

Wednesday 15 April 2009

Meridian Petroleum plc
(‘Meridian’ or ‘the Company’)

Results for the year to 31 December 2008

Maiden Full Year Profit and Strong Operating Performance

Meridian Petroleum (AIM : MRP), the oil and gas exploration and production company with producing assets in the USA and exploration licences in Australia, announces its audited results for the year ended 31 December 2008.

Financial Highlights

- Revenue up 640% to US\$18.1 million (2007: US\$2.4 million)
- Operating cash flow of US\$7.2 million (2007 US\$1.3 million deficit)
- Maiden full year profit before tax of US\$2.8 million (2007: US\$3.5 million loss)
- Adjusted EBITDA* of US\$9.1 million (2007: US\$0.8 million loss)
- Gains of US\$652k on hedging contracts in 2008 with additional future mark-to-market gains of US\$1.77 million as at 31 December 2008
- US\$50 million financing facility obtained from Macquarie Bank

Operational Highlights

- Average net production in 2008 of 650 barrels of oil equivalent per day (boe/d)
- Net gas production up 485% to 1.27 bcf (2007: 217 mmcf)
- Net liquids production up 780% to 26,900 bbls (2007: 3056 bbls)
- Successful US\$9.8 million acquisition of substantial working interests in the East Lake Verret field in Louisiana, USA
- Successful full year of production from the Orion field in Michigan, USA with minimal downtime

Reserve and Resource Highlights

- Proved and probable reserves increased by 319% to 1.06 million barrels of oil equivalent (boe) as at 31 December 2008
- Risked contingent and prospective resources of 32 million boe

Post - Period Highlights

- The 3D seismic survey on the PEL 82 licence in South Australia was completed on schedule in mid-March 2009. The quality of data acquired is better than expected and data processing and analysis is now underway
- Drilling of the Pontiac well in Michigan commenced in mid April.
- Preparations for drilling a development well in the East Lake Verret field in Louisiana are well advanced

Stephen Gutteridge, Chairman of Meridian Petroleum, said:

“2008 has been a highly successful year for Meridian. The Orion field performed exceptionally well and the acquisition of East Lake Verret substantially increased our reserves. ELV brought diversity to our production portfolio, has low production costs and offers upside for incremental reserves and production.

“As a result, in the most challenging of market conditions, we have entered 2009 in a position of considerable strength, with cash to invest in drilling and seismic and with financing in place for further development and acquisitions. We have every reason to look forward to further success in 2009.”

Ed Childers, the Company’s Chief Operating Officer, who meets the criteria of a qualified person under the AIM guidance note for mining and oil and gas companies, has reviewed and approved the technical information contained in this announcement.

*Adjusted EBITDA: EBITDA is adjusted to exclude IFRS 2 charges for share options and include US\$652k of hedging gains realised in 2008 and a US\$1.95 million contribution from ELV in the first half of 2008

For further information contact:

Meridian Petroleum	+44 (0) 207 811 0140
Stephen Gutteridge, Chairman	
Ambrian Partners	+44 (0) 207 634 4858
Marc Cramsie/Samantha Harrison	
Financial Dynamics	+44 (0) 207 831 3113
Ben Brewerton/Ed Westropp	

The following financial statements are extracted from the Company’s audited, consolidated accounts for the year ended 31 December 2008. These accounts will be included in full in the Company’s Annual Report, which will be posted to shareholders in mid-May 2009 and will be made available on the Company’s website www.meridianpetroleum.com at the same time.

Chairman's Statement

2008 was a highly successful year for Meridian Petroleum.

Strong Performance

Compared to 2007, the Company's natural gas production increased by 485% and oil production increased by 780%. Proved and Probable hydrocarbon reserves increased by 319% due to the acquisition of East Lake Verret. In terms of financial measures, revenues were up by 640% on 2007, a 2007 loss before tax of US\$3.5 million was transformed into a US\$2.8 million profit before tax in 2008, and the Company generated operating cash-flow of US\$7.2 million.

The foundation for this success was the excellent performance of the Orion 36 well in Michigan combined with high US natural gas prices in the first half of the year. Gross natural gas production from Orion increased from a monthly average of under 3 mmcf in December 2007 to 5.7 mmcf in August 2008, with a peak daily rate of over 6 mmcf.

Acquisition of East Lake Verret

With strong cash generation the Company was able to seek out further assets, and in June the US\$9.8 million acquisition of substantial working interests in the East Lake Verret field in Louisiana was completed, with financing from a US\$50 million facility provided by Macquarie Bank.

