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AUDIT OF GIOVE DISCOVERY: Offshore Italy S. Adriatic Licences F.R39.NP & F.R40.NP

In accordance with Northern Petroleum (UK) Ltd (NOP) instructions and the terms of the Agreement in April 2007, Blackwatch Petroleum Services Limited (Blackwatch) conducted a review of the portfolio of NOP's Southern Adriatic licences F.R39.NP & F.R40.NP. This is a summary report of the main points.

A description of each asset in NOP's portfolio follows, with hydrocarbon reserves/resource classified into the relevant P90, P50, and P10 categories. The reserves classifications used in this work are in accordance with the new Petroleum Resources Management System that has been approved by the Society of Petroleum Engineers (SPE) Board of Directors in April 2007. Coordinated by the SPE Oil and Gas Reserves Committee (OGRC), the new Petroleum Resources Management System consolidates, builds on, and replaces guidance previously contained in the 1997 SPE/WPC Petroleum Reserves Definitions, the 2000 SPE/WPC/AAPG Petroleum Resources Classification and Definitions publications, and the 2001 SPE/WPC/SPEE Guidelines for the Evaluation of Petroleum Reserves and Resources. Full definitions are available at the SPE website under the following web address:

http://www.spe.org/spe-site/spe/spe/industry/reserves/Petroleum_Resources_Management_System_2007.pdf

We have not verified the title of NOPs licences, as this is outside the remit of this evaluation.

Our approach has been to review NOP's technical interpretation of the geoscience and engineering data for each of the field for reasonableness. Where considered necessary NOP have revised their interpretations in co-operation with our staff to provide an interpretation that we deem to be a technically reasonable base case interpretation. We have then reviewed NOP's ranges of uncertainty for each parameter around this base case in order to estimate a range of petroleum initially in place and recoverable for each field. Production profiles have then been developed

for each field as an input to the economic analysis. Furthermore, we have reviewed NOP's estimates of Operating Costs and Capital Expenditure for reasonableness and independently calculated Net Present Values based on these costs, the production profiles resulting from our review of reserves and economic parameters agreed with Northern.

We have taken the working interest that NOP will have in the Properties as presented by NOP.

Yours sincerely,
For Blackwatch Petroleum Services Ltd



RADWAN HADI
Deputy Managing Director

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Licences

NOP's portfolio in part consists of equity interests in two licences F.R39.NP & F.R40.NP located in the Southern Adriatic offshore Italy. Several structures have been mapped in the NOP blocks including leads and prospects that have already been drilled.

The Giove oil field described in this summary is located primarily in F.R40.NP. To date two wells have been drilled into the Giove structure.

Licence	Discovery	Interest (%)	Status
F.R40.NP	Giove	100*	Fully awarded

* Northern holds a licence interest of 100%, however subsidiaries of ATI Oil Plc have under contract an economic interest of 50%.

