

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 – 12<sup>th</sup> Avenue S.W., Calgary, Alberta T2R 1L5, telephone: (403) 457-5035, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

April 12, 2010



**\$57,000,000**

**142,500,000 Common Shares**

**Price: \$0.40 per Offered Share**

This short form prospectus qualifies the distribution of 142,500,000 common shares (the "Offered Shares") of Sea Dragon Energy Inc. ("Sea Dragon" or the "Corporation") at a price of \$0.40 (the "Offering Price") per Offered Share (the "Offering"). The issued and outstanding common shares in the capital of the Corporation (the "Common Shares") are listed and posted for trading on the TSX Venture Exchange (the "TSXV") under the symbol "SDX". On March 25, 2010, the last complete trading day before the public announcement of the Offering, the closing price of the Common Shares on the TSXV was \$0.43, and on April 9, 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 \$0.50. The TSXV has conditionally approved the listing of the Offered Shares distributed under this short form prospectus on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. The terms of the Offering, including the Offering Price, were determined by negotiation between the Corporation and GMP Securities L.P. ("GMP") and Thomas Weisel Partners Canada Inc. ("Thomas Weisel"), on their own behalf and on behalf of Genuity Capital Markets, FirstEnergy Capital Corp. and Maison Placements Canada Inc. (collectively, the "Underwriters"). See "Plan of Distribution".

	<u>Price to the Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to the Corporation<sup>(2)</sup></u>
Per Offered Share	\$0.40	\$0.02	\$0.38
Total	\$57,000,000	\$2,850,000	\$54,150,000

**Notes:**

- (1) The Corporation has agreed to pay the Underwriters a cash commission equal to 5% of the gross proceeds of the Offering. See "Plan of Distribution".
- (2) Before deducting the expenses of the Offering, estimated to be \$250,000, which will be paid from the gross proceeds of the Offering.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Corporation and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal

matters relating the Offering on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about April 19, 2010, or such other date as the Corporation and the Underwriters may agree, but in any event, not later than May 14, 2010. See "*Plan of Distribution*".

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

**The Underwriters propose to offer the Offered Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See "*Plan of Distribution*".**

**An investment in the Offered Shares 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. An investment in the Offered 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 (as herein defined), 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. A portion of the net proceeds of the Offering will be used in part to satisfy the Corporation's payment obligation in respect of the Kom Ombo Concession. See "*Recent Developments – The Kom Ombo Acquisition*" and "*Use of Proceeds*".** 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 – 12<sup>th</sup> Avenue S.W., Calgary, Alberta T2R 1L5 and its registered and records office is located at 1000, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 4H2.

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## 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
bbl/d	barrels of oil per day
Mbbbls	thousand barrels
MMbbbls	million barrels

### Natural Gas

mcf	thousand cubic feet
MMcf	million cubic feet
MMcf/d	million cubic feet per day

### 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

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”).

## CURRENCY AND EXCHANGE RATE INFORMATION

In this short form prospectus, references to “\$” are references to Canadian dollars and references to “US\$” are references to United States dollars. The following table sets forth, for each of the periods indicated, the high and low rates of exchange for one Canadian dollar expressed in United States dollars, the average rate of exchange during each such period and the end of period rate, each based on the noon buying rate published by the Bank of Canada (the “Noon Buying Rate”).

	Three months ended March 31,	Year ended December 31,		
	2010	2009	2008	2007
High.....	US\$0.9888	US\$0.9716	US\$1.0289	US\$1.0905
Low .....	US\$0.9316	US\$0.7692	US\$0.7711	US\$0.8437
Average .....	US\$0.9615	US\$0.8757	US\$0.9381	US\$0.9304
End of Period.....	<b>US\$0.9846</b>	<b>US\$0.9515</b>	<b>US\$0.8210</b>	<b>US\$1.0120</b>

On April 9, 2010, the Noon Buying Rate was \$1.00 = US\$0.9945 as reported by the Bank of Canada.

## 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 closing of the Offering;
- the use of proceeds of the 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.

