SEA DRAGON ENERGY INC.

Annual Information Form
For the year ended December 31, 2010

March 29, 2011

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MONETARY REFERENCES

All dollar amounts in this annual information form (the "**Annual Information Form**"), unless otherwise indicated, are stated in United States currency. All references herein to "$" or "US$" are to United States dollars unless otherwise specified. References herein to "$CDN" are to Canadian dollars.

ABBREVIATIONS

In this Annual Information Form the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids

bbl	barrel of crude oil
bbls	barrels of crude oil
bbls/d	barrels of crude oil per day
mbbls	thousands of barrels of crude oil
NGLs	natural gas liquids

Natural Gas

mscf	thousand standard cubic feet
mscfd	thousand standard cubic feet per day

Other

API	American Petroleum Institute the measure of the density or gravity of liquid petroleum products derived from a specific gravity	m	metres
		m^3	cubic metres
		km	kilometres
		km^2	square kilometres

CONVERSION

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

To Convert From	To	Multiply By
Mcf	cubic meters	28.174
cubic meters	cubic feet	35.315
bbls	cubic meters	0.159
cubic meters	bbls	6.289
feet	meters	0.305
meters	feet	3.281
miles	kilometers	1.609
kilometers	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

CONVENTIONS

Certain terms used herein are defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") or the Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**") and, unless the context otherwise requires, shall have the same meanings in this Annual Information Form as in NI 51-101 or the COGE Handbook.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form and in certain documents incorporated by reference into this document constitute forward-looking statements. These statements relate to future events or the Sea Dragon's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve numerous assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed, anticipated or implied in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and accordingly, such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. Actual operational and financial results or events may differ materially from Sea Dragon's expectations contained in the forward-looking statements as a result of various factors, many of which are beyond the control of the Corporation.

Forward-looking statements in this Annual Information Form (and the documents incorporated by reference herein) include, but are not limited to, statements with respect to the following:

- the quantity and quality of oil and natural gas reserves;
- the performance characteristics of the Corporation's oil and gas properties;
- oil and natural gas production levels;
- any estimate of present value or future cash flow;
- capital expenditure programs;
- future development and exploration activities and the timing thereof;
- drilling, completion and facilities costs;
- timing of development of undeveloped reserves;
- the tax horizon and taxability of the Corporation;
- future land and concession block expiries;
- estimated cost of future contractual obligations;
- future liquidity and financial capacity;
- projections of market prices for crude oil and natural gas production and associated production, operating and other costs;
- 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;
- realization of the anticipated benefits of acquisitions and dispositions;
- expected levels of operating costs, general and administrative costs, costs of services and other costs and expenses associated with the Corporation's business;
- expectations relating to the award of exploration permits by governmental authorities;
- potential impact of International Financial Reporting Standards ("**IFRS**") adoption on financial results;
- results and impact of legal proceedings involving the Corporation or its subsidiaries; and
- treatment of the Corporation and its assets under government regulatory and taxation regimes.

With respect to forward-looking statements contained or incorporated by reference in this Annual Information Form, the Corporation has made assumptions regarding:

- oil and natural gas production levels;
- commodity prices;
- exploration and development costs;
- future currency and interest rates;

- the Corporation's ability to generate sufficient cash flow from operations and to access existing credit facilities and capital markets to meet its future financial 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.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities and risks inherent in oil and natural gas exploration, and development and production operations;
- changes or disruptions in the political or fiscal regimes in the Corporation's areas of operation, which areas of operation are currently located in Egypt which recently has experienced political unrest and change;
- changes in government in Egypt resulting in expropriation of assets or material adverse changes to existing production sharing contracts;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry in Canada, Egypt or in the Corporation's future areas of operations;
- uncertainties associated with estimating oil and natural gas reserves and future net revenues;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- competition for, among other things, capital, reserves, undeveloped lands and skilled personnel;
- limitations on insurance;
- unanticipated operating events, which could reduce production or cause production to be shut in or delayed;
- 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;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- availability of sufficient financial resources to fund the Corporation's capital expenditures;
- uncertainty of finding reserves, developing and marketing those reserves;
- general economic and business conditions in Canada, the United States, Egypt and globally;
- the inability of management of the Corporation to execute its business plan;
- the inability to add production and reserves through development and exploration activities;
- failure to realize the anticipated benefits of acquisitions and incorrect assessments of the value of acquisitions;
- future adoption of IFRS may adversely impact reported financial results;
- conflicts of interest; and
- the other factors discussed under *"Risk Factors"*.

These factors should not be considered exhaustive. Statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future. **The forward-looking statements contained in this Annual Information Form and in the documents incorporated by reference herein are expressly qualified by this cautionary statement.** Sea Dragon does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this Annual Information Form or the documents incorporated by reference herein, has been prepared and presented in accordance with NI 51-101. The actual oil and gas reserves and future production thereof 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.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of revenue and future net revenue for all properties, due to the effects of aggregation.

EFFECTIVE DATE

The effective date of this Annual Information Form is March 29, 2011. (the "**Effective Date**").

CORPORATE STRUCTURE

Name, Address and Incorporation

Sea Dragon Energy Inc. ("**Sea Dragon**" or the "**Corporation**") was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on March 28, 2006. The Corporation amended its articles on June 17, 2008 to change its registered office to the Province of Alberta.

Sea Dragon's head office is located at 2320, 255 -5th Avenue S.W., Calgary, Alberta, T2P 3G6 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3. Sea Dragon's telephone, facsimile and internet website respectively are: telephone: (403) 457-5035; facsimile: (403) 457-5420; website: www.seadragonenergy.com. The Corporation's Egyptian operations office is located at Apt. #1, Building #12, Al Nahda Street, El-Maadi, Kornish El Nile, Cairo, Egypt.

The Corporation's common shares have been listed on the TSX Venture Exchange (the "**Exchange**") under the symbol "SDX" since July 17, 2008.

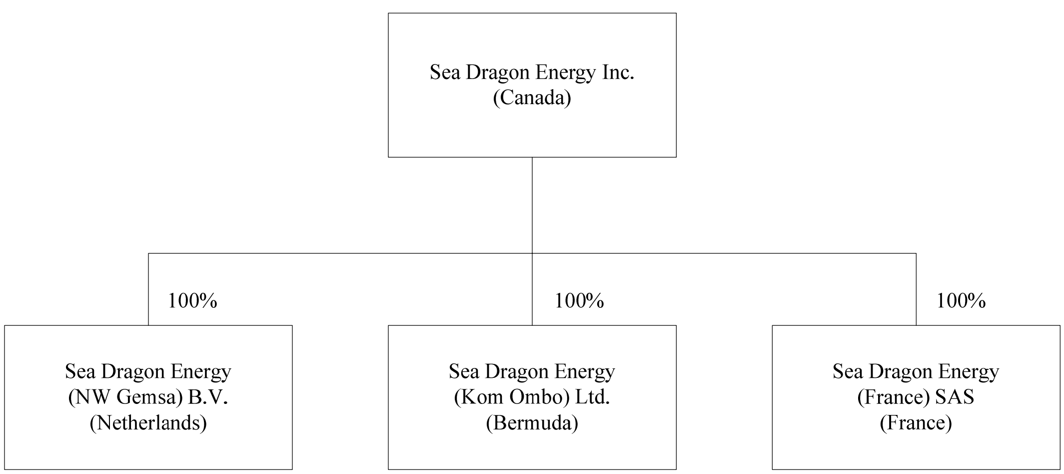
Intercorporate Relationships

On December 21, 2009, the Corporation acquired all of the issued and outstanding common shares of Premier Oil Egypt (NW Gemsa) B.V., a Netherlands body corporate and the holder of a ten (10%) percent participating interest in the NW Gemsa Concession. The name of this subsidiary was changed to Sea Dragon Energy (NW Gemsa) B.V. ("**SD Gemsa**") on January 12, 2010. See "*Principal Properties – NW Gemsa Concession*".

On December 29, 2009, the Corporation incorporated Sea Dragon Energy (Kom Ombo) Ltd. ("**SD Kom Ombo**") under the laws of Bermuda for the purposes of acquiring a participating interest in the Kom Ombo Concession. See "*Principal Properties – Kom Ombo Concession*".

On July 8, 2010 Sea Dragon Energy (France) SAS was incorporated as a subsidiary of the Corporation under the French Business Corporations law (Registre du Commerce et des Societes) for the purpose of providing management services to Sea Dragon Energy Inc.

The following diagram outlines the intercorporate relationships between the Corporation and its subsidiaries as at December 31, 2010.



Unless the context otherwise requires, reference in this Annual Information Form to "Sea Dragon" or the "Corporation" includes the Corporation and its wholly-owned subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Sea Dragon is an independent international upstream oil and gas corporation whose principal business activities currently consist of the exploration, development and production of crude oil and natural gas liquids. The Corporation currently holds a ten (10%) percent participating interest in the NW Gemsa Concession located in Egypt's Eastern Desert onshore the Gulf of Suez, Egypt. The Corporation also holds a fifty (50%) percent participating interest in the Kom Ombo Concession located approximately 1,000 kilometres south of Cairo along the western bank of the Nile River, Egypt. See "*Principal Properties*".

Three Year History

The following is a general description of the development of Sea Dragon over the past three years ended December 31, 2010 and recent developments for the periods subsequent thereto.

<u>2008</u>

Acquisition of EWA Concession

In April 2008, the Corporation acquired all of the outstanding common shares of Egypt Oil Holdings Ltd. ("**EOHL**") in exchange for the issuance of 24,000,000 common shares. At the time of the acquisition, EOHL owned a 35% participating interest in the East Wadi Araba Concession (the "**EWA Concession**") located in the Gulf of Suez, Egypt. The Corporation had previously acquired a 40% participating interest in the EWA Concession in 2006. Accordingly, following the acquisition of EOHL, the Corporation's total participating interest in the EWA Concession increased to 75%. Under the terms of the joint operating agreement for the EWA Concession, Sea Dragon was required to pay 100% of the costs of the next two commitment wells to be drilled at the EWA Concession.

Initial Public Offering

On July 15, 2008, the Corporation completed its initial public offering (the "**IPO**") and issued a total of 58,333,334 common shares at a price of $0.60 per common share for net proceeds after commissions and issue costs of approximately $30,925,000. Concurrent with the closing of the IPO, convertible debentures previously issued by the Corporation were fully converted into 21,428,571 common shares. On July 17, 2008, the common shares of the Corporation were listed for trading on the Exchange under the symbol "SDX".

Operations

In November 2008, the Corporation commenced drilling of its first commitment well (the "**5X well**") in the Dahab North prospect of the EWA Concession. The 5X well was drilled to a total depth of 9,750 feet in February 2009. The well was subsequently sidetracked to further evaluate the target hydrocarbon zones. The sidetrack well fulfilled Sea Dragon's second commitment well obligation under the EWA Concession. Although the 5X well encountered several prospective hydrocarbon zones, it was determined to be non-economic and was subsequently plugged and abandoned.

<u>2009</u>

Relinquishment of EWA Concession

In July 2009, the Corporation voluntarily relinquished its 75% participating interest in the EWA Concession with the consent of the Egyptian government. Accordingly, the Corporation no longer holds a participating interest in the EWA Concession.

Acquisition of NW Gemsa Concession Interest

In August 2009, the Corporation entered into a share purchase agreement with Premier Oil Overseas BV to acquire all of the issued and outstanding shares of Premier Egypt (NW Gemsa) BV ("**Premier Egypt**"), the holder of a ten (10%) percent participating interest in the NW Gemsa Concession located in Egypt's Eastern Desert onshore the Gulf of Suez (the "**NW Gemsa Concession**"). The share purchase transaction was completed on December 21, 2009 with a July 1, 2009 effective date. Under the terms of the acquisition and the concession agreement governing the NW Gemsa Concession (the "**NW Gemsa Concession Agreement**"), the Corporation is responsible for its ten (10%) percent share of all costs and expenses and is entitled to receive ten (10%) percent of all production revenues from and after the July 1, 2009 effective date. The total consideration paid for the shares of Premier Egypt, inclusive of adjustments for working capital, interest and cash calls less production revenues from the Effective Date to the date of closing was US$14.8 million. On January 12, 2010, following the closing, Premier Egypt changed its name to Sea Dragon Energy (NW Gemsa) B.V.