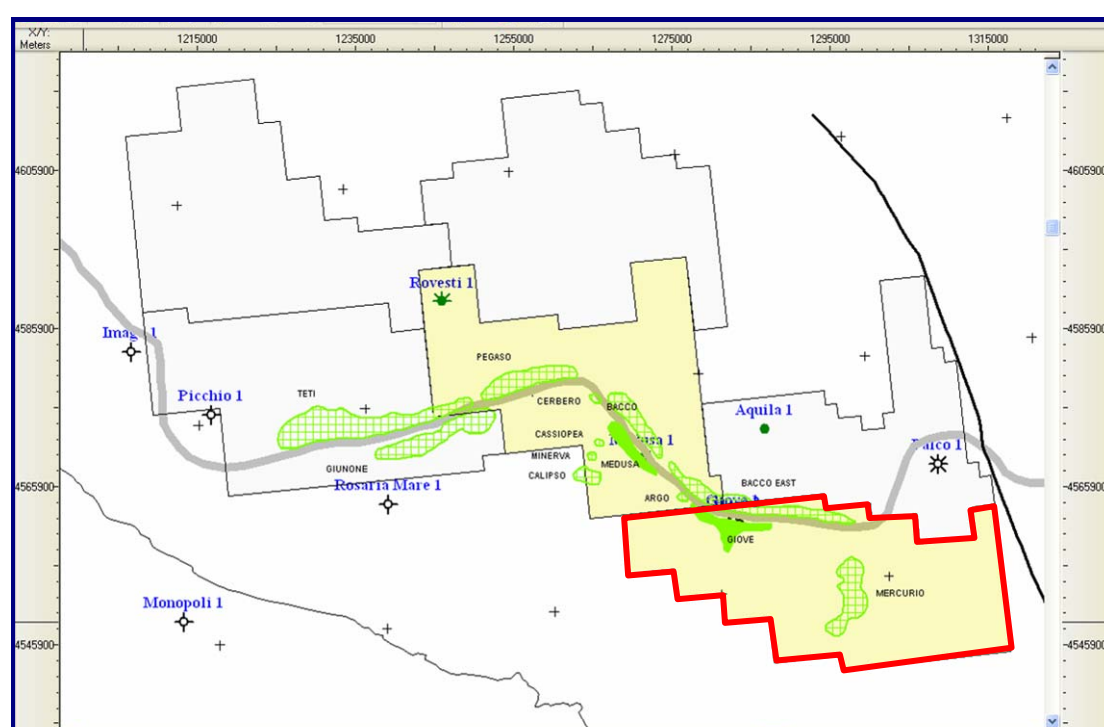


Figure 1 – Licence location map

Field

The Giove discovery contains hydrocarbons reservoired within shallow-water reefal limestones, largely of Oligocene Age. A gas column was encountered in Giove-1.

In Giove-2 the Tertiary aged hydrocarbon bearing limestones can be divided into two formations, an upper Porto Badisco Formation (Early Miocene-Late Oligocene) which comprises poorly lithified, coarse bioclastic calcarenites and a lower Castro Formation (Late Oligocene) comprising well lithified, coralgall rudstones (conglomerates) and coarse bioclastic calcarenites. The gas-oil-contact (GOC) is within the Porto Badisco whilst the oil –water-contact (OWC) is within the Castro.

The accumulation is a structural closure located on the Apulian shelf margin and is covered by sparse 2D seismic grid and infilled with a later dense site survey grid.

The major uncertainty governing the range of STOIP (from Proven to Possible) in this assessment is a constrained range of reservoir thickness away from the wells. Net to gross is highly sensitive to porosity cut-off above around 10%, and this could be investigated as a sensitivity if further work is anticipated.

Development scenarios for Giove were conducted taking account of the uncertainties in STOIPs and oil properties (API). Sensitivity cases were run for the P90, P50, and P10 STOIP values shown in the reserves numbers below. In these cases the reservoir fluid was 15° API oil with a solution gas-oil ratio of 95 scf/stb and a viscosity of about 300 cp. This gas-oil ratio was chosen to match the bubble point pressure observed in the reservoir using standard industry correlations for bubble point, solution gas, and formation volume factor (Glaso).

The oil properties sensitivity was run to investigate the impact of the API gravity and solution GOR on well and reservoir performance. Correlations to match the oil gradient and bubble point pressure observed on the MDT log by varying API gravity and solution GOR. The resulting reservoir fluid was 12.9° API with a solution GOR of 79 scf/stb and a viscosity of about 1000 cp.

Other parameters that will have an impact on performance include aquifer performance, severe water and/or gas coning, and reservoir quality, in particular fracture spacing and conductivity. Blackwatch concludes that, except for fracture spacing and conductivity, these parameters are secondary to the STOIP and oil properties in their impact on reserves and profiles.

The main objectives of an appraisal well in Giove should be to acquire good quality fluid samples to characterise the reservoir fluid and to prove that the wells have commercial deliverability.

On the basis of the information presented, Blackwatch classifies Giove recoverable hydrocarbons as reserves under the probable and possible category.

Developments

Blackwatch concludes that the only feasible development option for the Giove field is by using a Floating, Production, Storage and Offloading (FPSO). Crude oil would be loaded from the FPSO to a shuttle tanker for export. They are widely used for marginal field development, where the field plateau life is short and there is no existing infrastructure. They also reduce field abandonment cost and have potential residual value due to possible reuse at another location. FPSOs are placed on the location for the duration of the field life. Modelling work carried out by Blackwatch indicates that the Giove wells will require artificial lift. From the data made available at this stage of the study, it can be concluded that the use of Electric Submersible Pumps (ESPs) appears to be the most suitable technique for artificial lift.

