

Meridian Petroleum plc
Annual Report & Accounts 2007



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MERIDIAN PETROLEUM PLC

Corporate Information

Directors	Stephen Gutteridge – Chairman (Appointed 4 April 2007) Angelo Baskaran – Chief Financial Officer Peter Clutterbuck – Non-Executive Director David Wake-Walker – Non-Executive Director	
Secretary	David Wake-Walker	
Registered Office	13 Regent Street London SW1Y 4LR	
Website	www.meridianpetroleum.com	
Nominated Advisor and Broker	Ambrian Partners Limited Old Change House 128 Queen Victoria Street London EC4V 4BJ	
Auditors	Grant Thornton UK LLP Melton Street Euston Square London NW1 2EP	
Solicitors	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 6AE	
UK Bankers	Barclays Bank 54 Lombard Street London EC3P 3AH	
US Bankers	JP Morgan Chase Bank N.A. 203 Southwest Freeway Houston Texas 77002	Comerica Bank 910 Louisiana Street Houston Texas 77027
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6ZL	
Registered number	5104249	

**Chairman's
Statement**

For Meridian Petroleum, 2007 was a year which saw many changes:-

- Significant US gas production from Orion generating positive cash flow in Q4
- A re-assessment of our asset portfolio and a renewed focus on the US
- A new management team and improved governance and control structures
- Delivery of a solid foundation to take the Company forward in 2008 with a new vision, a new strategy and the resources to expand

Production and Cash-flow

In August the Company commenced gas production from its Orion 36 well in Michigan, only seven months after drilling commenced. This well has exceeded initial expectations and by the end of 2007, had produced nearly 300 million cubic feet of gas (mmcf) and delivered sales of over 4,200 barrels of natural gas liquids. Average daily gas production has risen steadily and by March 2008 had reached well over 4mmcf/day. A comprehensive report on Orion 36 is included below.

In June the Company raised \$3.4million through a share placing to continue to fund the development of the business. From the fourth quarter of 2007, the success of the Orion 36 well, helped by strong US energy prices, moved the Company into a positive cash flow position.

In July the Calvin 36-1 well began production, but in this case failed to meet expectations. This well will now be plugged and abandoned and costs of around \$2million have been written off. Although it is still producing small amounts of gas, we have also written off the Victory 21 well.

Asset Portfolio

During the second half of the year, we began a review of our asset base to determine the best way to create further value from the re-investment of the cash-flow from Orion.

The Company's Australian Licences contain significant potential but require sizeable work programmes which would be logistically difficult and costly for Meridian to develop alone. Consequently steps were taken to sell these assets whilst retaining upside through a royalty or other form of interest. Heads of Agreement were signed with a potential purchaser and these discussions are ongoing. However, the exclusivity period with this purchaser has now expired and the Company will now engage in discussions with other potentially interested parties.

We also decided to seek to divest our interests in Mississippi via a sale or farm-out and placed the Coal Bed Methane project in Alabama on hold, as our relatively small acreage, plus the considerable cost of a pilot scheme, did not make it a priority area in the short-term.

The Company sought to make progress with the development of the Calvin Deep prospect, but our joint venture partner, Ensign, was heavily committed elsewhere and released their interest back to Meridian, yielding a profit to the Company of some \$360,000. We are currently seeking a new partner to take this project forward.

**Chairman's
Statement**

Management Team

In April 2007 I succeeded Don Caldwell as Chairman and in October, Tony Mason stepped down as Chief Executive. Don left the Company in August and Tony departed at the end of the year.

In December, Ed Childers joined as Chief Operating Officer and he has already made a significant contribution overseeing our operations and progressing asset deals. I would like to thank my fellow Board members and executives for their contribution during the year.

Strategy and Vision

In 2008 the Company has begun to actively seek further assets in the US. The cash-flow from Orion 36 provides us with an opportunity to expand and add assets that will contribute to short and medium term production growth, spread our production risk, and bridge the gap in our portfolio between the success of Orion and the potential of larger assets such as Calvin Deep and the upside from our Australian Licences.

Our vision for the company is different from a year ago, but I believe it is now clearer - a US producer with a strong focus on gas, a corporate base in the London market for funding and governance, a strong commitment to improved investor relations and an asset portfolio which provides both low-cost, quick to market drilling opportunities and medium-term larger plays. During 2007 we made significant progress by creating a solid platform to deliver this vision and we now intend to aggressively pursue a range of acquisitions and deals to take the company on to the next level.

Stephen Gutteridge

Chairman

15 April 2008

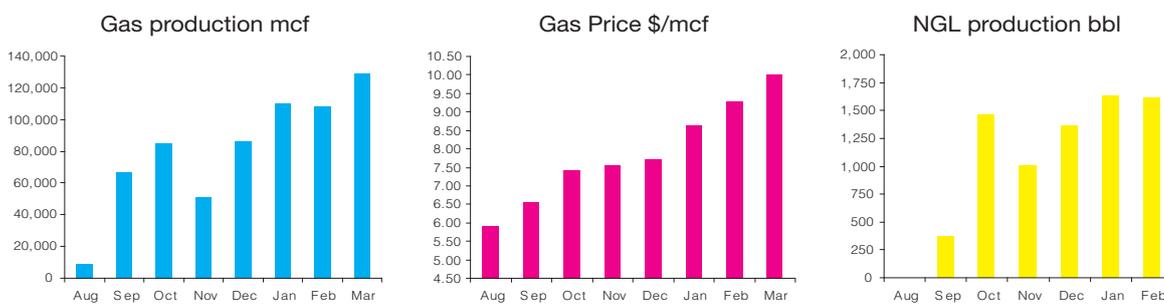
August 2007 to March 2008

Production Report

- Total gas production 645 mmcf
- Average daily gas production 3.15 mmcfd.
- Highest daily flow rate 4.56 mmcfd in March.
- Total liquids production 9,271 bbls
- 3 successful sulfatreat change-outs completed in November 2007, February and April 2008

Financial Report

- The average price received for gas was \$8.46/mcf increasing steadily from \$6.5/mcf in September 2007 to over \$10.25/mcf in March 2008.
- The average gas net revenue received by Meridian was \$5.81/mcf equivalent to just under 70% of the gross revenue recognised in the profit and loss account. Meridian's gross profit is after deducting cost of sales including severance taxes (5.65%), royalties and overrides (25% of the post-tax revenue) and a 3% minority interest.
- Total operating costs were higher than anticipated, averaging \$1.50/mcf.
- Sulfatreat costs were in line with expectations at \$0.45/mcf, but are likely to increase this year due to higher commodity prices for iron
- During the 7 month period, the Company made further substantial investment in the Orion facility, primarily to enhance our environmental and safety performance and to improve our operational efficiency.
- This investment totalled some \$400,000, bringing our total investment to nearly \$4 million as at the end of March 2008.
- As at the end of March 2008, approximately \$2.8 million of this investment had been recovered.
- Under the terms of the agreement entered into with a third party, Meridian's working interest will reduce once costs associated with Orion have been recovered. At this point the Group's working interest in Orion will be 72%. The timing of this reduction in the working interest is uncertain at this stage but is anticipated to be later in 2008.



