

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

Sea Dragon Energy Inc. (“**Sea Dragon**” or the “**Company**”)
2320, 255 – 5th Avenue S.W.
Calgary, Alberta T2P 3G6

Item 2 **Date of Material Change**

January 6, 2012.

Item 3 **News Release**

News releases relating to the material change described herein were released by Canada Newswire on January 8, 2012 and January 9, 2012.

Item 4 **Summary of Material Change**

On January 8, 2012, the Company announced that it had entered into an arm’s length share purchase agreement (the “**Purchase Agreement**”) with Golden Crescent Investments Ltd. (“**Golden Crescent**”), whereby an indirect wholly-owned subsidiary of Sea Dragon will acquire (the “**Acquisition**”) all of the issued and outstanding shares of National Petroleum Company Egypt Limited (“**NPC Egypt**”), for consideration of US\$60,000,000 in cash (the “**Cash Consideration**”) and the issuance of 350,000,000 common shares of Sea Dragon to be issued to Golden Crescent at the closing of the Acquisition, at a deemed price of US\$0.25 per share (the “**Share Consideration**”), subject to any adjustments made in accordance with the terms of the Purchase Agreement (the “**Closing Consideration**”).

In addition, at the closing of the Acquisition, Sea Dragon has agreed to grant to Golden Crescent a 20.0% after payout net profits interest from production attributable to the Muzhil field (located in the SAZ Concession) and a 17.5% after payout net profits interest from production attributable to the balance of the SAZ Concession. After payout refers to positive cash flow after the Company has recovered all capital expenditures invested by the Company in the Muzhil field, or the SAZ Concession, as applicable.

On January 9, 2012, the Company announced that it had filed a preliminary short form prospectus in connection with a public offering of subscription receipts (the “**Subscription Receipts**”) for gross proceeds of Cdn\$75,000,000 (the “**Offering**”). The number and issue price of the Subscription Receipts will be determined in the context of the market at the time of filing a final short form prospectus in respect of the Offering. The net proceeds of the Offering will be used by the Company to fund the Cash Consideration of the Acquisition, to fund transaction costs in respect of the Acquisition and for general and administrative expenses.

In addition, the Company also announced on January 8, 2012 that its Board of Directors had approved its capital expenditure program (the “**Capex Program**”) for the 2012 financial year and the first quarter of 2013, which contemplates expenditures in the amount of US\$75,000,000.

Item 5 **Full Description of Material Change**

5.1 **Full Description of Material Change**

On January 8, 2012, the Company announced that it had entered into the Purchase Agreement with Golden Crescent, whereby an indirect wholly-owned subsidiary of Sea Dragon will acquire all of the issued and outstanding shares of NPC Egypt for the Closing Consideration.

On January 9, 2012, the Company announced that it had filed a preliminary short form prospectus in connection with the Offering. The number and issue price of the Subscription Receipts will be determined in the context of the market at the time of filing a final short form prospectus in respect of the Offering. The net proceeds of the Offering will be used by the Company to fund the Cash Consideration of the Acquisition, to fund transaction costs in respect of the Acquisition and for general and administrative expenses.

Strategic Rationale and Acquisition Highlights

Upon closing the Acquisition, the Company will become the sole owner and operator of three oil and gas concessions in Egypt. In addition, the Company will acquire a 12.75% participating interest in the South Ramadan Concession and will hold rights to a 100% participating interest in a fifth concession pending ratification of such concession award and related concession agreement by the People's Assembly of Egypt.

The Acquisition is underpinned by existing production from the Shukheir Bay Area in the Shukheir Marine Concession, the low risk development of the Muzhil oil field in the South Abu Zenima Concession, which is forecast to produce 6,200 bopd when it comes on-stream (anticipated by Sea Dragon to occur in the first quarter of 2013), and a significant inventory of exploration and development prospects.

In 2012, the Company is expected to complete the installation of an offshore production platform and the pipelines needed to bring first oil from the Muzhil field, with production wells to be tied in and brought onstream during the first quarter of 2013. The SAZ-2 prospect will also be tested with an exploration well planned in 2013.

The Acquisition

On January 6, 2012, the Company entered into the Purchase Agreement providing for the indirect acquisition by the Company of all of the issued and outstanding shares of NPC Egypt from Golden Crescent. Upon completion of the Acquisition, NPC Egypt will become an indirect wholly-owned subsidiary of the Company.

