

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in British Columbia, Alberta and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Sea Dragon Energy Inc. at 1100, 340 – 12th Avenue S.W., Calgary, Alberta T2R 1L5, telephone (403) 457-5035, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

March 24, 2010



22,730,000 Common Shares issuable upon exercise of 22,730,000 outstanding Special Warrants

Sea Dragon Energy Inc. ("Sea Dragon" or the "Corporation") is hereby qualifying for distribution 22,730,000 common shares in the capital of the Corporation (the "Qualified Shares") issuable upon the exercise of 22,730,000 previously issued and outstanding special warrants of the Corporation (the "Special Warrants"). The Special Warrants were issued on January 25, 2010 (the "Closing Date") pursuant to a Special Warrant Indenture (as defined herein) at a price of \$0.55 per Special Warrant (the "Offering Price") to purchasers in the provinces of British Columbia, Alberta and Ontario (the "Designated Provinces") and certain other jurisdictions outside of Canada, pursuant to exemptions under applicable securities legislation (the "Special Warrant Offering") through Thomas Weisel Partners Canada Inc. ("Thomas Weisel") and Maison Placements Canada Inc. (collectively, the "Underwriters"). **The Special Warrants are not available for purchase pursuant to this short form prospectus. No additional consideration will be received by the Corporation and no commission or fee will be payable by the Corporation in connection with the distribution of the Qualified Shares upon the exercise of the Special Warrants.** The Offering Price and the other terms of the Special Warrant Offering were determined by negotiation between the Corporation and Thomas Weisel, on its own behalf and on behalf of the Underwriters. See "Plan of Distribution".

Each Special Warrant will entitle the holder thereof to receive, subject to adjustment in certain circumstances, one (1) Qualified Share on the exercise of the Special Warrant. All Special Warrants will be deemed to be exercised in accordance with the terms of the Special Warrant Indenture, for no additional consideration and without any further action on the part of the holder, on the date (the "Expiry Date") which is the earlier of: (i) the third business day following the date (the "Qualification Date") on which a receipt for a final short form prospectus qualifying the distribution of the Qualified Shares has been issued or is deemed to have been issued by the securities regulatory authorities in the Designated Provinces; and (ii) the date that is four months and one day after the Closing Date. In the event that the Qualification Date does not occur on or before April 1, 2010, each Special Warrant shall thereafter be exercised, for no additional consideration, into 1.05 Qualified Shares (in lieu of one (1) Qualified Share). The additional 0.05 Qualified Shares are collectively referred to herein as the "Additional Qualified Shares". This

short form prospectus also qualifies the distribution of any Additional Qualified Shares issuable upon exercise of the Special Warrants.

	<u>Price to the Public</u>	<u>Agents' Fee⁽¹⁾</u>	<u>Net Proceeds to the Corporation⁽²⁾</u>
Per Special Warrant	\$0.55	\$0.03	\$0.52
Total	\$12,501,500	\$625,075	\$11,876,425

Notes:

- (1) The Corporation paid the Underwriters a fee equal to 5% of the gross proceeds from the sale of the Special Warrants and reimbursed the Underwriters for certain expenses in connection with the Special Warrant Offering. No commission or fee is payable to the Underwriters in connection with the distribution of the Qualified Shares or the Additional Qualified Shares, if any, upon the exercise of the Special Warrants. See “*Plan of Distribution*”.
- (2) Before deducting the expenses in connection with the Special Warrant Offering and the qualification for distribution of the Qualified Shares (and Additional Qualified Shares, if any), estimated to be approximately \$300,000, which together with the Underwriters’ fees, were or will be paid from the gross proceeds of the Special Warrant Offering.

Certain legal matters in connection with the Special Warrant Offering have been or will be reviewed on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

The common shares in the capital of the Corporation (“**Common Shares**”) are listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “**SDX**”. The TSXV has approved the listing of the Qualified Shares. On January 13, 2010, the last complete trading day prior to the announcement of the Special Warrant Offering, the closing price of the Common Shares on the TSXV was \$0.57. On March 23, 2010, the last complete trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.455. **There is no market through which the Special Warrants may be sold and purchasers may not be able to resell the Special Warrants acquired pursuant to the Special Warrant Offering. This may affect the pricing of the Special Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation.** See “*Trading Price and Volume*” and “*Risk Factors*”.

The proceeds from the sale of the Special Warrants were delivered to the Corporation on the Closing Date. The Special Warrants were created and issued pursuant to the terms of a special warrant indenture (the “**Special Warrant Indenture**”) dated January 25, 2010, between the Corporation and Equity Transfer & Trust Company, as special warrant agent (the “**Special Warrant Agent**”).

An investment in the Qualified Shares is speculative due to the nature of the Corporation’s involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and resources outside of Canada. The Corporation’s business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The resource, reserve and recovery information contained herein and incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from the Corporation’s properties may be greater or less than the estimates incorporated by reference herein. All of the Corporation’s oil and natural gas investments are located outside of Canada and these investments are subject to the risks associated with any foreign investment including tax increases, royalty increases, re-negotiation of contracts, currency exchange fluctuations and political uncertainty. **In the case of the Kom Ombo Concession, the Corporation has an obligation to pay certain additional amounts in the near term, failing which, the Corporation could forfeit its participating interest and all monies paid to date without compensation.** The success of future exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. **The risk factors identified under the headings “*Risk Factors*” and “*Forward-Looking Statements*” in this short form prospectus and in the AIF (as herein defined) should be carefully reviewed and evaluated.**

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. Investors

should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.

The corporate head office of the Corporation is located at 1100, 340 – 12th Avenue S.W., Calgary, Alberta T2R 1L5 and its registered and records office is located at 1000, 400 – 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

All references herein to “\$” are to Canadian dollars unless otherwise specified.

TABLE OF CONTENTS

ABBREVIATIONS	1
PRESENTATION OF OIL AND GAS INFORMATION	1
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	2
NON-GAAP MEASURES	4
DOCUMENTS INCORPORATED BY REFERENCE	4
SEA DRAGON ENERGY INC.....	6
BUSINESS OF THE CORPORATION	6
RECENT DEVELOPMENTS	6
THE KOM OMBO ACQUISITION.....	7
INFORMATION CONCERNING THE KOM OMBO ASSETS	8
DESCRIPTION OF SHARE CAPITAL	10
CONSOLIDATED CAPITALIZATION OF THE CORPORATION.....	10
PRIOR SALES	11
TRADING PRICE AND VOLUME	12
USE OF PROCEEDS	12
PLAN OF DISTRIBUTION.....	13
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	14
ELIGIBILITY FOR INVESTMENT.....	16
RISK FACTORS	16
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	18
INTERESTS OF EXPERTS.....	18
PURCHASERS’ STATUTORY RIGHTS	18
CONTRACTUAL RIGHT OF ACTION FOR RESCISSION	18
AUDITORS’ CONSENT	20
SCHEDULE “A” – PRO FORMA FINANCIAL STATEMENTS	A-1
SCHEDULE “B” – STATEMENT OF REVENUES, ROYALTIES, OPERATING AND ADMINISTRATIVE EXPENSES FOR THE KOM OMBO CONCESSION	B-1
CERTIFICATE OF THE CORPORATION.....	C-1
CERTIFICATE OF THE AGENTS.....	C-2

ABBREVIATIONS

In this short form prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

Oil and Natural Gas Liquids

bbl	barrels
Mbbls	thousand barrels
MMbbls	million barrels
bbl/d	barrels of oil per day
API	American Petroleum Institute
NGLs	natural gas liquids
stb	standard stock tank barrel
mstb	thousand standard 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
GJ	gigajoule
GJ/d	gigajoules per day
Bcf	billion cubic feet

Other

API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil
boe	barrel of oil equivalent converting six mcf of natural gas to one barrel of oil (6:1)
boe/d	barrels of oil equivalent per day
mboe	thousand of barrels of oil equivalent
M\$	thousands of dollars
MM\$	millions of dollars
NPV	net present value
Oil in Place	that quantity of oil that is estimated to exist originally in naturally occurring accumulations
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

In this short form prospectus and the documents incorporated by reference herein, the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of six thousand cubic feet (6 mcf) of natural gas for one barrel (bbl) of oil based on an energy equivalency conversion method. Boes may be misleading particularly if used in isolation. A boe conversion ratio of 6 mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a market value equivalency at the wellhead.

PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this short form prospectus and the documents incorporated by reference herein, has been prepared and presented in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”). The actual oil and gas reserves and future production will be greater than or less than the estimates provided herein. The estimated value of future net revenue from the production of the disclosed oil and gas reserves does not represent the fair market value of these reserves. **There is no assurance that the forecast prices and costs or other assumptions made in connection with the reserves disclosed herein will be attained and variances could be material.**

This short form prospectus contains certain resource estimates. Certain terms used herein are defined in NI 51-101 or the Canadian Oil and Gas Evaluation (“**COGE**”) Handbook and, unless the context otherwise requires, shall have the same meanings in this short form prospectus as in NI 51-101 or the COGE Handbook. Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project if discovered. Resources herein have been provided as low, best and high estimates as follows:

- **Low Estimate:** This is considered to be a conservative estimate of the Oil in Place volumes. It is likely that the actual volumes of Oil in Place will exceed the low estimate. If probabilistic methods are used, there should be a ninety percent probability that the actual volumes of Oil in Place will equal or exceed the low estimate.