Private Placement Financing

In November 2009, the Corporation completed a private placement of 60,000,000 units at a price of CDN$0.25 per unit for total gross proceeds of CDN$15,000,000. Each unit consisted of one (1) common share and one-half (1/2) purchase warrant exercisable into one (1) additional common share at an exercise price of CDN$0.50 per common share expiring November 6, 2012. The proceeds of the private placement were combined with the Corporation's existing working capital and used to fund the acquisition cost of shares of Premier Egypt.

Acquisition of Kom Ombo Concession Interest

The Corporation entered into a farmout agreement (the "**Kom Ombo Farmout Agreement**") with Dana Gas Egypt Ltd. ("**DGE**") on December 31, 2009 pursuant to which the Corporation acquired a 50% participating interest in the Kom Ombo (Block 2) Concession (the "**Kom Ombo Concession**"), located approximately 1,000 kilometres south of the city of Cairo, Egypt along the western bank of the Nile River. The remaining 50% participating interest in the Kom Ombo Concession was and continues to be held by DGE. Under the terms of the concession agreement governing the Kom Ombo Concession (the "**Kom Ombo Concession Agreement**") the Corporation is responsible for fifty (50%) percent of all costs and expenses associated to operations conducted on the Kom Ombo Concession and is entitled to fifty (50%) percent of all production revenues therefore.

The acquisition of the Kom Ombo Concession closed on April 29, 2010 with an effective date of July 1, 2009. The Corporation paid aggregate consideration of US$44.5 million through a series of payment instalments.

<u>2010</u>

Special Warrant Private Placement

On January 25, 2010, the Corporation completed an underwritten private placement of 22,730,000 special warrants ("**Special Warrants**") at a price of CDN$0.55 per Special Warrant for total gross proceeds of CDN$12,501,500. Each special warrant was exercisable into one (1) common share of the Corporation on the earlier of: (i) the third business day following issuance of a receipt (the "**Receipt**") for the Corporation's final prospectus qualifying the common shares underlying the Special Warrants in each jurisdiction of Canada where the Special Warrants were offered; and (ii) May 26, 2010. The terms of the Special Warrants provided that in the event that the Receipt was not issued prior to April 1, 2010, each Special Warrant became exercisable for 1.05 common shares of the Corporation, in lieu of one (1) common share. The Receipt qualifying the common shares underlying the Special Warrants was issued on April 12, 2010. Accordingly, an aggregate of 23,866,500 common shares were issued upon the exercise of the Special Warrants.

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 Egypt state-owned 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 the 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 Corporation has reviewed and applied for a few projects which required additional assets to be contributed to achieve materiality, which Tanmia could not complete. Following the recent political unrest in Egypt, the Corporation is currently assessing the impact on the Alliance Agreement.

Completion of Bought Deal Short Form Prospectus Financing

On April 19, 2010, the Corporation completed a bought-deal short form prospectus financing pursuant to which the Corporation issued an aggregate of 142,500,000 common shares at a price of CDN$0.40 per share for net proceeds after commissions but before issue costs of approximately CDN$54 million (the "**April 2010 Financing**"). Approximately US$34.5 million of the net proceeds of the April 2010 Financing was used by Sea Dragon to pay the balance of the consideration owing to DGE under the terms of the Kom Ombo Farmout Agreement. The remainder of the net proceeds of the April 2010 Financing were used by the Corporation towards development costs on the Kom Ombo Concession and the NW Gemsa Concession and for general working purposes.

Changes to Management and Board of Directors

In June 2010, Mr. A.D. (Tony) Anton (P.Eng) was appointed the Chief Operating Officer and President of the Corporation and Mr. Olivier Serra was appointed Chief Financial Officer of the Corporation. In December 2010, Mr. Anton and Mr. Robert Moffat were appointed to the board of directors of the Corporation. In March 2011, Mr. David Wilson resigned as a director.

Change of Auditor

Effective September 1, 2010, the Corporation changed its auditors from BDO Canada LLP, Chartered Accounts to PricewaterhouseCoopers LLP, Chartered Accountants.

Kom Ombo Concession Operations

During 2010, the Corporation and DGE jointly drilled a total of eight development wells in the A1 Baraka field located in the Kom Ombo Concession. Six of these wells were successfully completed and have been placed on production. Subsequent to December 31, 2010, the Corporation and DGE drilled an exploration well approximately 28 kilometers northwest of the A1 Baraka field. Although no hydrocarbons were encountered by the Memphis-1 exploration well, the Corporation and DGE intend to conduct additional exploration drilling in the region in 2011.

In June 2010, the Corporation completed a 477 km 2D seismic program on the Kom Ombo Concession, including 75 km in the previously unexplored northwest basin. The results from this seismic program are expected to be used to further delineate certain leads and prospects identified in that basin area. See "*Principal Properties – Kom Ombo Concession*".

NW Gemsa Concession Operations

During 2010, the Corporation and its co-venturers successfully drilled two (2) appraisal wells and spud a third well (Al Amir #7) on the A1 Amir field located in the NW Gemsa Concession. The Corporation also successfully drilled an exploration well south of the Al Amir SE oil field resulting in a field development lease extension being agreed to in principle with Ganope and which is awaiting the Ministry of Petroleum ratification. The Al Amir #7 well was spud on November 27, 2010. This well is expected to delineate the western limits of the Al Amir SE field and is anticipated to be completed as a water injection well in preparation for commencing water injection in that field. As of the Effective Date, pay zones have been penetrated and cased but not yet completed.

Subsequent Events – 2011

Kom Ombo Operations (2011)

On January 10, 2011, the Corporation announced that it had drilled an exploration well in the first quarter of 2011 (Memphis-1), which did not discover hydrocarbons.

On March 29, 2011, the Corporation announced the Kom Ombo capital expenditure program includes, but is not limited to, the drilling of five development wells and two exploration wells, and the building of additional storage facilities. Total expenditures for 2011 are estimated at up to US$14.8 million with the Corporations' 50% share being up to US$7.4 million (exclusive of operating expenditures).

NW Gemsa Operations (2011)

On March 29, 2011, the Corporation announced the NW Gemsa capital expenditure program includes, but is not limited to, expanding the production facilities, building a 20km six inch gas line, the drilling of four water injection wells and two development wells and the building of gas compression facilities in the Al Amir SE field. Further, in the Geyad field, the first development well is scheduled to be drilled during March/April and the second in May/June of 2011. Existing field facilities will be augmented with additional storage capacity, flowlines, pipelines and manifolds. It is anticipated that geological and engineering studies will be carried out in preparation for water flooding expected to commence in 2011. Exploration activities for 2011 are expected to include reprocessing of existing seismic. Total expenditures for 2011 are estimated at up to US$50.0 million with the Corporations' 10% share being up to US$5.0 million (exclusive of operating expenditures).

Developments in Egypt

Egypt's long-standing president, Hosni Mubarak resigned from office on February 11, 2011 following large demonstrations in Egypt's major cities. In addition, the Prime Minister of Egypt who was previously appointed by President Mubarak, resigned on March 3, 2011. Following President Mubarak's resignation, the Supreme Military Council transitional government was established to implement certain political reforms and to maintain government authority during a transition period until democratic elections are held in Egypt. A referendum approving constitutional changes necessary for parliamentary and presidential elections was approved on March 20, 2011 and the interim Government set a clear schedule of political milestones, including Parliamentary elections in June 2011, Presidential elections in September 2011 and final constitutional changes in first half 2012.

The demonstrations and other events resulting in the recent political changes in Egypt were largely confined to Egypt's major city centers and had minimal effects on the Corporation's oil and gas operations with the exception of minor delays on the delivery of material and receipt of government permits for drilling and other operations.

Sea Dragon believes Egypt has a long history of creating an environment to attract and retain foreign investment and does not anticipate any adverse changes to the concession agreements governing both NW Gemsa and Kom Ombo and will continue to attempt to expand its asset base in Egypt.

Significant Acquisitions

The Corporation did not complete any significant acquisitions during the fiscal year ended December 31, 2010 other than the previously mentioned Kom Ombo Farmout Agreement.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Sea Dragon is an independent international upstream oil and gas corporation currently engaged in exploration, acquisition, development and production of petroleum and natural gas in Egypt. The Corporation's principal properties are all currently situated in Egypt. See "*Description of the Business and Operations - Principal Properties*".

Management Strategy and Development

Sea Dragon has developed a business strategy to focus on acquiring interests in discovered non-producing properties or non-producing properties that are close to production. Currently, the Corporation's areas of primary focus are on Northern Africa with an emphasis in Egypt and Sub-Saharan Africa. The Corporation intends to expand its focus to other regions where management considers petroleum assets are undervalued due to the current economic turndown and where the Corporation can acquire producing or near-producing assets at favourable prices or on favourable terms. Management believes its strategy of acquiring under-valued under-developed assets will enhance the future value of the Corporation as the economy strengthens and demand for petroleum increases.

The business plan of the Corporation is to focus on sustainable and profitable per share growth in both cash flow from operations and net asset value. To accomplish this, the Corporation will focus on enhancing its asset base through land acquisitions, property acquisitions, exploratory drilling and development drilling.

The Corporation will internally generate exploration and development opportunities possessing medium risk and multiple prospective/productive zone potential with a prudent exposure to higher risk/reward prospects. The Corporation will maintain a balance between exploration, development and exploitation drilling, combined with acquisition opportunities that meet the Corporation's business parameters. To achieve sustainable and profitable growth, the Corporation will endeavour to have direct control of the timing and costs of its projects. Accordingly, the Corporation will seek operatorship of properties in which it has an interest. Further, to minimize competition within its geographic areas of interest, the Corporation will, after giving consideration to its risk profile, strive to maximize its participating interest ownership in its properties. While the Corporation intends to have the skills and resources necessary to achieve its objectives, exploration and development in the oil and natural gas industry has a number of inherent risks. See "*Risk Factors – Exploration, Development and Production Risks*".

In reviewing potential drilling or acquisition opportunities, the Corporation gives consideration to the following criteria:

(a) risk capital required to secure or evaluate the investment opportunity;
(b) the potential return on the project, if successful;
(c) the likelihood of success; and
(d) the risked return versus cost of capital.

The board of directors of the Corporation may, in its discretion, approve acquisitions that do not conform to these guidelines based upon its consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life and asset quality.

Some investment projects may require additional sources of financing and the Corporation would consider all options on a project by project basis such as partnership or joint venture financing, farm-in, issuance of common shares, debt or private funding that will allow the Corporation to move forward without undue dilution of its capital stock.

Marketing

The Corporation's crude oil production from the NW Gemsa Concession is currently marketed to EGPC pursuant to the terms of the NW Gemsa Concession Agreement. The NW Gemsa Concession Agreement sets the selling price for crude oil at the East Zeit index blend price less a $0.25 marketing fee per barrel, which translates into an average monthly Brent North Sea price less approximately $4.90 per barrel.

The Corporation's crude oil production from the Kom Ombo Concession is currently marketed to the Egypt state-owned Ganoub El Wadi Petroleum Holding ("**Ganope**") pursuant to the terms of the Kom Ombo Concession

Agreement. The Kom Ombo Concession Agreement sets the selling price for crude oil at the [East Gharib] index blend price, which translates into an average monthly Brent North Sea price less approximately $5.00 per barrel.

Specialized Skill and Knowledge

The Corporation relies on specialized skills and knowledge to gather, interpret and process geophysical data; drill and complete wells; design and operate production facilities and numerous additional activities required to explore for and produce oil and natural gas. The Corporation has employed a strategy of contracting consultants and other service providers to supplement the skills and knowledge of its permanent staff in order to provide the specialized skills and knowledge to undertake its oil and natural gas operations effectively.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. Sea Dragon competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Sea Dragon's competitors include resource companies which have greater financial resources, staff and facilities than those of Sea Dragon. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Sea Dragon believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*Risk Factors – Competition*"

Cyclical and Seasonal Nature of Industry

The exploration and development of oil and gas properties and the production of oil and gas reserves is not affected by seasonal changes in weather in the parts of the world that the Corporation has selected to pursue its activities.

Sea Dragon's operational results and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have a material adverse effect on the Corporation's financial condition and results of operations.

Economic Dependence

The available purchaser of crude oil from the NW Gemsa Concession consists of EGPC, which currently purchases crude oil from the NW Gemsa Concession owners under the NW Gemsa Concession Agreement. The NW Gemsa Concession owners is currently dependent upon EGPC to purchase its crude oil production.