**Reserves
Report**

In line with best practice, the Company has commissioned RPS Energy to produce the independent 2008 report on the Company's US Onshore Licence interests. A copy of this report is available on the Company's website.

Orion Reserves

- In this year's report on Orion, RPS estimate gross P50 Gas Initially In Place (GIIP) of 3.5bcf in a potential range of 2.9 to 4bcf. Proven and Probable (2P) recoverable Reserves are assessed as some 3bcf (prior to any production) with remaining 2P Reserves at 1 January 2008 of 2.4bcf.
- For natural gas liquids RPS assess total 2P recoverable Reserves for the Orion 36 field as 45,170 bbls with 35,580 bbls remaining at 1 January 2008. This is slightly lower than last year's assessment as recent production has confirmed a lower condensate yield per mmcf of gas than expected.
- Meridian Petroleum net attributable 2P Reserves after economic cut-off, deduction of royalties and adjustment of working interest after payback of costs are 1.4 bcf of gas and 20,942 bbls of liquids.
- This assessment of Orion Reserves is not materially different from last year's report reflecting that, with the well having been on continuous production since August 2007, the Company has not yet been able to provide new reservoir data for RPS to re-assess the position.
- The better than expected production from the well might suggest potentially higher Reserves, but this cannot currently be determined without a meaningful shut-in to assess pressure build-up, and the Company will be considering the possibility of such a shut-in in the next few months.

Total Reserves

Total Reserves as at 1 January 2008

<i>Reserve</i>		<i>Classification</i>	<i>Units</i>	<i>Gross</i>	<i>Net Interest</i>	<i>Last Update</i>
Orion 36	Gas	2P recoverable	bcf	2.37	1.396	Apr 2008
	Condensate	2P recoverable	bbls	35,580	20,942	Apr 2008
Calvin Shallow		n/a	n/a	Nil	Nil	Apr 2008
Calvin Deep	Gas	Contingent - 3C	bcf	157.9	110.5	Apr 2008
Milford 36	Gas	Prospective	bcf	0.44	0.132*	Apr 2007
	Condensate	Prospective	bbls	175,457	52,637*	Apr 2007
Australia - Delores	Gas	Prospective	bcf	432.0	432.0	Feb 2007

**Adjusted to 30% working interest*

The above table has been extracted from reports provided by RPS Energy. They have reviewed the above summary and have approved its publication.

*Reserves
Report*

GLOSSARY

GIIP	Volume of gas initially in place
P50	50% probability that value will be equal to or greater than stated value
2P	Proved plus Probable in accordance with SPE definitions
3C	High Estimate Contingent Resources
Bcf	Billions cubic feet
bbls	Barrels
NGL	Natural Gas Liquids (condensates)
SPE	Society of Petroleum Engineers

Stephen Gutteridge

Chairman

15 April 2008

**Directors'
Report**

The Directors present their report and the audited financial statements of Meridian Petroleum plc, for the year ended 31 December 2007.

Financial Review

The results for 2007 have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRSs). The Group adopts the US Dollar as its presentation currency. This is to reflect the fact that most of the Group's activities are denominated in that currency. The balance sheet of the holding company is still prepared under UK Generally Accepted Accounting Policies (GAAP).

Proven and probable oil and gas reserves have been independently assessed. These assets are not recognised in the balance sheet and further details are set out in note 11.

Principal Activities

The Group conducts an international business whose principal activities are the exploration for and the evaluation and production of oil and gas. A detailed review of the development of the business of the Group is contained in the Chairman's Statement on pages 3 to 4.

Results and Dividends

The loss for the year after taxation amounted to US\$3.5m (2006: US\$5.9m). The Directors do not recommend a dividend.

Directors

The Directors of the Company who served during the year were as follows:

Stephen Gutteridge (appointed 4 April 2007)

Angelo Baskaran

Peter Clutterbuck

David Wake-Walker

Donald Caldwell (resigned 2 August 2007)

Anthony Mason (resigned 17 October 2007)

None of the Directors has a service agreement of more than one year's duration. Save as disclosed in note 26 no Director has had a material interest in any contract of significance with the Company or its subsidiaries during the year.

Details of the Directors' interests in the shares of the Company and in share options are set out in the Directors' Remuneration Report.

Post Balance Sheet Events

There are no significant post balance sheet events.

Substantial Shareholders

As at 7 April 2008, the latest practicable date prior to the publication of this report, the following interests appeared in the register.

TD Waterhouse Nominees (Europe) Limited	15,827,656	16.4%
Barclayshare Nominees Limited	11,154,385	11.6%
HSDL Nominees Limited	10,564,864	10.9%
Hanover Nominees Limited	6,869,522	7.1%
L R Nominees Limited	6,658,880	6.9%
Raven Nominees Limited	4,035,977	4.2%
Mellon Nominees (UK) Limited	3,114,784	3.2%
James Capel (Nominees) Limited	2,999,362	3.1%

In addition, the Company has been advised of the following beneficial holdings.

A J Mason	17,614,784	18.2%
Barclays plc	11,550,225	12.0%
Maureen Singer	6,377,550	6.6%
T Markham	2,900,000	3.0%

Key Performance Indicators

Key Performance Indicators are used to measure the extent to which Directors and management are reaching key objectives.

In the two years ended December 2006 there was no significant production of oil or gas. During this time the key objective of the Directors has been to develop the assets acquired to bring them into production in a cost effective and efficient manner. In 2007 production commenced. A key performance indicator is the rate of production of gas and liquids from the wells that are producing.

In reaching the current stage of development of the company the principal method by which the Directors monitor the Group's performance has been the regular review of cash available for exploration and development. The Directors also review actual capital expenditure and operating expenses against forecasts and budgets.

Environment

Meridian ensures that it understands and effectively manages the actual and potential environmental impact of its current and future activities. All local and national environmental regulations are observed in the countries in which the Group operates.