- **Best Estimate:** This is considered to be the best estimate of the Oil in Place volumes. It is equally likely that the actual volumes of Oil in Place will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a fifty percent probability that actual volumes of Oil in Place will equal or exceed the best estimate.
- **High Estimate:** This is considered to be an optimistic estimate of the Oil in Place volumes. It is unlikely that the actual volumes of Oil in Place will exceed the high estimate. If probabilistic methods are used, there should be at least a ten percent probability that the actual volumes of Oil in Place will equal or exceed the high estimate.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain certain forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) which are based upon the Corporation’s current internal expectations, estimates, projections, assumptions and beliefs. In some cases, words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “may”, “will”, “potential”, “proposed” and other similar words, or statements that certain events or conditions “may” or “will” occur, are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking statements attributed to third party industry sources. By its nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements in this short form prospectus speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference herein.

Forward-looking statements in this short form prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the use of proceeds of the Special Warrant Offering;
- the Corporation’s resource estimates;
- any estimate of present value or future net cashflow;
- drilling inventory, drilling plans and timing of drilling, completion and tie-in of wells;
- the quantity of resources or reserves;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- the performance characteristics of the Corporation’s oil and gas properties;
- oil production levels;
- capital expenditure programs;
- future development and exploration activities and the timing thereof;
- future land and/or concession expiries;
- results of various projects of the Corporation;
- realization of the anticipated benefits of acquisitions;
- estimated future contractual obligations and the amount expected to be incurred under the Corporation’s farm-in commitments;
- growth expectations of the Corporation;
- timing of development of undeveloped resources and reserves;
- future liquidity and financial capacity;
- projections of market prices and costs of oil and natural gas;
- supply and demand for oil and natural gas;
- expectations regarding the Corporation’s ability to raise capital and to continually add to reserves through acquisitions and development;
- timing and extent of work programs by third party industry partners in the NW Gemsa and Kom Ombo Concessions;

- expectations relating to the award of exploration permits by governmental authorities; and
- treatment under government regulatory and taxation regimes.

With respect to the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein, the Corporation has made assumptions regarding, among other things:

- oil production levels;
- commodity prices;
- that oil and natural gas prices will be substantially in line with current price forecasts of its engineers;
- where applicable, that well production rates and reserves volumes will be consistent with past performance;
- that the Corporation will be able to obtain equity and debt financing on satisfactory terms and on a timely basis;
- future currency and interest rates;
- that capital expenditure levels will be consistent with the Corporation's disclosed capital expenditure program;
- the Corporation's ability to generate sufficient cash flow from operations and to access existing credit facilities and capital markets to meet its future obligations;
- availability of labour and drilling equipment;
- general economic and financial market conditions; and
- government regulation in the areas of taxation, royalty rates and environmental protection.

Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Some of the risks and other factors, some of which are beyond the Corporation's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein include, but are not limited to:

- general economic conditions in Canada, the United States, Egypt and globally including reduced availability of debt and equity financing generally;
- volatility in market prices for oil and natural gas;
- liabilities and risks inherent in oil operations;
- uncertainties associated with estimating oil reserves;
- uncertainties in the estimates of the Corporation's resources;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- counterparty credit risk;
- limitations on insurance;
- failure to obtain industry partner and other third party consents and approvals when required;
- imprecision in estimating capital expenditures and operating expenses;
- potential delays or changes with respect to exploration and development projects or capital expenditures;
- geological, technical, drilling and processing problems;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- change or disruptions in the political or fiscal regimes in the Corporation's areas of operation;
- general economic and business conditions;
- governmental regulation of the oil and gas industry, including environmental regulation;

- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;
- failure to realize the anticipated benefits of acquisitions; and
- the other factors disclosed under “*Risk Factors*” in this short form prospectus and in the AIF, which is incorporated by reference herein.

Readers are cautioned that the foregoing list of factors is not exhaustive. Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, 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. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Corporation is not under any duty to update any of the forward-looking statements after the date of this short form prospectus or to conform such statements to actual results or to changes in the Corporation’s expectations and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

NON-GAAP MEASURES

In certain of the documents incorporated by reference into this short form prospectus, the Corporation uses the term “funds flow from operations”. This measure is not a measure recognized by Canadian generally accepted accounting principles (“GAAP”) and does not have a standardized meaning prescribed by GAAP. Funds flow from operations is a measure that represents funds generated from operating activities before changes in non-cash working capital. Funds flow from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities. Management believes that funds flow from operations is a useful supplemental measure to analyze the Corporation’s ability to generate cash flow to fund capital investment and working capital requirements. Funds flow from operations may not be comparable to similar measures used by other companies.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at 1100, 340 – 12th Avenue S.W., Calgary, Alberta T2R 1L5, telephone: (403) 457-5035. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

The following documents of the Corporation, filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

- (a) the annual information form of the Corporation dated February 9, 2010 for the fiscal year ended December 31, 2008 (the “AIF”), as filed on SEDAR on February 11, 2010;
- (b) the audited consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statements of loss and comprehensive loss, changes in shareholder’s equity and cash flows for the years then ended and for the period from March 28, 2006 (inception) to December 31, 2008, together with the notes thereto and the auditors’ report thereon, as filed on SEDAR on April 30, 2009;
- (c) the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2008, as filed on SEDAR on April 30, 2009;
- (d) the unaudited balance sheet of the Corporation as at September 30, 2009 and the statements of loss, comprehensive loss and deficit and cash flows for the three month and nine month periods ended September 30, 2009 and 2008, together with the notes thereto, as amended (the “**Q3 Financial Statements**”), as filed on SEDAR on March 24, 2010;

- (e) the management's discussion and analysis of the financial condition and results of operations of the Corporation for the three and nine month periods ended September 30, 2009, as amended, as filed on SEDAR on March 24, 2010;
- (f) the Corporation's management information circular dated June 5, 2009 prepared in connection with the annual and special meeting of the shareholders of the Corporation held on June 29, 2009, as filed on SEDAR on June 8, 2009;
- (g) the Corporation's management information circular dated August 18, 2008 prepared in connection with the annual and special meeting of the shareholders of the Corporation held on September 18, 2008, as filed on SEDAR on August 26, 2008;
- (h) the Corporation's business acquisition report (the "**NW Gemsa BAR**") dated March 15, 2010, in respect of the acquisition by the Corporation of all of the issued and outstanding shares of Premier Oil Egypt (NW Gemsa) B.V. (the "**NW Gemsa Acquisition**") which holds a ten (10%) percent participating interest in the North West Gemsa Concession, Eastern Desert, Egypt (the "**NW Gemsa Concession**"), as filed on SEDAR on March 15, 2010;
- (i) the material change report of the Corporation dated February 27, 2009 in respect of the drilling and evaluation of the Dahab North Prospect in the East Wadi Araba Concession and the abandonment thereof as well as two separate production and development deals, as filed on SEDAR on February 29, 2009;
- (j) the material change report of the Corporation dated August 20, 2009 in respect of the entering into of a share purchase agreement in respect of the NW Gemsa Acquisition, as filed on SEDAR on August 21, 2009;
- (k) the material change report of the Corporation dated November 4, 2009 in respect of the grant of stock options by the Corporation, as filed on SEDAR on November 4, 2009;
- (l) the material change report of the Corporation dated November 13, 2009 in respect of the completion by the Corporation of a private placement offering (the "**November Financing**") of 60,000,000 units of the Corporation (the "**Units**") issued at a price of \$0.25 per Unit, with each Unit consisting of one Common Share and one-half of one common share purchase warrant of the Corporation, as filed on SEDAR on November 16, 2009;
- (m) the material change report of the Corporation dated January 13, 2010 in respect of the Corporation's wholly-owned subsidiary entering into a farm-out agreement to acquire a fifty (50%) percent participating interest in the Kom Ombo (Block-2) Concession (the "**Kom Ombo Concession**") in Egypt, as filed on SEDAR on January 13, 2010;
- (n) the material change report of the Corporation dated February 3, 2010 with respect to the completion by the Corporation of the Special Warrant Offering, as filed on SEDAR on February 4, 2010; and
- (o) the material change report of the Corporation dated February 10, 2010 with respect to the completion of the NW Gemsa Acquisition, as filed on SEDAR on February 11, 2010.

Any documents of the type referred to in National Instrument 44-101 - *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), financial statements and related management's discussion and analysis, business acquisition reports and information circulars, if filed by the Corporation with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the distribution, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short

form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

SEA DRAGON ENERGY INC.