The available purchaser of crude oil from the Kom Ombo Concession consists of Ganope, which currently purchases crude oil from the Kom Ombo Concession owners under the Kom Ombo Concession Agreement. The Kom Ombo Concession is currently producing crude oil under long term production tests. The Kom Ombo Concession owners are currently dependent upon Ganope to purchase their crude oil production.

Environmental Requirements

Egyptian environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil industry operations. This legislation and associated regulations can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of regulatory authorities. Applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licences and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations and associated activities.

In addition to the requirements of environmental regulations, the joint operating agreements governing the NW Gemsa and Kom Ombo Concessions impose a requirement on the operator to maintain an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. In addition, the Concession Operators are also required to have operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on the Corporation's future financial condition or results of operations. See "*Risk Factors – Environmental Risks*".

Employees

As at December 31, 2010, the Corporation had eighteen (18) employees and utilized the services of two (2) consultants. As of the Effective Date of this AIF, the Corporation has eighteen (18) employees and two (2) consultants. The executive management team of the Corporation includes oil professionals with over 100 years of combined industry experience. Relying on the knowledge and experience of this team, the Corporation intends to evaluate and explore the identified oil prospects in the NW Gemsa Concession and the Kom Ombo Concession, pursue the identified prospects and other exploration opportunities in these blocks and pursue potential acquisition opportunities to become a significant independent international producer.

Foreign Operations

All of the Corporation's properties and operations have been located outside of Canada and in Egypt. The Corporation's investments in Egypt 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. The jurisdiction in which the Corporation operates, Egypt, has a well established fiscal regime and there are some improved fiscal terms to encourage investments. The functional currency in the primary operating area is US dollars.

Sea Dragon is paid in US dollars for its oil production. As operations are primarily carried out in US dollars, effective July 1, 2010, the Corporation commenced reporting its financial results in US dollars, thereby reducing the amount of foreign exchange exposure of the Corporation.

Tax Horizon

Sea Dragon was not required to pay any incomes taxes for the year ended December 31, 2010. Based on current production and price assumptions and a continuing business model whereby the Corporation reinvests capital and incurs general and administrative and interest costs and operates in foreign companies, together with the available non-capital losses available, the Corporation does not expect to pay cash income taxes in the near future.

The Corporation's Egypt operations are currently under the jurisdiction of the NW Gemsa Concession Agreement and the Kom Ombo Concession Agreement (collectively, the "**Concession Agreements**"). Pursuant to the terms of the Concession Agreements, the corporate tax liability of the joint venture partners is paid by EGPC for NW Gemsa and Ganope for Kom Ombo, out of the profit oil attributable to the EGPC and Ganope, and not by the Corporation. For accounting purposes the corporate taxes paid by the EGPC and Ganope are treated as a benefit earned by the Corporation. The amount is included in net oil revenues and deducted as an income tax expense.

Principal Properties

As at the most recently completed financial year, the Corporation's principal properties consisted of the NW Gemsa Concession and the Kom Ombo Concession. The following table provides an overview of selected information in respect of the Corporation's Egyptian properties.

	KOM OMBO	NW GEMSA
Basin	Kom Ombo	Gulf of Suez
Year Acquired	2010	2009
Status	Development / Exploration	Development / Exploration
Concession Operator	DGE / Sea Dragon	Vegas Oil and Gas Ltd.
Sea Dragon Participating Interest (%)	50%	10%
Area (km2)	11,446	250
Area (acres)	2,828,368	61,776
Expiry Date of Current Exploration Phase	July 2012	July 2010(1)
Development Lease Terms	20 year + 3 x 5 year extensions	20 year + 3 x 5 year extensions

Note:
(1) The Corporation successfully drilled an exploration well south of the Al Amir SE oil field resulting in a field development lease extension being agreed to in principle with Ganope and the Corporation is awaiting the Ministry of Petroleum ratification.

NW Gemsa Concession

Description

The NW Gemsa Concession is a 250 square kilometre onshore concession located approximately 300 kilometres south east of Cairo in the Eastern Desert on the southwestern part of the Gulf of Suez. To date, the Al Amir, Al Amir SE and Geyad oil discoveries have been made within the NW Gemsa Concession. The Ryder Scott Report (as defined herein) evaluates reserves for the Al Amir SE and Geyad fields only. As at December 31, 2010, the Corporation held and currently holds a ten (10%) percent participating interest in the NW Gemsa Concession. The Corporation's co-venturers in the NW Gemsa Concession are Vegas Oil and Gas (the current operator) who holds a 50% participating interest and Circle Oil Plc who holds a 40% participating interest.

The Al Amir SE field is located in the southeastern portion of the NW Gemsa Concession and lies approximately six kilometres west of the oil producing Gazwarina field. As of the effective date of the Ryder Scott Report, seven wells have been drilled on the Al Amir SE field. Production from the Al Amir SE field commenced in February 2009. The Geyad field is located approximately ten kilometres northwest of the Al Amir SE field. As of the effective date of the Ryder Scott Report, four wells have been drilled on the Geyad field. Production from the Geyad field commenced in August 2009.

Operational Highlights

In October 2008, a discovery was announced on the Al Amir-SE1 well with 41º API oil tested at 3,388 bbls/d and 4.25 MMscfd of gas. In February 2009, a 20 year development lease was granted by the Egyptian government. In May 2009, a further discovery was announced on Geyad-1X where two zones tested 40º API oil. The first zone tested 2,809 bbls/d with 3.04 MMscfd of gas and second, upper zone tested 1,174 bbls/d with 1.324 MMscfd of gas. In March 2010, a further discovery was announced on the Al Amir 5-X well with 42 º API oil tested at 6,150 bbls/d and 6.9 MMscfd of gas.

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° API oil at sustained average test rates of approximately 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. 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. The Corporation also announced that all seven producing wells on the NW Gemsa Concession had been choked back to minimize gas flaring and to allow for the installation and tie-in of permanent treating facilities, flow-lines and pipelines.

The Corporation announced on July 7, 2010 that the Al Amir SE #6 well was successfully logged and cased to a depth of 13,895 ft. The well produced gas at rates of 1.1 mmscf/d to 1.6 mmscf/d along with condensate at rates reaching a maximum of 150 bopd from the Lower Rudeis zone. The well was shut-in for a pressure build up and then plugged back to a depth of 10,520 ft. On July 21, 2010, the Corporation announced that the Al Amir SE #6 well had been completed in the Kareem Shagar formation. A flow test followed and peak production of 4,630 bopd and 3.9 mmscf/d were recorded on a 48/64" choke. The well was shut in for pressure build up and later placed on stream at approximately 1,100 bopd (110 bopd net to the Corporation).

The Al Ola X-1 well was spudded on July 15, 2010. The well was drilled as an exploratory well outside of the southern boundary of the Al Amir SE development lease to identify the southern extension to the Al Amir SE oil field. The well reached its final depth of 14,323 ft on September 20, 2010. On December 20, 2010 the Corporation announced that the well had been placed on production at a rate of 1,400 bopd (140 bopd net to the Corporation). This resulted in extending the Al Amir SE development lease to the south of the existing boundary.

The Al Amir #7 well was spud on November 27, 2010. This well is expected to delineate the western limits of the Al Amir SE field and is anticipated to be completed as a water injection well in preparation for commencing water injection in that field. As of the Effective Date, pay zones have been penetrated and cased but not yet completed.

Kom Ombo Concession

Description

The Kom Ombo Concession is located in Upper Egypt approximately 1,000 kilometres south of Cairo, Egypt and covers an area of approximately 11,446 square kilometres. The Corporation has a fifty (50%) percent participating interest in the Kom Ombo Concession pursuant to the terms of the Kom Ombo Farmout Agreement and the Kom Ombo Concession Agreement.

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 50% participating interest share of future expenditures and is entitled to receive a 50% share of all future production revenues in accordance with the terms of the Kom Ombo Concession Agreement for petroleum exploration and exploitation in the Kom Ombo area dated July 18, 2004. Costs incurred in exploration and development activities on the Kom Ombo Concession may be subject to cost recovery out of future production proceeds.

Operational Highlights and Future Development Plans

On May 10, 2010, the Corporation announced that it had spudded the Al Baraka #6 well in the Al Baraka field, the first of the ten appraisal wells scheduled to be drilled in 2010. The Al Baraka #6 well was drilled to a total depth of 5,035 feet in June 2010 and an extensive coring and logging program was conducted. A total of nine cores (aggregating 600 feet) were cut for analysis for geological and engineering data to help design an expected fracturing program of existing producing and future wells in the Al Baraka field. The Corporation announced on November 22, 2010 that recompletion activities had been completed and the Al Baraka #6 well returned to production.

The Company commenced drilling the Al Baraka #5 well at the end of June 2010. The well reached total depth of 5,200 feet on July 7, 2010. Two cores were cut (97 ft) and the well was logged and cased. The Corporation announced on July 27, 2010 that the Al Baraka #5 well had been completed and had been put on test and was producing at a rate of 300 bopd, such rate being restricted by the current surface facilities in place at that time. On

October 25, 2010 the Corporation announced recompletion operations in respect of the Al Baraka #5 well had been completed and the well had returned to production.

On June 23, 2010, the Corporation completed a 477 km 2D seismic program on the Kom Ombo Concession, including 75 km on the previously unexplored north-west basin. The results from this seismic program are expected to be used to further delineate certain leads and prospects identified in that basin area.

The Al Baraka #7 well was spud on July 21, 2010 with a target depth of 5,200 ft. and was drilled, logged, cased and completed and placed into production on August 10, 2010.

On September 13, 2010, the Corporation announced that the Al Baraka #9 well had been drilled to a total depth of 5,185 feet, logged and cased. Testing showed non-commercial quantities of oil, although it is possible that additional potential exists in this well, primarily in shallower formations. On November 22, 2010 Corporation announced this well would be recompleted in different formations.

The Al Baraka SE step out well was spud on September 15, 2010, which is located some 4 km southwest of the Al Baraka #9 well and was intended to delineate the edge of the Al Baraka field. The Corporation announced on November 22, 2010 that this well had reached its final depth of 8,750 feet and would be put on production shortly. The Al Baraka SE step out well allowed for testing of Kom Ombo sands which may result in additional drilling and production for this southeastern extension of the Al Baraka Field.

The Corporation commenced drilling the Al Baraka #12 well on November 4, 2010 and drilled to a total depth 4,910 feet. Open hole logs were run and analyzed. The Corporation announced on December 20, 2010 that the well had been completed and placed on production at 190 bopd.

Al Baraka #11 well was spud on November 22, 2010 and drilled to a total depth of 5,299 feet. Open hole logs were run and analyzed. The Corporation announced on January 10, 2011 that well have been completed and placed on production.

Al Baraka #13 well was spud on December 12, 2010 and drilled to a total depth of 4,800 feet. This well was found to be in pressure communication with the Al Baraka #1 well and since reserves were being adequately recovered from the Al Baraka #1 well, Al Baraka well #13 was plugged and abandoned.

The Memphis-1 exploratory well was spud on December 27, 2010 and drilled to a total depth of 5,200 feet. The Memphis-1 exploratory well was the first of three exploratory wells the Corporation intends to drill outside the Al Baraka development lease. The well site is located approximately 28 kilometres northwest of the Al Baraka field. No commercial hydrocarbons were discovered and the Memphis-1 well was plugged and abandoned. The Corporation intends to complete additional exploratory drilling to the south of the Memphis-1 well and into the general area of the Al Baraka field.

Future development plans for the Al Baraka field include the drilling of additional development wells over the next several years. Aside from the Al Baraka development lease area, the Kom Ombo Concession is currently in its third and final exploration phase which will end in 2012. Under the terms of the Kom Ombo Concession Agreement, the Corporation and DGE are entitled to make application to the Egyptian government for a 20 year development lease on all commercial discoveries on the Kom Ombo Concession prior to the expiry date of the third exploration phase.

INDUSTRY AND MARKET OVERVIEW

Overview of the Development of Oil and Gas in Egypt

The petroleum industry plays a key role in the Egyptian petroleum economy. Egyptian production comes from four main areas: the Gulf of Suez, the Western Desert, the Eastern Desert and the Sinai Peninsula. In addition to being an oil producer, Egypt has strategic importance because of its operation of the Suez Canal and Sumed (Suez-Mediterranean) Pipeline. These are two routes for export of oil produced from the Persian Gulf and the Gulf of Suez.