This acquisition diversified Meridian's production portfolio away from dependence on a single well, adding both oil and natural gas production. East Lake Verret has a potentially long production life with very low operating costs, and the value of the field was highlighted in the second half of 2008, when it contributed half of the Company's pre-depreciation operating profit, as production from Orion began to decline. East Lake Verret also has attractive proved, undeveloped reserves and the first well in a drilling programme to bring these reserves on-stream is planned for late in the second quarter of 2009.

Hedging

At the time of the acquisition, the Company took out hedging contracts covering 45% of projected output from the existing, producing Orion and East Lake Verret wells. These contracts, which provided floor prices of US\$10/mmbtu and US\$100/bbl for natural gas and oil respectively, have subsequently delivered US\$652,000 of gains in 2008. The mark-to-market value of the contracts at 31 December 2008 is US\$1.77 million.

Asset Portfolio

The addition of East Lake Verret was a key element in refreshing the Company's asset portfolio during the year. In Michigan, new leases have been added, providing the opportunity to drill a well from our existing site into a Niagaran Reef structure similar to Orion. This well, the Pontiac well, is scheduled for drilling in April 2009, as soon as seasonal Michigan road restrictions are lifted. If successful, Pontiac could be brought on-stream through the existing processing plant very quickly.

In Australia, the Company's focus in 2008 has been on the PEL 82 licence in South Australia. Re-processing of old seismic data, combined with extensive geological work by both the Company and the South Australia Government geologists, has identified exciting, and very large, potential hydrocarbon bearing structures on the licence. With best estimate prospective resources of 154 million barrels and risked resources of 27.7 million barrels, this is a major opportunity, and the Company took the first step towards firming up this potential with a comprehensive 3D seismic survey that commenced in mid-February 2009.

With the addition and development of these quality assets, the Company has streamlined its portfolio by writing off a number of its older assets in Alabama, Mississippi and the unsuccessful Milford 36 well in Michigan. The Company also relinquished part of its lease position in the Calvin field in Louisiana, although it retains a 70% working interest in the leases covering the deep gas potential.

Corporate Governance

In June 2008, the Company was censured and fined by AIM for breaches of AIM rules over a two and a half year period up to February 2007. This matter was properly resolved and new governance procedures were put in place by the reconstituted Board to ensure there would be no recurrence. The Company also conducted an investigation into the Company's share register and, based on the information obtained, the Board concluded that the former Chief Executive had disposed of almost all of his shareholding

In October 2008 the Company's shares were consolidated on a 1 for 6 basis.

Prospects

The second half of 2008 saw substantial declines in oil and gas prices, combined with a collapse in financial markets. This challenging environment has deteriorated further in early 2009, resulting in many small oil and gas companies finding themselves in difficult situations. Meridian is in a strong position to benefit from this by acquiring further quality assets at good value prices. A number of opportunities in the US and Canada are being evaluated and assets in Western Europe are also being considered. In addition to potential acquisitions, the Company will drill 2 wells in the US in the first half of 2009 and complete the 3D seismic on PEL 82 in Australia. With continued good production levels, cash and funding available and a good track record of operating in the US, the Company is confident of further success in 2009.

Finally, I would like to thank our shareholders, customers, partners, advisers and my colleagues at Meridian for their support and contribution.

Stephen Gutteridge

Chairman

14 April 2009

Reserve & Resource Report

Net Commercial Reserves (as at 31/12/2008)

Proved	Natural Gas bcf	Oil/NGL '000 bbls	Total Hydrocarbons '000 boe	Competent Person Report
Orion Gross as at 1/7/08	1.272	n/a	n/a	RPS Energy 19 Sept 2008
	(0.793)	(8.9)	(141.1)	Gross production Jul-Dec 2008
Gross as at 31/12/08	0.479	n/a	n/a	Calculated as at 31/12/08
Net	0.261	3.9	47.4	54.589% NRI. NGL calculated at 15 bbls per mmcf
East Lake Verret	2.629	360.3	798.5	D-O-R Engineering 2 April 2009
Total Proved	2.890	364.2	845.9	
Probable				
Orion	0.104	1.6	18.9	RPS Energy 19 Sept 2008
East Lake Verret	0.302	148.3	198.6	D-O-R Engineering 2 April 2009
Total Probable	0.406	149.9	217.5	
Total Proved +Probable	3.296	514.1	1063.4	

Net Contingent and Prospective Resources (Best estimates as at 31/12/2008)

