

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. Name and Address of Company:

Sea Dragon Energy Inc. ("**Sea Dragon**")
Centennial Place, East Tower 1900, 520-3rd Avenue SW
Calgary, AB, Canada, T2P 0R3

Date of Material Change:

August 18, 2015

2. News Release:

A news release disclosing the information contained in this material change report was issued by Sea Dragon on August 19, 2015, disseminated through the facilities of CNW Group and filed on Sea Dragon's SEDAR profile at www.sedar.com.

3. Summary of Material Change:

On August 18, 2015, Sea Dragon and Madison PetroGas Ltd. ("**Madison**"), a private, arm's length, Canadian company incorporated under the *Business Corporations Act* (Alberta) ("**ABCA**") (Sea Dragon and Madison, together, the "**Parties**"), entered into an arrangement agreement dated August 18, 2015 (the "**Arrangement Agreement**") pursuant to which Sea Dragon will, subject to certain conditions, acquire all of the issued and outstanding Madison common shares ("**Madison Shares**") by way of a statutory plan of arrangement under the ABCA (the "**Transaction**"). The combined entity is to be renamed "SDX Energy Inc."

4. Full Description of Material Change:

4.1 Full Description of Material Change

On August 18, 2015, Sea Dragon and Madison, a private, arm's length, Canadian company incorporated under the ABCA, entered into the Arrangement Agreement pursuant to which Sea Dragon will, subject to certain conditions, acquire all of the issued and outstanding Madison Shares by way of a statutory plan of arrangement under the ABCA. The combined entity is to be renamed "SDX Energy Inc."

Under the terms of the Arrangement Agreement, Sea Dragon will acquire all of the issued and outstanding Madison Shares on the basis of an exchange ratio of 16.7 Sea Dragon common shares ("**Sea Dragon Shares**") for each Madison Share (on a pre-Sea Dragon Consolidation (as defined below) basis). Prior to the closing of the Transaction, Sea Dragon will affect a share consolidation (the "**Sea Dragon Consolidation**") on the basis of one (1) post-consolidation Sea Dragon Share for thirty-five (35) pre-consolidation Sea Dragon Shares. Upon closing the Transaction, it is anticipated that the existing holders of Madison Shares (the "**Madison Shareholders**") will hold approximately 71% of the combined entity with the holders of Sea Dragon Shares (the "**Sea Dragon Shareholders**") holding approximately 29% of the combined entity.

The Arrangement Agreement provides that upon closing of the Transaction, the board of directors of Sea Dragon will be comprised of four nominees of Madison (namely, Michael Doyle, David Mitchell, David Richards and Barrie Wright), two nominees of Sea Dragon (namely, Paul Welch, and Paul Moase) and one independent nominee jointly appointed by Sea Dragon and Madison. Paul Welch will remain as President and CEO and Olivier Serra will remain as CFO of the combined entity which will be based in London, UK.

The Transaction is subject to a number of conditions including, among other things: (i) approval of the Transaction from at least two-thirds of the votes cast by the Madison Shareholders at a meeting expected to be held on September 28, 2015 (the “**Madison Meeting**”); (ii) approval of the Sea Dragon Consolidation from at least two-thirds of the votes cast by the Sea Dragon Shareholders at a meeting expected to be held on September 28, 2015 (the “**Sea Dragon Meeting**”); (iii) approval from the TSX Venture Exchange (“**TSXV**”) of the Transaction and the Sea Dragon Consolidation; and (iv) other customary closing conditions, including approval from the Court of Queen’s Bench of Alberta.

Based upon, among other things, a fairness opinion of BDO LLP, the Sea Dragon board of directors determined that the Transaction is in the best interests of Sea Dragon and is fair to Sea Dragon Shareholders and has approved the Transaction and the entering into of the Arrangement Agreement. Each of the directors and executive officers of Sea Dragon have entered into lock-up agreements and agreed to vote their Sea Dragon Shares in favour of the Sea Dragon Consolidation and name change.

Similarly, based upon, among other things, a fairness opinion of FirstEnergy Capital Corp., the Madison board of directors determined that the Transaction is in the best interests of Madison and is fair to Madison Shareholders, approved the Transaction and the entering into of the Arrangement Agreement and resolved to recommend that Madison Shareholders vote in favour of the Transaction. Each of the directors and executive officers of Madison have entered into lock-up agreements and agreed to vote their Madison Shares in favour of the Transaction.

The Arrangement Agreement provides for non-solicitation covenants, subject to the fiduciary obligations of the board of directors of each Party and the right of each Party to match any Superior Proposal (as defined in the Arrangement Agreement). The Arrangement Agreement also provides for a reciprocal termination fee of \$1 million and reciprocal expense reimbursement payments, each of which is payable in certain circumstances if the Transaction is not completed.

Complete details of the terms of the Transaction are set out in the Arrangement Agreement which has been filed and is available for viewing on Sea Dragon’s SEDAR profile at www.sedar.com.

4.2 Disclosure for Restructuring Transactions

Not applicable.

5. Reliance on Subsection 7.1(2) of National Instrument 51-102:

Not applicable.

6. Omitted Information:

Not applicable.

7. Executive Officer:

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

Paul Welch, President and Chief Executive Officer, Telephone: +44 20 3219 5655.

8. Date of Report:

August 21, 2015

Forward-looking Information and Statements

Certain statements contained in this material change report constitute “forward-looking statements” as such term is used in applicable Canadian securities laws. 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 should be viewed as forward-looking statements. In particular, statements concerning the Parties, the Transaction, the Sea Dragon Meeting, the Madison Meeting and the anticipating timing and completion of the Transaction, if at all, should be viewed as forward-looking statements.

The forward-looking statements contained in this document are based on certain assumptions and although management of the Parties consider these assumptions to be reasonable based on information currently available to them, undue reliance should not be placed on the forward-looking statements because the Parties can give no assurances that they may prove to be correct. This includes, but is not limited to, assumptions related to the Sea Dragon Meeting and the Madison Meeting, the ability of either Party to receive, in a timely manner, the necessary regulatory, court, securityholder, stock exchange and other third party approvals, the ability of the Parties to satisfy, in a timely manner, the other conditions to the closing of the Transaction and expectations and assumptions concerning, among other things: commodity prices and interest and foreign exchange rates; planned synergies, capital efficiencies and cost-savings; applicable tax laws; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. The anticipated dates provided may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary securityholder, regulatory, court, stock exchange or other third party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Transaction.

By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. Such risks and other factors include, but are not limited to the timing of the Transaction, requisite approvals of Sea Dragon Shareholders, Madison Shareholders and the TSXV, political, social and other risks inherent in daily operations for each of the Parties, risks associated with the industries in which the Parties operate in general, such as: operational risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; environmental risks; competition; failure to realize the anticipated benefits of the Transaction and to successfully integrate the Parties; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws and environmental regulations. There is a risk that either of the Parties fail to satisfy the conditions to the Transaction which may result in the Transaction not being completed on the proposed terms, or at all. Readers are cautioned that the foregoing list of risk factors is not exhaustive and are advised to reference Sea Dragon’s Annual Information Form for the year ended December 31, 2014 for a description of additional risks and uncertainties associated with Sea Dragon’s business, including its exploration activities, which can be found on Sea Dragon’s SEDAR profile at www.sedar.com.

The forward-looking statements contained in this material change report are made as of the date hereof and the Parties do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.