Since the discovery of the Gemsa field, the Gulf of Suez has become recognized as among the most prolific oil regions in the world. The United States Geological Survey (USGS) estimated in 2000 that the mean undiscovered reserves in the Gulf of Suez were approximately 2.3 billion barrels. Oil production in the Gulf of Suez is dominated by Gulf of Suez Petroleum, British Petroleum, Royal Dutch Shell Plc and Apache Corporation.

Over roughly the last 60 years, Egypt has been dominated by larger oil and gas companies with large projects that were beyond the fiscal and operational capacity of most junior oil and gas companies. As Egyptian oil fields mature, the industry has shifted focus from discovering new resources to increasing the productivity of existing fields and developing smaller, previously marginal prospects. This shift in focus has prompted larger oil and gas companies to redeploy their capital to other areas of the globe in search of larger discoveries and rationalizing their Egyptian assets. The result has been the entry into the Egyptian oil sector of many smaller operators, which may find smaller and maturing fields more attractive than the larger oil and gas companies due to their typically lower overhead costs and greater flexibility.

There are now over 50 international oil and gas companies active in the exploration and production of oil and gas in Egypt. New technologies, extensive seismic data and the mature nature of the basin have resulted in increased exploration success in the Gulf of Suez relative to frontier zones where exploration uncertainty is higher.

In addition to legislative initiatives, relatively high oil prices in recent years have also encouraged the search for and development of oil within Egypt. Advances in technology, industry practice and exploitation of existing infrastructure are also assisting in the conversion of previously marginal prospects into potentially profitable projects.

As previously mentioned herein, Egypt has a long history of creating an environment to attract and retain foreign investment and does not anticipate any adverse changes to the Concession Agreements governing both NW Gemsa and Kom Ombo and will continue to attempt to expand its asset base in Egypt. Given the strategic importance of oil production to the Egyptian economy, recent political events are not expected to materially adversely affect oil operations in the country.

Legislative and Fiscal Structure of the Egyptian Oil and Gas Industry

Regulation

In 2000, the Egyptian Ministry of Petroleum established a comprehensive strategy for the petroleum sector. Among its most important implementation mechanisms was adjusting and developing the petroleum sector structure through separating the natural gas and petrochemicals activities from those of EGPC, and establishing an independent entity for each of them in addition to paying special and concentrated attention to Upper Egypt through the establishment of an independent entity. After adding the mineral resources activity to the responsibilities of the Egyptian Ministry of Petroleum and establishing the General Authority for Mineral Resources on October 14, 2004, the oil sector in Egypt consisted of five bodies as follows: EGPC, Egyptian Natural Gas Holding Corporation, Egyptian Petrochemicals Holding Corporation, Ganope and Egyptian General Authority for Mineral Resources.

Licences

EGPC is responsible for the development and exploitation of Egypt's petroleum resources, and for ensuring the supply of the various refined petroleum products within Egypt, subject to the direct oversight of the Egyptian Ministry of Petroleum. Through its various subsidiaries, EGPC engages in all aspects of the petroleum industry, including the exploration for and production of crude oil, condensate and natural gas. EGPC's principal activities include exploration for crude oil, condensate and natural gas and production, refining and processing, and transportation, distribution and marketing of crude oil, natural gas and derivative products. EGPC's exploration and production activities are carried out in association with international partners in accordance with concession and production sharing agreements granted by the Egyptian Government. The exploration is undertaken primarily by foreign companies in partnership with the EGPC. Concession and production sharing agreements permit the foreign contractor to explore for and produce crude oil, condensate or natural gas from a field for a specified time period, and set out the production sharing terms applicable as between EGPC and the foreign contractor.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

In accordance with the requirements of National Instrument 51-101, the following Statement of Reserves Data and Other Oil and Gas Information for the Corporation set forth below is dated with an effective date of December 31, 2010 and a preparation date of February 25, 2010 in respect of the NW Gemsa Concession and a preparation date March 11, 2011 in respect of the Kom Ombo Concession.

The reports on reserves data in the Form 51-101F2 and the report of management and directors on reserves data and other information in Form 51-101F3 are attached as appendixes "A", "B" and "C" respectively, to this Annual Information Form, which forms are incorporated herein by reference.

Disclosure provided herein in respect of 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 at the burner tip and does not represent a value equivalency at the wellhead.

Disclosures of Reserves Data

Ryder Scott Report – NW Gemsa Concession

Ryder Scott Company ("**Ryder Scott**"), an independent petroleum engineering consulting firm located in Calgary, Alberta, has prepared a reserve report dated February 25, 2011 with an effective date of December 31, 2010 (the "**Ryder Scott Report**") which evaluates the proved, probable and possible crude oil reserves attributable to Sea Dragon's participating interest in the NW Gemsa Concession and the net present value of estimated future cash flow from such reserves based on forecasted price and cost assumptions. The reserves information contained in the Ryder Scott Report was prepared and is presented in accordance with the requirements of NI 51-101.

In preparing the Ryder Scott Report, Ryder Scott obtained basic information from Sea Dragon, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other economic data required to conduct the evaluation and upon which the Ryder Scott Report is based, were obtained from Ryder Scott's non-confidential files.

GCA Report – Kom Ombo Concession

Gaffney, Cline & Associates ("**GCA**"), an independent petroleum engineering consulting firm located in Hampshire, United Kingdom, has prepared a reserve report dated March 11, 2011 with an effective date of December 31, 2010 (the "**GCA Report**") which evaluates the proved, probable and possible crude oil reserves attributable to Sea Dragon's participating interest in the Kom Ombo Concession and the net present value of estimated future cash flow from such reserves based on forecasted price and cost assumptions. The reserves information contained in the Kom Ombo Report was prepared and is presented in accordance with the requirements of NI 51-101.

In preparing the GCA Report, GCA obtained basic information from Sea Dragon and Dana Gas (Operator), which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other economic data required to conduct the evaluation and upon which the GCA Report is based, were obtained from non-confidential files.

Evaluation Information Contained in the Reserve Reports

The following tables, based on the Ryder Scott Report and the GCA Report (collectively, the "**Reserve Reports**") have been compiled by the Corporation and show the estimated share of Sea Dragon's crude oil, natural gas and NGL reserves in its NW Gemsa Concession and Kom Ombo Concession properties and the net present value of estimated future net revenue for these reserves, using forecast prices and costs as indicated. **All evaluations of the present value of estimated future net revenue in the Reserve Reports is in United States dollars and are stated**

after provision for estimated future capital expenditures but prior to indirect costs and do not necessarily represent the fair market value of the reserves. The recovery and reserve estimates of Sea Dragon's oil, NGL and natural gas reserves provided in the Reserve Reports and reflected herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided herein.

References to oil, gas, natural gas liquids, reserves (gross, net, proved, probable, possible, developed, developed producing, developed non-producing, undeveloped) forecast prices and costs, operating, costs, development costs, future net revenue and future income tax expenses shall, unless expressly stated to be to the contrary, have the meaning attributed to such terms as set out in National Instrument 51-101, Companion Policy 51-101CP and all forms referenced therein.

Summaries of reserves and net present value of future net revenues presented on the basis of forecast prices and costs, all as more particularly set out in the tables entitled "Summary of Pricing Assumptions as at December 31, 2010". All of Sea Dragon's oil and gas properties are located in Egypt. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

SUMMARY OF OIL AND GAS RESERVES AS OF DECEMBER 31, 2010[1]

FORECAST PRICES AND COSTS

	Light & Medium Crude Oil[2]		NGLs		Natural Gas	
Category	**Gross [3] (mbbls)**	**Net [4] (mbbls)**	**Gross [3] (mbbls)**	**Net [4] (mbbls)**	**Gross [3] (mmcf)**	**Net [4] (mmcf)**
Proved Developed Producing						
NW Gemsa	855	243	-	-	-	-
Kom Ombo	456	278	-	-	-	-
Proved Developed Non- Producing						
NW Gemsa	-	-	-	-	-	-
Kom Ombo	-	-	-	-	-	-
Proved Undeveloped						
NW Gemsa	2,282	582	211	55	2,575	671
Kom Ombo	-	-	-	-	-	-
Total Proved	3,593	1,103	211	55	2,575	671
Probable						
NW Gemsa	1,457	325	103	23	1,253	278
Kom Ombo	2,189	1,335	-	-	-	-
Total Probable	3,646	1,660	103	23	1,253	278
Proved plus Probable						
NW Gemsa	4,594	1,150	314	78	3,828	949
Kom Ombo	2,645	1,613	-	-	-	-
Total Proved plus Probable	7,239	2,763	314	78	3,828	949
Possible						
NW Gemsa	-	-	-	-	-	-
Kom Ombo	2,407	1,107	-	-	-	-
Total Proved plus Probable plus Possible	9,646	3,870	314	78	3,828	949

Notes:

(1) The information contained herein has been derived from the Ryder Scott Report in respect of all reserves information attributable to the NW Gemsa Concession property and from the GCA Report in respect of all reserves information attributable to the Kom Ombo Concession property.

(2) All of Sea Dragon’s proved, probable and possible oil reserves have been classified as light and medium oil. Sea Dragon has no heavy oil.

(3) Gross Reserves are the Corporation’s participating interest share before the deduction of royalties or their equivalent.

(4) Net reserves are the Corporation’s participating interest share after the deduction of royalties. Net reserves in Egypt include Sea Dragon’s share of future cost recovery and production sharing oil after the Egyptian Government’s royalty interest but before reserves relating to income taxes payable. Under this method, a portion of the reported reserves will increase as oil prices decrease (and vice versa) as the barrels necessary to achieve cost recovery change with prevailing oil prices.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUES
AS OF DECEMBER 31, 2010(1)

FORECAST PRICES AND COSTS
(IN US$ MILLIONS)

	Before Income Tax (2)(3)(4)(5) Discounted at					After Income Tax (2)(3)(4) Discounted at				
US$Millions	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved Developed Producing										
NW Gemsa	15.3	13.8	12.5	11.5	10.6	15.3	13.8	12.5	11.5	10.6
Kom Ombo	14.2	12.2	10.7	9.6	8.6	14.2	12.2	10.7	9.6	8.6
Proved Developed Non-Producing										
NW Gemsa	-	-	-	-	-	-	-	-	-	-
Kom Ombo	-	-	-	-	-	-	-	-	-	-
Proved Undeveloped										
NW Gemsa	35.4	25.4	18.6	13.8	10.4	35.4	25.4	18.6	13.8	10.4
Kom Ombo	-	-	-	-	-	-	-	-	-	-
Total Proved	64.9	51.4	41.8	34.9	29.6	64.9	51.4	41.8	34.9	29.6
Probable										
NW Gemsa	22.7	14.1	9.2	6.3	4.4	22.7	14.1	9.2	6.3	4.4
Kom Ombo	44.8	32.6	24.6	19.2	15.3	44.8	32.6	24.6	19.2	15.3
Total Probable	67.5	46.7	33.8	25.5	19.7	67.5	46.7	33.8	25.5	19.7
Proved plus Probable										
NW Gemsa	73.4	53.3	40.3	31.6	25.4	73.4	53.3	40.3	31.6	25.4
Kom Ombo	59.0	44.8	35.3	28.7	23.9	59.0	44.8	35.3	28.7	23.9
Total Proved plus Probable	132.4	98.1	75.6	60.4	49.3	132.4	98.1	75.6	60.4	49.3
Possible										
NW Gemsa	-	-	-	-	-	-	-	-	-	-
Kom Ombo	77.1	46.4	29.6	19.8	13.8	77.1	46.4	29.6	19.8	13.8
Total Proved plus Probable plus Possible	209.5	144.5	105.2	80.2	63.1	209.5	144.5	105.2	80.2	63.1

Notes:

(1) The information contained herein has been derived from the Ryder Scott Report in respect of all information attributable to the NW Gemsa Concession property and from the GCA Report in respect of all information attributable to the Kom Ombo Concession property.

(2) "Before Tax" net present value of future net revenue has been calculated to consist of Sea Dragon's share of gross field revenue less (i) royalties paid to the government and third parties; and (ii) operating and capital expenditures.

(3) "After Tax" net present value of future net revenue has been calculated to consist of Sea Dragon's share of gross field revenue less (i) royalties paid to the government and third parties; (ii) operating and capital expenditures; and (iii) Egyptian income taxes, petroleum profits taxes or their equivalent.

