



SEA DRAGON ENERGY UPDATES OPERATIONS AND FINANCIALS FOR THIRD QUARTER 2011

Calgary, Canada – November 18, 2011, Sea Dragon Energy Inc. (“Sea Dragon” or the “Company”) (TSXV: SDX) is pleased to announce its 2011 third quarter financial and operating results (the “Quarter”). All dollar values are expressed in United States dollars unless otherwise stated.

Highlights:

- Achieved an average production rate of 1,066 bopd as compared to 1,190 bopd in third quarter of 2010;
- Generated funds flow from operations of \$2.2 million, as compared to \$0.8 million in the third quarter of 2010;
- Improved results with Net Income for the Quarter of \$1.1 million compared to a loss of \$0.8 million in the third quarter of 2010;
- Increased operating netback to \$5.3 million compared to \$2.8 million in the third quarter of 2010;
- Increased operating netback to \$53.93 /bbl from \$25.98 /bbl in the third quarter of 2010;
- Operating cost for the Quarter was \$(1.62) /bbl due to a reclassification, compared to \$7.56 /bbl in the third quarter of 2010;
- Exited the Quarter with cash and cash equivalents of \$7.0 million, working capital of \$14.3 million and no debt;
- Closed the Quarter with sufficient funds to execute the remaining 2011 capital program;
- Closed a 5-year senior secured borrowing base of US \$50 million, which provides the Company with access to additional capital, if and when required, as well as for future acquisitions.
- Subsequent to Quarter end collected \$2.3 million in outstanding accounts receivable.

FINANCIAL & OPERATING HIGHLIGHTS

The following table provides a summary of Sea Dragon's financial and operating results for the three and nine months ended September 30, 2011 and 2010 and the three months ended June 30, 2011. Consolidated financial statements with Management's Discussion and Analysis ("MD&A") are now available on the Company's website at www.seadragonenergy.com and will be available on SEDAR at www.sedar.com.

	Prior Quarter ⁽¹⁾	Three months ended		% Change	Nine months ended		% Change
		September 30	2010		September 30	2010	
Financial \$000's							
Cash, end of period	10,027	7,051	18,449	-62%	7,051	18,449	-62%
Working capital/(deficiency)	13,988	14,290	20,825	-31%	14,290	20,825	-31%
Funds from operations	948	2,158	766	182%	5,116	1,481	245%
per share	-	-	-	0%	0.01	-	0%
Net Income/(Loss)	(78)	1,143	(803)	242%	1,552	(2,335)	166%
per share	-	-	-	0%	-	(0.01)	-100%
Capital expenditures	1,626	1,592	3,982	-60%	6,132	51,088	-88%
Total assets	86,098	88,310	85,393	3%	88,310	85,393	3%
Shareholders' equity	81,698	83,082	81,290	2%	83,082	81,290	2%
Common shares outstanding (000's)	376,459	376,459	375,959	0%	376,459	375,959	0%
Warrants outstanding (000's)	30,000	30,000	30,000	0%	30,000	30,000	0%
Operational							
Oil sales (bbl/d)	1,094	1,066	1,190	-10%	1,112	1,003	11%
Brent oil price (\$/bbl)	116.84	113.35	76.92	47%	111.92	77.89	44%
Realized oil price (\$/bbl)	111.77	108.44	72.01	51%	106.63	72.57	47%
Royalties (\$/bbl)	62.46	56.13	38.47	46%	54.98	40.87	35%
Operating costs (\$/bbl)	10.63	(1.62)	7.56	-121%	6.28	7.88	-20%
Netback (\$/bbl)	38.68	53.93	25.98	108%	45.37	23.82	90%

(1) Denotes the three months ended June 30, 2011

IFRS Advisory

Sea Dragon's financial data disclosed above has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board that was adopted by the Corporation on January 1, 2011, with an effective date of January 1, 2010. Previously, Sea Dragon prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles then applicable to publically accountable enterprises. Comparative information described above has been restated to comply with the requirements of IFRS. The adoption of IFRS does not impact the underlying economics of Sea Dragon's operations. Further details are described in the "Accounting Policy Changes" section of the Management's Discussion & Analysis portion of the 2011 Third Quarter Report.

Operations:

NW Gemsa Concession

During the third quarter of 2011, Sea Dragon participated in the drilling of two wells (0.2 net) in the NW Gemsa Concession, the Al Ola-2 well which tested 2825 bopd and the Geyad-4(D) which is currently drilling. Water injection in Al Amir SE is now underway, with two injection wells, Al Amir SE-7 and Al Amir SE-8 currently on stream.

The NW Gemsa block is located in the Eastern Desert on the southwest part of the Gulf of Suez. NW Gemsa is producing from the Shagar and Rahmi sands of the Kareem formation. Current production from the concession is running steady at around 7,800 bopd of light crude oil (780 bopd net) selling at Brent -6% (5,100 bopd from the Al Amir SE field and 2,700 bopd from the Geyad field). Cumulative oil production as of mid-October 2011 is 6.4 MMbbl gross (5.4 MMbbl from Al Amir SE and 1.0 MMbbl from Geyad).