Name, Address and Incorporation

The Corporation was incorporated on March 28, 2006 under the *Canada Business Corporations Act*. The Corporation amended its articles to change the jurisdiction of its registered office to Alberta on June 17, 2008.

The head office of the Corporation is located at 1100, 340 – 12th Avenue S.W., Calgary, Alberta T2R 1L5 and its records and registered office is located at 1000, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2.

Intercorporate Relationships

The Corporation has two wholly-owned subsidiaries: Sea Dragon Energy (NW Gemsa) B.V. (“**SD NW Gemsa**”) and Sea Dragon Energy (Kom Ombo) Ltd. (“**SD Kom Ombo**”). Sea Dragon acquired all of the issued and outstanding common shares of SD NW Gemsa (previously Premier Oil Egypt (NW Gemsa) B.V.), a Netherlands body corporate on December 21, 2009. SD NW Gemsa holds a ten (10%) percent participating interest in the NW Gemsa Concession. SD Kom Ombo was incorporated on December 29, 2009 under the laws of Bermuda for the purpose of acquiring a fifty (50%) percent participating interest in the Kom Ombo Concession.

BUSINESS OF THE CORPORATION

Sea Dragon is an independent international upstream oil and gas corporation engaged in the exploration, development and production of crude oil and natural gas liquids.

Further details concerning the Corporation, including information with respect to the Corporation’s assets, operations and development history, are provided in the AIF. The contents of the AIF are incorporated by reference into this short form prospectus. Readers are encouraged to thoroughly review the AIF as it contains important information concerning the Corporation.

RECENT DEVELOPMENTS

On March 9, 2010, the Corporation and its partners on the NW Gemsa Concession completed the drilling and testing of the Al-Amir SE-5 appraisal well. The well flowed 42 degree API oil at sustained average test rates of 6,150 bbl/d of oil and 6.9 MMcf/d of gas using a 64/64 inch choke and 4,300 bbl/d of oil and 4.9 MMcf/d of gas using a 48/64 inch choke from the upper of the two identified pay zones. The Al-Amir SE-5 well is currently being prepared for long term production.

Effective February 4, 2010, the Corporation entered into an Alliance Agreement (the “**Alliance Agreement**”) with Tanmia Petroleum Company (“**TPC**”), an Egyptian body corporate controlled by the Egyptian General Petroleum Corporation (“**EGPC**”). Under the terms of the Alliance Agreement, the Corporation and TPC have agreed, on an exclusive basis, to jointly appraise and, where appropriate and available, acquire, develop and produce certain undeveloped or under-developed oil and gas concessions, fields and development leases located in Egypt which may become available for allocation to TPC by EGPC. The commercial terms of any future joint venture, including the participating interests of the Corporation and TPC will be negotiated on a case by case basis. The Corporation is obligated to pay all future appraisal and development costs and will be allocated fifty (50%) percent of future production revenues for cost recovery until payout plus the Corporation’s participating interest share of the remaining production revenues on any concessions jointly acquired by TPC and the Corporation

THE KOM OMBO ACQUISITION

On December 31, 2009, the Corporation, through its wholly-owned subsidiary, SD Kom Ombo, entered into a farmout agreement (the “**Farmout Agreement**”) with Dana Gas Egypt Ltd. (“**DGE**”) for the acquisition of a fifty (50%) percent participating interest in the Kom Ombo Concession (the “**Kom Ombo Assets**”) for aggregate consideration of US\$37.27 million, subject to post-closing working capital adjustments (the “**Kom Ombo Acquisition**”). The effective date of the Kom Ombo Acquisition is July 1, 2009 (the “**Effective Date**”). The closing date of the Kom Ombo Acquisition was January 28, 2010 (the “**Closing Date**”).

Pursuant to the terms of the Farmout Agreement, SD Kom Ombo has paid an initial instalment of US\$10.0 million and has been registered as the legal holder of a fifty (50%) percent participating interest in the Kom Ombo Concession. The balance of the farmout consideration of US \$27.27 million is due on April 30, 2010 subject to a 90 day period in which to cure any payment default. Failure to pay the balance of the consideration by the expiration of the 90 day cure period will result in the forfeiture of SD Kom Ombo’s participating interest in the Kom Ombo Concession without repayment of the initial instalment amount. See “*Risk Factors – Kom Ombo Farmout Agreement*”.

In addition to the foregoing consideration, SD Kom Ombo is required to pay \$4.0 million of DGE’s share of future capital costs in three instalments of US\$1.33 million each on the first three cash calls to be issued after the closing date of the Kom Ombo Acquisition. Under the terms of the Farmout Agreement, approximately US\$16.2 million of the aggregate consideration will be fully cost recoverable by SD Kom Ombo out of future production proceeds generated from the Kom Ombo Concession.

As owner of a fifty (50%) percent participating interest in the Kom Ombo Concession, the Corporation is required, as of the effective date of July 1, 2009, to pay its fifty (50%) percent share of future expenditures and is entitled to receive a fifty (50%) percent share of all future production revenues. Costs incurred in exploration and development activities on the Kom Ombo Concession are subject to cost recovery out of future production proceeds. Management estimates SD Kom Ombo’s share of these costs, incurred between the Effective Date and December 31, 2009, to be approximately \$4 million. This estimate is subject to verification in the working capital adjustment contemplated by the Farmout Agreement. Under the terms of the Farmout Agreement, the Corporation and DGE will jointly operate the Kom Ombo Concession. SD Kom Ombo and DGE are currently negotiating the terms of a joint operating agreement to govern joint operations to be conducted on the Kom Ombo Concession.

The Corporation intends to fund the purchase price of the Kom Ombo Acquisition with the net proceeds of the Special Warrant Offering and by completing additional future equity financings. See “*Use of Proceeds*” and “*Risk Factors*”.

Benefits of the Kom Ombo Acquisition

The Kom Ombo Acquisition is consistent with the Corporation’s strategy of acquiring discovered undeveloped or underdeveloped assets with exploration and development potential. The Kom Ombo Acquisition has also helped the Corporation achieve its goal of obtaining operator status.

While management of the Corporation expects that it will receive certain benefits, including those described above, from the acquisition of a fifty (50%) percent participating interest in the Kom Ombo Concession, there is a risk that the Corporation will fail to realize these anticipated benefits. See “*Risk Factors*”.

Effect of the Kom Ombo Acquisition

The closing of the Kom Ombo Acquisition occurred on the Closing Date and is effective as of the Effective Date. Notwithstanding the closing of the Kom Ombo Acquisition, the Corporation is required to pay the balance of the consideration payable under the Farmout Agreement by April 30, 2010 subject to a 90 day period in which to cure any payment default. Failure to pay the balance of the consideration prior to the expiration of the cure period will result in the forfeiture of the Kom Ombo Assets and the forfeiture of the initial instalment amount without compensation to the Corporation. See “*Risk Factors – Kom Ombo Farmout Agreement*”.

For detailed information regarding the Kom Ombo Assets, see “Information Concerning the Kom Ombo Assets”, “Schedule A – Pro Forma Information of Sea Dragon” and “Schedule B – Schedules of Production, Revenue, Royalties and Operating Expenses”. Readers should read the unaudited pro forma financial information attached hereto as Schedule A in conjunction with the Schedules of Production, Revenue, Royalties and Operating Expenses attached hereto as Schedule B, to ascertain the financial impact on the Corporation of the acquisition of the Kom Ombo Assets. See also “Consolidated Capitalization”.

The unaudited pro forma financial statements of the Corporation included in this short form prospectus are not necessarily indicative either of results of operations that would have occurred in the year ended December 31, 2008 or the nine months ended September 30, 2009 had the Kom Ombo Acquisition been effective January 1, 2008, or of the results of operations expected in 2009 and future years.

INFORMATION CONCERNING THE KOM OMBO ASSETS

General

The resource data from the Kom Ombo Concession contained in this short form prospectus is based solely upon an engineering report (the “**Resource Report**”) effective as of January 1, 2010 prepared for the Corporation by Mr. A.D. (Tony) Anton, P.Eng, a Senior Vice President of the Corporation, who is considered a qualified reserves evaluator in accordance with NI 51-101, in respect of the resources attributable to the Kom Ombo Concession.

Description of the Kom Ombo Assets

The Kom Ombo Concession is a large exploration block (approximately 11,446 sq. km) located approximately 1,000 kilometres south of the city of Cairo, Egypt along the western bank of the Nile River. The Corporation has acquired a fifty (50%) percent participating interest in the Kom Ombo Concession upon closing of the Kom Ombo Acquisition.