Following completion of an internal corporate reorganization of Golden Crescent which is a condition to the closing of the Acquisition (the "**Pre-Closing Reorganization**"), NPC Egypt will beneficially own and control all of the issued and outstanding shares of the following subsidiaries, which subsidiaries own the participating interests in the concessions set out beside their respective names:

SUBSIDIARY	CONCESSION	PARTICIPATING INTEREST
National Petroleum Company South Abu Zeneima Ltd.	South Abu Zenima (" SAZ Concession ") Includes the Muzhil field and SAZ-2 prospect	100%
National Petroleum Company Shukheir Marine Ltd.	Shukheir Marine (the " SHM Concession ") Includes the Shukheir Bay and Gamma fields	100%
National Petroleum Company North El Maghara Ltd.	North El Maghara (the " NEM Concession ")	100%

National Petroleum Company East Kheir Ltd.	East Kheir (the “ EK Concession ”)	100% (subject to ratification by the People’s Assembly of Egypt)
National Petroleum Company South Ramadan Limited	South Ramadan (the “ SR Concession ”).	12.75%

Subject to any adjustments made in accordance with the terms of the Purchase Agreement, the Closing Consideration will consist of the Cash Consideration and the Share Consideration. The issue price and number of common shares comprising the Share Consideration is subject to adjustment pursuant to the Purchase Agreement to ensure that Golden Crescent will hold not less than 20% of the issued and outstanding common shares of Sea Dragon at the closing date of the Acquisition. Concurrent with the execution of the Purchase Agreement, Sea Dragon delivered US\$2,500,000 into escrow, as an initial deposit against the payment of the Cash Consideration. It is anticipated that the balance of the Cash Consideration will be financed through the net proceeds of the Offering.

Pursuant to the Purchase Agreement, for so long as Golden Crescent holds not less than 10% of the issued and outstanding common shares of the Company, Golden Crescent is entitled to designate one nominee for election to the Board of Directors of the Company. The Purchase Agreement also provides Golden Crescent with pre-emptive rights, subject to certain exceptions set out in the Purchase Agreement, to purchase or subscribe for additional common shares of the Company to maintain its pro rata equity percentage in Sea Dragon and certain prospectus and piggy-back rights, all as further described in the Purchase Agreement.

In addition, at the closing of the Acquisition, Sea Dragon has agreed to grant to Golden Crescent a 20.0% after payout net profits interest from production attributable to the Muzhil field (located in the SAZ Concession) and a 17.5% after payout net profits interest from production attributable to the balance of the SAZ Concession. After payout refers to positive cash flow after the Company has recovered all capital expenditures invested by the Company in the Muzhil field, or the SAZ Concession, as applicable.

In the event that the Acquisition is not completed as a result of: (i) the failure of the Company to obtain shareholder approval of the issuance of the Share Consideration to Golden Crescent, which will result in Golden Crescent becoming a control person of Sea Dragon; (ii) the failure of the Company to obtain the approval of the TSX Venture Exchange for the Acquisition; (iii) the board of directors of the Company withdrawing, modifying or changing its recommendation to shareholders to vote in favour of the Acquisition or otherwise making a recommendation that is adverse to the completion of the Acquisition; or (iv) the failure of Sea Dragon to demonstrate within 60 days of the date of the Purchase Agreement that it has deposited into escrow or has received net proceeds from the Offering, that, in the aggregate, are equal to the Cash Consideration, Sea Dragon shall pay a US\$2,500,000 termination fee to Golden Crescent. In the event that the Acquisition is not completed as a result of the acceptance of a superior proposal for the assets owned by Golden Crescent, Golden Crescent shall pay Sea Dragon a US\$2,500,000 termination payment.

Subject to the satisfaction or waiver of all conditions set forth in the Purchase Agreement, it is currently anticipated that the closing of the Acquisition will occur in late February 2012 or early March 2012. A copy of the Purchase Agreement is filed under the Company’s SEDAR profile at www.sedar.com.

Special Meeting of Shareholders

Assuming completion of the Acquisition and the Offering (and assuming an offering price per Subscription Receipt equal to or near to the current trading price of the common shares of the

Company on the TSX Venture Exchange), it is anticipated that Golden Crescent, will own and control, directly or indirectly, not less than 20% of the issued and outstanding common shares of Sea Dragon. In accordance with the policies of the TSX Venture Exchange, a special meeting (the “**Meeting**”) of the holders of common shares of the Company (“**Shareholders**”) will be held on or before February 29, 2012 to approve the issuance of the Share Consideration, together with Golden Crescent becoming a control person of the Company. In addition, the Shareholders will be asked to pass a special resolution to approve a consolidation of the common shares of the Company on a ratio of not greater than a 10 for one basis (the “**Share Consolidation**”), which Share Consolidation is anticipated to be effected after the closing of the Acquisition.

In connection with the Meeting, the Company will prepare a management information circular to be mailed to the Shareholders providing additional information regarding the issuance of the Share Consideration and the Share Consolidation. It is currently anticipated that the circular will be mailed to Shareholders near the end of January 2012. The closing of the Acquisition is conditional upon, among other things, obtaining requisite shareholder approvals at the Meeting.