(4) Under the terms of the NW Gemsa and Kom Ombo Concession Agreements, income tax is assessed on all production sharing oil; therefore all future net revenues are after Egyptian income tax.

(5) Columns may not add due to rounding.

TOTAL FUTURE NET REVENUES (UNDISCOUNTED) AS AT DECEMBER 31, 2010

FORECAST PRICES AND COSTS (IN US$ MILLIONS)

NW Gemsa Concession	Proved	Proved Plus Probable
Revenue [1]	294.1	439.9
Royalties	217.1	330.4
Operating Costs	19.5	28.8
Abandonment Costs	-	-
Development Costs	6.8	7.3
Future Net Revenue Before Income Tax [1]	50.7	73.4
Income Tax Expense [1]	-	-
Future Net Revenue After Income Tax [1]	50.7	73.4

Note:

(1) Under the terms of the NW Gemsa Concession Agreements, income tax is assessed on all production sharing oil; therefore all future net revenues are after Egypt income tax.

Kom Ombo Concession	Proved	Proved Plus Probable	Proved Plus Probable Plus Possible
Revenue[1]	41.4	249.3	499.3
Royalties	16.1	97.2	232.3
Operating Costs	11.1	83.9	110.6
Abandonment Costs	-	-	-
Development Costs	-	9.2	20.4
Future Net Revenue Before Income Tax[1]	14.2	59.0	136.0
Income Tax Expense[1]	-	-	-
Future Net Revenue After Income Tax[1]	14.2	59.0	136.0

Note:

(1) Under the terms of the Kom Ombo Concession Agreement, income tax is assessed on all production sharing oil; therefore all future net revenues are after Egypt income tax.

Aggregate Sea Dragon Properties	Proved	Proved Plus Probable	Proved Plus Probable Plus Possible
Revenue [1]	335.5	689.2	939.2
Royalties	233.2	427.6	562.7
Operating Costs	30.6	112.7	139.4
Abandonment Costs	-	-	-
Development Costs	6.8	16.5	27.7
Future Net Revenue Before Income Tax [1]	64.9	132.4	209.4
Income Tax Expense [1]	-	-	-
Future Net Revenue After Income Tax [1]	64.9	132.4	209.4

Note:

(1) Under the terms of the NW Gemsa and Kom Ombo Concession Agreements, income tax is assessed on all production sharing oil; therefore all future net revenues are after Egypt income tax.

NET PRESENT VALUE OF FUTURE NET REVENUES
BY PRODUCTION GROUP(1)
AS AT DECEMBER 31, 2010
DISCOUNTED AT 10%

FORECAST PRICES AND COSTS
(IN US$ MILLIONS)
DISCOUNTED NET PRESENT VALUE (BEFORE INCOME TAX)

RESERVE CATEGORY	Oil (3)	Natural Gas and NGL's	Total	Unit Value (US$/boe)
Proved				
NW Gemsa	31.1	-	31.1	31.33
Kom Ombo	10.7	-	10.7	38.29
Total Proved	41.8	-	41.8	32.86
Probable				
NW Gemsa	9.2	-	9.2	23.40
Kom Ombo	24.6	-	24.6	18.50
Total Probable	33.8	-	33.8	19.62
Proved plus Probable				
NW Gemsa	40.3	-	40.3	29.08
Kom Ombo	35.3	-	35.3	21.94
Total Proved plus Probable	75.6	-	75.6	25.24
Possible				
NW Gemsa	-	-	-	-
Kom Ombo	30.0	-	30.0	27.10
Total Proved plus Probable plus Possible	105.6	-	105.6	25.57

Notes:

(1) The information contained herein has been derived from the Ryder Scott Report in respect of all information attributable to the NW Gemsa Concession and from the GCA Report in respect of all information attributable to the Kom Ombo Concession.

(2) Under the terms of the NW Gemsa and Kom Ombo Concession Agreements, income tax is assessed on all production sharing oil; therefore all future net revenues are after Egypt income taxes.

(3) All of Sea Dragon's proved, probable and possible oil reserves have been classified as light and medium oil. Sea Dragon has no heavy oil.

PRICING ASSUMPTIONS

Forecast Prices and Costs

North West Gemsa Concession

The forecast cost and price assumptions assume changes in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Ryder Scott has employed the following prices, exchange rates and inflation rate assumptions as of December 31, 2010 in estimating Sea Dragon's reserves data in relation to the NW Gemsa Concession using forecast prices and costs.

Year	Brent Reference Price (US$/Bbl)	Inflation Rates (1) % Year	NW Gemsa Al Amir/Geyad Price	LPG Price (US$/Bbl)	Gas Price (US$/Mcf)
2011	87.70	2.0	83.31	54.15	1.00
2012	87.70	2.0	83.31	54.15	1.00
2013	87.70	2.0	83.31	54.15	1.00
2014	89.70	2.0	85.22	55.39	1.00
2015	91.53	2.0	86.95	56.52	1.00
2016	93.39	2.0	88.72	57.67	1.00
Thereafter	+2.0%/Year	+2.0%/Year	+2.0%/Year	+2.0%/Year	1.00

Notes:

(1) Inflation rates for forecasting expenditure prices and costs.

(2) The weighted average historical price in US dollars realized by the Corporation in Egypt, for the year ended December 31, 2010 for crude oil was US$75.02/bbl.

Kom Ombo Concession

The forecast cost and price assumptions assume changes in wellhead selling prices and take into account inflation with respect to future operating and capital costs. GCA has employed the following price, exchange rates and inflation rate assumptions as of December 31, 2010 in estimating Sea Dragon's reserves data in respect of the Kom Ombo Concession using forecast prices and costs.

Year	Brent Reference Price (US$/Bbl)	Inflation Rates (1) % Year	Kom Ombo Al Baraka Price
2011	95.02	0.0	89.52
2012	94.82	2.0	89.32
2013	94.23	2.0	88.73
2014	94.72	2.0	89.22
2015	97.42	2.0	91.92
2016	99.37	2.0	93.87
Thereafter	+2.0%/Year	+2.0%/Year	+2.0%/Year

Notes:

(1) Inflation rates for forecasting expenditure prices and costs.

(2) The weighted average historical price in US dollars realized by the Corporation in Egypt, for the year ended December 31, 2010 for crude oil was US$75.02/bbl.

RECONCILIATION OF CHANGES IN GROSS RESERVES

The following table sets forth a reconciliation of the Corporation's total proved and probable reserves as at December 31, 2010 against such reserves as at December 31, 2009 based upon forecast price and costs assumptions.

RECONCILIATION OF GROSS RESERVES[1][3]
AS AT DECEMBER 31, 2010
FORECAST PRICES AND COSTS

	Light and Medium Oil			Natural Gas			Natural Gas Liquids		
	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved Plus Probable (mbbl)	Gross Proved (mmcf)	Gross Proved Plus Probable (mmcf)	Gross Proved Plus Probable (mmcf)	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved Plus Probable (mbbl)
December 31, 2009									
NW Gemsa	999	675	1,674	-	-	-	-	-	-
Kom Ombo[1]	-	-	-	-	-	-	-	-	-
Total	999	675	1,674	-	-		-	-	-
Extensions									
NW Gemsa	150	(150)	-	-	-	-	-	-	-
Kom Ombo	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Improved Recovery									
NW Gemsa	1,453	800	2,253	2,575	1,253	3,828	211	103	314
Kom Ombo	-	-	-	-	-	-	-	-	-
	1,453	800	2,253	2,575	1,253	3,828	211	103	314
Technical Revisions									
NW Gemsa	-	(187)	(187)	-	-	-	-	-	-
Kom Ombo	-	-	-	-	-	-	-	-	-
	-	(187)	(187)	-	-	-	-	-	-
Infill Drilling									
NW Gemsa	850	344	1,194	-	-	-	-	-	-
Kom Ombo	380	2,047	2,427	-	-	-	-	-	-
	1,230	2,391	3,622	-	-	-	-	-	-
Acquisitions									
NW Gemsa	-	-	-	-	-	-	-	-	-
Kom Ombo	146	141	287	-	-	-	-	-	-
	146	141	287	-	-	-	-	-	-
Dispositions									
NW Gemsa	-	-	-	-	-	-	-	-	-
Kom Ombo	-	-	-	-	-	-	-	-	-
Economic Factors									
NW Gemsa	(20)	(25)	(45)	-	-	-	-	-	-
Kom Ombo	-	-	-	-	-	-	-	-	-
	(20)	(25)	(45)	-	-	-	-	-	-
Production									
NW Gemsa	(296)	-	(296)	-	-	-	-	-	-
Kom Ombo	(69)	-	(69)	-	-	-	-	-	-
	(365)	-	(365)	-	-	-	-	-	-
December 31, 2010 [2]	3,593	3,645	7,239	2,575	1,253	3,828	211	103	314

Notes:

(1) Gross Reserves are the Corporation's participating interest share before the deduction of royalties or their equivalent.

(2) The Corporation had no oil or natural gas reserves as at December 31, 2009 in respect of the Kom Ombo Concession.

(3) Columns may not add due to rounding.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

The following table summarizes the volumes of Sea Dragon's proved undeveloped reserves and probable undeveloped reserves that were attributed in each of the most recent three financial years.

UNDEVELOPED RESERVES

FORECAST PRICES AND COSTS

Year Ended December 31	Oil				Natural Gas				NGLs			
	Proved (mbbl)		Probable (mbbl)		Proved (mmcf)		Probable (mmcf)		Proved (mbbl)		Probable (mbbl)	
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)
2010	2,282	582	3,626	1,650	2,575	671	1,253	278	211	55	103	23
2009	403	118	474	149	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

(1) Gross Reserves are the Corporation's participating interest share of total reserves before the deduction of royalties or their equivalent.

(2) Net Reserves are the Corporation's participating interest share of total reserves after deducting royalties or their equivalent.

The following discussion generally describes the basis on which Sea Dragon attributes Proved and Probable Undeveloped Reserves and its future plans for developing such reserves.

<u>Proved Undeveloped Reserves</u>

Proved Undeveloped Reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. Such reserves meet the requirements of the proved reserves classification even though they are not producing reserves.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories. This allocation is based upon the assessment of the estimator and the Corporation as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their development status.

In Kom Ombo, there were no proved undeveloped reserves. In NW Gemsa, the capital program associated with the proved undeveloped reserves include the drilling of five injector wells, five producing wells, additional production facilities, a six inch gas line and a compression package.

<u>Probable Undeveloped Reserves</u>

Probable undeveloped reserves are generally those reserves that are less certain to be recovered than proved reserves.

In Kom Ombo, the extraction of the probable reserves includes the drilling of sixteen wells. In NW Gemsa, the probable reserves includes the drilling of one additional well.

SIGNIFICANT FACTORS AND UNCERTAINTIES

The following is a brief discussion presented in accordance with the requirements of NI 51-101 of the significant factors and uncertainties that affect the reserves data presented herein.

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and are evaluated by Ryder Scott (in respect of Sea Dragon's NW Gemsa Concession) and GCA (in respect of Sea Dragon's Kom Ombo Concession). Ryder Scott and GCA are independent engineering firms.

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

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. The reserve estimates of Sea Dragon's oil, NGL and natural gas reserves provided in this Statement of Reserves Data and Other Oil and Gas Information are estimates only and there is no assurance or guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided herein. See "*Risk Factors*".

The following table sets out the future development costs which have been deduced in estimating future net revenues attributable to proved reserves and proved plus probable reserves (using forecast prices and costs) as set out in the Ryder Scott Report (for the NW Gemsa Concession) and the GCA Report (for the Kom Ombo Concession).

FUTURE DEVELOPMENT COSTS
(UNDISCOUNTED)
AS AT DECEMBER 31, 2010

(IN US$ MILLIONS)

	Forecast Prices and Costs					
	Proved Reserves			Proved Plus Probable Reserves		
YEAR	**NW Gemsa Concession**	**Kom Ombo Concession**	**Total**	**NW Gemsa Concession**	**Kom Ombo Concession**	**Total**
2011	4.3	-	4.3	4.3	2.9	7.0
2012	2.0	-	2.0	2.0	1.9	3.9
2013	0.5	-	0.5	1.0	2.5	3.7
2014	-	-	-	-	2.0	2.0
Remaining	-	-	-	-	-	-
Total	6.8	-	6.8	7.3	9.3	16.6

The Corporation expects to fund future development costs noted above through the use of working capital, cash flow and debt and equity financing as required.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties with Proved and Probable Reserves

NW Gemsa Concession

The Corporation has a ten (10%) participating interest in the NW Gemsa Concession. See "*Principal Properties – NW Gemsa Concession*".