The beginning of the water flood project is an important milestone designed to increase reservoir pressure, regain initial well productivities and sweep larger oil volumes towards producing wells. This will result in significant increase in recoverable reserves and production levels from the field.

The gas tie-in project will allow currently flared gas volumes to be recovered. Associated condensate and LPG volumes will also be captured and sold to the market adding further economic value. This project is expected to be completed in the third quarter of 2012.

Al Amir SE Field

As of October 2011, ten wells have been drilled at Al Amir SE (8 producers and 2 injectors). Currently, of the producer well pool, five wells are producing, one well is on test and two are shut in due to high GOR's (close to bubble point), which will be remedied with pressure support through water injection and reservoir management. The Al Amir SE-7 and Al Amir SE-8 injectors are currently on stream at 5,700 and 4,000 bwpd, respectively. Source water is abundant and not an issue for the water injection scheme.

Al Ola-2 Well

The Al Ola-2 well was spud on September 1st, 2011 and successfully reached its total depth of 10,552 feet on October 1, 2011. This well is located approximately one km west of Al Ola X-1 well and was targeted as a water injector in the water leg of the Kareem Formation. Four 60 foot cores were cut in the interval 10,002-10,246 feet, and logs were run. The petrophysical analyses showed the Shagar member of the Kareem Formation to be oil bearing and the decision was then made to complete the well as an oil producer rather than a water injector. The well was cased with a 7" string to bottom and the Shagar zone was then perforated in the interval 10,143-10,158 feet; the well has been production tested at an initial rate of 2,825 bopd. We expect the well to enter into full production after EGPC signs off on the newly proposed extended development lease.

Al Ola-2 results indicate the reservoir extends further west than originally anticipated. New geological mapping is currently being generated which should result into a further increase in field reserves.

Geyad Field

As of October 2011, three productive wells exist in the Geyad field, one from the Rhami and two from the Shagar formations. Within the field, Geyad-5 is a recently drilled water injector and is awaiting injection start-up.

Geyad-4(D) Well

The Geyad-4(D) well was spud on October 26th, 2011 and is located on the Geyad development lease, approximately 735 meters East/North East from the Geyad-2X surface location and 508 meters North/North East of the Geyad-2St bottom hole location. The main objective of the Geyad-4(D) well is to access and drain an extension of the attic oil of Geyad-2St. The well has reached total depth at 6890 ft and wireline logs are being run. Petrophysical analysis showed that this well has crossed a fault and is now being side tracked closer to the Geyad-2 well.

Kom Ombo Concession:

Al Baraka Field Development

Current production from the Al Baraka field is averaging approximately 650 bopd (325 bopd net to Sea Dragon). In the current price environment and with the excellent fiscal terms of Kom Ombo, the Concession generates netbacks greater than \$50 per barrel.

Sea Dragon is working towards starting its 5 well program (3 development and 2 exploratory wells) early in the first quarter of 2012 upon rig mobilization. The new drilling rig and ancillary services have been tendered for and all tubular and supplies have already been ordered.

Geological, geophysical and engineering studies have been substantially completed. The results from basin analysis confirm the presence of a rich source rock deeper in the Kom Ombo Formation. The reprocessing of the 3D seismic significantly improves the quality of the data, which enables the Company to finalize the interpretation and mapping, as well as select the drilling locations.

The main objective of the remaining development drilling program is to delineate the extent of the deeper Kom Ombo sands, below the current shallow production. The Kom Ombo "A" sand has proven to be oil bearing in each well that penetrated the sand. The program is designed to target optimal Kom Ombo "A" locations, with the traditional Six Hills and Abu Ballas formations as secondary targets.

Kom Ombo Concession Exploration

Additional discoveries and production from the Concession could have a material impact on the Company's production and cashflow. The basin mapping analysis which we recently completed following reprocessing of seismic and geological and geophysical studies has improved exploration prospects significantly. The prospects are located on the oil migration path near the source rock area in the southern part of Al Baraka field. Prospects are being high graded to picking up well locations and the rig is being contracted for drilling as soon as possible.

Certain statements contained in this press release constitute “forward-looking statements” as such term is used in applicable Canadian and US securities laws. These statements relate to analyses and other information that are based upon forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning the 2011 drilling and capital expenditure programs of the NW Gemsa and Kom Ombo Concessions and the results referenced or implied herein should be viewed as forward-looking statements.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or are not statements of historical fact and should be viewed as “forward-looking statements”. All reserves information contained herein as well as the net present value of such reserves should be considered as forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, costs and timing of exploration and production development, availability of capital to fund exploration and development and political, social and other risks inherent in carrying on business in Egypt. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this news release.

Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and the Corporation undertakes no obligation to update forward-looking statements and if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law. Although Sea Dragon has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Actual results may differ materially from those currently anticipated. See Sea Dragon’s Annual Information Form for the year ended December 31, 2010 for a description of the risks and uncertainties associated with the Company’s business, including its exploration activities. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THE RELEASE.

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