Included in the Kom Ombo Concession is the Al Baraka development lease which contains the Al Baraka oil field which was discovered in 2007. The Al Baraka oil field is comprised of three productive zones. Four wells were drilled to delineate the Al Baraka field between May 2007 and January 2010 and all four wells are currently on production. Production from the Al Baraka field as at the date hereof is approximately 1,200 barrels of oil per day of light 37 degree API oil from shallow vertical wells (approximately 4,500 feet). Future development plans for the Al Baraka field include the drilling of some thirty (30) development wells over the next several years. Horizontal drilling and specialized fracturing are techniques being considered to maximize production rates and oil recovery. The Kom Ombo Concession is currently in its third and final exploration phase which will end in 2012. The Corporation and DGE are entitled to make application to the Egyptian government for a twenty (20) year development lease on all commercial discoveries on the Kom Ombo Concession prior to the expiry date of the third exploration phase. A 300 sq. km 3-D seismic program and a 300 sq. km 2-D seismic program is planned, to be followed by a three-well exploratory drilling program targeting multi-level prospects away from the Al Baraka field.

The Al Baraka oil field has some limited production at this time, which is in such sufficient quantities to be commercial. However, the production from the Al Baraka oil field is still preliminary and in the test phase and accordingly no reserves have been assigned to the Al Baraka oil field at this time. Oil produced from the Al Baraka oil field is trucked approximately 300 km to an oil refinery, where it is processed, marketed and sold.

Resources Information

The tables below are a summary of the resources attributable to the Kom Ombo Assets. The tables summarize the data contained in the Resource 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 Resource Report is based on certain factual data supplied primarily by DGE and Mr. Anton’s opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by DGE to Mr. Anton. Mr. Anton accepted this data as presented and neither title searches nor field inspections were conducted.

**KOM OMBO CONCESSION
Undiscovered Resources – MMbbls⁽¹⁾**

Formation	Gross			Net (50% working interest)		
	Low ⁽²⁾	Best ⁽³⁾	High ⁽⁴⁾	Low ⁽²⁾	Best ⁽³⁾	High ⁽⁴⁾
Unexplored Area	110	320	900	55	160	450

Notes:

- (1) The term “**Undiscovered Resources**” is taken from the COGE Handbook. The volumes listed in the table above entitled “Undiscovered Resources” refer to volumes of Oil in Place.
- (2) This is considered to be conservative estimate of the Oil in Place volumes. It is likely that the actual volumes of Undiscovered Resources will exceed the Low estimate. If probabilistic methods are used, there should be a 90% chance that the volumes of Undiscovered Resources will equal or exceed the low estimate.
- (3) This is considered to be the best estimate of the volumes of Undiscovered Resources. It is equally likely that the actual volumes of Undiscovered Resources will be greater or less than the best estimate. If probabilistic methods are used, there should be a 50% probability that the volumes of Undiscovered Resources will equal or exceed the best estimate.
- (4) This is considered to be an optimistic estimate of the volumes of Undiscovered Resources. It is unlikely that the actual volumes of Undiscovered Resources will exceed the high estimate. If probabilistic methods are used, there should be a 10% probability that the volumes of Undiscovered Resources will equal or exceed the high estimate.

Undiscovered Resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the Undiscovered Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. See “*Risk Factors*” for factors that may influence the development of the resources.

**KOM OMBO CONCESSION
AL BARAKA DEVELOPMENT LEASE
Discovered Resources – MMbbls⁽¹⁾**

Formation	Gross			Net (50% working interest)		
	Low ⁽²⁾	Best ⁽³⁾	High ⁽⁴⁾	Low ⁽²⁾	Best ⁽³⁾	High ⁽⁴⁾
Drilled Area	30	72	180	15	36	90
Undrilled Area	14	30	60	7	15	30
Total Lease	44	102	240	22	51	120

Notes:

- (1) The term “**Discovered Resources**” is taken from the COGE Handbook. The volumes listed in the table above entitled “Discovered Resources” refer to volumes of Oil in Place.
- (2) This is considered to be conservative estimate of the volumes of Discovered Resources. It is likely that the actual volumes of Discovered Resources will exceed the Low estimate. If probabilistic methods are used, there should be a 90% chance that the volumes of Discovered Resources will equal or exceed the low estimate.
- (3) This is considered to be the best estimate of the volumes of Discovered Resources. It is equally likely that the actual volumes of Discovered Resources will be greater or less than the best estimate. If probabilistic methods are used, there should be a 50% probability that the volumes of Discovered Resources will equal or exceed the best estimate.
- (4) This is considered to be an optimistic estimate of the volumes of Discovered Resources. It is unlikely that the actual volumes of Discovered Resources will exceed the high estimate. If probabilistic methods are used, there should be a 10% probability that the volumes of Discovered Resources will equal or exceed the high estimate.

There is no certainty that it will be commercially viable to produce any portion of the resources identified in the Resource Report, however the Resource Report anticipates that ten (10%) percent to fifteen (15%) percent of the volumes of Oil in Place disclosed in the above tables will be recoverable.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preference shares (“**Preferred Shares**”) of the Corporation, issuable in one or more series, each without par value. As at the date hereof, 230,803,858 Common Shares and no Preferred Shares are issued and outstanding.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend at and to vote at meetings of holders of Common Shares on the basis of one vote per Common Share, to receive dividends declared on the Common Shares, subject to the rights of the holders of shares of the Corporation ranking prior to the Common Shares, to receive pro rata the remaining property of the Corporation upon dissolution in equal rank with the holders of other common shares of the Corporation, and such other rights, privileges and restrictions normally attached to common shares.

Preferred Shares

The board of directors may issue Preferred Shares at any time and from time to time in one or more series. The board of directors has the authority to determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, of each series without further vote or action by shareholders. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, the Preferred Shares rank in priority to the Common Shares. As at the date hereof, there are no Preferred Shares issued and the Corporation has no current plans to issue any Preferred Shares.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the Corporation’s consolidated capitalization as at September 30, 2009, before and after giving effect to the November Financing and the Special Warrant Offering. This table should be read in conjunction with the Q3 Financial Statements and related management’s discussion and analysis, both of which are incorporated by reference into this short form prospectus.

<u>Designation</u>	<u>Authorized</u>	<u>As at September 30, 2009</u>	<u>As at September 30, 2009, after giving effect to the November Financing and before giving effect to the Special Warrant Offering⁽¹⁾</u>	<u>As at September 30, 2009 after giving effect to the November Financing and the Special Warrant Offering⁽²⁾</u>
Debt				
Credit Facility ⁽³⁾	US\$6,000,000	Nil	Nil	Nil
Share Capital				
Common Shares ⁽⁴⁾⁽⁵⁾⁽⁶⁾	Unlimited	\$44,522,000 (144,702,905 Common Shares)	\$52,767,000 ⁽⁷⁾ (204,702,905 Common Shares)	\$64,479,000 (227,432,905 Common Shares)
Preferred Shares ⁽⁴⁾	Unlimited	-	-	-

Notes:

- (1) On November 6, 2009, the Corporation completed the November Financing whereby an aggregate of 60,000,000 Units were issued at a price of \$0.25 per Unit for total gross proceeds of \$15,000,000. Each Unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each whole Common Share purchase warrant is exercisable into one Common Share at a price of \$0.50 per Common Share, expiring November 6, 2012. See “*Prior Sales*”. For purposes of recording this transaction, the share purchase warrants were valued at \$6 million which was recorded as contributed surplus rather than common share equity.
- (2) Based on the issuance of 22,730,000 Common Shares pursuant to the exercise of 22,730,000 Special Warrants issued pursuant to the Special Warrant Offering for gross proceeds of \$12,501,000, less the Underwriters’ fee of \$625,075 and the other expenses of the Special Warrant Offering and the qualification for distribution of the Qualified Shares (and Additional Qualified Shares, if any,) estimated to be \$300,000. In the event that the Qualification Date does not occur prior to April 1, 2010, 1,136,500 Additional Qualified Shares shall be issued to holders of Special Warrants for no additional consideration.
- (3) The Corporation has available a US\$ denominated revolving demand loan (the “**Credit Facility**”) with a Canadian chartered bank (the “**Bank**”). As at the date hereof, the total amount of credit available under the Credit Facility is US\$6,000,000. Interest on borrowings

under the Credit Facility is charged at the Bank's prime rate for US\$ borrowings plus 1.875% per annum. The Credit Facility is subject to regular review by the Bank, is payable upon demand and is secured by treasury deposits or guaranteed investment certificates in Canadian funds plus a 5% margin to account for weekly exchange rate fluctuations.. As at the date hereof, outstanding indebtedness under the Credit Facility was \$Nil.

- (4) See "Description of Share Capital".
- (5) As at September 30, 2009, the Corporation also had options outstanding to purchase an aggregate of 13,539,421 Common Shares at a weighted average exercise price of \$0.45 per Common Share. As at the date hereof, the Corporation has options outstanding to purchase an aggregate of 10,342,000 Common Shares at a weighted average exercise price of \$0.43 per Common Share.
- (6) As at September 30, 2009, the Corporation also had Common Share purchase warrants outstanding to purchase an aggregate of 3,748,750 Common Shares a weighted average price of \$0.30 per Common Share. As at the date hereof, the Corporation has Common Share purchase warrants outstanding to purchase an aggregate of 32,145,750 Common Shares at a weighted average price of \$0.49 per Common Share.
- (7) The proceeds of the November Financing, net of expenses was \$14,245,000. Of this amount, \$6,000,000 was allocated to contributed surplus, which represented the value attributed to the share purchase warrants that were issued in the November Financing.