Kom Ombo Concession

The Corporation has a fifty (50%) participating interest in the Kom Ombo Concession. See "*Principal Properties – Kom Ombo Concession*".

Oil Wells

The following table sets forth the number and status of wells in which the Corporation has a working interest as at December 31, 2010. All of the Corporation's wells are located onshore.

	Oil				Gas			
Location	Producing		Non-Producing		Producing		Non-Producing	
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)
NW Gemsa	7.0	0.7	3.0	0.3	-	-	-	-
Kom Ombo	10.0	5.0	1.0	0.5	-	-	-	-
Total	17.0	5.7	4.0	0.8	-	-	-	-

Notes:
(1) "Gross Wells" are all wells in which Sea Dragon has a participating interest.
(2) "Net Wells" are Sea Dragon's participating interest share of Gross Wells.

Properties with No Attributable Reserves

The following table sets out the Company's developed and undeveloped land holdings as at December 31, 2010.

Developed Acres		Undeveloped Acres		Total Acres	
Gross	Net	Gross	Net	Gross	Net
27,923	7,734	2,862,221	1,412,619	2,890,144	1,420,353

Forward Contracts

The Corporation has not entered into any forward contracts or financial instruments other than as otherwise set out herein.

Abandonment and Reclamation Costs

Estimated future abandonment and reclamation costs related to properties evaluated have not been taken into account by Ryder Scott or GCA. Under the terms of the concession agreements, ownership in the facilities and wells is transferred to EGPC or Ganope through cost recovery. Therefore future abandonment and reclamation costs have been assessed a zero value.

Tax Horizon

In 2010, the Corporation did not pay any income taxes in Canada. Sea Dragon estimates that it will not be required to pay income taxes for the foreseeable future.

Acquisition, Exploration and Development Costs

The following table sets out Sea Dragon property acquisition, exploration and development costs for the fiscal year ended December 31, 2010.

ACQUISITION, EXPLORATION AND DEVELOPMENT COSTS (IN US$ MILLIONS)

	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved	Unproved		
NW Gemsa[1]	-	-	0.4	1.3
Kom Ombo[2]	24.4	20.1	3.6	5.8
Total	24.4	20.1	4.0	7.1

Notes:

(1) The acquisition cost of the Corporation's fifty (50%) percent participating interest in the Kom Ombo Concession was US $44.5 million.

Exploration and Development Activities

The following table sets out the number of exploration and development wells on a gross and net basis completed by the Corporation during the year ended December 31, 2010. Current exploration and development activities are focused on Kom Ombo and NW Gemsa Concessions in Egypt.

	Year Ended December 31, 2010			
	Exploratory		Development	
	Gross[1]	Net[2]	Gross[1]	Net[2]
Crude Oil	1.0	0.1	9.0	3.7
Natural Gas	-	-	-	-
Service Well	-	-	-	-
Dry/Abandoned	-	-	1.0	0.5
Total	1.0	0.1	10.0	4.2

Notes:

(1) "Gross Wells" are wells in which Sea Dragon has a working interest.

(2) "Net Wells" are Sea Dragon's working interest share of Gross Wells.

Production Estimates

The following table sets out the estimated production (working interest before royalties) of the Corporation in 2011 by product type associated with the future net revenue estimates reported in the Ryder Scott Report (for Sea Dragon's NW Gemsa Concession) and the GCA Report (for Sea Dragon's Kom Ombo Concession).

Area	Reserves			
	Light and Medium Oil (bbb/d)	Heavy Oil (bbl/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbl/d)
NW Gemsa				
Proved	885	-	274	22
Probable	33	-	10	-
	918	-	284	22
Kom Ombo				
Proved	444	-	-	-
Probable	55	-	-	-
	499	-	-	-
Total Proved plus Probable	1,417	-	284	22

Production History

The following table sets out the Corporation's share of average daily production volume, before deduction of royalties, the price received, royalties paid, production costs incurred and the resulting netback during the Corporation's most recently completed financial year.

	Quarter Ended 2010			
Item	**December 31**	**September 30**	**June 30**	**March 31**
Oil Sales (bbl/d)	995	1,190	1,032	786
Realized price per barrel	82.34	72.01	75.83	68.86
Royalties per barrel	40.23	38.47	40.85	44.38
Operating costs per barrel	13.85	7.56	10.37	5.02
Netback per barrel(1)	28.26	25.98	24.62	19.28

Notes:

(1) Netback is a non-GAAP measure that represents sales net of all operating expenses and government royalties. Management believes that netback is a useful supplemental to measure operating performance and provide an indication of the results generated by the Corporation's principal business activities prior to the consideration of other income and expenses. Management considers netback an important measure as it demonstrates the Company's profitability relative to current commodity prices. Netback may not be comparable to similar measures used by other companies.

RISK FACTORS

The exploration for, and the acquisition, development and production of, oil and natural gas reserves outside of Canada is a speculative activity that involves a high degree of financial and other risk. Sea Dragon faces and will continue to face a number of known and unknown risks and uncertainties relating to its business. The following is a discussion of certain known risk factors that may affect the Corporation and its business, which must be read in conjunction with the information appearing elsewhere in this Annual Information Form and the documents incorporated by reference herein. The discussion below does not constitute an exhaustive description of all risks.

Foreign Investments

All of the Corporation's oil investments are located outside of Canada. These investments are subject to the risks associated with foreign investment including tax increases, royalty increases, re-negotiation of contracts, currency exchange fluctuations and political uncertainty. The functional currency in the primary operating area is US dollars. and the Corporation reports its financial results in US dollars.

Political and Economic Risks

All of Sea Dragon's oil and gas operations and related assets are located in Egypt. Sea Dragon's activities in Egypt may be adversely affected in varying degrees by political or economic instability. Prior to 2011, Egypt had a relatively stable government, however current events in Egypt and across Northern Africa and the Middle East have resulted in increased political instability. The outcome of the recent political stability in the areas in which Sea Dragon operates cannot be known at this time and the effect of such instability may materially adversely effect the Corporation.

Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Egypt are beyond the control of Sea Dragon and adversely affect its business and future financial results. Operations may be impacted in various degrees by such factors as government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, land use, water use, land claims of local people and workplace safety. The impact of these factors on Sea Dragon's future results of operations cannot be accurately predicted.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Sea Dragon depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, Sea Dragon's existing reserves and the production therefrom will decline over time as is existing reserves are exploited. A future increase in Sea Dragon's reserves will depend not only on its ability to explore and develop its existing properties, but also on its ability to select and acquire new or additional producing properties or prospects. No assurance can be given that Sea Dragon will be able to locate satisfactory properties for acquisition or participation on economically favourable terms or at all. Moreover, if such acquisitions or participations are identified, management of Sea Dragon may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Sea Dragon.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs and taxes, royalties or their equivalent. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, Sea Dragon may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to Sea Dragon. In accordance with industry practice, Sea Dragon is not fully insured against all of these risks, nor are all such risks insurable. Although the operators of the NW Gemsa and Kom Ombo concessions are required to maintain liability insurance in an amount that they consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Sea Dragon could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on Sea Dragon.

Operational Dependence

Other companies operate all of the assets in which Sea Dragon has a participating interest. As a result, Sea Dragon has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Sea Dragon's financial performance. Sea Dragon's return on assets operated by others will therefore depend upon a number of factors that may be outside of Sea Dragon's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

Sea Dragon will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic.

Sea Dragon's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Sea Dragon's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- political uncertainty;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Sea Dragon could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Competition

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

Regulatory

Oil and natural gas operations (exploration, production, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase Sea Dragon's costs, any of which may have a material adverse effect on Sea Dragon's intended business, financial condition and results of operations. In order to conduct oil and gas operations, Sea Dragon will require licenses from various governmental authorities. There can be no assurance that Sea Dragon will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Commodity Price Risk

When the Corporation has producing resource properties and sells crude oil or natural gas, its revenues will be significantly affected by the prevailing world commodity prices. World prices for oil and natural gas have fluctuated widely in recent years and are future price fluctuations are expected and will have a significant impact on the projected revenue of Sea Dragon, the projected return for its current and future reserves and the general financial viability of the Corporation.

Lower commodity prices will also be factor in the Corporation's efforts to raise additional capital. Management takes the availability of investment capital into consideration as it evaluates acquisition opportunities so as to minimize the possibility of becoming illiquid by acquiring assets that may require more capital than the Corporation can provide.

Environmental Risks

Sea Dragon's current and future operations that are conducted in Egypt are subject to environmental regulations promulgated by the Egyptian government. Should Sea Dragon initiate operations in other countries, such operations will be subject to environmental legislation in such jurisdictions. Current environmental legislation in Egypt provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. Sea Dragon's existing operations are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on Sea Dragon's future financial condition or results of operations.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Sea Dragon to incur costs to remedy such discharge. Sea Dragon is in material compliance with current environmental laws. No assurance can be given that the application of environmental laws to the business and operations of Sea Dragon will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Sea Dragon's financial condition, results of operations or prospects.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by Sea Dragon is and will continue to be affected by numerous factors beyond its control. Sea Dragon's ability to market its oil and natural gas depends upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Sea Dragon is also affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Sea Dragon's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of Sea Dragon's reserves. Sea Dragon might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Sea Dragon's net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. In addition, potential bank borrowings available to Sea Dragon will be in part determined by Sea Dragon's borrowing base. A sustained material decline in prices from historical average prices could reduce Sea Dragon's borrowing base, therefore reducing the bank credit available to Sea Dragon which could require that a portion, or all, of Sea Dragon's bank debt be repaid and a liquidation of assets.

In Egypt, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Egypt is not currently a member of the Organization of Petroleum Exporting Countries. All of Sea Dragon's share of production from the NW Gemsa Concession is sold to EGPC. The Corporation would be materially affected should EGPC be unable or unwilling to pay for the crude oil that it had acquired from Sea Dragon. The Corporation's cash flow and earnings could also be affected if EGPC delays in paying the amounts it owes to the Corporation beyond normal commercial periods. All of Sea Dragon's share of production from the Kom Ombo Concession is sold to Ganoub El Wadi Petroleum Holding Company ("Ganope"). The Corporation would be materially affected should Ganope be unable or unwilling to pay for the crude oil that it had acquired from Sea Dragon. The Corporation's cash flow and earnings could also be affected if Ganope delays in paying the amounts it owes to the Corporation beyond normal commercial periods.

Variations in Foreign Exchange Rates and Interest Rates

The reporting and functional currency of the Corporation is United States dollars. Substantially all of the Corporation's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the Canadian dollar and the United States dollar. The majority of capital expenditures are incurred in United States dollars and oil revenues are received in United States dollars therefore the Company's exposure to foreign exchange is reduced.

The Canadian dollar has increased materially in value against the United States dollar. Such material increases in the value of the Canadian dollar may negatively impact Sea Dragon's cash flow from operations as the majority of the Corporation's general and administrative costs are incurred in Canadian dollars. Further material increases in the value of the Canadian dollar would exacerbate this potential negative impact.

To the extent that Sea Dragon engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which Sea Dragon may contract.

An increase in interest rates could result in a significant increase in the amount Sea Dragon pays to service future debt, if any, which could negatively impact the market price of the Common Shares. As of December 31, 2010 and as of the Effective Date, the Corporation did not have any long term debt obligations.

Substantial Capital Requirements

Sea Dragon anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. Sea Dragon's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times or to allow it to undertake or complete future drilling programs. From time to time, Sea Dragon may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Sea Dragon to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Sea Dragon's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, Sea Dragon's ability to expend the necessary capital to replace its reserves or to maintain its production will be impaired. If Sea Dragon'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. The inability of Sea Dragon to access sufficient capital for its operations could have a material adverse effect on Sea Dragon's financial condition, results of operations and prospects.

