



MATERIAL CHANGE REPORT

Form 51-102F3

Item 1 - Name and Address of Company

Sea Dragon Energy Inc. (“**Sea Dragon**”)
#1100, 340 – 12 Avenue S.W.
Calgary, Alberta T2R 1L5
Canada

Item 2 - Date of Material Change

The material change occurred on December 31, 2009.

Item 3 - News Release

A press release announcing the material changes was issued on January 13, 2010 through Marketwire.

Item 4 - Summary of Material Change

Sea Dragon Energy Inc. (“**Sea Dragon**” or the “**Company**”) (TSX VENTURE:SDX) announces that its wholly owned subsidiary, Sea Dragon Energy (Kom Ombo) Ltd. has signed a Farm-out Agreement with Dana Gas Egypt Ltd. (“**DGE**”) pursuant to which Sea Dragon will acquire a fifty (50%) percent participating interest in the Kom Ombo (Block-2) Concession, located approximately 1,000 km south of Cairo on the West Bank of the Nile River. Sea Dragon’s acquisition of a participating interest in the Kom Ombo (Block-2) Concession is subject to the consent .and approval of the responsible authority. The Kom Ombo (Block-2) Concession is held by Dana Gas PJSC, which is the successor company to Centurion Energy International Inc. who was originally awarded the Kom Ombo (Block-2) Concession.

The effective date of the acquisition is July 1, 2009. The total consideration paid by Sea Dragon to DGE is US\$45million subject to working capital adjustments. This consideration is to be paid in full by April 30,2010. Approximately US\$20million shall be cost recoverable by Sea Dragon out of future production revenue. As owner of a 50% participating interest in the Kom Ombo (Block-2) Concession, Sea Dragon will be required to pay its 50% share of future expenditures and is entitled to receive a 50% share of all future production revenues and 50% of all cost recoveries as specified in the Concession Agreement. Under the terms of the Farmout Agreement, Sea Dragon and DGE will jointly operate the Kom Ombo (Block-2) Concession.

Item 5 - Full Description of Material Change

5.1 Full Description of Material Change

Sea Dragon Energy Inc. (“Sea Dragon” or the “Company”) (TSX VENTURE:SDX) announces that its wholly owned subsidiary, Sea Dragon Energy (Kom Ombo) Ltd. has signed a Farm-out Agreement with Dana Gas Egypt Ltd. (“DGE”) pursuant to which Sea Dragon will acquire a fifty (50%) percent participating interest in the Kom Ombo (Block-2) Concession, located approximately 1,000 km south of Cairo on the West Bank of the Nile River. Sea Dragon’s acquisition of a participating interest in the Kom Ombo (Block-2) Concession is subject to the consent and approval of the responsible authority. The Kom Ombo (Block-2) Concession is held by Dana Gas PJSC, which is the successor company to Centurion Energy International Inc. who was originally awarded the Kom Ombo (Block-2) Concession.

The Kom Ombo (Block-2) Concession is a large exploration block (approximately 11,446 Sq. Km) which contains the Al-Baraka Development Lease. The Al-Baraka oil field is located in the Al-Baraka Development Lease and according to Sea Dragon’s internal estimates, has a discovered, undeveloped oil accumulation of approximately 100 million barrels of Original Oil in Place as Discovered Resources in two productive zones.

Four wells were drilled in the field of which three wells are currently on production at approximately 850 bopd. According to DGE’s latest Press Release, the fourth well drilled in the Al-Baraka field has encountered approximately 50 feet of oil pay in the previously defined reservoirs and some 25 feet of oil pay in a new reservoir. Preliminary testing of the new zone indicates the well to be capable of producing at a maximum rate of 1300bopd. The Al-Baraka wells are shallow vertical wells (4500 feet) and the oil is light, 37 Degree API. Under the terms of the Al-Baraka Development Lease, the holders of the lease have the right to produce the field for a period of 20 years with possible extensions.

Future development plans for the Al-Baraka oil field include the drilling of some 30 development wells over the next several years. Horizontal drilling and specialized fracturing are the techniques being considered in order to maximize production rates and oil recovery.

According to Sea Dragon’s internal estimates, the Kom Ombo (Block-2) Concession currently has an additional 300 million barrels of Original Oil in Place as Undiscovered Resources in multiple oil zones. The Concession is currently in its third and final exploration phase which will end in 2012. A 280 sq. km 3-D seismic program is planned to be followed by a three-well exploratory drilling program targeting multi-level prospects away from the Al-Baraka field.

The total consideration paid by Sea Dragon to DGE is US\$45million subject to working capital adjustments. This consideration is to be paid in full by April 30,2010. Approximately US\$20million shall be cost recoverable by Sea Dragon out of future production revenue. As owner of a 50% participating interest in the Kom Ombo (Block-2) Concession, Sea Dragon will be required to pay its 50% share of future expenditures and is entitled to receive a 50% share of all future production revenues and 50% of all cost recoveries as specified in the Concession Agreement. Under the terms of the Farmout Agreement, Sea Dragon and DGE will jointly operate the Kom Ombo (Block-2) Concession.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 - Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 - Omitted Information

Not applicable.

Item 8 - Executive Officer

David Thompson, Senior Vice-President
Telephone: (403) 457-5035

Item 9 - Date of Report

This report is dated January 13, 2010.