## FOREIGN JURISDICTION

Certain of the directors of the Corporation, including a director that has signed this short form prospectus, reside outside of Canada. Although the director of the Corporation that has signed this short form prospectus has appointed Borden Ladner Gervais LLP at 1000, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 4H2 as his agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against the director of the Corporation that has signed this short form prospectus.

## 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 – 12<sup>th</sup> 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](http://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 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 April 12, 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 dated April 12, 2010, as amended (the "**NW Gemsa BAR**"), 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 April 12, 2010;
- (i) the Corporation's business acquisition report dated April 12, 2010, as amended (the "**Kom Ombo BAR**"), in respect of the Kom Ombo Acquisition (as herein defined), as filed on SEDAR on April 12, 2010;
- (j) 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 27, 2009;
- (k) 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 20, 2009;
- (l) 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;
- (m) 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;
- (n) 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;
- (o) the material change report of the Corporation (the "**Special Warrant Material Change Report**") dated February 3, 2010 with respect to the completion by the Corporation of the Special Warrant Offering (as herein defined), as filed on SEDAR on February 4, 2010;
- (p) 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; and
- (q) the material change report of the Corporation dated April 5, 2010 with respect to the Offering, as filed on SEDAR on April 5, 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 – 12<sup>th</sup> Avenue S.W., Calgary, Alberta T2R 1L5 and its records and registered office is located at 1000, 400 – 3<sup>rd</sup> 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 pursuant to the Kom Ombo Acquisition.

## 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

### Kom Ombo Development

On March 25, 2010, the Corporation announced that in the Al Baraka field, ten new wells are planned including potentially one horizontal well towards the end of 2010. A new drilling rig is currently being selected for this year’s drilling program and the Corporation expects to spud its first well in mid-April 2010. Tubulars, wellheads and other drilling materials available in the Corporation’s and DGE’s (as herein defined) inventories will be utilized and new materials are being ordered. It is anticipated that surface facilities will be expanded to handle additional production, which is expected to reach 3,000 bbl/d gross by year-end. This anticipated production rate is based upon the budgeted current production rate of 1,000 bbl/d from the four producing wells on the Al Baraka field. In addition, the Corporation has conservatively estimated that production from each of the new wells to be drilled as part of this year’s drilling program will be on average 400 bbl/d with a 50% decline rate in the first year and 30% in subsequent years (which is in line with production from the first three wells on the Al Baraka field).

Planned exploration activities, outside the Al Baraka field, include the acquisition of 300 square kilometres of 3-D seismic and up to 300 kilometres of 2-D seismic and the drilling of an exploratory well. The total 2010 gross budget in respect of the Kom Ombo Concession, including the costs for the planned exploration activities outside the Al Bakara field, is estimated to be US\$34,000,000 with the Corporation’s 50% share being US\$17,000,000.

## **NW Gemsa Development**

On March 25, 2010, the Corporation announced that in the Al Amir SE field, two additional wells have been planned, specifically the Al Amir#7 appraisal well and one water injection well. Further, in the Geyad field, the Geyad#3 development well is scheduled to be drilled during the third quarter of 2010. Existing field facilities are expected to be augmented with additional storage capacity, flow line, pipe lines and manifolds. It is anticipated that geological and engineering studies will be carried out in preparation for water flooding expected to commence early in 2011. Exploration activities are expected to include reprocessing of existing seismic and the potential drilling of an exploratory well. Total expenditures for 2010 are estimated at US\$46,000,000 with the Corporation's 10% share being US\$4,600,000 (inclusive of operating expenditures). As a result of the additional development drilling and facilities expansion, total gross production from the concession is expected to exceed the 10,000 bbl/d level by year-end. This anticipated production rate is based upon current production of approximately 8,600 bbl/d from 7 wells on the NW Gemsa Concession, which wells have been currently choked back pending the installation of new production facilities expected to be installed during the 2<sup>nd</sup> quarter 2010. In addition the operator of the NW Gemsa Concession is currently drilling the Al Amir 6 well with Al Amir 7 and Geyad 3 wells to follow in 2010. Wells on the NW Gemsa Concession have typically gone into production flowing 1,500 bbl/d, which supports the Corporation's assumption that the total gross production from the NW Gemsa Concession is expected to exceed the 10,000 bbl/d level by year end.