Issuance of Debt

From time to time Sea Dragon may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase Sea Dragon's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, Sea Dragon may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither Sea Dragon's articles nor its bylaws limit the amount of indebtedness that Sea Dragon may incur. The level of Sea Dragon's indebtedness from time to time, could impair Sea Dragon's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time Sea Dragon may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set in such agreements, Sea Dragon will not benefit from such increases. Similarly, from time to time Sea Dragon may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of cost escalation relating to general and administrative costs if the Canadian dollar declines in value compared to the United States dollar.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Sea Dragon and may delay exploration and development activities. To the extent Sea Dragon is not the operator of its oil and gas properties, Sea Dragon will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

Sea Dragon has investigated the rights to explore the various oil and gas properties it holds or proposes to participate in and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorizations and that such exploration and development authorizations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to Sea Dragon. There can be no assurances that claims by third parties against Sea Dragon's properties will not be asserted at a future date.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this Annual Information Form and the documents incorporated by reference herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows there from are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. Estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Sea Dragon's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Insurance

Sea Dragon's involvement in the exploration for and development of oil and natural gas properties may result in Sea Dragon becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Sea Dragon will maintain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, Sea Dragon may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to Sea Dragon. The occurrence of a significant event that Sea Dragon is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Sea Dragon.

Dividends

Any decision to pay dividends on the Common Shares will be made by the board of directors of Sea Dragon on the basis of Sea Dragon's earnings, financial requirements and other conditions existing at such future time. See "*Dividend Record*".

Conflicts of Interest

Certain directors of Sea Dragon are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA. See "*Conflicts of Interest*".

Management of Growth

Sea Dragon may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Sea Dragon to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Sea Dragon to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

Sea Dragon's properties are held in the form of licenses and leases and working interests in licenses and leases. If Sea Dragon or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of Sea Dragon's licenses or leases or the working interests relating to a license or lease may have a material adverse effect on Sea Dragon's results of operations and business.

Third Party Credit Risk

Sea Dragon may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Sea Dragon, such failures could have a material adverse effect on Sea Dragon and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Sea Dragon's ongoing capital program, potentially delaying the program and the results of such program until Sea Dragon finds a suitable alternative partner.

Reliance on Key Personnel

Sea Dragon's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on Sea Dragon. Sea Dragon does not have any key person insurance in effect for management. The contributions of the existing management team to the immediate and near term operations of Sea Dragon are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Sea Dragon will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Sea Dragon.

Reliance on Strategic Relationships

Sea Dragon's existing business relies on strategic relationships in the form of joint ventures with local government bodies, other oil and gas companies and other overseas companies. There can be no assurances that these strategic relationships will continue to be maintained although at present management is not aware of any issues regarding its strategic relationships.

Sea Dragon is a ten (10%) percent owner in the NW Gemsa Concession together with Vegas Oil & Gas S.A. (a fifty (50%) percent owner and operator) and Circle Oil PLC (a forty (40%) owner). The terms of the relationship among Sea Dragon and its joint venture partners are governed by a joint operating agreement.

Sea Dragon is a fifty (50%) percent owner in the Kom Ombo Concession together with DGE. The farmout agreement governing the Kom Ombo Acquisition contemplates that Kom Ombo Concession will be co-operated by Sea Dragon and DGE. The Corporation has finalized the terms of such co-operatorship.

Dilution

Sea Dragon may take future acquisitions or enter into financing or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to Sea Dragon or to the operators, and the delays by operators in remitting payment to the Corporation, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Corporation in a given period and expose the Corporation to additional third party credit risks.

Changes in Legislation

The return on an investment in securities of Sea Dragon is subject to changes in Egyptian and Canadian tax laws and government incentive programs and there can be no assurance that such laws or programs will not be changed in a manner that adversely affects the Corporation or the holding and disposing of the securities of the Corporation.

Income Taxes

As the Corporation is engaged in the oil and natural gas business its operations are subject to certain unique provisions of the *Income Tax Act* (Canada) and applicable provincial income tax legislation relating to characterization of costs incurred in their businesses which affects whether such costs are deductible and, if deductible, the rate at which they may be ducted for the purposes of calculating taxable income. Sea Dragon will file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of costs or otherwise, such reassessment may have an impact on current and future taxes payable.

Sea Dragon will also be subject to various tax regimes in foreign countries that are subject to changes in legislation and interpretation. The Corporation will file foreign income and other tax returns as are required and believes it will be in full compliance with the relevant foreign legislations.

Accounting Write-Downs as a Result of GAAP

Canadian generally accepted accounting principles ("**GAAP**") require that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the financial statements of Sea Dragon. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and result in an inability to borrow funds and/or may result in a decline in the trading price of the Corporation's Common Shares.

Under GAAP, the net amount at which petroleum and natural gas properties are carried are subject to a cost-recovery test which is based in part upon estimated future net cash flow from oil and natural gas reserves. In following the full cost method, an impairment loss is recognized when the carrying amount of the petroleum and natural gas properties of a cost centre is not recoverable and exceeds its fair value. The carrying amounts are assessed to be unrecoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market value of unproved properties and the cost of major development projects are less than the carrying amount of the cost centre. In determining the amount of impairment, the carrying amount of oil and gas properties capitalized in a cost centre is compared to the fair value of the associated proved and probable reserves and the lower of cost and market value of any unproved properties which are subject to a separate test for impairment. In determining the fair value of the proved and probable reserves, the Company uses cash flows based upon oil and gas prices as quoted in the futures market where obtainable, adjusted for quality differences, transportation and other relevant factors. These cash flows are then discounted using a risk-free interest rate. If the carrying value of the oil and gas properties is in excess of its fair value (the "ceiling test"), the excess is charged against earnings as additional depletion and depreciation.

Future Adoption of IFRS

On January 1, 2011 International Financial Reporting Standards ("IFRS") will become the generally accepted accounting principles in Canada. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Sea Dragon for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The project to convert to IFRS is being managed by an in-house team of accounting professionals who have engaged in IFRS educational programs and continue to develop the Corporation's adoption to IFRS. The Corporation's auditors have been and will continue to be involved throughout the process to ensure the Corporation's policies are in accordance with these new standards.

The transition from Canadian GAAP to IFRS is significant and may materially affect the Corporation's reported financial position and results of operations. At this time, Sea Dragon has identified key differences that will impact the financial statements and the current status of those items:

- Exploration and Evaluation ("E&E") expenditures – On transition to IFRS Sea Dragon will re-classify all E&E expenditures that are currently included in the PP&E balance on the consolidated balance sheet. This will consist of the book value of undeveloped land that relates to exploration properties. E&E assets will not be depleted and must be assessed for impairment when indicators of impairment exist.
- Property, plant and equipment – The Corporation currently capitalizes costs of development and production assets that meet the definition of an asset under Canadian GAAP and depletes these costs by cost centre, which is a country, based on total proved reserves. Under IFRS, the

Corporation is anticipating calculating the depletion rate at the field level. On transition to IFRS Sea Dragon has the option to base the depletion calculation using either proved reserves or proved plus probable reserves. Sea Dragon is anticipating calculating depletion using proved plus probable reserves. The Corporation continues to assess the impact of the changes.

- Impairment of PP&E assets – Under IFRS, impairment tests of PP&E must be performed on specific portions of PP&E ("cash generating unit") as opposed to the entire PP&E balance which is currently required under current Canadian GAAP through the full cost ceiling test. Impairment calculations will be performed at the cash generating unit level using either total proved or proved plus probable reserves. Sea Dragon is currently determining its cash generating units for the purpose of impairment testing and anticipates using proved plus probable reserve values for impairment tests.
- Share based payments – The Corporation has determined the major differences from current Canadian GAAP that would impact the Corporation such as treating graded vesting awards as multiple separate awards with different lives and estimating forfeiture rates in advance as opposed to recognizing the impact when the forfeiture occurs. The Corporation is currently performing the revised share-based payment expense calculations under IFRS.
- Due to the recent withdrawal of the exposure draft on IAS 12 Income Taxes in November 2009 and the issuance of the exposure draft on IAS 37 Provisions, Contingent Liabilities and Contingent Assets in January 2010, Management is still determining the impact of these revised standards on its IFRS transition.

This list of areas impacted by IFRS should not be regarded as a comprehensive list of changes that will result from the transition to IFRS. The Corporation continues to monitor the development of standards.

DESCRIPTION OF SHARE CAPITAL

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in one or more series. There are currently 376,459,358 common shares of the Corporation issued and outstanding as at the Effective Date of this Annual Information Form. In addition**,** the Company had 30.0 million warrants with an exercise price of CDN$0.50 per warrant and 13,250,000 stock options. The warrants expire on November 6, 2012**.**

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.

Preference Shares

The board of directors may issue preference 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 preference shares rank in priority to the common shares. At the Effective Date, there are no preference shares issued and the Corporation has no current plans to issue any preference shares.

MARKET FOR SECURITIES

Trading Price and Volume

Sea Dragon's common shares are listed and posted on the Exchange under the trading symbol "SDX". The following table sets out the monthly high and low closing prices and the total monthly trading volumes on the Exchange for the indicated periods:

2010	High ($)	Low ($)	Volume
January	0.71	0.48	18,657,900
February	0.55	0.48	2,457,500
March	0.51	0.40	29,401,084
April	0.54	0.42	37,952,800
May	0.46	0.32	32,915.500
June	0.38	0.28	27,161,200
July	0.32	0.23	26,916,800
August	0.32	0.23	14,216,200
September	0.30	0.22	34,982,300
October	0.33	0.27	18,310,200
November	0.34	0.26	28,178,400
December	0.35	0.25	27,813,200
2011			
January	0.35	0.19	66,964,800
February	0.28	0.24	67,079,300
March 1 – 29	0.26	0.20	26,331,500

DIVIDEND POLICY

The Corporation has not declared or paid any cash dividends or distributions since its incorporation. Other than pursuant to the Exchange's policies and applicable corporate law, there are no restrictions on the Corporation that would prevent it from paying a dividend. However, the Board of Directors intends to retain future earnings for reinvestment in the Corporation's business and, therefore, has no current intention to declare or pay dividends on the common shares for the foreseeable future. The Corporation's dividend policy will be reviewed from time to time in the context of its earnings, financial condition and other relevant factors.

ESCROWED SECURITIES

The number of common shares of the Corporation held in escrow and the percentage that number represents of the outstanding common shares of the Corporation as at December 31, 2010 and the Effective Date is as follows:

Designation of Class	Number of Securities Held in Escrow as at December 31, 2010	Percentage of Class as at December 31, 2010(1)	Number of Securities Held in Escrow as at the Effective Date	Percentage of Class as at the Effective Date(2)
Common Shares(3)	4,237,000	1.1%	2,118,500	0.56%

Notes:

(1) The Corporation had 376,459,358 Common Shares issued and outstanding at December 31, 2010.

(2) The Corporation had 376,459,358 Common Shares issued and outstanding at the Effective Date.

(3) Common Shares held in escrow pursuant to an escrow agreement dated July 15, 2008 among the Corporation, Equity Transfer & Trust Company and certain shareholders of the Corporation. The Common Shares were releasable as to 10% on July 18, 2008, the date of the notice from the Exchange confirming listing of the Common Shares on the Exchange, and as to 15% on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of such notice.

DIRECTORS AND OFFICERS

The following table sets out as at December 31, 2010 for each of the Corporation's directors and executive officers, the person's name, municipality of residence, position within the Corporation, principal occupation and how long they have served as a director or officer of the Corporation.

