



25th September 2008

Meridian Petroleum plc
("Meridian" or "the Company")

Interim Results for the six months to 30 June 2008

Delivers Maiden Profit

Meridian Petroleum, the oil and gas E&P company with producing assets in the US and exploration licences in Australia, announces interim results for the six months ended 30 June 2008. In a separate statement, Meridian has also announced today plans for a 1 for 6 share consolidation.

(Note – the financial results do not include the four month contribution from the acquisition of the East Lake Verret ("ELV") field, which completed on 30 June 2008, but with effect from 1 March 2008. This contribution, which amounted to \$1.95 million, has been accounted for as a reduction in the consideration paid for the assets.)

Financial Highlights

- Maiden Profit before tax of \$1.3 million (2007 H1: \$1.3 million loss)
- Adjusted EBITDA* of \$3.2 million (2007 H1: \$1.2 million loss)
- Revenue of \$8.7 million (2007 H1 – Nil)
- Debt facility for up to \$50 million provided by Macquarie Bank

Operational Highlights

- Average net production in 2008 H1 increased by 103% to 657 barrels of oil equivalent per day (boepd) compared to Q4 2007
- Average net production in Q2 2008 of 735 boepd, up 27% on Q1 2008
- Acquisition of ELV interests for \$9.84 million

Post Period Highlights

- New gross daily gas production record at Orion of over 6 mmcf (1,000 boepd)
- Operational handover and integration of ELV successfully completed
- Hedging contracts covering approximately 45% of projected output contributed \$118,000 in July and August
- Average net production since period end, adjusted for the July shut-in period at Orion, of 725 boepd
- 1 for 6 share consolidation announced separately today

Stephen Gutteridge, Chairman of Meridian Petroleum, said:

“During the first half of 2008, we have delivered increased production, a substantial acquisition, financing to invest in future growth and a maiden profit.

“We now intend to build on this success by adding further US production through drilling and acquisition, and by clearly identifying and developing the value in our Australian licences.”

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 which are a non-cash charge.

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Meridian Petroleum plc

2008 Interim Results

Chairman's Statement

The first half of 2008 has been a period of significant achievement for Meridian Petroleum. We have delivered strong operational performance and cash-flow, giving us a maiden profit and strengthened balance sheet.

This improvement in our financial capability has enabled us to commit to development plans for our Australian licences and to adopt the new strategic initiative of adding assets through acquisition. We moved quickly to implement this strategy by acquiring substantial working interests in the East Lake Verret field in Louisiana, USA, for just under \$10 million, and at the same time we secured major institutional support for the Company with a \$50 million debt facility from Macquarie Bank.

During the period, we addressed a number of difficult legacy issues, including an AIM enquiry, which resulted in a censure and fine, and an extensive investigation to track the much reduced share-holding of the Company's former Chief Executive. The resolution of these issues has placed the Company in a stronger position to move forward.

Outlook

The second half of the year has begun well with Orion continuing to set new production records. Although energy prices have slipped from recent highs, they remain strong by historic standards.

Our plans for the next six to nine months include:

- Commencing a 2-3 well drilling programme at East Lake Verret to bring further proven reserves on-stream;
- Development of the 'Orion2' prospect in Michigan, which, subject to finalising leasing and commercial terms, would be drilled and produced from our existing facility, leading to a considerable saving on capital costs in respect of the Sulfatreat plant; and
- A 3D seismic shoot on our South Australian PEL 82 licence now scheduled for January 2009.

We have additional opportunities for growth which we will pursue in 2009:

- With the increased interest in the Australian gas market, we believe that drilling an exploration well on the Delores gas prospect in the PEL 132 licence may be beneficial. However, this would be a high-risk project, and our strong preference remains to find a farm-in partner and we are continuing our efforts to achieve this;

- We are also still interested in securing a farm-in partner to drill the Calvin Deep prospect in Louisiana, although we will relinquish some non-critical acreage later this year; and
- We will be actively seeking further acquisitions and the share consolidation that we have announced separately today, combined with the support of Macquarie Bank, provides us with a strong financial structure to consider and pursue a wide range of asset and corporate acquisition opportunities.