## **Drilling and Production of Appraisal Well**

On March 9, 2010, the Corporation and its partners in respect of 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. On March 22, 2010, Al Amir SE-5 commenced production at a rate of approximately 1,500 bbl/d using a 24/64 inch choke. All seven producing wells have now been choked back to minimize gas flaring and prepared for the installation and tie-in of permanent treating facilities, flow-lines and pipelines. Cumulative oil production from the Al Amir and Geyad oil fields has now surpassed 1.7 MMbbls.

## **Alliance Agreement**

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. On March 25, 2010, the Corporation announced that 11 projects have now been identified as candidates for evaluation by the Corporation. Preliminary screening work has commenced on these new opportunities.

## **The Special Warrant Offering**

On January 25, 2010, the Corporation issued 22,730,000 special warrants (the "**Special Warrants**") pursuant to a special warrant indenture (the "**Special Warrant Indenture**") at a price of \$0.55 per Special Warrant 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**"). Each Special Warrant entitles the holder thereof to receive, subject to adjustment in certain circumstances, one (1) Common Share (the "**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 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) May 26, 2010. As the Qualification Date did not occur on or prior to April 1, 2010, each Special Warrant shall 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**”. On March 24, 2010, the Corporation filed a preliminary short form prospectus relating to the qualification of the distribution of the Qualified Shares.

The net proceeds of the Special Warrant Offering were primarily used by the Corporation to fund the initial instalment of US\$10,000,000 paid by the Corporation connection with the Kom Ombo Acquisition, with the remainder being used for working capital and general corporate purposes. See “*Recent Developments – The Kom Ombo Acquisition*”.

For further details regarding the Special Warrant Offering, please see the Special Warrant Material Change Report, a copy of which is available on SEDAR and is incorporated by reference herein. See “*Documents Incorporated by Reference*”.

### **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\$41,270,000, inclusive of DGE’s share of costs incurred after the Effective Date in the amount of US\$4,000,000 and subject to post-closing working capital adjustments, estimated to be approximately US\$4,000,000 (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, subject to the payment of the remainder of the consideration as described herein (the “**Closing Date**”).

Pursuant to the terms of the Farmout Agreement, SD Kom Ombo has paid an initial instalment of US\$10,000,000 and has been registered as the legal holder of a fifty (50%) percent participating interest in the Kom Ombo Concession. The initial instalment of US\$10,000,000 was funded through the net proceeds of the Special Warrant Offering. The balance of the farmout consideration of US\$27,270,000 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 the Kom Ombo Assets and the forfeiture of the initial instalment amount without compensation to the Corporation.** The balance of the farmout consideration is to be paid using a portion of the net proceeds of the Offering. See “*Use of Proceeds*” and “*Risk Factors – Kom Ombo Farmout Agreement*”.

In addition, SD Kom Ombo is required to pay US\$4,000,000 of DGE’s share of costs incurred after the Effective Date in three instalments of US\$1,330,000 each on the first three cash calls to be issued after the Closing Date. Under the terms of the Farmout Agreement, approximately US\$16,200,000 of the aggregate consideration may be fully cost recoverable by SD Kom Ombo out of future production proceeds generated from the Kom Ombo Concession. See “*Use of Proceeds*” and “*Risk Factors – Kom Ombo Farmout Agreement*”.

SD Kom Ombo is also required to deliver to DGE a letter of guaranty (the “**Letter of Guaranty**”) issued from a commercial bank, in the amount of US\$4,500,000, to cover SD Kom Ombo’s 50% share of the Letter of Guaranty issued by DGE to Ganoube El Wadi Holding Petroleum Company (“**GANOPE**”), in the amount of US\$9,000,000. The Letter of Guaranty issued to GANOPE by DGE is required pursuant to the Kom Ombo concession agreement in Kom Ombo area Block 2 with GANOPE signed on July 18, 2004, to secure the maximum amount of expenditures that DGE has committed to spend under the third exploration phase of 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, 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 of the Corporation estimates SD Kom Ombo’s share of these costs, incurred between the Effective Date and the Closing Date, to be approximately US\$4,000,000. 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 remainder of the purchase price of the Kom Ombo Acquisition with a portion of the net proceeds of the Offering. See “*Use of Proceeds*” and “*Risk Factors- Kom Ombo Farmout Agreement*”.

