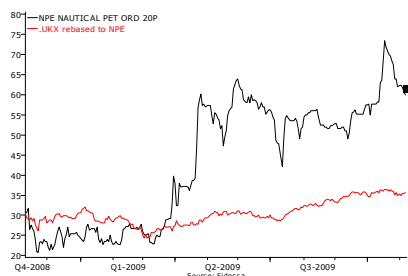


Nautical Petroleum 61.5p

Results. Focus on Mariner and Kraken

9 November 2009

Share Price: 61.5p



12m High: 77p

12m Low: 19.25p

Market Cap: £40m

Shares in Issue: 65.1m fully diluted

Core Risked Post-Tax NPV/Share: Under Review

Gearing: Nil (GBP £19.1m net cash Jun 09)

Interest Cover: N/A

EPIC Code: NPE.L

Sector: Oil and Gas

Market: London AIM

Joint Brokers: Evolution & Ambrian

PR: Buchanan Communications

Web Site: www.nauticalpetroleum.com

Description: An independent exploration and development company with a focus on acquiring, developing and adding value to heavy oil prospects.

Analyst: Mark Parfitt

Tel: +44(0)20 7929 3399

Email: research@hardmanandco.com

Full year results to June 2009 bring to an end a period of extended quiet. A loss after tax of £5.9m (2008, £4.5m) is reported with the write-down of £4.5m of investments in Hydra and Scylla; which are being relinquished and £2.4m for the EWT equipment. G&A of £1.6m remained flat year-on-year. Costs were partially offset by £0.5m in net foreign exchange gains, finance income of £1.3m and a net taxation credit of £0.7m. Net cash is £19.1m, little changed on last year.

Corporate focus remains on its 'cornerstone assets' Mariner and Kraken where work has continued, albeit somewhat slower than may have been the case without the recently tumultuous economic climate. This pace is being stepped-up again while the portfolio has been pruned to target investment returns.

At Mariner, gross volumes have been revised up to 369mmbo (a 34% increase) albeit coupled to a technical reclassification to best estimate contingent resources (pending development) as first oil is expected in 2015. Updated reservoir production models are anticipated early in 2010.

Nautical expects Statoil to continue to progress towards concept selection on Mariner in 2010 and award of the contract for front end engineering and design (FEED) studies. Mariner Field Development Plan (FDP) submission is expected in 2011.

At the analyst meeting Nautical stressed that Statoil views Mariner as important and is committed to the project. Mariner has now successfully passed through Statoil's 'Decision Gate 1'. Current contingent resource estimates are based on 21% recovery, but Nautical and Statoil are currently running simulations suggesting possible recoveries in excess of 30%.

An appraisal well will be drilled at Kraken in 2010 once the CSEM survey results are integrated with reservoir models with a target for FDP submission by end 2010 and first oil aimed for in 2012. Kraken's cost of development is falling as the recession impacts rig and other suppliers. Kraken's oil, despite being heavy, appears to contain ~60% useful distillates, as well as having a low sulphur content, which will have a favourable impact on pricing.

Interpretation of reprocessed seismic has confirmed the large Merrow prospect at Collyhurst (Permian) level and identified further leads with the JV seeking onshore drilling locations.

Other important points are:

- Strong cash position of £19.1m at end June.
- Kraken No. 4 well due to be drilled in 2010.
- Drilling of the Catcher prospect in Q2, 2010.
- In-house team Engineering Manager to be appointed.

We view the results announcement as reassuring.

FY	Sales	Earnings Before Tax	Adjusted Profit	Eps.
June	£ 000	£ 000	£ 000	p
2007 A	0	(863)	(490)	(0.91)
2008 A	0	(4,520)	(4,505)	(7.44)
2009 A	25	(5,887)	(5,887)	(9.28)
2010 E			Under Review	

Management	Major Shareholders								
<p>Non-Executive Chairman: John Conlin</p> <p>CEO: Stephen Jenkins</p> <p>Finance Director: Will Mathers</p> <p>Commercial Director: Paul Jennings</p> <p>Non-executive Director: Philip Dimmock</p> <p>Non-executive Director: Patrick Kennedy</p>	<table border="0"> <tr> <td data-bbox="805 387 1316 436">International Energy Group AG</td> <td data-bbox="1319 387 1442 436">30.93%</td> </tr> <tr> <td data-bbox="805 441 1316 490">MRH Advisors LLC</td> <td data-bbox="1319 441 1442 490">7.93%</td> </tr> <tr> <td data-bbox="805 495 1316 544">Shin Cheon Co, Limited</td> <td data-bbox="1319 495 1442 544">6.02%</td> </tr> <tr> <td data-bbox="805 548 1316 598">Drawbridge Capital Macro Fund</td> <td data-bbox="1319 548 1442 598">5.83%</td> </tr> </table>	International Energy Group AG	30.93%	MRH Advisors LLC	7.93%	Shin Cheon Co, Limited	6.02%	Drawbridge Capital Macro Fund	5.83%
International Energy Group AG	30.93%								
MRH Advisors LLC	7.93%								
Shin Cheon Co, Limited	6.02%								
Drawbridge Capital Macro Fund	5.83%								
Key Dates	Key Milestones								
<p>AGM: 16 December 2009.</p> <p>Next Interim Results: March 2010.</p>	<p>2005. Acquired 26.67% interest in Mariner Field.</p> <p>2007. Equity funding for exploration activities up to Mariner and Kraken FDP submission secured. Successful Kraken Appraisal completed.</p> <p>2008. Sincheon of Korea acquired 5% interest at an equivalent of £2.50 per share.</p> <p>Farm-out agreements with Canamens for three wells on blocks 9/2b, 8/25a and 3/27a.</p> <p>A 20 for 1 share consolidation.</p> <p>Seven awards in the 25th UKCS licencing round</p> <p>3D and Ocean Bottom surveys acquired on Mariner.</p> <p>2009. Acquisition of 10% interest in Keddington Field, and surrounding acreage.</p> <p>Successful trial of controlled source electromagnetic imaging (CSEMI) shot.</p> <p>Site survey acquired for Mariner platform location.</p>								

Disclaimer

The conclusions and opinions expressed in the investment research accurately reflect the views of the first named analyst. Hardman & Co provides professional independent research services and the companies researched pay a set fee in order for this research to be made available. While the information in the research is believed to be correct, this cannot be guaranteed. There are no other conflicts of interest.

Neither Hardman & Co nor the analysts responsible for this research own shares in the companies analysed in this research note. Neither do they hold any other securities or derivatives (including options and warrants) in the companies concerned. Hardman & Co does not transact corporate finance and therefore does not earn corporate finance fees. It does not buy or sell shares, and does not undertake investment business either in the UK or elsewhere.

Hardman & Co does not make recommendations. Accordingly we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price.

Our research is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. Members of the professional investment community are encouraged to contact the analyst concerned.

This research is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this research should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

This research is not an offer to buy or sell any security.

Past performance is not necessarily a guide to the future and the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This document must not be accessed or used in any way that would be illegal in any jurisdiction.

In some cases research is only issued electronically and in some cases printed research will be received by those on our distribution lists later than those receiving research electronically.

The report may be reproduced either whole or in part on condition that attribution is given to Hardman & Co, and on condition that Hardman & Co accepts no liability whatsoever for the actions of third parties in this respect.

Hardman & Co is not regulated by the Financial Services Authority (FSA).

© Hardman & Co.

Hardman & Co

4 - 5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: 020 7929 3399
Fax: 020 7929 3377

www.hardmanandco.com