PRIOR SALES

The following table summarizes the issuances by the Corporation of Common Shares or securities convertible into Common Shares in the 12-month period prior to the date of this short form prospectus:

Description	Number of Securities	Price per Security	Date of Issuance
Options to acquire Common Shares	3,500,000	\$0.18 ⁽¹⁾	August 24, 2009
Common Shares ⁽²⁾	68,500	\$0.20	September 17, 2009
Common Shares ⁽³⁾	125,000	\$0.30	September 21, 2009
Common Shares ⁽⁴⁾	10,000	\$0.35	November 2, 2009
Common Shares ⁽³⁾	150,000	\$0.30	November 3, 2009
Common Shares ⁽³⁾	50,000	\$0.30	November 4, 2009
Common Shares ⁽³⁾	50,000	\$0.30	November 10, 2009
Common Shares ⁽⁴⁾	68,500	\$0.20	November 20, 2009
Common Shares ⁽³⁾	200,000	\$0.30	November 25, 2009
Common Shares ⁽³⁾	100,000	\$0.30	November 27, 2009
Common Shares ⁽³⁾	200,000	\$0.30	November 27, 2009
Common Shares ⁽³⁾	125,000	\$0.30	December 4, 2009
Common Shares ⁽³⁾	100,000	\$0.30	December 7, 2009
Common Shares ⁽³⁾	250,000	\$0.30	December 30, 2009
Common Shares ⁽³⁾	125,000	\$0.30	December 30, 2009
Common Shares ⁽³⁾	25,000	\$0.30	January 7, 2009
Common Shares ⁽⁴⁾	660,889	\$0.35	January 8, 2009
Common Shares ⁽³⁾	150,000	\$0.30	January 11, 2009
Common Shares ⁽⁴⁾	708,032	\$0.35	January 15, 2009
Common Shares ⁽³⁾	25,000	\$0.30	January 25, 2009
Common Shares ⁽³⁾	15,000	\$0.50	January 25, 2009
Units ⁽⁴⁾	60,000,000	\$0.25	November 6, 2009
Options to acquire Common Shares	1,750,000	\$0.50 ⁽¹⁾	November 6, 2009
Special Warrants ⁽⁶⁾	22,730,000	\$0.55	January 25, 2010

Notes:

- (1) Represents the exercise price per option.
- (2) Represents Common Shares issued pursuant to the exercise of previously granted compensation warrants.
- (3) Represents Common Shares issued pursuant to the exercise of previously granted Common Share purchase warrants.
- (4) Represents Common Shares issued pursuant to the exercise of previously granted stock options.
- (5) On November 6, 2009, the Corporation completed the November Financing whereby an aggregate of 60,000,000 units of the Corporation were issued. Each unit consisted of one Common Share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable for one Common Share at a price of \$0.50 per Common Share, expiring November 6, 2012.
- (6) Each Special Warrant will entitle the holder thereof to receive one Qualified Share on the exercise of the Special Warrant for no additional consideration, subject to adjustment in certain circumstances. In the event that the Qualification Date does not occur prior to April 1, 2010, each Special Warrant will entitle the holder thereof to receive, for no additional consideration, 1.05 Qualified Shares (in lieu of one Qualified Share). See "*Plan of Distribution*".

TRADING PRICE AND VOLUME

The Common Shares trade on the TSXV under the symbol "SDX". The following table sets forth the reported high and low sale prices (which are not necessarily the closing prices) and the trading volumes for the Common Shares on the TSXV as reported by the TSXV for the periods indicated:

Period	High (\$)	Low (\$)	Volume
2010			
March 1-23	0.51	0.40	22,550,870
February	0.56	0.46	6,514,700
January	0.71	0.48	18,657,900
2009			
December	0.55	0.36	9,709,600
November	0.56	0.42	14,274,200
October	0.60	0.25	41,415,000
September	0.39	0.23	20,442,900
August	0.30	0.13	24,736,100
July	0.14	0.09	3,771,500
June	0.14	0.09	4,768,800
May	0.12	0.09	2,913,900
April	0.14	0.09	4,295,200
March	0.10	0.07	4,751,100
February	0.24	0.08	15,975,400

On January 13, 2010, the last complete trading day prior to the announcement of the Special Warrant Offering, the closing price of the Common Shares on the TSXV was \$0.57. On March 23, 2010, the last complete trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.455.

USE OF PROCEEDS

The gross proceeds to the Corporation from the sale of the Special Warrants was \$12,501,500. The net proceeds to the Corporation are estimated to be \$11,576,425, after deducting the Underwriters' fees in respect of the Special Warrants of \$625,075 and the estimated expenses of the Special Warrant Offering and the qualification for distribution of the Qualified Shares (and Additional Qualified Shares, if any,) estimated to be approximately \$300,000. The Corporation will not receive any additional cash proceeds upon the exercise of the Special Warrants. See "*Plan of Distribution*".

The net proceeds of the Special Warrant Offering were primarily used by the Corporation to fund the initial instalment of US \$10.0 million paid by the Corporation connection with the Kom Ombo Acquisition with the remainder being used for working capital for general corporate purposes. The balance of the consideration to be paid by the Corporation pursuant to the Kom Ombo Acquisition, inclusive of DGE's share of future capital costs is

US\$41.27 million, subject to working capital adjustments. The balance of this consideration is due on April 30, 2010. See “*Risk Factors – Kom Ombo Farmout Agreement*”.

PLAN OF DISTRIBUTION

This short form prospectus qualifies the distribution of 22,730,000 Qualified Shares issuable upon the exercise of 22,730,000 Special Warrants and up to an additional 1,136,500 Additional Qualified Share in the event that the Qualification Date does not occur on or before April 1, 2010. The Special Warrants were sold to subscribers at the Offering Price for gross proceeds of \$12,501,500 pursuant to prospectus exemptions under applicable securities legislation. The Special Warrants are not available for purchase pursuant to this short form prospectus. No additional consideration will be received by the Corporation and no fee or commission will be payable by the Corporation in connection with the distribution of the Qualified Shares (and the Additional Qualified Shares, if any) upon the exercise of the Special Warrants.

Pursuant to an underwriting agreement dated effective January 3, 2010 (the “**Underwriting Agreement**”) among the Corporation and the Underwriters, the Underwriters agreed to purchase for resale the Special Warrants in the Designated Provinces and certain other jurisdictions outside of Canada at the Offering Price. In addition, the Corporation granted to the underwriters an option (the “**Option**”) to purchase up to an additional 4,550,000 Special Warrants at a subscription price of \$0.55 per special warrant. The Underwriters did not exercise the Option and no additional Special Warrants were issued by the Corporation. Pursuant to the Underwriting Agreement, the Corporation has paid the Underwriters a fee of \$0.03 per Special Warrant for an aggregate fee of \$625,075, in consideration for their services under the Special Warrant Offering. In addition, the Underwriters were reimbursed for all reasonable out-of-pocket expenses and disbursements incurred by them in connection with the Special Warrant Offering. The Underwriters will receive no other fees in connection with the distribution of the Qualified Shares (and the Additional Qualified Shares, if any) under this short form prospectus. The Offering Price and the other terms of the Offering were determined by negotiation between the Corporation and Thomas Weisel, on its own behalf and on behalf of the Underwriters.

The Underwriting Agreement provides that the Corporation will indemnify the Underwriters and their affiliates, directors, officers, partners, employees and agents against certain liabilities and expenses.

The Corporation has agreed that it will not, without prior written notification to Thomas Weisel, which consent may not be unreasonably withheld, offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or any securities convertible or exchangeable into Common Shares (other than: (i) the issuance of non-convertible debt securities; (ii) the exercise of currently outstanding options, warrants or convertible securities of the Corporation; (iii) pursuant to the acquisition of shares or assets of arm’s length persons which does not result in a change of control of the Corporation; (iv) pursuant to the Corporation’s stock option plan; or (v) the exercise of the Special Warrants), at any time prior to 120 days after the closing of the Special Warrant Offering.

The TSXV has approved the listing of the Qualified Shares.

The Special Warrants were created and issued pursuant to the provisions of the Special Warrant Indenture. Each Special Warrant will entitle the holder thereof to receive, subject to adjustment in certain circumstances pursuant to the Special Warrant Indenture, one (1) Qualified Share on the exercise or deemed exercise of the Special Warrant. All Special Warrants will be deemed to be exercised, for no additional consideration and without any further action on the part of the holder, on the Expiry Date. In the event that the Qualification Date does not occur on or before April 1, 2010, each Special Warrant shall thereafter be exercised, for no additional consideration, into 1.05 Qualified Shares (in lieu of one Qualified Share). This short form prospectus qualifies the distribution of any Additional Qualified Shares issuable upon exercise of the Special Warrants.