For further details regarding the Kom Ombo Acquisition, please see the Kom Ombo BAR, a copy of which has been filed on SEDAR and is incorporated by reference herein. See “*Documents Incorporated by Reference*”.

## 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, the Special Warrant Offering and the 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 the Special Warrant Offering and before giving effect to the Offering<sup>(1)(2)</sup></u>	<u>As at September 30, 2009 after giving effect to the November Financing, the Special Warrant Offering and the Offering<sup>(3)</sup></u>
<b>Debt</b>				
Credit Facility <sup>(4)</sup>	US\$6,000,000	Nil	Nil	Nil
<b>Share Capital</b>				
Common Shares <sup>(5)(6)(7)</sup>	Unlimited	\$44,522,000 (144,702,905 Common Shares)	\$64,343,425 (228,569,405 Common Shares)	\$118,243,425 (371,069,405 Common Shares)
Preferred Shares <sup>(4)</sup>	Unlimited	Nil	Nil	Nil

**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*”. The proceeds of the November Financing, net of expenses, was \$14,245,000. For the purposes of recording this transaction, the share purchase warrants were valued at \$6,000,000 which was recorded as warrant equity rather than common share equity.
- (2) Based on the issuance of 23,866,500 Common Shares, which number includes 1,136,500 Additional Qualified 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 fees of the underwriters 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 estimated to be \$300,000.
- (3) Based on the issuance of 142,500,000 Offered Shares pursuant to the Offering for gross proceeds of \$57,000,000, less the Underwriters’ fee of \$2,850,000 and the other expenses of the Offering estimated to be \$250,000.
- (4) 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.
- (5) See “*Description of Share Capital*”.
- (6) 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 10,273,500 Common Shares at a weighted average exercise price of \$0.43 per Common Share.
- (7) 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 30,000,000 Common Shares at a weighted average price of \$0.50 per Common Share.

## 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, 208,889,358 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.

## 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 <sup>(1)</sup>	August 24, 2009
Common Shares <sup>(2)</sup>	68,500	\$0.20	September 17, 2009
Common Shares <sup>(3)</sup>	125,000	\$0.30	September 21, 2009
Common Shares <sup>(2)</sup>	10,000	\$0.35	November 2, 2009
Common Shares <sup>(3)</sup>	150,000	\$0.30	November 3, 2009
Common Shares <sup>(3)</sup>	50,000	\$0.30	November 4, 2009
Units <sup>(4)</sup>	60,000,000	\$0.25	November 6, 2009
Options to acquire Common Shares	1,750,000	\$0.50 <sup>(1)</sup>	November 6, 2009
Common Shares <sup>(3)</sup>	50,000	\$0.30	November 10, 2009
Common Shares <sup>(2)</sup>	68,500	\$0.20	November 20, 2009
Common Shares <sup>(3)</sup>	200,000	\$0.30	November 25, 2009
Common Shares <sup>(3)</sup>	100,000	\$0.30	November 27, 2009
Common Shares <sup>(3)</sup>	200,000	\$0.30	November 27, 2009
Common Shares <sup>(3)</sup>	125,000	\$0.30	December 4, 2009
Common Shares <sup>(3)</sup>	100,000	\$0.30	December 7, 2009
Common Shares <sup>(3)</sup>	250,000	\$0.30	December 30, 2009
Common Shares <sup>(3)</sup>	125,000	\$0.30	December 30, 2009

