

MATERIAL CHANGE REPORT

ITEM 1 Name and Address of Company:

North Sea Energy Inc. (the "**Company**" or "**North Sea Energy**")
Suite 1170, 36 Toronto Street
Toronto, ON M5C 2C5

ITEM 2 Date of Material Change:

January 2, 2013

ITEM 3 News Release:

January 2, 2013

ITEM 4 Summary of Material Change:

The Company announced that the Board of Directors has approved the grant of 1,050,000 options (the "Options") to directors, officers and consultants of the Company, which are exercisable into common shares of the Company at a price of \$0.23 per share. Subject to the rules of the TSX Venture Exchange and the Company's Stock Option Plan, the Options have a term of five years and will expire on January 2, 2018. The Options are subject to a four-month hold period.

ITEM 5 Full Description of Material Change:

See news release dated January 2, 2013 attached hereto as Schedule "A".

ITEM 6 Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:

The report is not being filed on a confidential basis in reliance on subsection 7.1(2) or (3) of National Instrument 51-102.

ITEM 7 Omitted Information:

No significant information has been omitted.

ITEM 8 Executive Officer:

Craig Anderson, President & Chief Executive Officer, (416) 366-4700

ITEM 9 Date of Report:

January 4, 2013

SCHEDULE "A"

North Sea Energy Provides Update on the Work Program for the Badger Prospect

For Immediate Release

Toronto, Ontario – January 2, 2013 – North Sea Energy Inc. (“**NSE**” or the “**Company**”) (TSX-V:NUK) is pleased to announce that following the operating committee meeting (“OCM”) regarding the Badger Prospect, block 12/30 (50% interest), the 2013 budget and work program for exploration was agreed upon by the members of the OCM.

Work Program Highlights:

- Acquire and process 2D hi-resolution seismic
- Subsequent detailed prospect interpretation of the Cretaceous section
- Petroleum system study to understand source rock generation potential and migration
- Evaluate potential to drill a well in 1H 2014 on the Badger Prospect

About Badger Prospect – Block 12/30

The Badger Prospect is located in the Inner Moray Firth about 28 km southwest of the Captain Field and 35 km to the west of the Ross field, and is a structural/stratigraphic trap with a Lower Cretaceous Coracle and Punt sandstone reservoir objective. The forward work program will focus on further delineation of the Badger Prospect and mitigation of the critical risk elements, leading to a drilling decision by the end of Q3 2013. The nearest oil and gas discovery to the block is the well 13/26-2 (Dee discovery) about 15 km to the southeast in the Punt sands.

The license administrator is Echo Exploration Limited, a wholly owned subsidiary of NSE, which will be acting as operator for the seismic processing and interpretation of the Badger Prospect to delineate the Punt and Coracle sands. The Company continues to have discussions with interested parties regarding a possible farm-out deal.

Other Actions

The Company also announces that the Board of Directors has approved the grant of 1,050,000 options (the “Options”) to directors, officers and consultants of the Company, which are exercisable into common shares of the Company at a price of \$0.23 per share. Subject to the rules of the TSX Venture Exchange and the Company's Stock Option Plan, the Options have a term of five years and will expire on January 2, 2018. The Options are subject to a four-month hold period. 150,000 of the Options are granted to the principals of Auburn Partners Inc. (“Auburn Partners”), a consulting firm that provides investor relations services to the Company, and vest over 12 months on a quarterly basis. Furthermore, NSE has renewed Auburn Partners’ contract and has retained its services through the end of 2013, on the same terms as announced on October 21, 2011.

About North Sea Energy Inc.

NSE is a UK-focused oil and gas exploration and production ("E&P") company listed on the TSX Venture Exchange. NSE is producing light oil from the Jacky field, located in the Inner Moray Firth off the Scottish coast and has acquired an interest in nine blocks in the North Sea.

For further information please contact:
North Sea Energy Inc.
Craig Anderson, President and Chief Executive Officer
(416) 366-4700
canderson@northseaenergy.ca

Auburn Partners Inc.
Shanda Kilborn & Wesley Harkness
(647) 430-8760
info@auburnpartners.com

Forward-looking statements

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this press release includes, but is not limited to, statements with respect to timing and completion of the Transaction (including receipt of TSX-V approval), oil reserves and future revenues. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Canada, the United States, UK and globally; industry conditions, including fluctuations in the prices of oil and natural gas; governmental regulation of the oil and gas industry, including environmental regulation; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; failure to obtain industry partner and other third party consents and approvals, if and when required; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and supplies; incorrect assessments of the value of acquisitions; geological, technical, drilling, processing and transportation problems; changes in tax laws and incentive programs relating to the oil and gas industry; failure to realize the anticipated benefits of acquisitions and dispositions; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

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 this release.