The Special Warrant Indenture provides that in the event of certain alterations of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of any form of capital reorganization of the Corporation, including any amalgamation, merger or arrangement or a sale or conveyance of the property or assets of the Corporation, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional Common Shares will be issued upon the exercise of

the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in the Special Warrant Indenture.

The Special Warrant Indenture provides that all holders of Special Warrants shall be bound by any resolution passed at a meeting of the holders of Special Warrants held in accordance with the provisions of the Special Warrant Indenture and resolutions signed by the holders of a specified majority of Special Warrants.

The Qualified Shares and the Additional Qualified Shares have not been and will not be registered under the 1933 Act or the securities laws of any state, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following summary describes the principal Canadian federal income tax consequences under the current provisions of the *Income Tax Act* (Canada) and the *Income Tax Regulations* (collectively, the “**Tax Act**”) generally applicable to persons who have acquired Special Warrants pursuant to the Special Warrant Indenture and who will acquire and dispose of Common Shares issuable on the exercise of the Special Warrants and who, for the purposes of the Tax Act and at all relevant times, (1) are or are deemed to be resident in Canada, (2) hold such Special Warrants and Common Shares as capital property, and (3) deal at arm’s length with the Corporation and are not affiliated with the Corporation (“**Holders**”). Generally, the Special Warrants and Common Shares will be capital property to a Holder provided the Holder does not acquire or hold those Special Warrants and Common Shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Common Shares as capital property may in certain circumstances be entitled to have them treated as capital property by making an irrevocable election permitted by subsection 39(4) of the Tax Act to have every “Canadian security” (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years deemed to be capital property. This election does not apply to the Special Warrants. **Any Holders contemplating making such an election should consult their own tax advisors for advice with respect to making the election.**

This summary is not applicable to a Holder: (i) that is a “specified financial institution”, (ii) an interest in which is a “tax shelter investment” for the purposes of the Tax Act, (iii) that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a “financial institution” for the purposes of the Tax Act; (iv) whose “functional currency” for purposes of the Tax Act is the currency of a country other than Canada; or (v) that is a partnership or trust. Such purchasers should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act, counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency and proposed amendments to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted as proposed, or at all

This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or consideration of any province, territory or foreign jurisdiction, which may differ from those discussed herein .

The following discussion of the income tax consequences is of a general nature only and is not exhaustive of all income tax consequences and is not intended to constitute legal or income tax advice to any particular purchaser. Accordingly, prospective purchasers should consult their own income tax advisors with respect to the tax consequences which will result from holding or disposing of Special Warrants and acquiring, holding and disposing of Common Shares issuable on the exercise of the Special Warrants.

Exercise or Disposition of Special Warrants

A Holder will not realize a gain or loss on the exercise or deemed exercise of Special Warrants to acquire Common Shares. The initial cost for tax purposes to a Holder of a Common Share acquired pursuant to the exercise of a Special Warrant will generally be equal to the adjusted cost base to the Holder of the Special Warrant. The adjusted cost base to the Holder of a Common Share acquired pursuant to the exercise of Special Warrants will be determined by averaging the cost of such Common Share with the adjusted cost base of all other Common Shares owned by the Holder as capital property at that time.

A disposition or deemed disposition of Special Warrants by a Holder (other than on the exercise of such Special Warrants) will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition received by the Holder exceed (or are exceeded by) the adjusted cost base to the Holder of such Special Warrants, net of any reasonable disposition costs.

Disposition of Qualified Shares

A disposition or deemed disposition by a Holder (other than to the Corporation) of Qualified Shares acquired on the exercise of Special Warrants will generally result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition received by the Holder exceed (or are exceeded by) the adjusted cost base to the Holder of such Qualified Shares, net of any reasonable disposition costs.

Taxation of Capital Gains (Capital Losses)

Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the Holder in the year, and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

The amount of any capital loss realized by a Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received (or deemed to be received) by the Holder on such Common Share or a share for which the Share is substituted/exchanged to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Holders should consult their own advisor.

A Holder that, throughout a taxation year, is a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay, in addition to the tax otherwise payable under the Tax Act, a refundable tax of 6 2/3% of its “aggregate investment income” for that year. For this purpose, investment income will include taxable capital gains.

Dividends

A Holder will be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on the Common Shares. In the case of a Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by the Corporation as an eligible dividend in accordance with the provisions of the Tax Act. A dividend received (or deemed to be received) by a Holder that is a corporation will generally be deductible in computing the corporation’s taxable income.

A Holder that is “private corporation”, as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax of 33 1/3 % under Part IV of the Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing the Holder’s taxable income for the year.

Capital gains realized and dividends received by a Holder of Common Shares acquired on the exercise of Special Warrants, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. Such Holders should consult with their tax advisors.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel's understanding of the current published administrative practices of the Canada Revenue Agency, provided that the Corporation has fulfilled all of the listing requirements of the TSXV and the Common Shares are listed on a designated stock exchange (which currently includes the TSXV) at the time the Qualified Shares (and the Additional Qualified Shares, if any,) are acquired on the exercise of the Special Warrants, the Qualified Shares and the Additional Qualified Shares, issuable on the exercise of the Special Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSAs, each as defined in the Tax Act.

Notwithstanding that the Qualified Shares and the Additional Qualified Shares may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax if the Qualified Shares or the Additional Qualified Shares are a "prohibited investment" (within the meaning of the Tax Act). The Qualified Shares and the Additional Qualified Shares will generally be a "prohibited investment" if the holder of a TFSA does not deal at arm's length with the Corporation for purposes of the Tax Act or has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Holders of a TFSA who wish to hold Qualified Shares or the Additional Qualified Shares in their TFSA should consult their own tax advisors.

Generally a holder of a TFSA should not hold a significant interest in a corporation (including the Corporation) provided that neither the holder nor any one or more persons with whom the holder does not deal at arm's length, alone or in any combination, directly or indirectly holds 10% or more of the issued shares of any class of shares in the capital stock of the corporation. For these purposes, specific rules may deem a holder to own shares of a corporation that are held by a partnership in which the holder is a member or by a trust of which the holder is a beneficiary. A holder of a TFSA will not generally hold a significant interest in a partnership or trust if neither the holder, nor any one or more persons with whom the holder does not deal at arm's length, holds interests representing 10% or more of the fair market value of all the interests in the partnership or trust.

RISK FACTORS

An investment in the Special Warrants, Qualified Shares and Additional Qualified Shares (if applicable) involves a high degree of risk, should be considered speculative and is only suitable for those investors who are willing to risk a loss of their entire investment. Investors should carefully consider the risks described under the heading "Risk Factors" in the AIF incorporated by reference in this short form prospectus as well as the risk factors set forth below and elsewhere in this short form prospectus prior to making an investment decision and consult their own experts where necessary.

No Market for Special Warrants

There is currently no market through which the Special Warrants may be sold and purchasers may not be able to resell the Special Warrants purchased under the Special Warrant Offering. This may affect the pricing of the Special Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Special Warrants and the extent of issuer regulation. Application has been made to the TSXV to list the Qualified Shares and Additional Qualified Shares, if any, and the TSXV has approved the listing of such Common Shares. However, there can be no assurance that an active public market for trading in the Common Shares will exist.

Kom Ombo Farmout Agreement

On December 31, 2009, the Corporation, through its wholly owned subsidiary, SD Kom Ombo, entered into the Farmout Agreement with DGE for the acquisition of the Kom Ombo Assets. Pursuant to the terms of the Farmout

Agreement, the Corporation was required to pay an initial instalment of US\$10.0 million on the Closing Date with the balance of US\$27.27 million due on April 30, 2010 subject to a 90 day period in which to cure any payment default. There is no assurance that debt or equity financing will be available to the Corporation in sufficient amounts to satisfy its remaining obligations under the Farmout Agreement or if available, that such financing will be on favourable terms to the Corporation. Accordingly, there is no assurance that the Corporation will be able to pay the balance of the consideration due on the due date, during any cure period or at all. Failure of the Corporation to pay the balance of the consideration due will result in the Corporation's loss of the Kom Ombo Assets, the forfeiture by the Corporation of its participating interest in the Kom Ombo Concession and the loss of the initial instalment of US\$10.0 million without compensation or other recourse.

Additional Funding Requirements

Sea Dragon's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Sea Dragon may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities and to otherwise satisfy its financial obligations. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production will be impaired. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on favourable terms.

Resource Estimates

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond the Corporation's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

The Corporation has Undiscovered Resources and there is no certainty that any portion of the of the Undiscovered Resources will be discovered. Further, there is no certainty that it will commercially viable to produce any portion of the Undiscovered or Discovered Resources. Resources estimates may require revision based on actual production experience. Market price fluctuations of oil prices may render uneconomic the recovery of the resources.

