,830**	(1,200)	(16,660)	–	(17,860)
Segmented finance expense	**215**	**–**	**–**	**215**	334	–	–	334
Segmented income/(loss) before income tax	**(1,053)**	**4,332**	**(664)**	**2,615**	(1,534)	(16,660)	–	(18,194)
Current income tax expense	**–**	**1,770**	**–**	**1,770**	–	1,304	–	1,304
Comprehensive income/(loss) for the period	**(1,053)**	**2,562**	**(664)**	**845**	(1,534)	(17,964)	–	(19,498)

	NINE MONTHS ENDED SEPTEMBER 30, 2013				NINE MONTHS ENDED SEPTEMBER 30, 2012			
	Canada	**Egypt**	**UK**	**Total**	Canada	Egypt	UK	Total
Segment revenue	**–**	**22,578**	**–**	**22,578**	–	15,337	–	15,337
Segment direct operating expenses	**–**	**6,220**	**–**	**6,220**	–	3,102	–	3,102
Segment exploration and evaluation expense	**589**	**–**	**–**	**589**	2,085	758	–	2,843
Segmented depletion, depreciation and amortization	**26**	**4,054**	**9**	**4,089**	40	2,872	–	2,912
Segmented impairment	**–**	**7,158**	**–**	**7,158**	–	19,222	–	19,222
Segmented foreign exchange loss	**182**	**209**	**(0)**	**391**	123	–	–	123
Segment stock based compensation	**637**	**–**	**–**	**637**	425	–	–	425
Segment loss on disposal of fixed assets	**–**	**–**	**–**	**–**	–	24	–	24
Segment general and administrative expenses	**3,217**	**708**	**655**	**4,580**	3,022	608	–	3,630
Segment operating income/(loss)	**(4,651)**	**4,229**	**(664)**	**(1,086)**	(5,695)	(11,249)	–	(16,944)
Segmented finance expense	**663**	**–**	**–**	**663**	882	–	–	882
Segmented income/(loss) before income tax	**(5,314)**	**4,229**	**(664)**	**(1,749)**	(6,577)	(11,249)	–	(17,826)
Current income tax expense	**–**	**4,887**	**–**	**4,887**	–	3,835	–	3,835
Net income/(loss) for the period	**(5,314)**	**(658)**	**(664)**	**(6,636)**	(6,577)	(15,084)	–	(21,661)

The segment assets and liabilities as at September 30, 2013 and December 31, 2012 are as follows:

	SEPTEMBER 30, 2013				DECEMBER 31, 2012		
	Canada	**Egypt**	**UK**	**Total**	Canada	Egypt	Total
Segment assets	**2,734**	**40,347**	**597**	**43,678**	6,133	45,873	52,006
Segment liabilities	**4,122**	**4,105**	**200**	**8,427**	3,883	6,873	10,756

The segment capital expenditures for the three and nine months ended September 30, 2013 and 2012 are as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2013				NINE MONTHS ENDED SEPTEMBER 30, 2012		
	Canada	**Egypt**	**UK**	**Total**	Canada	Egypt	Total
Capital additions	**–**	**1,764**	**295**	**2,059**	–	1,902	1,902

	NINE MONTHS ENDED SEPTEMBER 30, 2013				NINE MONTHS ENDED SEPTEMBER 30, 2012		
	Canada	**Egypt**	**UK**	**Total**	Canada	Egypt	Total
Capital additions	**–**	**5,219**	**295**	**5,514**	–	6,997	6,997

Note 13 Subsequent Events:

- Pursuant to Note 8 Stock Options the Company agreed to re-issue 4,400,000 previously cancelled options on the same terms with a price of $0.13 per share expiring July 8, 2016 effective October 11, 2013.
- In accordance with the press release dated November 1, 2013 Sea Dragon Energy Inc. announced the sale of all of the issued and outstanding shares of its wholly-owned subsidiary Sea Dragon Energy (Kom Ombo) Ltd. The cash consideration paid at closing was US$6 million in addition to a working capital adjustment estimated at approximately US$1.2 million.
- Effective October 31, 2013 the corporate office based in Calgary, Canada closed and transitioned to London, United Kingdom. Sea Dragon Energy Inc. remains a TSX-V listed and Canadian domiciled company with its Chairman and Non-Executive Directors Canada based.