<b>Description</b>	<b>Number of Securities</b>	<b>Price per Security</b>	<b>Date of Issuance</b>
Common Shares <sup>(3)</sup>	25,000	\$0.30	January 7, 2010
Common Shares <sup>(2)</sup>	708,032	\$0.35	January 8, 2010
Common Shares <sup>(3)</sup>	150,000	\$0.30	January 11, 2010
Common Shares <sup>(2)</sup>	660,889	\$0.35	January 12, 2010
Common Shares <sup>(2)</sup>	323,532	\$0.60	January 25, 2010
Common Shares <sup>(3)</sup>	75,000	\$0.30	January 25, 2010
Special Warrants <sup>(5)</sup>	22,730,000	\$0.55	January 25, 2010
Over-allotment option to acquire Special Warrants <sup>(6)</sup>	4,550,000	\$0.55	January 25, 2010
Common Shares <sup>(2)</sup>	68,500	\$0.20	February 8, 2010
Common Shares <sup>(3)</sup>	25,000	\$0.30	March 6, 2010
Common Shares <sup>(3)</sup>	25,000	\$0.30	March 11, 2010
Common Shares <sup>(3)</sup>	125,000	\$0.30	March 24, 2010
Common Shares <sup>(3)</sup>	572,000	\$0.30	March 31, 2010

**Notes:**

- (1) Represents the exercise price per option.
- (2) Represents Common Shares issued pursuant to the exercise of previously granted stock options.
- (3) Represents Common Shares issued pursuant to the exercise of previously granted Common Share purchase warrants.
- (4) 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.
- (5) As the Qualification Date did not occur on or prior to April 1, 2010, each Special Warrant will entitle the holder thereof to receive 1.05 Qualified Shares on the exercise of the Special Warrant for no additional consideration, subject to adjustment in certain circumstances. See *Recent Developments – The Special Warrant Offering*.
- (6) In connection with the Special Warrant Offering, 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.

### **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:

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2010</b>			
April 1 – 9	0.54	0.425	11,581,830
March	0.51	0.40	29,401,084
February	0.56	0.46	6,514,700
January	0.71	0.48	18,657,900
<b>2009</b>			
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

On March 25, 2010, the last complete trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSXV was \$0.43 and on April 9, 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 \$0.50.

#### USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Offered Shares under this short form prospectus are estimated to be \$53,900,000 after deducting the Underwriters' fee of \$2,850,000 and the estimated expenses of the Offering of \$250,000. The net proceeds of the Offering will be primarily used by the Corporation to fund the balance of the farmout consideration owing by the Corporation pursuant to the Kom Ombo Acquisition in the amount of US\$27,270,000 (\$27,419,985) (subject to working capital adjustments estimated to be approximately US\$4,000,000 (\$4,022,000), for an aggregate amount of approximately US\$31,270,000 (\$31,441,985)), to pay DGE's share of costs on the Kom Ombo Concession incurred after the Effective Date in the amount of US\$4,000,000 (\$4,022,000), to fund the Corporation's capital expenditure program for 2010 in respect of Kom Ombo and NW Gemsa as further described below and for general working capital. See "*Recent Developments – The Kom Ombo Acquisition*".

<u>Activity</u>	<u>Kom Ombo US\$<sup>(1)</sup></u>	<u>NW Gemsa US\$</u>	<u>Total \$US</u>
Seismic Acquisition and Reprocessing	3.0	0.0	3.0
Drilling Exploration Wells	1.5	0.5	2.0
Drilling Development Wells	10.0	1.0	11.0
Upgrading Processing Facilities	2.5	0.5	3.0
<b>Total</b>	<b>17.0</b>	<b>2.0</b>	<b>19.0</b>

**Note:**

- (1) The Corporation expects to post its share of the Letter of Guaranty in the amount of up to US\$4,500,000 (adjusted for any prior approved spending under Phase 3 of the Kom Ombo Concession). As the Corporation anticipates expending approximately US\$4,500,000 in respect of seismic acquisition and drilling exploration wells, the Corporation expects that it will be refunded the Letter of Guaranty amount. See "*Recent Developments – The Kom Ombo Acquisition*".