Dividends are Discretionary

The Corporation is not obligated to pay dividends on the Common Shares. The payment of dividends is at the sole discretion of the Corporation's board of directors and as at the date hereof, the Corporation has not paid dividends. In addition, the Corporation's credit facilities may restrict its ability to pay dividends, and thus the Corporation's ability to pay dividends on its Common Shares will depend on, among other things, the Corporation's level of indebtedness at the time of the proposed dividend and whether it is in compliance with such facilities. Any reduction or elimination of dividends could cause the market price of the Common Shares to decline and could further cause the Common Shares to become less liquid, which may result in losses to shareholders.

Future Sales of Common Shares by the Corporation

The Corporation may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of Preferred Shares and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any series of Preferred Shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Corporation on the exercise of options under the Corporation's stock option plan and upon the exercise of outstanding common share purchase warrants.

Additional information on risks, assumptions and uncertainties are found in this short form prospectus under the heading “*Forward-Looking Statements*”.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are BDO Canada LLP, Chartered Accountants of Calgary, Alberta.

The transfer agent and registrar in Canada for the Common Shares is Equity Transfer & Trust Company.

INTERESTS OF EXPERTS

Certain legal matters in connection with the Special Warrant Offering will be passed upon on behalf of the Corporation by Borden Ladner Gervais LLP, Calgary, Alberta and on behalf of the Underwriters by Blake, Cassels & Graydon LLP, Calgary, Alberta. As of the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, and the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly and indirectly, less than one (1%) percent of the securities of the Corporation.

Reserve estimates contained, or incorporated by reference into, the AIF and incorporated by reference into this short form prospectus are based upon reports prepared Mr. A.D. (Tony) Anton, a Senior Vice President of the Corporation, who is considered a qualified reserves evaluator in accordance with NI 51-101. As of the date hereof, Mr. Anton beneficially owns, directly and indirectly, less than one (1%) percent of the securities of the Corporation.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation except for Mr. Edward W. Tapuska, the Corporate Secretary of the Corporation who is a partner at Borden Ladner Gervais LLP, which law firm renders legal services to the Corporation and Mr. Anton who is an officer of the Corporation.

BDO Canada LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

The Corporation has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires a Common Share on exercise or deemed exercise of the Special Warrant as provided for in this short form prospectus is, or becomes, entitled under securities legislation of a jurisdiction to the remedy of rescission because this short form prospectus or an amendment to this short form prospectus contains a misrepresentation: (a) the holder is entitled to rescission of both the holder’s exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired; (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation or the Underwriters, as the case may be, on the acquisition of the Special Warrant; and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

AUDITORS' CONSENT

Consent of BDO Canada LLP

We have read the short form prospectus of Sea Dragon Energy Inc. (the "**Corporation**") dated ●, 2010, qualifying the distribution of 22,730,000 common shares of the Corporation issuable upon exercise of 22,730,000 issued and outstanding special warrants of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and 2007, and the consolidated statements of loss, comprehensive loss and changes in shareholders' equity and cash flows for the years then ended and for the period from March 28, 2006 (inception) to December 31, 2008. Our report is dated April 14, 2009.

Calgary, Alberta
●, 2010

Chartered Accountants

Consent of Mostafa Shawki & Co

We have read the short form prospectus of Sea Dragon Energy Inc. (the "**Corporation**") dated ●, 2010, qualifying the distribution of common shares of the Corporation issuable upon exercise of issued and outstanding special warrants of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the directors of the Corporation on the statement of operations for the NW Gemsa Concession, the Arab Republic of Egypt for the year ended December 31, 2008. Our report is dated March 1, 2010.

Calgary, Alberta
●, 2010

Chartered Accountants

Consent of Ernst & Young Egypt

We have read the short form prospectus of Sea Dragon Energy Inc. (the "**Corporation**") dated ●, 2010, qualifying the distribution of common shares of the Corporation issuable upon exercise of issued and outstanding special warrants of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the directors of the Corporation on the schedule of Revenues, Royalties, Operating and General Expenses of the Kom Ombo Concession operated by Dana Gas Egypt Ltd. (formerly Centurion Petroleum Corporation) for the year ended December 31, 2008. Our report is dated ●, 2010.

Calgary, Alberta
●, 2010

Chartered Accountants

SCHEDULE "A"
PRO FORMA FINANCIAL STATEMENTS

Sea Dragon Energy Inc.

Pro Forma Schedule of Schedule of Revenues, Royalties and Operating and General and Administrative Expenses

For the nine months ended September 30, 2009

For the nine months ended September 30, 2009 <i>(Unaudited)</i> <i>(\$US 000)</i>	Sea Dragon Energy Inc.	Sea Dragon Energy (NW Gemsa) Ltd.	Kom Ombo Concession (50%)	Pro Forma Sea Dragon Energy Inc.
Revenue				
Petroleum	\$ -	5,512	803	6,315
Royalties	-	(2,789)	(313)	(3,102)
	-	2,723	490	3,213
Expenses				
Operating expenses and general and administrative expenses	-	811	1,541	2,352
	-	811	1,541	2,352
Revenues in excess of expenses, before income taxes	-	1,912	(1,051)	861
Income taxes	-	(338)	-	(338)
Revenues in excess of (less than) expenses	\$ -	1,574	(1,051)	523

Sea Dragon Energy Inc.

Pro Forma Schedule of Schedule of Revenues, Royalties and Operating and General and Administrative Expenses

For the year ended December 31, 2008

For the twelve months ended December 31, 2008 (Unaudited) (\$US 000)	Sea Dragon Energy Inc.	Sea Dragon Energy (NW Gemsa) Ltd.	Kom Ombo Concession (50%)	Pro Forma Sea Dragon Energy Inc.
Revenue				
Petroleum	\$ -	\$ -	1,362	1,362
Royalties	-	-	(531)	(531)
	-	-	831	831
Expenses				
General and administrative	-	598	2,016	2,614
	-	598	2,016	2,614
Revenues in excess of expenses, before income taxes	-	(598)	(1,185)	(1,783)
Income taxes	-	-	-	-
Revenues in excess of (less than) expenses	\$ -	(598)	(1,185)	(1,783)

Sea Dragon Energy Inc.

Notes to the Pro Forma Schedules of Revenues, Royalties and Operating and General and Administrative Expenses

For the Nine Months ended September 30, 2009 and for the year ended December 31, 2008

(Unaudited)

Basis of Presentation

On December 21, 2009, Sea Dragon Energy Inc. ("Sea Dragon") acquired all of the issued and outstanding shares of Premier Oil Egypt (NW Gemsa) B.V., subsequently renamed to be Sea Dragon Energy (NW Gemsa) B.V. Premier Oil Egypt (NW Gemsa) B.V. owned a 10% working interest in the North West Gemsa Concession in the Arab Republic of Egypt.

On December 31, 2009 Sea Dragon through its wholly owned subsidiary, Sea Dragon Energy (Kom Ombo) Ltd. signed a Farmout Agreement with Dana Gas Egypt Ltd. to acquire a 50% working interest of the Kom Ombo Area, Block 2 Concession in the Arab Republic of Egypt. The proposed acquisition had not yet closed at the time of this prospectus.

The accompanying unaudited pro forma Schedules of Revenues, Royalties and Operating and General and Administrative Expenses have been prepared by management of Sea Dragon to give effect to the proposed acquisition of Premier Oil Egypt (NW Gemsa) B.V. and the acquisition of a 50% working interest of the Kom Ombo Area, Block 2 Concession to the revenues, expenses and royalties from oil and gas operating activities of Sea Dragon.

Accounting policies used in the preparation of the unaudited pro forma Schedules of Revenues, Royalties and Expenses are disclosed in Sea Dragon's financial statements as at and for the nine months ended September 30, 2008 and as at and for the year ended December 31, 2008. The unaudited pro forma Schedule of Revenues, Royalties and Expenses should be read in conjunction with the financial statements and notes thereto.

The unaudited pro forma Schedule of Revenues, Royalties and Expenses are not necessarily indicative of the results that actually would have occurred if the events reflected herein had taken place on the dates indicated or of the results that may be obtained in the future.

The unaudited pro forma Schedule of Revenues, Royalties and Expenses for the nine months ended September 30, 2009 has been prepared from:

- The unaudited financial statements of Sea Dragon for the nine months ended September 30, 2009; and
- The unaudited Schedule of Revenues, Royalties and Operating and General and Administrative Expenses for the nine months ended September 30, 2009 for the North West Gemsa Concession; and
- The unaudited Schedule of Revenues, Royalties and Operating and General and Administrative Expenses for the nine months ended September 30, 2009 for the Kom Ombo Area 2 Concession.