NPC Egypt Concessions

The following is a brief description of the various Egyptian concessions that the Company will acquire pursuant to the Acquisition.

The SAZ Concession

The SAZ Concession is located offshore in the central eastern part of the Gulf of Suez at water depths ranging from 30 to 70 m, and includes both development acreage (39 km²) and exploration acreage (21 km²), covering a total area of 60 km². The SAZ concession agreement is currently in its third and final exploration phase, which will expire on January 15, 2012 at which time the remainder of the total area within the SAZ Concession not then converted to a development lease must be relinquished to the Egyptian Government.

Muzhil Field

There is a development lease in connection with the Muzhil field. The total area of the lease is currently approximately 39 km². While the development lease for the Muzhil field was initially approved by Egyptian General Petroleum Corporation (“**EGPC**”) with the condition that first oil be delivered within four years of the date of commercial oil discovery (being June 1, 2011), EGPC further approved an extension of the first oil deadline by one year to June 2012. The project has not yet commenced operations. Accordingly, the first oil deadline is not expected to be met and NPC SAZ may be required to relinquish further development blocks. A formal request has been submitted for a further extension of the first oil deadline to July 2013. There is no assurance that a further extension will be granted.

The SHM Concession

Shukheir Bay Field

The Shukheir Bay Field, which covers a shallow offshore water area of five km², was originally discovered in 1980 through the drilling of a deviated well, which indicated oil in the Miocene Lower Rudeis sandstones. Subsequently, five additional deviated wells were drilled. The Shukheir Bay field is currently producing oil through two wells with average daily rates of 600 Bbl/d, which is transferred to General Petroleum Company’s (“**GPC**”) Shukheir gathering station at the western onshore Shukheir area via three 2.2 km/4 inch pipelines for treatment (initial degassing and dewatering). The treated oil is then pumped to GPC’s facilities in the Um El Yusr station for further treatment before export.

Gamma Field

The Gamma Field, which covers an area of 23.7 km² of shallow offshore water in depths from 0 to 70 m, is located approximately 10 km to the northwest of the Gebel El-Zeit mountain range. The Gamma Field was originally discovered in 1987 through the drilling of an exploration well, which tested oil from the Miocene Kareem formation and Cretaceous Nubia sandstones. Subsequently, eight additional wells were drilled in the Gamma Field. The last well drilled in 2009 (East Wadi Dara-1 ST) ceased production within the period of a month and is currently shut-in.

Currently the Gamma Field is producing oil (44° API) from the Miocene Kareem formation sandstones in the GA-1 well, with an average daily rate of 60 Bbl/d. Oil produced from the Gamma Field is transferred to the western onshore Wadi Dara processing facilities for complete treatment through an 8 inch subsea pipeline. It is then shipped to the GPC Shukheir gathering station via a 22 km/6 inch pipeline. A 17.9 km multi-size pipeline (6 inch/8 inch/10 inch) then transfers the treated oil to the GPC facilities in the Um El Yusr station (note that treated crude oil from the Wadi Dara processing facility bypasses the GPC Shukheir and Um El Yusr stations and only uses their pipeline network), which is then delivered to the Ras Gharib terminal, via a 19 km/12 inch pipeline.

The NEM Concession

The NEM Concession, which currently covers an area of 2,334 km², is located in the North Sinai onshore area, bounded by Gebel El Magharah from the south and the Mediterranean shore line from the north. Infrastructure in the northern part of the NEM Concession includes the 36 inch Inter-Sinai National Gas Pipeline and the national asphalt coastal road to El Arish.

The SR Concession

The SR Concession comprises an offshore field having an area of 26 km². It is located in the southern part of Gulf of Suez, in an area bounded by the Morgan oil field to the southeast, the Ramadan field to the northwest and the onshore Ras Gharib field to the west.

The EK Concession

The EK Concession, which is located offshore along the western side of the southern part of Gulf of Suez, covers an area of 53 km² in water depths ranging from 0 to 72 m. The EK Concession and related concession agreement has not yet received ratification by the People's Assembly of Egypt.

NPC EK has not yet undertaken any detailed exploration activities in respect of the EK Concession except for a re-interpretation of existing 2D seismic data.

Equity Financing

The Company has filed a preliminary short form prospectus in connection with a public offering of Subscription Receipts for gross proceeds of Cdn\$75,000,000. The issue price of the Subscription Receipts will be determined in the context of the market at the time of filing a final short form prospectus in respect of the Offering. The Offering is being co-led by FirstEnergy Capital Corp. and GMP Securities L.P. and includes Dundee Securities Ltd., Maison Placements Canada Inc., Raymond James Ltd., Salman Partners Inc. and Stifel Nicolaus Canada Inc. on a "commercially reasonable efforts" basis. The Offering is being made in each of the Provinces of Canada, except Québec, and will also be offered for sale in other jurisdictions pursuant to applicable registration and prospectus exemptions, as permitted. Closing of the Offering is expected to occur on or about January 30, 2012.