	Natural Gas bcf	Oil '000 bbls	Risk %	Risked Resources '000 boe	Source
Australia PEL 82 (Prospective)		154,000	18%	27,700	RPS Energy 16 May 2008
Australia PEL 132 (Prospective)	432.0		5%	3,600	RPS Energy February 2007
Total Australia				31,300	
USA Calvin Deep (Contingent)	86.7		5%	722	RPS Energy 11 April 2008
Total Contingent and Prospective Resources	518.7	154,000		32,022	

The Competent Person Reports on reserves and resources referred to above have been produced in accordance with the requirements of the AIM Guidance Notes for mining, oil and gas companies dated March 2006 and prepared in accordance with the standards adopted by the Society of Petroleum Engineers.

Glossary

bbls	Barrels (of oil/liquids)
b/d	Barrels per day
boe	Barrels of oil equivalent. Natural gas volume converted as 1 boe = 6000 cf
boe/d	Barrels of oil equivalent per day
cf	Cubic feet (of natural gas)
mmcf	Million cubic feet (of natural gas)
mmcf/d	Million cubic feet per day
bcf	Billion cubic feet (of natural gas)
mmbtu	Million British Thermal Units = Thousand cubic feet
NGL	Natural gas liquids
NRI	Net Revenue Interest
Proved Reserves	Quantities of hydrocarbons anticipated to have a 90% chance of being commercially recoverable
Probable Reserves	Quantities of hydrocarbons anticipated to have a 50% chance of being commercially recoverable
Contingent Resources	Quantities of hydrocarbons estimated to be potentially recoverable from known accumulations
Prospective Resources	Quantities of hydrocarbons estimated to be potentially recoverable from undiscovered accumulations
AIM	Alternative Investment Market of the London Stock Exchange
RPS	RPS Energy, an independent company fulfilling the requirement of the AIM Guidance Note for mining, oil and gas companies
D-O-R	D-O-R Engineering, an independent company fulfilling the requirement of the AIM Guidance Note for mining, oil and gas companies

Stephen Gutteridge

Chairman

14 April 2009

Financial Statements for the year ended 31 December 2008

Consolidated Income Statement
Year ended 31 December 2008

		2008	2007
	Note	US\$000	US\$000
Sales revenue		18,066	2,441
Cost of sales	2	<u>(13,364)</u>	<u>(1,618)</u>
Gross profit		4,702	823
Administrative expenses	3	(2,797)	(2,727)
Other operating income		<u>-</u>	<u>363</u>
Operating profit/(loss) before impairment charge		1,905	(1,541)
Impairment charge	4	<u>(1,131)</u>	<u>(1,999)</u>
Operating profit/(loss)		774	(3,540)
Gain on derivatives		2,423	-
Investment income		36	42
Finance costs		<u>(449)</u>	<u>42</u>
Profit/(loss) before taxation		2,784	(3,498)
Taxation		<u>(385)</u>	<u>-</u>
Profit/(loss) for the year attributable to equity shareholders		<u><u>2,399</u></u>	<u><u>(3,498)</u></u>
Profit/(loss) per share – basic (US cents)	5	<u>14.9</u>	<u>(23.5)</u>
Profit/(loss) per share – diluted (US cents)	5	<u>13.1</u>	<u>(23.5)</u>

Statement of Recognised Income and Expense for the year ended 31 December 2008

	2008	2007
	US\$000	US\$000
Total income/(expense) recognised direct in equity		
Currency translation differences - gain	35	48
Profit/(loss) for year	<u>2,399</u>	<u>(3,498)</u>
Total recognised income and expense for the year	<u><u>2,434</u></u>	<u><u>(3,450)</u></u>

Consolidated balance sheet as at 31 December 2008

	Note	2008 US\$000	2007 US\$000
Non-current assets			
Intangible assets	4	2,593	1,720
Property, plant and equipment		<u>6,229</u>	<u>3,332</u>
		8,822	5,052
Other non-current financial assets		<u>663</u>	<u>-</u>
		9,485	5,052
Current assets			
Trade and other receivables		4,790	541
Cash and cash equivalents		<u>3,875</u>	<u>295</u>
		8,665	836
Total assets			
		18,150	5,888
Current liabilities			
Trade and other payables		2,246	503
Loan	6	<u>2,320</u>	<u>-</u>
		4,566	503
Non-current liabilities			
Loan	6	4,175	-
Provisions		<u>316</u>	<u>95</u>
Total liabilities		<u>9,057</u>	<u>598</u>
Net assets			
		<u>9,093</u>	<u>5,290</u>
Equity			
Called up share capital		9,026	9,026
Share premium		8,372	8,372
Retained earnings		(10,256)	(12,655)
Translation reserve		195	160
Other reserves		<u>1,756</u>	<u>387</u>
Total equity attributable to the equity holders		<u>9,093</u>	<u>5,290</u>