Principal risks and uncertainty facing the Company

The principal risks and uncertainty arises first from unsuccessful drilling. The risk falls into three main areas:

- Although seismic data may indicate a reserve, a test drilling may reveal that there is no significant oil or gas.
- Detailed evaluation after the test drilling may demonstrate that, after production costs, the well is not commercially viable.
- Before production commences unforeseen technical problems may result in cost overruns that make the well uneconomic.

Once a well is in production the principal risks and uncertainty from operating the well are:

- Environmental objections causing the well to be shut in.
- Technical failure of the plant causing significant down time when the well is not producing.

**Directors'
Report**

Payment Policy and Practice

It is the Group's normal practice to settle the terms of payment when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms, and to abide by them. Trade creditors at the year end amounted to 44 days (2006: 40 days) of average supplies for the year.

Financial risk management objectives and policies

The Group has to date financed its operations from equity issues raised in pounds sterling and principally pays for exploration and development costs in US Dollars. The Group now has significant gas production in the US and is now receiving revenue in US Dollars. To date, the Group has chosen not to hedge these exchange rate risks. The Group reviews its financing requirements and its hedging policy when required.

Third Party Indemnities

The Group has taken out Directors and Officers liability insurance.

Related parties

The Group has entered into related party transactions, the details of which are outlined in note 26.

Annual General Meeting

The Annual General Meeting will be held on 12 June 2008 at 11:00 a.m.

ON BEHALF OF THE BOARD

Stephen Gutteridge

Chairman

15 April 2008

**Directors'
Remuneration
Report**

Whilst the Company is not required to present a Directors' remuneration report, as it is not subject to the Listing Rules of the Financial Services Authority nor the requirements of the Directors' Remuneration Report Regulations 2002, it has disclosed here certain information about Directors' remuneration policies and emoluments. The Directors' Remuneration Report is not audited.

The current directors are:



Stephen Gutteridge – Executive Chairman

Steve has 30 years experience of the energy sector with Shell, Amerada Hess, Seaboard and the International Petroleum Exchange. He has held Board positions as Chairman, Executive Director and Non-Executive Director in a number of companies. He is currently a Director of TQ Group Ltd and was until recently Chairman of AIM-listed Star Energy plc.



Angelo Baskaran - Finance Director

Angelo Baskaran is a Chartered Accountant in England and Wales and was formerly an investment banker with MBF Group out of Hong Kong and The Chart Group out of New York. He has broad experience in oil and gas and private equity as well as trading derivative hedge funds in the commodities markets globally.



Peter Clutterbuck - Non-Executive Director and Chairman of Remuneration Committee

Peter Clutterbuck is a petroleum engineer with 30 years' experience in oil and gas exploration and production in the US, the North Sea, the former Soviet Union, Latin America, the Middle East, Africa and South-East Asia. He spent 15 years with the BP Group and founded and managed Northern Petroleum which was listed on AIM. He is President and CEO of Orca Exploration Group and a Director of Mediterranean Oil & Gas.



David Wake-Walker - Non-Executive Director and Chairman of Audit Committee

David Wake-Walker spent over 25 years in financial services management, principally in corporate banking, prior to taking on a number of private equity, trading and corporate advisory roles. He has served as a non-executive Director for numerous companies, both in the UK and overseas, including as Chairman.

Remuneration Committee

The Remuneration Committee's primary objective is to provide recommendations to the Board on the Group's remuneration policies and to determine the remuneration of the executive Directors and other key employees. The Remuneration Committee comprises Peter Clutterbuck (Chairman) and Stephen Gutteridge. Other directors may be invited to attend meetings of the Remuneration Committee, but do not take part in any decision affecting their own remuneration. The Remuneration Committee meets as necessary. During the year the Committee met formally a total of three times. The Remuneration Committee meetings held during the year were attended by all Committee members.

Remuneration policy

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Directors of the highest calibre who can contribute their experience and views to the Group's operations.

Directors' terms, conditions and remuneration

The Directors have been engaged under the terms of letters of appointment. Their engagements can be terminated upon three months' notice by either party. Re-appointment is subject to the Group's Articles of Association, which provide for retirement by rotation every three years.

The Directors' remuneration package consists of basic salary and share options. There are no other taxable benefits, bonuses or pension schemes.

Salary

The following remuneration includes payments to companies controlled by the individuals concerned and includes remuneration up to date of resignation.

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Stephen Gutteridge	60	-
Angelo Baskaran	168	99
Peter Clutterbuck	78	79
David Wake-Walker	72	14
Donald Caldwell (resigned 2 August 2007)	95	120
Anthony Mason (resigned 17 October 2007)	<u>191</u>	<u>221</u>
	<u>664</u>	<u>533</u>

Share options granted to Directors

	<i>Grant date</i>	<i>No. of shares as at 31 December 2007</i>	<i>No. of shares as at 1 January 2007</i>	<i>Option price (pence)</i>	<i>Expiry date</i>
Stephen Gutteridge	27 Jun 07	850,000	-	13.75	27 Jun 17
Stephen Gutteridge	12 Sep 07	400,000	-	12.50	12 Sep 17
Angelo Baskaran	20 Jul 06	750,000	750,000	20.75	20 Jul 16
Peter Clutterbuck	31 Aug 06	720,000	720,000	20.75	31 Aug 16
David Wake-Walker	20 Jul 06	720,000	720,000	20.75	20 Jul 16

The above share options are exercisable as follows:

One third can be exercised immediately on or after the date of grant and a further third can be exercised immediately on or after the first anniversary of the granting of the options with the balance becoming exercisable on or after the second anniversary of the grant date. The share options lapse if not exercised within ten years of granting.

Directors' interests in the share capital of the Company

The beneficial interests of the Directors who held office at 31 December 2007 in the ordinary shares of the Company were:

	<i>31 December 2007</i>	<i>1 January 2007 (or on appointment)</i>
Stephen Gutteridge	250,000	-
Angelo Baskaran	135,000	-
Peter Clutterbuck	1,071,166	572,666
David Wake-Walker	75,000	-

There has been no change in the interest of any Director between 1 January 2008 and the date of this report.

During 2007, the highest mid-market price of the Company's shares was 27.31p and the lowest was 8.38p. The year end price was 8.38p.

This report was approved by the Board on 15 April 2008 and was signed on its behalf by:

Peter Clutterbuck

Chairman of the Remuneration Committee

15 April 2008

It is the objective of the Board to maintain a high standard of Corporate Governance. As an AIM listed company, full compliance with the Combined Code is not a formal obligation. The Group has, however, sought to adopt the provisions of the code that are appropriate to its size and organisation and establish frameworks for the achievement of this objective.