Italian Oil Market

Italy's oil and gas industry is long-established and has been dominated by Eni since the 1950s. As a result, a well developed pipeline and refinery infrastructure is in

place. Although the fourth largest producer of oil and gas in Europe, Italy relies heavily on imports from North Africa and Russia, and as such there would be a ready domestic market for any oil produced. From the Southern Adriatic, oil can be sent by shuttle tanker to any one of the refineries that specialise in processing crude of this type; for instance to Taranto on the south coast or to Sicily, from where distribution networks can be accessed.

Reserves attributable to the NOP Interest (100%)

	Probable Reserves (P90 STOIP)	Probable Reserves (P50 STOIP)	Probable Reserves (P50 STOIP 12.9° API Oil)	Probable plus Possible (P10 STOIP)
Oil (MMstb)	5.8	19.6	5.5	38.0

Economic Evaluation

Estimates of the NPVs associated with NOP 100% net share of the 2P and 3P reserves for the concessions are presented below as of the effective date of 1st January 2008 using the “forecast” case oil price.

The economics were run with 33% tax and 3% Royalty.

Price Assumptions

Details of product pricing and discounts to the Brent marker price were provided by NOP. Economic cases were run carried out using \$50, \$60, and \$70 per bbl, however it is assumed that crude oil produced from the Giove field is sold at US\$10 discount to the Brent marker price.

Any crude required to be sold on the local market is assumed to receive an equivalent price to the export price.

Inflation is assumed at 2% per annum.

All costs have been presented by NOP in US\$, and therefore no exchange rate is applied in the evaluation.

NPVs have been evaluated for three price sensitivities as follows:

	Price Sensitivity 1	Price Sensitivity 2	Price Sensitivity 3
Brent Price 2008 Onwards (\$/bbl Real) (including US\$10 discount to Brent)	40	50	60

Net Present Value Attributable to the NOP Interest (100%)

	Post-Tax Net Present Value (£ million, Money of the Day)	Post-Tax Net Present Value (£ million, Money of the Day)	Post-Tax Net Present Value (£ million, Money of the Day)
	Price Sensitivity 1	Price Sensitivity 2	Price Sensitivity 3
Reserves	NPV @ 10%	NPV @ 10%	NPV @ 10%
Probable Reserves (P90 STOIP)	-188	-152	-115
Probable Reserves (P50 STOIP)	46	177	261
Probable plus Possible Reserves (P10 STOIP)	310	489	668

Professional Qualifications

Blackwatch Petroleum Services Ltd ('Blackwatch') is an independent provider of geological, petroleum engineering, well testing and drilling engineering services to the international oil industry. The company specialises in the modelling, estimation, assessment and evaluation of oil and gas assets. Except for the provision of professional services on a fee basis, Blackwatch does not have any interest in or commercial arrangement with any persons employed by or acting for Northern Petroleum (UK) Ltd.

This report has been conducted under the supervision of Radwan Hadi, BSc & MSc Chemical Engineering. Mr Hadi is Deputy Managing Director of Blackwatch and has over twenty-five years of experience in the international oil & gas industry. The Geoscience review was undertaken under the supervision of Adam Law, BSc & PhD Geophysics.

Basis of Evaluation

The basis for this evaluation of the prospects was a package of data made available by NOP. We have supplemented this by use of other relevant data from within the public domain.

In estimating hydrocarbons in place and recoverable volumes, we have used standard Petroleum Engineering techniques. These combine geophysical and geological knowledge with detailed information concerning porosity, permeability distributions, reservoir fluid characteristics and production tests where applicable. There is uncertainty inherent in the measurement and interpretation of basic data and in the estimation of parameters that have not been measured. We have estimated the degree of this uncertainty and have used statistical methods to calculate the range of hydrocarbons initially in place and the recoverable hydrocarbons.

For all of the assets of NOP we have reviewed the geo-science and petroleum engineering work undertaken by NOP and its partners, and made independent estimates of recoverable hydrocarbons. Where the technical work and/or the database were not sufficiently detailed, we have been unable to make an independent assessment, however, having technically reviewed the NOP assets, we

are satisfied that the NOP methodology of evaluation of their additional portfolio will be to a high technical standard.

It should be understood that any evaluation of oil and gas assets is subject to significant variations as oil prices fluctuate