Consolidated Income Statement

	30 June 2008 (Unaudited) US\$000	30 June 2007 (Unaudited) US\$000	31 Dec 2007 Audited US\$000
Revenue	8,747	2	2,441
Cost of sales (note 3)	<u>(5,494)</u>	<u>(19)</u>	<u>(1,618)</u>
Gross profit/(loss)	3,253	(17)	823
Administrative expenses (note 4)	(1,935)	(1,340)	(2,727)
Other operating income	-	-	363
	<u>1,318</u>	<u>(1,357)</u>	<u>(1,541)</u>
Impairment charge	-	-	(1,999)
Operating profit/(loss)	<u>1,318</u>	<u>(1,357)</u>	<u>(3,540)</u>
Investment Income – interest on bank deposits	2	19	42
Profit/(loss) on ordinary activities before taxation	<u>1,320</u>	<u>(1,338)</u>	<u>(3,498)</u>
Taxation	<u>(310)</u>	<u>-</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation	<u>1,010</u>	<u>(1,338)</u>	<u>(3,498)</u>
Profit/(loss) per share (US cents) (note 5)			
Undiluted	1.0	(1.7)	(3.9)
Diluted	1.0	(1.7)	(3.9)

Consolidated Statement of Total Recognised Income and Expenditure

Profit/(loss) for the financial period	1,010	(1,338)	(3,498)
Currency differences on foreign currency net investments	<u>152</u>	<u>(196)</u>	<u>48</u>
Total gains and losses recognised since last financial statements	<u>1,162</u>	<u>(1,534)</u>	<u>(3,450)</u>

Consolidated Balance Sheet

	30 June 2008 (Unaudited) US\$000	30 June 2007 (Unaudited) US\$000	31 Dec 2007 Audited US\$000
Non-current assets (Note 6)			
Intangible assets	3,457	1,005	1,720
Property, plant and equipment	9,006	3,934	3,332
	<u>12,463</u>	<u>4,939</u>	<u>5,052</u>
Current assets			
Trade and other receivables	2,872	376	541
Cash and cash equivalents	1,889	2,622	295
	<u>4,761</u>	<u>2,998</u>	<u>836</u>
Total assets	<u>17,224</u>	<u>7,937</u>	<u>5,888</u>
Current liabilities			
Trade and other payables	(1,299)	(857)	(503)
Taxation	(190)	-	-
	<u>(1,489)</u>	<u>(857)</u>	<u>(503)</u>
Non-current liabilities			
Loan (Note 7)	(7,634)	-	-
Provisions	(316)	-	(95)
	<u>(7,950)</u>	<u>-</u>	<u>(95)</u>
Total liabilities	<u>(9,439)</u>	<u>(857)</u>	<u>(598)</u>
Net assets	<u>7,785</u>	<u>7,080</u>	<u>5,290</u>
Equity			
Called up share capital	9,026	9,013	9,026
Share premium	8,372	8,359	8,372
Retained earnings	(11,645)	(10,495)	(12,655)
Translation reserve	312	(84)	160
Other reserves - share based payments	1,720	287	387
Total equity attributable to the equity holders	<u>7,785</u>	<u>7,080</u>	<u>5,290</u>

Consolidated Cash Flow Statement

	30 June 2008 (Unaudited) US\$000	30 June 2007 (Unaudited) US\$000	31 Dec 2007 Audited US\$000
Cash flows from operating activities – (note 8)			
Cash generated/(consumed) by operations	1,783	(1,013)	(1,329)
Interest received	2	19	42
Taxation Paid	(120)	-	-
	<u>1,665</u>	<u>(994)</u>	<u>(1,287)</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(1,737)	(359)	(711)
Expenditure on development and production assets	(6,829)	(1,914)	(3,721)
	<u>(8,566)</u>	<u>(2,273)</u>	<u>(4,432)</u>
Cash flows from financing activities			
Proceeds from issue of shares	-	3,445	3,471
Loan	8,458	-	-
	<u>8,458</u>	<u>3,445</u>	<u>3,471</u>
Net increase/(decrease) in cash and cash equivalents	1,557	178	(2,248)
Opening cash and cash equivalents at beginning of year	295	2,332	2,332
Exchange gains on cash and cash equivalents	37	112	211
Closing cash and cash equivalents	<u>1,889</u>	<u>2,622</u>	<u>295</u>

Notes

1. Basis of preparation and accounting policies

The interim financial statements for the six months to 30 June 2008 have been prepared on the basis of the accounting policies set out in the Company's financial statements for the year ended 31 December 2007. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial information for the six months ended 30 June 2008 and 30 June 2007 was neither audited nor reviewed by the auditors and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for the year to 31 December 2007 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2. Segmental reporting

In the opinion of the Directors the operations of the Group comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The Group currently operates in one geographical market, the USA, and has a head office and associated corporate expenses in the UK.