The Corporation's capital expenditure program for 2010 is approximately US\$19,000,000 (\$19,104,500), of which US\$17,000,000 (\$17,093,500) is anticipated to be spent on the development of the Kom Ombo Concession and the remainder which is anticipated to be spent on the development of the NW Gemsa Concession in the amount of US\$2,000,000 (exclusive of operating expenditures). The Corporation's capital expenditure program in respect of the Kom Ombo Concession includes, but is not limited to, a drilling program of up to 10 development wells expected to commence in mid-April 2010 (the "**Drilling Program**"), expanding production facilities to accommodate the possible increase in production through the success from drilling development wells, the acquisition of additional 3-D and 2-D seismic and the drilling of exploration wells. With respect to the NW Gemsa Concession, the Corporation's capital expenditure program includes, but is not limited to, the drilling of up to 3 delineation wells, the drilling of an injector well and expanding the production facilities.

The intended use of the available funds exceeds the net proceeds of the Offering by approximately \$668,485. Accordingly, it is expected that the Corporation will require additional funds to fully execute its capital expenditure program. The Corporation anticipates that it will be able to generate sufficient revenues from the sale of the Corporation's reserves to cover operating costs, which revenues plus the working capital available to the Corporation, will also supplement the Corporation's capital expenditure program. With respect to the Kom Ombo Concession, it is expected that production will increase to 3,000 bbl/d by the end of 2010 with the introduction of the Drilling Program and that the Corporation's 50% share of the production revenues will contribute to operating costs and to the Corporation's capital expenditure program. With respect to the NW Gemsa Concession, current production is 8,600 bbl/d and the Corporation projects that gross production will exceed 10,000 bbl/d by the end of

2010. The Corporation's 10% share of production is expected to positively contribute towards operating costs and the Corporation's capital expenditure program. See "*Risk Factors*".

The use of the net proceeds of the Offering by the Corporation is consistent with Sea Dragon's stated business objectives, being the development of discovered but undeveloped or under-developed assets in the Middle East and Africa. There is no particular significant event or milestone that must occur for Sea Dragon's business objectives to be accomplished. While Sea Dragon believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "*Risk Factors*" in this short form prospectus and the AIF.

Although the Corporation intends to expend the net proceeds from the Offering as described above, the actual allocation of net proceeds may vary from that set out above, depending on future operations on the Corporation's properties or unforeseen events.

### **PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated effective March 26, 2010, among the Corporation and the Underwriters, the Corporation has agreed to issue and sell the Offered Shares to the Underwriters and the Underwriters have severally agreed to purchase such Offered Shares at a price of \$0.40 per Common Share on April 19, 2010, or such other date as may be agreed by the Corporation and the Underwriters (subject to the termination rights described below), payable in cash to the Corporation against delivery, subject to compliance with all necessary legal requirements and terms and conditions of the Underwriting Agreement. The Underwriting Agreement provides that, the Corporation will pay the Underwriters a fee of \$0.02 per Offered Share for an aggregate fee payable by the Corporation of \$2,850,000, in consideration for the services of the Underwriters in connection with the Offering. The terms of the Offering, including the Offering Price, were determined by negotiation between the Corporation and GMP and Thomas Weisel, on their own behalf and on behalf of the other Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of the Offered Shares that it has agreed to purchase, the remaining Underwriters are obligated to purchase the Offered Shares not purchased by the Underwriter or Underwriters which fail to purchase unless the percentage of the total number of Offered Shares which one or more of the Underwriters fail to purchase exceeds 5.0% of the total number of Offered Shares being offered, in which case the remaining Underwriters may, but are not obligated to, purchase such Offered Shares. The Underwriters are, however, obligated to take up and pay for all Offered Shares if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their affiliates, directors, officers, partners, agents, shareholders and employees against certain liabilities and expenses.

It is expected that closing of the Offering will occur on or about April 19, 2010, or such other date as the Corporation and the Underwriters may agree but in any event, not later than May 14, 2010.