The net proceeds of the Offering will be used by the Company to fund the balance of the Cash Consideration payable in respect of the Acquisition. Any net proceeds remaining thereafter will be

used by the Company to fund transaction costs in respect of the Acquisition and for general and administrative expenses.

The gross proceeds of the Offering will be held in escrow pending completion of the Acquisition. If the Acquisition is completed on or before April 5, 2012, and certain escrow release conditions have been fulfilled, the net proceeds will be released in such manner as the Company shall direct in accordance with the Purchase Agreement, and each holder of Subscription Receipts will be entitled to receive one common share of Sea Dragon for no additional consideration. If the Acquisition is not completed on or before 5:00 p.m. (Calgary time) on April 5, 2012 holders of Subscription Receipts will receive a cash payment equal to the offering price of the Subscription Receipts and any interest that was earned thereon during the term of escrow less any applicable withholding taxes.

A preliminary prospectus containing important information relating to these securities has been filed with securities commissions or similar authorities in certain jurisdictions of Canada. The preliminary prospectus is still subject to completion or amendment. Copies of the preliminary prospectus are available from FirstEnergy Capital Corp., Facsimile: (403) 262-0633, Attention: Bridget Mahoney or by email: bgmahoney@firstenergy.com. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued.

2012 Budget and Work Program

The Company also announced that its Board of Directors has approved the Capex Program, which contemplates US\$75,000,000 of expenditures for the following: (i) a US\$12,000,000 work program for 2012 required for the Company's existing assets; (ii) the expected development costs of the Muzhil field up to first oil being reached in the amount of US\$60,000,000, which management anticipates will occur during the first quarter of 2013; and (iii) up to US\$3,000,000 in exploration studies related to the NEM Concession. The Capex Program is anticipated to be financed by the Company's credit facility and funds from operations. The Company also anticipates partially funding up to US\$15,000,000 in general and administrative expenses from proceeds of the Offering.

The Capex Program contemplates participation in the drilling of 12 wells and the completion of the installation of an offshore production platform and the pipelines needed to bring first oil from the Muzhil field on stream. The SAZ-2 prospect is expected to be tested with an exploration well, planned in 2013. The work program for the Company's NW Gemsa concession is expected to consist of the drilling of 4 producer wells and 3 water injectors and a gas conservation project. The work program for the Company's Kom Ombo concession is expected to consist of the drilling of 2 exploratory wells, 3 producer wells, 1 pilot water injection project and 3 recompletions.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

Item 7 **Omitted Information**

Not applicable.

Item 8 **Executive Officer**

The name and business telephone number of an executive officer of Sea Dragon who is knowledgeable about the material change and this report and who can be contacted is:

A.D. (Tony) Anton
President and Chief Operating Officer
Telephone: (403) 457-5035

Item 9 **Date of Report**

January 16, 2012.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This material change report contains certain statements or disclosures relating to Sea Dragon that are based on the expectations of Sea Dragon as well as assumptions made by and information currently available to Sea Dragon which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Sea Dragon anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “pro-forma”, or other comparable terminology. In particular, this material change report makes reference to the timing and completion of the Offering and the issuance of the Subscription Receipts, the issuance of common shares of the Company on the exercise of the Subscription Receipts, the use of proceeds of the Offering, the expected completion of the Acquisition and the Pre-Closing Reorganization, including the ability of the Company to satisfy all necessary conditions to the closing of the Acquisition, the ratification of the EK Concession, timing of exploration and production activities, number of shares held by Golden Crescent upon completion of the Acquisition, timing of the Meeting and the Capex Program. Readers are cautioned that there is no assurance that the transactions referenced herein will proceed. Certain conditions must be met before the Acquisition and the Offering can be completed. Such conditions include the completion of the Pre-Closing Reorganization, the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange, approval of the shareholders of the Company, completion by Sea Dragon of the Offering and ratification by the People’s Assembly of Egypt of the EK Concession. There is no assurance that the required approvals will be received and there is therefore no assurance that the Acquisition or the Offering will be completed in the time frame anticipated or at all. Many factors could cause the performance or achievement by Sea Dragon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include the failure to obtain the required approvals, including shareholder approval and approval of the TSX Venture Exchange and changes to economic conditions that prevent Sea Dragon from completing the Offering. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this material change report are expressly qualified by this cautionary statement. The Company is not under any duty to update any of the forward-looking statements after the date of this material change report or to conform such statements to actual results or to changes in the Company’s expectations and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.