The unaudited pro forma Schedule of Revenues, Royalties and Expenses for the year ended December 31, 2008 has been prepared from:

- The audited financial statements of Sea Dragon for the year ended December 31, 2008; and
- The unaudited Schedule of Revenues, Royalties and Operating and General and Administrative Expenses for the year ended December 31, 2008 for the North West Gemsa Concession; and
- The audited Schedule of Revenues, Royalties and Operating and General and Administrative Expenses for the year ended December 31, 2008 for the Kom Ombo Area 2 Concession.

SCHEUDLE "B"

**SCHEDULES OF REVENUES, ROYALTIES, OPERATING AND ADMINISTRATIVE EXPENSES FOR
THE KOM OMBO CONCESSION**

Kom Ombo Concession, Egypt

Schedule of Revenues, Royalties and Operating and General and Administrative Expenses

For the nine months ended September 30, 2009 and 2008

<i>(Unaudited)</i> (\$US 000)	100 % Concession	
	Nine months ended September 30	
	2009	2008
Revenue		
Petroleum	1,605	1,780
Royalties	(626)	(694)
	979	1,086
Expenses		
Operating expenses and general and administrative expenses	3,082	2,406
	3,082	5,016
Excess of operating and general and administrative expenses over revenues	(2,103)	(3,930)

Kom Ombo Concession, Egypt

Notes to the Schedule of Revenues, Royalties and Operating and General and Administrative Expenses For the Nine months ended September 30, 2009 and September 30, 2008

(unaudited)

1. Basis of presentation

The Schedule of Revenues, Royalties and Operating and General and Administrative Expenses of the Kom Ombo Concession reports the full amounts for the Concession. It does not include any provision for the depletion, depreciation and amortization, asset retirement costs, future capital costs or impairment of unevaluated properties.

2. Significant accounting policies

a. Revenue Recognition

Revenues are recorded when the product is sold and title has passed from the vendor to the purchaser.

b. Royalties

Royalties consist of the portion of the crude oil production attributable to Ganoub El-Wadi Holding Petroleum Company ("GANOPE"), which is owned and controlled by the Government of the Arab Republic of Egypt according to the terms of the Kom Ombo Concession Agreement. For the purpose of this schedule the value of the production is derived using the average monthly selling price for the crude oil from the concession sold by the operator of the Kom Ombo Concession.

c. Corporate income taxes

The Concession Agreement provides that the Corporation's corporate income taxes, if any, will be paid by the GANOPE out of the share of profit oil attributed to GANOPE. The amount is considered to be revenue earned by the Corporation and is included in the amount of revenues from petroleum sales, and a corresponding provision for income tax expense is recorded.

**KOMOMBO CONCESSION OPERATED BY DANA GAS EGYPT LTD, (FORMERLY CENTURION
PETROLEUM CORPORATION)**

SCHEDULE OF REVENUES, ROYALTIES, OPERATING AND GENERAL ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2008

TOGETHER WITH AUDITOR'S REPORT

Independent Auditor's Report

TO THE DIRECTORS OF SEA DRAGON ENERGY, INC.

We have audited the accompanying schedule of Revenues, Royalties, Operating and General Administrative Expenses of the Kom Ombo Concession operated by Dana Gas Egypt Ltd. (formerly Centurion Petroleum Corporation) (the "Schedule") for the year ended 31 December 2008. This Schedule is the responsibility of the management of the concession. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of Revenues, Royalties, Operating and General Administrative Expenses of the Kom Ombo Concession operated by Dana Gas Egypt Ltd. (formerly Centurion Petroleum Corporation) referred to above presents fairly, in all material respects, the Revenues, Royalties, Operating and General Administrative Expenses for the Kom Ombo Concession for the year ended 31 December 2008 in accordance with the basis of preparation set out in note 2 to the Schedule.

This report is intended solely for the information and use of the board of directors and management of Sea Dragon Energy, Inc. and for inclusion in a short form prospectus to be filed by Sea Dragon Energy, Inc. with the securities regulatory authorities in British Columbia, Alberta and Ontario, Canada and is not intended to be and should not be used for any other purposes.

"Unsigned"

Ernst & Young, Allied for Accounting and Auditing
Cairo, Egypt

Kom Ombo Concession operated by Dana Gas Egypt (formerly Centurion Petroleum Corporation)

Schedule of Revenues, Royalties, Operating and General Administrative Expenses

For the year ended 31 December 2008

	100% Concession
	US\$
Revenues	2,724,379
Royalties – (GANOUPE Share)	<u>(1,062,507)</u>
Net revenues – (Contractor Share)	<u>1,661,872</u>
<u>Expenses</u>	
Operating expenses	(1,650,112)
General administrative expenses	<u>(2,381,763)</u>
Total operating and general administrative expenses	<u>(4,031,875)</u>
Excess of operating and general administrative expenses over revenues	<u>(2,370,003)</u>

The attached notes 1 to 3 form a part of the Schedule.

Kom Ombo Concession operated by Dana Gas Egypt (formerly Centurion Petroleum Corporation)

Notes to the Schedule of Revenues, Royalties, Operating and General Administrative Expenses

31 December 2008

1. BACKGROUND AND ACTIVITIES

Dana Gas Egypt Ltd., (formerly Centurion Petroleum Corporation Egypt Inc.), incorporated in Sharjah, the United Arab Emirates, (“the Contractor”), entered into a Concession Agreement dated 9 May 2004 with the Ganoub Elwadi Holding Petroleum Company (GANOPE) and the Egyptian Government for the purpose of exploration and exploitation of petroleum in the Komombo Area (the “Concession”). The Concession is not a separate legal entity.

2. BASIS OF PRESENTATION

The accompanying Schedule of Revenues Royalties, Operating and General Administrative Expenses represents the revenues, royalties, operating and general and administrative expenses of the Concession (the “Schedule”). The Schedule has been prepared in accordance with accounting policies that comply with the recognition and measurement requirements of International Financial Reporting Standards. However, the Schedule is not a complete set of financial statement prepared in accordance with International Financial Reporting Standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Revenues, Royalties, Operating and General Administrative Expenses have been prepared in accordance with the following accounting policies described below. These accounting policies comply with International Financial Reporting Standards and Egyptian Concession basis, and comply, in all material respects, with Canadian generally accepted accounting principles. .

- A. The Schedule has been prepared on a historical cost basis.
- B. The functional and reporting currency of the Contractor and the Concession is the US Dollar. Transactions in currencies other than the US Dollar are recorded using the exchange rates announced by GANOPE on the transaction date. At year end, monetary assets and liabilities denominated in currencies other than the US Dollar are translated to US Dollar using the exchange rates announced by GANOPE on that date. Translation differences are recorded in the statement of income.
- C. The Concession Agreement provides that GANOPE shall assume, pay and discharge, in the name and on behalf of the Contractor, the Contractor’s Egyptian income tax out of GANOPE’s share of the oil produced and saved and not used in operations.

Egyptian income tax attributable to the Contractor is in accordance with the concession agreement, paid on their behalf by the Egyptian General Petroleum Company. Accordingly, petroleum revenue is grossed up by the appropriate tax amount.

Kom Ombo Concession operated by Dana Gas Egypt (formerly Centurion Petroleum Corporation)

Notes to the Schedule of Revenues, Royalties, Operating and General Administrative Expenses

31 December 2008

- D. Revenue from sale of oil is recognized when significant risks and rewards of ownership have been transferred, which is when title passes to (GANOPE). This generally occurs when product is physically transferred into a vessel, Pipe or other delivery mechanism.

Revenue from the production of oil in which the Concession has an interest with other producers is recognized on the Concession's working interest and the terms of the relevant production sharing contracts.

In accordance with the concession agreement all oil should be sold to (GANOPE).

- E. The concession agreement states that contractor shall recover, quarterly, all costs, expenses and expenditures in respect of all the exploration, development and related operations under this agreement to the extent and out of forty percent of all petroleum produced and saved. All such costs and expenses and the related recoveries are not included in the Schedule. The remaining sixty percent shall be divided between GANOPE and the contractor according to the following shares:

Crude oil	GANOPE share (%)	Contractor share (%)
Less than 25000 BOPD	65	35
25000 BOPD and above	70	30

- F. Depreciation, depletion and amortization expenses, costs related to geological and geo physical studies and asset retirement obligation expenses are not included in operation and general administrative expenses.

CERTIFICATE OF THE CORPORATION

Dated: March 24, 2010

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

(signed) "*Said S. Arrata*"
Executive Chairman and Chief Executive Officer

(signed) "*Cameron Dow*"
Chief Financial Officer

On Behalf of the Board of Directors

(signed) "*David M. Thompson*"
Director

(signed) "*Paul Moase*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: March 24, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

THOMAS WEISEL PARTNERS CANADA INC.

By: (signed) "*Paul Colucci*"
Managing Director, Investment Banking

MAISON PLACEMENTS CANADA INC.

By: (signed) "*John R. Ing*"
President and Chief Executive Officer