Name and Municipality of Residence	Position(s) with the Corporation	Director Since	Principal Occupation in the Last Five (5) Years
Said S. Arrata Calgary, Alberta	Chairman, Chief Executive Officer and Director	June 17, 2008	Executive Chairman and Chief Executive Officer of Sea Dragon from July 2009 to present; Director of Dana Gas Co. from January 2007 to December 2008; Chairman and Chief Executive Officer of Centurion Energy International Inc. from June 1997 to January 2007.
A.D. (Tony) Anton(2) Calgary, Alberta	President, Chief Operating Officer and Director	December 9, 2010	President and Chief Operating Officer of Sea Dragon from June 1, 2010 to present; Senior Vice President Acquisitions and Engineering of Sea Dragon from November 2009 to June 1, 2010; 2002 to 2008 Vice President and COO of Centurion Energy International, Inc. Centurion was sold to Dana Gas Egypt in January 2007 and Mr. Anton continued to work with Centurion during the transition phase.
Olivier Serra Paris, France	Chief Financial Officer	N/A	Chief Financial Officer of Sea Dragon from June 1, 2010 to present; Head of Europe, Middle East and Africa Oil and Gas Department of BNP Paribas from June 2006 to May 2010.
Ahmed Farid Ahmed Moaaz, Cairo, Egypt	Director and Country Manager	May 6, 2008	Country Manager of Sea Dragon since October 2006 to present; Vice President (Operations) of Trident Petroleum International from May 2005 to September 2006; Chairman and Managing Director of El Wastani, owned by Centurion Energy International Inc. and Egyptian Natural Gas Holding Corporation (E-Gas), from August 2003 to April 2005; Deputy Chairman for production for the EGPC from September 2002 to August 2003.
David Wilson(1)(2)(3)(4) Calgary, Alberta	Director	June 17, 2008	From March 1999 to December 2007, various positions with Nations Energy Corporation Ltd., including Vice President of Development Geology, Advisor, President of Karazanbas-CaspiShelf and Executive Vice President of Mergers and Acquisitions; Director and Executive Vice-President Mergers and Acquisitions of Nations Petroleum Corporation Ltd. from January 2007 to May 2007; Director, Chairman of the Board and President of Tartan Energy (Canada) Ltd. from September 2006 to May 31, 2007; Director and Vice President of Tracer Petroleum Inc. from June 1998 to June 2005.
Barry Swan(1)(3)(4)(5) Calgary, Alberta	Director	June 17, 2008	President of 677651 Alberta Limited, a private energy Corporation, from September 1994 to present; Senior Vice President and Chief Financial Officer of Centurion Energy International Inc. from May 1997 to January 2007.
Paul Moase(1)(3)(4)(5) Toronto, Ontario	Director	October 7, 2009	2006 to present, independent Business Advisor; from 2004 to 2006 Managing Director of MGI Securities Capital Markets.
Robert Moffat(2)(4)(5) Calgary, Alberta	Director	December 9, 2010	President of Bow Valley Energy Inc. (TSX:BVX) from February 2002 to April 2009; Director of Global Energy Services (TSX:GLK) from August 2006 to May 2010; President of Steen River Oil & Gas Ltd., a private energy company, since May 2010.

Name and Municipality of Residence	Position(s) with the Corporation	Director Since	Principal Occupation in the Last Five (5) Years
Mike Zayat Calgary, Alberta	Senior Vice President Exploration	N/A	Senior Vice President Exploration of Sea Dragon from November 2009 to present; 2000 to 2007 Vice President exploration and Business development with Centurion Oil International Inc, Calgary. After Centurion consulting independently until joining Sea Dragon in November 2009.

Notes:

(1) Member of the Audit Committee.
(2) Member of the Reserve Committee.
(3) Member of the Compensation Committee.
(4) Mr. Wilson resigned as a director of Sea Dragon in March 2011.
(5) Member of Corporate Governance Committee.

As at the Effective Date, the directors and executive officer of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, 15,884,666 common shares of the Corporation or approximately 4.2% of the issued and outstanding Common Shares. This information, as to the number of Common Shares beneficially owned, controlled, or directed, not being within the knowledge of the Corporation, has been furnished by the respective directors and executive officers of the Corporation individually.

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:

> Said Arrata, a director and officer of the Corporation, was a director of Fuel-X International, a private equity company until May 2008, which was put into receivership as a result of the inability to raise necessary funds to continue operations.

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.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of Sea Dragon will be subject in connection with the operations of Sea Dragon. In particular, certain of the directors and officers of Sea Dragon are involved in managerial or director positions with other oil and gas or investment companies whose operations may, from time to time, be in direct competition with those of Sea Dragon or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Sea Dragon. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director will disclose his interest in such contract or agreement and will refrain from voting on any matter in respect of such contract or agreement unless otherwise provided in the CBCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set out below, to the knowledge of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation is or was a party to, or in respect of which any of its properties are or were subject of during the year ended December 31, 2010, nor are there any such proceedings known to be contemplated.

> On May 30, 2008 (as amended on June 30, 2008), a statement of claim (the "**Claim**") was filed in the province of British Columbia by Transpacific and Ghareeb Awad (the "**Plaintiffs**") against the Minister of Petroleum – Egypt, Dover Investments Limited and the Corporation (the "**Defendants**"). The Plaintiffs allege, among other things, that the actions on behalf of the Defendants have resulted in Transpacific not being recognized for a 25% interest in the EWA Concession Agreement. They seek injunctions and damages as compensation.
>
> On November 10, 2008 the British Columbia Supreme Court ruled in favour of the Corporation when it concluded that the Plaintiffs did not have a legal right to initiate a court action in respect of a contractual dispute involving the EWA concession in Egypt. This matter accordingly moved to arbitration in Alberta and on April 6, 2009 the arbitration tribunal stayed the proceedings indefinitely following the failure of the plaintiffs to fund their share of the costs of the arbitration.
>
> The Plaintiffs sought to appeal the decision to refer this matter to Arbitration but the Court of Appeal for British Columbia denied the application on November 30, 2009.
>
> On April 16, 2010, a Statement of Claim (the "**Claim**") was filed in the Province of Alberta against the Corporation in which the plaintiffs allege, among other things, that the actions of the Corporation contributed to the plaintiffs not being recognized for a 25% interest in the EWA Concession Agreement. The plaintiffs seek injunctions and damages of $32.0 million as compensation. On February 3, 2011, the Court of Queen's Bench of Alberta granted an application by the Corporation to stay the Court proceedings in respect of the Claim, on the grounds that the Claim is subject to an arbitration agreement and an arbitration tribunal has previously been appointed to adjudicate the same subject matter as the Claim. The arbitration has itself been stayed since April 2009 due to the failure by the plaintiffs to pay a deposit required by the arbitration tribunal for the arbitrator's fees and expenses.
>
> The Corporation believes the Claim to be without merit and will vigorously defend itself against the Claim. As an assessment of the likelihood of loss is indeterminable at this time, no provision has been made in the financial statements for the Claim. Any such loss will be recognized in the period it becomes likely to occur.

There were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2010, no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2010.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, the directors and executive officers of the Corporation are not aware of any material interest, direct or indirect, of any director, executive officer, principal shareholder of the Corporation, or any associate or affiliate thereof, in any transaction within the last three years, or in any proposed transaction, that has materially affected or will materially affect the Corporation:

- On April 8, 2008, the shareholders of EOHL sold all of the issued and outstanding shares of EOHL to Sea Dragon in exchange for 24 million common shares of Sea Dragon, valued at $0.1525 per share, for total consideration of $3,660,000 plus the elimination of the $765,000 debt assumed by EOHL and owed to Sea Dragon.

- On December 31, 2009, the Corporation entered into a farmout agreement with DGE, whereby the Corporation acquired a 50% working interest in the Kom Ombo Concession. Said Arrata, an executive officer and director of the Corporation is a director of DGE. See "*General Development of the Business – 2009 – Acquisition of Kom Ombo Concession Interest*".

INTERESTS OF EXPERTS

Other than as disclosed herein, there is no person or Corporation whose profession or business gives authority to a statement made by such person or Corporation and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by Sea Dragon during, or related to, our most recently completed financial year. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. 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 Sea Dragon or of any associate or affiliate of Sea Dragon.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise disclosed herein, there have been no material contracts entered into by the Corporation within the most recently completed financial year, or before the most recently completed financial year that are still in effect except as follows:

1. Share Purchase Agreement dated August 2009 between Sea Dragon and Premier Oil Overseas B.V. for the acquisition of the share of Premier Egypt (NW Gemsa) BV. See "General Development of the Business – Three Year History – *Acquisition of NW Gemsa Concession Interest*".

2. Concession Agreement for Petroleum Exploration and Exploitation between The Arab Republic of Egypt and the Egyptian General Petroleum Corporation and Kriti Oil and Gas S.A. in the North West Gemsa Area, Eastern Desert, Arab Republic of Egypt. See "General Development of the Business – Three Year History – *Acquisition of NW Gemsa Concession Interest*.

3. Concession Agreement for Petroleum Exploration and Exploitation dated July 18, 2004 between the Arab Republic of Egypt and Ganoub El-Wadi Holding Petroleum Company and Centurion Petroleum Corporation in the Komombo Area, Block 2, Ganoub El-Wadi, Arab Republic of Egypt. See "General Development of the Business – Three Year History – *Acquisition of Kom Ombo Concession Interest*".

4. Farmout Agreement dated December 31, 2009 between Dana Gas Egypt Ltd. and Sea Dragon Energy (Kom Ombo) Ltd. relating to Block 2, Komombo Area, Arab Republic of Egypt. See "General Development of the Business – Three Year History – *Acquisition of Kom Ombo Concession Interest*".

5. Alliance Agreement dated February 4, 2010 between Sea Dragon Energy Inc. and Tanmia Petroleum Company. See "General Development of the Business – Three Year History – *Alliance Agreement*".

6. Underwriting Agreement dated March 26, 2010 between Sea Dragon and G.M.P. Securities LP, Thomas Weisel Partners Canada Inc., Genuity Capital Markets, First Energy Capital Corp. and Maison Placements Canada Inc. See "General Development of the Business – Three Year History – *Completion of Bought Deal Short Form Prospectus Offering*".

All of the aforementioned material contracts are available on SEDAR at www.sedar.com.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditor is PricewaterhouseCoopers LLP which is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Equity Transfer and Trust, at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar of the Common Shares of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's information circular for the Corporation's most recent annual meeting of shareholders that involved the election of directors. Additional financial information is contained in the Corporation's consolidated financial statements and the related management's discussion and analysis for its most recently completed financial year.

APPENDIX A
FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the Board of Directors of Sea Dragon Energy Inc. (the "**Company**"):

1. Gaffney, Cline & Associates (GCA) has evaluated the Company's reserves data as at 31st December 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at 31st December 2010, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. GCA's responsibility is to express an opinion on the reserves data based on our evaluation.

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

3. Those standards require that GCA plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by GCA for the year ended 31st December, 2010 and identifies the respective portions thereof that GCA has evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator	**Description and Preparation Date of Evaluation Report**	**Location of Reserves (Country or Foreign Geographic Area)**	**Net Present Value of Future Net Revenue Millions of United States Dollars (MMU.S.$) (before income taxes, 10% discount rate)**			
			Audited	**Evaluated**	**Reviewed**	**Total**
GCA	Evaluation of Sea Dragon's Reserves as at 31st December 2010 completed March 11, 2011	Komombo Concession Republic of Egypt	-	35.33	-	35.33
Totals			**Nil**	**35.33**	**Nil**	**35.33**

5. In GCA's opinion, the reserves data respectively evaluated by GCA have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. GCA expresses no opinion on the reserves data that were reviewed but that GCA did not evaluate.

6. GCA has no responsibility to update its reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

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

Executed as to our report referred to above:

Gaffney, Cline & Associates (GCA)
Bentley Hall
Blacknest, Alton
Hampshire GU34 4PU
United Kingdom

(signed) *"Brian Rhodes"*

Brian Rhodes
11th March 2011

APPENDIX B
FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the Board of Directors of Sea Dragon Energy Inc. (the “**Company**”):

1. We have evaluated the Company’s reserves data as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

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

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2010 and identifies the respective portions thereof that we have evaluated and reported on to the Company’s management:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) (USD 000’s)			
			Audited	**Evaluated**	**Reviewed**	**Total**
Ryder Scott Company	Estimate of Reserves and Future Income Report Prepared February 25, 2011	Northwest Gemsa Concession, Egypt	N/A	$40,320	N/A	$40,320

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

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

Executed as to our report referred to above:

Ryder Scott Company-Canada, Calgary, Alberta, Canada

Execution Date: Dated as of the 25th day of February, 2011

(signed) *"Howard C. Lam"*

Howard C. Lam, P.Eng.
Managing Senior Vice President

APPENDIX C
FORM 51-101F3
REPORT OF
MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

Management of Sea Dragon Energy Inc. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company's reserves data. The reports of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

c) reviewed the reserves data with management and the independent qualified reserves evaluators.

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

a) the content and filing with securities regulatory authorities of Form 51-101F1 reserves data and other oil and gas information;

b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

c) the content and filing of this report.

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

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

(signed) *"Olivier Serra"*
Olivier Serra
Chief Financial Officer

(signed) *"Ahmed Moaaz"*
Ahmed Moaaz
Director

(signed) *"Tony Anton"*
Tony Anton
Director and President

March 29, 2011