

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**

July 23, 2012.

Item 3 **News Release**

A news release relating to the material change described herein were released by Canada Newswire on July 23, 2012.

Item 4 **Summary of Material Change**

Sea Dragon announces that Sea Dragon and Golden Crescent Investments Ltd. (“**Golden Crescent**”) have entered into a termination agreement (the “**Agreement**”) pursuant to which Sea Dragon and Golden Crescent have mutually agreed to terminate the Second Amended and Restated Share Purchase Agreement dated May 10, 2012 between Sea Dragon and Golden Crescent in respect of the acquisition, directly or indirectly, by Sea Dragon of all of the issued and outstanding shares of National Petroleum Company Egypt Limited (the “**Acquisition**”). In accordance with the terms of the Agreement, the remaining US\$2 million of the deposit which Sea Dragon previously paid into escrow shall be returned in full to Sea Dragon.

As Sea Dragon will no longer be issuing common shares or preferred shares of Sea Dragon to Golden Crescent as partial consideration for the purchase price of the Acquisition, Sea Dragon will not be proceeding with the proposed share consolidation of its common shares (“**Consolidation**”) which was approved by the Sea Dragon shareholders at the special meeting held on April 30, 2012.

Item 5 **Full Description of Material Change**

5.1 **Full Description of Material Change**

Sea Dragon announces that Sea Dragon and Golden Crescent have entered into the Agreement pursuant to which Sea Dragon and Golden Crescent have mutually agreed to terminate the Second Amended and Restated Share Purchase Agreement dated May 10, 2012 between Sea Dragon and Golden Crescent in respect of the Acquisition. In accordance with the terms of the Agreement, the remaining US\$2 million of the deposit which Sea Dragon previously paid into escrow shall be returned in full to Sea Dragon.

In light of the uncertainty regarding the date on which the Acquisition could be completed, Sea Dragon and Golden Crescent decided jointly to terminate the Agreement and not to proceed with the Acquisition. Prior to the decision to terminate the Agreement being reached by the parties, Sea Dragon had made arrangements for financing with banks and private equity funds to provide for sufficient funds to allow the Acquisition to close as planned.

As Sea Dragon will no longer be issuing common shares or preferred shares of Sea Dragon to Golden Crescent as partial consideration for the purchase price of the Acquisition, Sea Dragon will not be proceeding with the proposed Consolidation which was approved by the Sea Dragon shareholders at the special meeting held on April 30, 2012. In the event that Sea Dragon shareholders forwarded share certificates to Sea Dragon's transfer agent, Equity Financial Trust Company, in anticipation of the completion of the Consolidation, such certificates will be returned to the shareholder as soon as practicable.

Based on current funds available to Sea Dragon and ongoing cash flow from its existing operations, Sea Dragon believes it will have adequate working capital to fund its scheduled capital programs for the balance of 2012 and into 2013. Sea Dragon continues to investigate opportunities for the expansion of its asset base.

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

July 27, 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 contains forward-looking statements in respect of the ability of the sufficiency of funds currently available to Sea Dragon to fund its capital programs for 2012 and 2013.

Readers are cautioned that there is no assurance that Sea Dragon will have adequate funds based on current fund availability and cash flows to adequately fund its 2012 and 2013 capital programs.

With respect to the forward-looking statements contained herein, the Corporation has made assumptions regarding anticipated cash flows, size of capital programs and general economic conditions. 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 changes to available credit, decreases in cash flows, unanticipated increases in capital programs and changes to economic conditions. 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. Sea Dragon 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 Sea Dragon's expectations and Sea Dragon 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.