The Board

Meridian Petroleum's business is international in scope and carries political, commercial and technical risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which Meridian Petroleum operates and appropriate financial and risk management skills. In each Board appointment, whether executive or non-executive, the Board considers that objectivity and integrity, as well as skills, experience and ability which will assist the Board in its key functions, are pre-requisites for appointment. The Board currently comprises the Chairman, one other executive Director and two non-executive Directors.

Board Committees

The audit committee is comprised of David Wake-Walker (Chairman) and Peter Clutterbuck.

The remuneration committee is comprised of Peter Clutterbuck (Chairman) and Stephen Gutteridge.

The role of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgments contained in them
- reviewing accounting policies, accounting treatments and disclosures in financial reports
- reviewing the Group's internal financial controls and internal control and risk management systems
- overseeing the Group's relationship with the external auditors, including making recommendations to the Board as to the appointment or reappointment of the external auditors, reviewing their terms of engagement and monitoring the external auditors' independence, objectivity and effectiveness, and
- reviewing the Group's whistle blowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow up action.

Board Committees (continued)

The role of the Remuneration Committee includes:

- determining and recommending to the Board the remuneration policy for the executive Directors and other senior employees; the non-executive Directors' remuneration is set by the Board upon the recommendation of the Remuneration Committee
- within the terms of the agreed policy, determining the total individual remuneration package for each executive Director
- determining the level of awards made under the Company's share option plans and any long-term incentive plan and the performance conditions which are to apply
- determining bonuses payable under any cash bonus scheme adopted by the Group
- determining the vesting awards under any long term incentive plan put in place by the Group and the exercise of share options, and
- determining the policy for pension arrangements, service agreements and termination payments for executive Directors.

Relations with Shareholders

Communications with shareholders are given high priority by the Board. Meridian Petroleum sends its annual report and accounts to all shareholders. The Company will send its June 2008 interim statement to all shareholders. The Group endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. The Board welcomes as many investors as possible to the Annual General Meeting and invites discussion on issues facing the Group. The Company maintains an up to date web site.

Going Concern

The Directors have considered the factors relevant to support a statement on going concern. They have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

**Corporate
Governance
Statement**

Internal Control

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. As an oil and gas exploration and production company with current operations concentrated in the US and Australia, Meridian Petroleum is, by virtue of the nature of its business and the countries in which it operates, subject to a variety of business risks.

The Group's system of internal control plays a critical role in managing the risks towards the achievement of Meridian Petroleum's corporate vision and objectives and is also central to safeguarding Meridian Petroleum's shareholders' interests and the Group's assets. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group.

**Statement
of Directors'
Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- for the Group financial statements, state whether the financial statements comply with IFRS as adopted by the European Union
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Group and the Parent Company will continue in business.

The Directors confirm that the financial statements comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**Statement
of Directors'
Responsibilities**

At the date of the Director's Report, each of the Company's Directors currently serving, as listed on page 8, confirms the following:

- so far as each Director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

*Independent
Auditors'
Report*

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MERIDIAN PETROLEUM PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Meridian Petroleum plc for the year ended 31 December 2007 which comprise the principal accounting policies, the Group income statement, the Group and Parent Company balance sheets, the Group cash flow statement the Group statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the Parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross-referred from the Financial Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

**Independent
Auditors'
Report**

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Orion 36 Report, the Reserves Report, the Corporate Governance Statement, the Directors Remuneration Report and the Statement of Directors Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Independent
Auditors'
Report*

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2007;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

LONDON, ENGLAND

15 April 2008

MERIDIAN PETROLEUM PLC

**Consolidated
Income
Statement
Year ended
31 December
2007**

	Note	2007 US\$000	2006 US\$000
Revenue	4	2,441	8
Cost of sales		<u>(1,618)</u>	<u>(63)</u>
Gross profit/(loss)		823	(55)
Administrative expenses	5	(2,727)	(1,845)
Other operating income	8	<u>363</u>	-
Operating loss before impairment charge		(1,541)	(1,900)
Impairment charge		<u>(1,999)</u>	<u>(4,065)</u>
Operating loss		(3,540)	(5,965)
Investment income – interest on bank deposits		<u>42</u>	<u>21</u>
Loss before taxation	6	(3,498)	(5,944)
Taxation	9	<u>-</u>	<u>-</u>
Loss for the year attributable to equity shareholders		<u><u>(3,498)</u></u>	<u><u>(5,944)</u></u>
Loss per share – basic and diluted (US cents)	10	<u><u>(3.9)</u></u>	<u><u>(8.3)</u></u>

**Statement of
Recognised
Income and
Expense
Year ended
31 December
2007**

	2007 US\$000	2006 US\$000
Total (expense)/income recognised direct in equity		
Currency translation differences - gain	48	105
Loss for year	<u>(3,498)</u>	<u>(5,944)</u>
Total recognised income and expense for the year	<u><u>(3,450)</u></u>	<u><u>(5,839)</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

MERIDIAN PETROLEUM PLC

*Consolidated
Balance Sheet
As at
31 December
2007*

	Note	2007 US\$000	2006 US\$000
Non-current assets			
Intangible assets	11	1,720	646
Property, plant and equipment	12	<u>3,332</u>	<u>2,020</u>
		<u>5,052</u>	<u>2,666</u>
Current assets			
Trade and other receivables	13	541	234
Cash and cash equivalents	14	<u>295</u>	<u>2,332</u>
		<u>836</u>	<u>2,566</u>
Total assets		<u><u>5,888</u></u>	<u><u>5,232</u></u>
Current liabilities			
Trade and other payables	15	503	211
Non-current liabilities			
Provisions	16	<u>95</u>	-
Total liabilities		<u>598</u>	<u>211</u>
Net assets		<u><u>5,290</u></u>	<u><u>5,021</u></u>
Equity			
Called up share capital	17	9,026	7,362
Share premium	18	8,372	6,565
Retained earnings	19	(12,655)	(9,157)
Translation reserve	19	160	112
Other reserves	19	<u>387</u>	<u>139</u>
Total equity attributable to the equity holders		<u><u>5,290</u></u>	<u><u>5,021</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 April 2008. They were signed on its behalf by:

Stephen Gutteridge
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

MERIDIAN PETROLEUM PLC

**Consolidated
Cash Flow
Statement
Year ended
31 December
2007**

	Note	2007 US\$000	2006 US\$000
Cash flows from operating activities			
Cash consumed by operations	20	(1,329)	(1,955)
Interest received		<u>42</u>	<u>21</u>
		<u>(1,287)</u>	<u>(1,934)</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(711)	(459)
Expenditure on development and production assets		<u>(3,721)</u>	<u>(450)</u>
		<u>(4,432)</u>	<u>(909)</u>
Cash flows from financing activities			
Proceeds from issue of shares		<u>3,471</u>	<u>4,686</u>
Net (decrease)/increase in cash and cash equivalents		(2,248)	1,843
Opening cash and cash equivalents at beginning of year		2,332	370
Exchange gains/(losses) on cash and cash equivalents		<u>211</u>	<u>119</u>
Closing cash and cash equivalents		<u><u>295</u></u>	<u><u>2,332</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

1. General information

Corporate Status

Meridian Petroleum plc is a company incorporated in England under the Companies Act 1985. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in note 4 and in the Directors' Report on pages 8 to 11. The Company is quoted on the AIM market of the London Stock Exchange (ticker: MRP), and is headquartered in London UK, with offices in Houston, Texas, USA.

Presentation Currency

The presentation currency of the Group is United States (US) Dollars. The US Dollar has been adopted as the Group's presentation currency as the trading and majority of the Group's transactions and assets are in US Dollars. The Group's policy on foreign currencies is detailed in note 2 g).

2. Significant accounting policies

a) Basis of preparation

The Group financial statements have been prepared in accordance with EU endorsed IFRSs, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRSs. All accounting standards and interpretations issued by the International Accounting Standards Board and the IFRIC effective at the time of preparing these financial statements have been applied.

The Group financial statements have been prepared under the historical cost convention. A summary of the significant Group accounting policies adopted in the preparation of the financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The following Standards and Interpretations have been issued, but are not yet effective and have not been early adopted by the Group:

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)

IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)

2. **Significant accounting policies (continued)**

a) Basis of preparation (continued)

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)

Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)

IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions (effective 1 March 2007)

IFRIC 12 Service Concession Arrangements (effective 1 January 2008)

IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The above Standards and Interpretations are not expected to have any material impact on the Group's financial statements in their periods of initial application.

b) Basis of accounting

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The accounting policies set out below have been applied to all periods presented.

c) Basis of consolidation

The Group financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. The results of subsidiaries are included from the date of acquisition.

2. **Significant accounting policies (continued)**

c) Basis of consolidation (continued)

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The Group's exploration, development and production activities may be conducted as co-licensee, in jointly controlled operations with other companies. Where this is the case, the financial statements reflect the relevant proportions of production, capital expenditure and operating costs applicable to the Group's interest. Where the Group is party to a jointly controlled operation, which is not an entity, the Group accounts directly for its part of the income and expenditure, assets, liabilities and cash flows.

d) Revenue recognition

Revenue represents sales of oil and gas during the year, and is recognised when title passes to the customer, being the date it leaves the well site. Royalty payments are recognised as a cost of sale when the related production revenue is recognised. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

e) Oil and natural gas exploration and development expenditure

The Group adopts the successful efforts method of accounting for exploration, evaluation and development costs.

Exploration and Evaluation Expenditure – Intangible Assets

All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable expenditure is capitalised insofar as it relates to specific exploration and evaluation activities. Pre-licence costs are expensed in the year in which they are incurred. Exploration and evaluation costs are then written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. Exploration and evaluation expenditure is not amortised. If the criteria for recognition of an exploration and evaluation asset are met, it is classified as either a tangible or intangible asset, depending on the nature of the asset. Cost pools are established on the basis of specific fields. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to Production Assets.

2. **Significant accounting policies (continued)**

e) Oil and natural gas exploration and development expenditure (continued)

Development and Production Assets - Tangible Assets

All field development costs and transferred exploration and evaluation costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Group's Depletion and Amortisation accounting policy. The Directors carry out regular reviews of development and production assets and assess the need for provisions for impairment.

Depreciation, depletion and amortisation

All capitalised expenditure carried within each field is depleted from the commencement of production on a unit of production basis, over the proved reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Impairment

Exploration and evaluation assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value may not be recoverable. Any such impairment is recognised in the income statement for the year. Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed.

At each reporting date, the Group assesses whether there is any indication that its development and production assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset, for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

2. **Significant accounting policies (continued)**

e) Oil and natural gas exploration and development expenditure (continued)

Impairment (continued)

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement.

f) Decommissioning

Where a material liability exists for the removal of production facilities and site restoration at the end of the productive life of a field, a provision for decommissioning is recognised. The amount recognised is the present value of future expenditure determined in accordance with local conditions and requirements. Property, plant and equipment in an amount equivalent to the provision are created and depreciated on a unit of production basis.

g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. The Group recognises in the carrying amount of property, plant and equipment the subsequent costs of replacing part of such items when they are expected to generate future economic benefits and such costs can be reliably determined. The carrying value of a part is derecognised when it is replaced. All other costs are recognised in the income statement as an expense as they are incurred.

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment (other than development and production assets) over their estimated useful lives. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Development and production assets are depreciated in accordance with the accounting policy detailed in 2 e).

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2. **Significant accounting policies (continued)**

h) Foreign currencies

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which a group operates and is normally the currency in which a group primarily generates and expends cash. The Parent Company's functional and presentation currency is UK sterling. The Group has chosen the US dollar as its presentation currency based on the fact that the Group's primary transactions originate in US dollars, these being amongst others gas sales and procurement of plant and drilling services.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. All exchange differences on transactions in currencies other than the individual entity's functional currency are recognised in profit or loss in the year in which they are incurred. Monetary assets and liabilities that are denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the income statement. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any exchange differences are recognised in the statement of recognised income and expense to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expense, otherwise such gains and losses are recognised in the income statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

2. **Significant accounting policies (continued)**

h) Foreign currencies (continued)

Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Foreign exchange differences on Group balances, where the loan is long-term, that are denominated in currencies other than the US Dollar at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised directly in equity.

On transition to IFRSs the Group has taken advantage of the exemption offered under IFRS 1 and assumed zero brought forward translation differences on subsidiary undertakings as at 1 January 2005.

i) Financial instruments

IFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new Standard replaces and amends disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash flows, net income or balance sheet line items.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term deposits with an original maturity of three months or less.

Trade payables and other creditors

Trade payables and other creditors are non-interest bearing and are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost under the effective interest method.

2. **Significant accounting policies (continued)**

i) Financial instruments (continued)

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Accounting for financial assets

Financial assets are divided into the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenditure are recognised in profit or loss or directly in equity. See note 23 for a summary of the Group's financial assets by category.