Consolidated Cash Flow Statement for the year ended 31 December 2008

	Note	2008 US\$000	2007 US\$000
Cash flows from operating activities			
Cash generated from /(consumed by) operations	7	7,225	(1,329)
Taxation paid		(1,261)	-
Interest received		36	42
		<u>6,000</u>	<u>(1,287)</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(2,004)	(711)
Expenditure on development and production assets		(7,067)	(3,721)
Deposits with state authorities		(161)	-
		<u>(9,232)</u>	<u>(4,432)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	3,471
Drawdown of bank loan		8,750	-
Repayment of bank loan		(1,648)	-
Debt arrangement fees		(232)	-
		<u>6,870</u>	<u>3,471</u>
Net increase/(decrease) in cash and cash equivalents		3,638	(2,248)
Opening cash and cash equivalents at beginning of year		295	2,332
Exchange (losses)/gains on cash and cash equivalents		<u>(58)</u>	<u>211</u>
Closing cash and cash equivalents		<u>3,875</u>	<u>295</u>

Notes

1. Accounting policies and basis of preparation

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007 but is derived from the 2008 accounts.

A copy of the statutory accounts for the year to 31 December 2007 has been delivered to the Registrar of Companies, and are also available on the Company's web site. Statutory accounts for 2008 will be delivered in due course. The auditors have reported on the accounts for both the year ended 31 December 2007 and the year ended 31 December 2008; their reports were unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985.

Whilst the financial statements included in this preliminary announcement have been computed in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRS. The Annual Report, containing full financial statements that comply with IFRS, will be sent out to shareholders on 15 May 2009.

2. Cost of sales	2008 US\$000	2007 US\$000
Royalties, overrides and other interests	6,604	755
Depreciation	4,074	456
Well operating costs	<u>2,686</u>	<u>407</u>
	<u>13,364</u>	<u>1,618</u>
 3. Administrative costs		
Directors and staff costs	954	831
Share incentive costs	545	248
Other administrative costs	<u>1,298</u>	<u>1,648</u>
	<u>2,797</u>	<u>2,727</u>

4. Intangible assets - Impairment charge

Impairment relates to the full write-off of assets at Milford 36 Michigan, CBM in Alabama and various leases in Mississippi. This impairment was made following a review of available data and in light of test results during the year.

5. Profit/(loss) per Share

	2008 US\$000	2007 US\$000
Profit/(loss) for the purposes of basic earnings per share being net profit/(loss) attributable to equity holders of the Parent Company	<u>2,399</u>	<u>(3,498)</u>
	Number '000	Number '000
Weighted average number of 30p ordinary shares in issue	16,093	14,897
Dilutive effect of share options	1,359	-
Dilutive effect of share warrants	<u>830</u>	<u>-</u>
	<u>18,282</u>	<u>14,897</u>
Profit/(loss) per 30p share		
Basic	<u>14.9</u>	<u>(23.5)</u>
Diluted	<u>13.1</u>	<u>(23.5)</u>

The number of shares have been restated to allow for the one for six share consolidation.

6. Loan

Due in less than one year	2,320
Due in more than one year	<u>4,175</u>
	<u>6,495</u>

On 30 June 2008 the Group drew down a loan from Macquarie Bank to finance the acquisition of East Lake Verret assets.

The loan has been recognised net of loan issue costs and the fair value of warrants issued to Macquarie as part of the financing arrangement. The loan is secured on the Group's properties, cash balances and other assets. The loan is repayable in full by 30 June 2011.

7. Notes to the cash flow statement

	2008 US\$000	2007 US\$000
Profit/(loss) before taxation	2,784	(3,498)
Adjustments for:		
Finance costs	413	(42)
Depreciation and impairment of property, plant and equipment	4,170	2,454
Amortisation of intangible assets	1,131	-
Provision for decommissioning	221	-
Other operating income	-	(363)
Share based payments	545	248
Unrealised gains on hedging instruments	(1,771)	
Foreign exchange difference	85	(156)
Operating cash flows before movements in working capital	7,578	(1,357)
Increase in receivables	(2,130)	(293)
Increase in payables	1,777	321
Cash generated from /(consumed by) operations	7,225	(1,329)