3. Cost of Sales

	30 June 2008 (Unaudited) US\$000	30 June 2007 (Unaudited) US\$000	31 Dec 2007 Audited US\$000
Royalties, overrides and other interests	3,077	-	755
Depreciation	1,377	-	456
Well operating costs	1,040	19	407
	<hr/>	<hr/>	<hr/>
	5,494	19	1,618

4. Administrative expenses

IFRS 2 charge in respect of share options	509	148	248
Other	1,426	1,192	2,479
	<hr/>	<hr/>	<hr/>
	1,935	1,340	2,727

5. Profit/(loss) per share

	30 June 2008 (Unaudited) US\$000	30 June 2007 (Unaudited) US\$000	31 Dec 2007 Audited US\$000
Net profit/(loss) for the period attributable to the equity holders of the parent company	1,010	(1,338)	(3,498)
	Number '000	Number '000	Number '000
Weighted average number of shares in issue	96,561	80,860	89,380
Dilutive effect of share options	5,761	-	-
Dilutive effect of share warrants	444	-	-
Diluted weighted average number of ordinary shares	<u>102,766</u>	<u>80,860</u>	<u>89,380</u>
Profit/(loss) per share	US cents	US cents	US cents
Undiluted	1.0	(1.7)	(3.9)
Diluted	1.0	(1.7)	(3.9)

6. Non-current assets

	Intangible US\$000	Property Plant and Equipment US\$000	Total US\$000
COST			
At 1 January 2008	1,720	10,046	11,766
ELV assets acquired	1,737	6,665	8,402
Other additions	-	386	386
At 30 June 2008	<u>3,457</u>	<u>17,097</u>	<u>20,554</u>
DEPRECIATION			
At 1 January 2008	-	6,714	6,714
Charge for the period	-	1,377	1,377
At 30 June 2008	<u>-</u>	<u>8,091</u>	<u>8,091</u>
NET BOOK VALUE			
At 30 June 2008	<u>3,457</u>	<u>9,006</u>	<u>12,463</u>

7. **Loan**

	30 June 2008 (Unaudited) US\$000
Loan finance provided by Macquarie to acquire ELV assets	<u>8,750</u>
IFRS 2 charge in respect of grant of warrants	824
Other costs connected with loan	<u>292</u>
	<u>1,116</u>
Net loan	<u><u>7,634</u></u>

On 30 June 2008 the Group drew down a loan from Macquarie bank to finance the acquisition of East Lake Verret ("ELV") 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.

8. **Reconciliation of operating profit/(loss) to net cash outflow from operating activities**

	30 June 2008 (Unaudited) US\$000	30 June 2007 (Unaudited) US\$000	31 Dec 2007 Audited US\$000
Profit/(loss) from operations	1,318	(1,357)	(3,540)
Adjustments for :			
Depreciation and impairment of property, plant and equipment	1,377	-	2,454
Other operating income	-	-	(363)
Share based payments	509	148	248
Foreign exchange difference	101	(310)	(156)
Operating cash flows before movements in working capital	<u>3,305</u>	<u>(1,519)</u>	<u>(1,357)</u>
Increase in debtors	(2,316)	(138)	(293)
Increase in creditors	794	644	321
Net cash generated by/(consumed by) operating activities	<u><u>1,783</u></u>	<u><u>(1,013)</u></u>	<u><u>(1,329)</u></u>

9. **Reserves**

	Share Capital	Share Premium	Retained Earnings	Foreign Currency Reserve	Other Reserves	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Balance 1 January 2008	9,026	8,372	(12,655)	160	387	5,290
Total recognised income and expense			1,010	152		1,162
Share based payments					1,333	1,333
Balance 30 June 2008	<u>9,026</u>	<u>8,372</u>	<u>(11,645)</u>	<u>312</u>	<u>1,720</u>	<u>7,785</u>

- End -