An assessment of whether indications of impairment exist for a financial asset is made at least at each reporting date. If there is indication of an impairment an impairment review is undertaken. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these are measured at fair value plus transaction costs, less provision for impairment and thereafter at amortised cost under the effective interest rate method. All finance costs under the effective interest method are recognised in profit or loss. The Group's trade and other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region or counterparty and other available features of shared credit risk characteristics, if any.

2. **Significant accounting policies (continued)**

j) Deferred Taxation

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

k) Share Based payments

The Group has applied the requirements of IFRS 2 Share Based Payments. In accordance with the provisions of that Standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included. All share based awards of the Group are equity settled as defined by IFRS 2. The fair value of these awards has been determined at the date of grant of the award. This fair value, adjusted annually by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period. The fair values are calculated using a Black Scholes option pricing model.

2. **Significant accounting policies (continued)**

I) Managing Capital

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

3. **Critical accounting judgments and key sources of estimation uncertainty**

In order to prepare the Consolidated Financial Statements in conformity with IFRS, management of the Group have to make estimates and judgments. The matters described below are considered to be the most important in understanding the judgments that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. Group accounting policies are described in Note 2.

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Company's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and gas reserves will also affect the standardised measure of discounted cash flows and changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation charges to income.

Proved oil and gas reserves are the estimated quantities of oil and natural gas made by management and verified by industry experts that demonstrate with reasonable certainty that they are recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proved reserves are also subject to change.

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3. **Critical accounting judgments and key sources of estimation uncertainty (continued)**

Estimation of oil and gas reserves (continued)

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

4. **Geographical and Business segments**

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 US, and has a head office and associated corporate expenses in the UK.

5. **Administrative Costs**

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Directors and staff costs	831	617
Share incentive costs	274	139
Other administrative costs	<u>1,622</u>	<u>1,089</u>
	<u><u>2,727</u></u>	<u><u>1,845</u></u>

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6. **Loss before taxation**

Loss before taxation has been arrived at after charging:

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Depreciation of property, plant and equipment	455	-
Write-off of intangible assets	-	-
Impairment of property, plant and equipment	1,999	4,065
Staff costs (see note 7)	1,105	756
Auditors' remuneration for audit services (see below)	80	80
Rentals payable in respect of land and buildings	<u>49</u>	<u>72</u>

Auditors' remuneration

Services to the Company and its subsidiaries

Fees payable to the Company's auditors for the audit of the annual financial statements

80	80
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Fees payable to the Company's auditors and its associates for other services

Audit of the financial statements of the Company's subsidiaries pursuant to legislation

5	5
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Other services relating to taxation

<u>25</u>	<u>25</u>
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7. **Staff costs**

Average monthly number of employees (including executive Directors and Chairman but excluding non-executive Directors)

<i>Number</i>	<i>Number</i>
---------------	---------------

<u>4</u>	<u>2</u>
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7. Staff costs (continued)

	2007	2006
	US\$000	US\$000
Wages and salaries and Directors' fees (including Chairman and excluding non-executive Directors)	666	513
Expense in respect of share based payments	196	72
Social security costs	<u>41</u>	<u>9</u>
	<u>903</u>	<u>594</u>

Other than the executive Directors there are 2 full time employees of the Group who are considered to be key management. The above staff costs are therefore those for key management.

Emoluments paid in respect of the highest paid Director in the year (excluding share based payment charge).

<u>191</u>	<u>221</u>
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There are no Directors who are members of a company pension scheme.

8. Other income

Other operating income of US\$363,000 (2006: US\$nil) relates to proceeds from the sale of a share of an interest in the Calvin Deep prospect in 2006 which has subsequently been assigned back to the Group as the joint operating partner was unable to meet their commitments.

9. Taxation

No liability in respect of corporation tax arises as a result of trading losses.

US tax losses to be carried forward as at 31 December 2007 at the standard rate of US corporation tax of 35% amounted to US\$2,000,000. UK tax losses to be carried forward as at 31 December 2007 at the standard rate of UK corporation tax of 30% amount to US\$1,200,000.

No deferred tax asset has been recognised in respect of losses carried forward as their future recovery is uncertain.

MERIDIAN PETROLEUM PLC

Notes to the
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9. Taxation (continued)

	2007	2006
	US\$000	US\$000
Tax reconciliation		
Loss on ordinary activities before taxation	<u>(3,498)</u>	<u>(5,944)</u>
Loss on ordinary activities before taxation multiplied by the average of the standard rate of UK corporation tax (30%)	(1,049)	(1,783)
Tax effects		
Losses not available for offset against taxable profits	1,049	1,603
Expenses not deductible for tax purposes	55	95
Difference between UK corporation tax rate and US federal rate	75	64
Tax (profit)/losses carried forward	<u>(130)</u>	<u>21</u>
	<u>-</u>	<u>-</u>

10. Loss per Share

The calculation of the basic and diluted loss per share is based on the following data:

	2007	2006
	US\$000	US\$000
Loss		
Loss for the purposes of basic earnings per share being net loss attributable to equity holders of the Parent Company	3,498	5,944
Loss for the purposes of diluted earnings per share	<u>3,498</u>	<u>5,944</u>
	<i>Number</i>	<i>Number</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>89,380,409</u>	<u>71,310,566</u>

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10. Loss per Share (continued)

	2007	2006
	US cents	US cents
Basic	<u>(3.9)</u>	<u>(8.3)</u>
Diluted	<u>(3.9)</u>	<u>(8.3)</u>

Potentially dilutive instruments

The Group has issued 5,540,000 (2006: 3,720,000) options to Directors and employees to purchase shares in the Company, which could potentially have a future dilutive effect.

11. Intangible assets - Exploration and Evaluation Assets

	US\$000
Cost	
At 1 January 2006	424
Additions	459
Transfer to property, plant and equipment	<u>(237)</u>
At 1 January 2007	646
Additions	<u>1,074</u>
	<u>1,720</u>

The amounts for Intangible Exploration and Evaluation Assets represent active exploration projects. These amounts will be written off to the Income Statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of Exploration and Evaluation Assets will ultimately be recovered, is inherently uncertain.