The Corporation has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Offered Shares initially at the offering price specified herein. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling prices to investors from time to time in order to sell any of the Offered Shares remaining unsold. In the event the Offering Price is reduced, the compensation received by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to the Corporation for the Offered Shares. Any such reduction will not affect the proceeds received by the Corporation or the fees payable by the Corporation to the Underwriters in connection with the Offering.

The Corporation has agreed that, from the date of the Underwriting Agreement and ending on the date that is 90 days following the closing date of the Offering, that it will not offer, or announce the offering of, or make or

announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior written consent of GMP (on behalf of the Underwriters), not to be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may, without such consent: (i) grant options to directors, officers, consultants or employees of the Corporation pursuant to the Corporation's shareholder approved stock option plan; (ii) issue Common Shares on exercise of outstanding options issued pursuant to the Corporation's shareholder approved stock option plan or on exercise of other outstanding instruments as of the date of the Underwriting Agreement; (iii) issue Common Shares in connection with the Special Warrant Offering, and (iv) issue Common Shares to satisfy obligations under instruments outstanding as of the date of the Underwriting Agreement.

The TSXV has conditionally approved the listing of the Offered Shares distributed under this short form prospectus on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

The Offered Shares offered hereby have not been and will not be registered under the 1933 Act, or any state securities laws, 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. The Underwriting Agreement permits the Underwriters to offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to certain "qualified institutional buyers" (as such term is defined in Rule 144A under the 1933 Act) in the United States, provided such offers and sales are made in accordance with Rule 144A under the 1933 Act and similar exemptions under applicable state securities laws. The Underwriting Agreement also permits the Underwriters to offer the Offered Shares for sale directly by the Corporation to certain "institutional accredited investors" (within the meaning of Rule 501(a)(1),(2),(3) or (7) of Regulation D under the 1933 Act), provided that such offers and sales are made in accordance with the exemption from the registration requirements of the 1933 Act provided by Rule 506 of Regulation D under the 1933 Act, and similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares hereby in the United States.

In addition, until 40 days after the commencement of this Offering, an offer or sale of the Offered Shares offered under this short form prospectus within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the 1933 Act.

### **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 provisions of the *Income Tax Act* (Canada) and the regulations thereunder in force as of the date hereof (the "**Tax Act**"), and the proposed amendments to the Tax Act publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof, the Offered Shares if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax free savings accounts ("**TFSA**") (collectively, "**Plans**"), provided that the Common Shares are listed on a designated stock exchange (which currently includes the TSXV) at such time. Notwithstanding that the Offered Shares may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Offered Shares held in the TFSA if such Offered Shares are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Offered Shares will generally be a "prohibited investment" if the holder of the TFSA does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder of the TFSA has a "significant interest" (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act.

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 Offered Shares 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.**

### **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\$10,000,000 on the Closing Date with the balance of US\$27,270,000 due on April 30, 2010 subject to a 90 day period in which to cure any payment default. There is no assurance that the Offering will be completed or that alternative 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\$10,000,000 without compensation or other recourse.

### **Failure to Realize Anticipated Benefits of Acquisitions**

The Corporation has completed the Kom Ombo Acquisition to strengthen its position in the industry and to create the opportunity to realize certain benefits, including, among other things, potential cost savings. In order to achieve the benefits of this and future acquisitions, the Corporation will be dependent upon its ability to successfully consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities and synergies from combining the acquired assets and operations with those of the Corporation. The integration of acquired assets and operations requires the dedication of management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of such prior acquisitions.

### **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.

### **Reallocation of Net Proceeds**

The Corporation currently intends to allocate the net proceeds received from the Offering as described under “Use of Proceeds” in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in “Use of Proceeds” if it believes it would be in the best interests of the Corporation to do so as circumstances change. The failure by

management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

### **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.

### **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.

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

### **CEASE TRADE ORDERS, BANKRUPTCIES AND PENALTIES AND SANCTIONS**

Except as described below, no director, executive officer or control person of the Corporation is, or within the ten years prior to the date of this prospectus has been, a director or officer of any issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person:

- Parvez Tyab, a director and officer of the Corporation until July 2009, was a director and officer of Dayton Shoe Co. Ltd. ("**Dayton**"), a private British Columbia company, from February 1999 to October 2004. In October 2004, Dayton was placed into receivership.
- Said Arrata, a director and officer of the Corporation, was a director of Fuel-X International, a private equity company, until May 2008, which company was put into receivership as a result of the inability to raise necessary funds.
- Cameron Dow, an officer of the Corporation, was a director of Fairsky Resources Inc. ("**Fairsky**"), an Alberta company listed on the TSXV, until December 2006. In December 2006, Fairsky was placed into receivership,

No director, officer or control person of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body which would be important to a reasonable investor making an investment decision.

No director, officer or control person of the Corporation (or a personal holding company of any such person) is, or within the ten years prior to the date of this prospectus has become, bankrupt, made a proposal under any legislation

relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

### **EXEMPTIONS**

On March 15, 2010, the Corporation received an order (Sea Dragon Energy Inc., Re, 2010 ABASC112) from the Alberta Securities Commission granting the Corporation an exemption from the requirement to include in the NW Gemsa BAR certain financial information as required by Section 8.4 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) on the condition that the Corporation include in the NW Gemsa BAR certain alternative financial information as set out in Section 8.10 of NI 51-102.

### **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 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 and resource estimates 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.

Certain financial statements incorporated by reference in this short form prospectus were audited by each of BDO Canada LLP, Mostafa Shawki & Co and Allied for Accounting & Auditing (a member of Ernst & Young Global) (“**Ernst & Young Egypt**”). BDO Canada LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. Ernst & Young Egypt are independent within the meaning of the Code of Ethics for Professional Accountants of the International Federation of Accountants. As of the date hereof, the “designated professionals” (as such term is defined in Form 51-102F2) of Mostafa Shawki & Co, as a group, beneficially own, directly and indirectly, less than one (1%) 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.

### **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain of the provinces 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, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, 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.

## AUDITORS' CONSENTS

### Consent of BDO Canada LLP

We have read the short form prospectus of Sea Dragon Energy Inc. (the "**Corporation**") dated April 12, 2010, qualifying the distribution of 142,500,000 common shares 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 and comprehensive loss, 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  
April 12, 2010

(signed) "*BDO Canada LLP*"  
Chartered Accountants

### Consent of Mostafa Shawki & Co

We have read the short form prospectus of Sea Dragon Energy Inc. (the "**Corporation**") dated April 12, 2010, qualifying the distribution of 142,500,000 common shares 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 Sea Dragon Energy (NW Gemsa) B.V. (formerly Premier Oil Egypt (NW Gemsa) B.V.) for the year ended December 31, 2008. Our report is dated April 12, 2010.

Cairo, Egypt  
April 12, 2010

(signed) "*Mostafa Shawki & Co*"  
Chartered Accountants

### Consent of Allied for Accounting & Auditing (A member of Ernst & Young Global)

We have read the short form prospectus of Sea Dragon Energy Inc. (the "**Corporation**") dated April 12, 2010, qualifying the distribution of 142,500,000 common shares 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 administrative 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 March 31, 2010.

Cairo, Egypt  
April 12, 2010

(signed) "*For Allied for Accounting & Auditing  
(A member of Ernst & Young Global)*"  
Chartered Accountants

**CERTIFICATE OF THE CORPORATION**

Dated: April 12, 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 each of the provinces of Canada, excluding Québec.

(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: April 12, 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 each of the provinces of Canada, excluding Québec.

**GMP SECURITIES L.P.**

By: (signed) "*Wade Felesky*"  
Managing Director, Investment Banking

**THOMAS WEISEL PARTNERS  
CANADA INC.**

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

**GENUITY CAPITAL MARKETS**

By: (signed) "*Tony P. Loria*"  
Principal & Head of Oil and Gas

**FIRSTENERGY CAPITAL CORP.**

By: (signed) "*Erik B. Bakke*"  
Vice President & Director, Corporate Finance

**MAISON PLACEMENTS CANADA INC.**

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