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12. Property, Plant and Equipment

	US\$000
Cost	
At 1 January 2006	5,593
Additions	450
Transfer from Intangible Assets	<u>237</u>
At 1 January 2007	6,280
Additions	<u>3,766</u>
At 31 December 2007	<u><u>10,046</u></u>
Depreciation	
At 1 January 2006	195
Impairment	<u>4,065</u>
At 1 January 2007	4,260
Charge for the year	455
Impairment	<u>1,999</u>
At 31 December 2007	<u><u>6,714</u></u>
Net book value	
At 31 December 2007	<u><u>3,332</u></u>
At 31 December 2006	<u><u>2,020</u></u>

Impairment relates to the full write-off of property, plant and equipment at Calvin Shallow and at Victory 21. This impairment was made following a review of available data and in light of test results during the year.

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13. Trade and other receivables

	2007	2006
	US\$000	US\$000
Trade receivables	467	6
Other debtors	-	124
Prepayments	<u>74</u>	<u>104</u>
	<u>541</u>	<u>234</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

All of the Group's trade and other receivables have been considered for indicators of impairment. None of the trade and other receivables was found to be impaired.

Credit risk

None of the unimpaired trade receivables were past due at the reporting date.

There are no material receivables that are aged more than three months or are past due.

The Company has no material credit risk in respect of receivables.

14. Cash and cash equivalents

	2007	2006
	US\$000	US\$000
Cash at bank and in hand	295	285
Short term deposits	<u>-</u>	<u>2,047</u>
	<u>295</u>	<u>2,332</u>

MERIDIAN PETROLEUM PLC

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15. Trade and other payables

	2007	2006
	US\$000	US\$000
Trade payables	453	104
Other payables	<u>50</u>	<u>107</u>
	<u>503</u>	<u>211</u>

16. Provisions

	US\$000
Decommissioning	
At 1 January 2006 and 1 January 2007	-
Increase of provision	<u>95</u>
At 31 December 2007	<u>95</u>

17. Share capital

Equity share capital

	2007	2006
	'000s	'000s
Authorised		
Ordinary shares of par value £0.05 (US\$0.10) each	<u>150,000</u>	<u>150,000</u>
Aggregate nominal value	US\$000	US\$000
Ordinary shares of par value £0.05 (US\$0.10) each	<u>14,932</u>	<u>14,677</u>
Allotted, called up and fully paid	'000s	'000s
Ordinary shares of par value £0.05 (US\$0.10) each	<u>96,561</u>	<u>79,649</u>
	US\$000	US\$000
Ordinary shares of par value £0.05 (US\$0.10) each	<u>9,026</u>	<u>7,362</u>

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17. Share capital (continued)

The issued share capital is reconciled as follows

	2007	2006
	US\$000	US\$000
Balance at beginning of year	7,362	5,925
Shares issued	1,592	1,409
Share options exercised	<u>72</u>	<u>28</u>
Balance at end of year	<u>9,026</u>	<u>7,362</u>

Share Warrants

As at 31 December 2007 there were no share warrants. As at 31 December 2006 there were 3,940,154 share warrants which lapsed during the year.

18. Share Premium

	2007	2006
	US\$000	US\$000
Balance at beginning of year	6,565	3,316
Premium on allotment	1,982	3,441
Share issue costs	<u>(175)</u>	<u>(192)</u>
Balance at end of year	<u>8,372</u>	<u>6,565</u>

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19. Retained earnings and other reserves

	Share capital US\$000	Share premium US\$000	Retained earnings US\$000	Foreign currency reserves US\$000	Other reserves US\$000	Total US\$000
Balance at 1 January 2006	5,925	3,316	(3,213)	7	-	6,035
Shares issued	1,409	3,221	-	-	-	4,630
Total recognised income and expense	-	-	(5,944)	105	-	(5,839)
Share options exercised	28	28	-	-	-	56
Share based payment	-	-	-	-	139	139
Balance at 1 January 2007	7,362	6,565	(9,157)	112	139	5,021
Shares issued	1,592	1,735	-	-	-	3,327
Total recognised income and expense	-	-	(3,498)	48	-	(3,450)
Share options exercised	72	72	-	-	-	144
Share based payments	-	-	-	-	248	248
	<u>9,026</u>	<u>8,372</u>	<u>(12,655)</u>	<u>160</u>	<u>387</u>	<u>5,290</u>

MERIDIAN PETROLEUM PLC

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20. Notes to the cash flow statement

	2007	2006
	US\$000	US\$000
Loss before taxation	(3,498)	(5,944)
Adjustments for:		
Interest received	(42)	(21)
Depreciation and impairment of property, plant and equipment	2,454	4,065
Other operating income	(363)	-
Share based payment	248	139
Foreign exchange difference	<u>(156)</u>	<u>(13)</u>
Operating cash flows before movements in working capital	(1,357)	(1,774)
(Increase)/decrease in receivables	(293)	(80)
Increase/(decrease) in payables	<u>321</u>	<u>(101)</u>
Net cash consumed by operating activities	<u>(1,329)</u>	<u>(1,955)</u>

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

21. Contingent liabilities

Under the terms of an agreement entered into with a third party whereby the Group acquired a working interest in Orion, that third party will acquire a 25% working interest in Orion once all of the Group's costs are recovered.

22. Operating Leases

During the year the Company entered into a lease in respect of its London premises. Minimum lease payments are as follows:

	2007	2006
	US\$000	US\$000
Due within one year	56	20
After one year but within two years	56	54
After two years but within five years	<u>128</u>	<u>179</u>

23. Risk management objectives and policies

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its London headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

To date, the Group has financed its operations from equity issues. The Group uses financial instruments (other than derivatives) comprising cash, liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. The Group has not entered into any derivative transactions. In the normal course of its operations the Group is exposed to foreign currency, commodity price and interest rate risks, which are currently insignificant.

Foreign currency sensitivity

With the exception of group overheads arising in London most of the Group's transactions are carried out in US Dollars. The financial statements are produced in US Dollars as much of its business is conducted in US Dollars.

Surplus cash is retained in UK Sterling which is the currency in which new equity has been raised. This cash is likely to be principally invested in US assets. Funds in excess of immediate requirements are placed in sterling deposits where interest rates are higher than that achievable in US Dollars. The Group does not hedge this exposure as the risk is felt to be insignificant.

The net monetary assets held in sterling at the year end amounted to US\$115,000 (2006: US\$2,321,000).

Interest rate sensitivity

At the year end the company had no borrowings and, as such, does not have any significant risk relating to changes in interest rates.

Credit risk

The Group's principal customers are oil and gas utility companies and as such credit risk is considered to be low. The credit risk for liquid funds is considered to be negligible as the counterparties are banks with good external credit ratings.

23. Risk management objectives and policies (continued)

Credit risk (continued)

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Trade and other receivables	541	234
Cash and cash equivalents	<u>295</u>	<u>2,332</u>
	<u>836</u>	<u>2,566</u>

Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring its cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a week-to-week basis, as well as on the basis of a rolling monthly projection.

Long-term liquidity needs for a half year and an annual lookout period are identified monthly. The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The company has an overdraft facility of £75,000 (US\$149,000) which is secured on the Group's assets.

Market risk

Although the Group operates in the oil and gas sector, oil and gas prices do not affect the market risk of the group as changes in oil and gas prices do not affect the fair value of balance sheet items after initial recognition.

MERIDIAN PETROLEUM PLC

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23. Risk management objectives and policies (continued)
Summary of financial assets and liabilities by category

	2007	2006
	US\$000	US\$000
Current assets (all loans and receivables)		
Trade and other receivables	541	234
Cash and cash equivalents	<u>295</u>	<u>2,332</u>
	<u>836</u>	<u>2,566</u>
Current liabilities		
Trade payables:		
- Financial liabilities measured at amortised cost	<u>468</u>	<u>211</u>
	<u>468</u>	<u>211</u>

24. Share based payments

Equity-settled share option plan

Share options are granted to certain Directors. The exercise price of the grant options is equal to the market price at the date of the grant.

This reconciliation excludes options and warrants vesting prior to 1 January 2005, which fall outside the scope of IFRS2.

	2007			2006		
	<i>Weighted average</i>			<i>Weighted average</i>		
	<i>exercise price</i>			<i>exercise price</i>		
	<i>pence cents</i>			<i>pence cents</i>		
	<i>Options</i>	<i>(p)</i>	<i>(US¢)</i>	<i>Options</i>	<i>(p)</i>	<i>(US¢)</i>
Outstanding at beginning						
of year	3,720,000	18.64	36.48	1,030,000	10.00	19.57
Exercised during the year	(730,000)	(10.00)	(20.02)	(300,000)	(10.00)	(19.57)
Granted during the year	<u>2,550,000</u>	<u>11.79</u>	<u>23.60</u>	<u>2,990,000</u>	<u>20.75</u>	<u>40.61</u>
Outstanding at the end						
of the year	<u>5,540,000</u>	<u>16.63</u>	<u>33.10</u>	<u>3,720,000</u>	<u>18.64</u>	<u>36.48</u>

The weighted average share price at the date of exercise for those options exercised during the year was 21.14 pence.

24. Share based payments (continued)

Equity-settled share option plan (continued)

Out of the 5,540,000 (2006: 3,720,000) outstanding options, 2,843,333 (2006: 1,726,667) are exercisable. The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes model. The contractual life of the options (3 or 10 years) is used as an input into this model.

	2007		2006	
Fair Value of Granted Options at measurement date	<u>£318,000</u>	<u>\$633,000</u>	<u>£160,000</u>	<u>\$313,000</u>
Share Price - pence/cents	16.63p	33.10¢	20.75p	40.61¢
Exercise Price - pence/cents	16.63p	33.10¢	20.75p	40.61¢
			2007	2006
Expected volatility (expressed as weighted average volatility used in the modelling under Black Scholes model)			90%	30%
Risk free rate (based on national government bonds)			5.50%	4.25%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options outstanding at the end of the year have the following expiry date and exercise prices.

	Exercise price	2007	2006
Options expiring 2007	£0.1000	-	730,000
Options expiring 2010	£0.2075	800,000	800,000
Options expiring 2016	£0.2075	2,190,000	2,190,000
Options expiring 2017	£0.1375	1,150,000	-
Options expiring 2017	£0.1250	400,000	-
Options expiring 2017	£0.0925	1,000,000	-
		<u>5,540,000</u>	<u>3,720,000</u>

25. Post Balance Sheet Events

There are no significant post balance sheet events.

26. **Transactions with Directors and Other Related Parties**

Donald Caldwell (resigned as Director 2 August 2007)

Donald Caldwell has an interest in each of the Group's US assets by virtue of his interests in Longwood Exploration Company and Lodestar Energy, LLC. Donald Caldwell and his wife own the entire issued share capital of Lodestar Energy, LLC and they are also the sole directors of the company. Donald Caldwell owns 40% of the issued share capital of Longwood Exploration Company and is also a director and president of the company.

Longwood Exploration Company owns a 20% working interest (WI) and a 15.2% net revenue interest (NRI) in the Emery Hudson field. Lodestar Energy LLC owns a 3.5% WI and a 2.66% NRI in the Emery Hudson field. In addition, Donald Caldwell personally owns an overriding royalty interest in the lease of around 1.5%. The Emery Hudson Field was fully impaired in the 2006 financial statements. Longwood Exploration Company owns a 10% WI and a 7.5% NRI in the Brighton 36 prospect. Longwood Exploration Company owns a 3.33% WI and a 2.5% NRI in the Calvin prospect. Donald Caldwell also owns a small personal interest in the prospect. Lodestar Energy, LLC and Longwood Exploration Company also held interests in the West Levees Creek and Middleton Creek prospects. Donald Caldwell personally owns an overriding royalty interest in the lease of Orion of around 1.7%.

The Group has a consulting agreement with Lodestar Energy, LLC and during the year, up to the date of his resignation, US\$70,000 (2006: US\$120,000) was paid by the Group under this agreement.

Angelo Baskaran

A wholly owned subsidiary (Meridian Resources (USA) Inc.) has a consulting agreement with LCL Merchant Partners Inc. which was paid US\$168,318 (2006 US\$98,794). Angelo Baskaran is a shareholder and president of LCL Merchant Partners Inc.

Peter Clutterbuck

The Company has a consulting agreement with Global Energy Consultants Limited which was paid US\$78,086 (2006: US\$79,407) during the year. Peter Clutterbuck is a shareholder and director of Global Energy Consultants.

David Wake-Walker

The Company has a consulting agreement with David Wake-Walker Limited which was paid US\$62,069 (2006: US\$14,283) during the year. David Wake-Walker is a shareholder and director of David Wake-Walker Limited.

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**Company
Balance Sheet
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2007**

		2007	2006
	Note	£'000	£'000
Fixed assets			
Investment in subsidiaries	3	<u>2,250</u>	<u>2,250</u>
Current assets			
Debtors – falling due within one year	4	34	38
Debtors – falling due after one year	4	6,375	3,902
Cash and cash equivalents		<u>58</u>	<u>1,158</u>
		6,467	5,098
Current liabilities			
Creditors: amounts falling due within one year	5	<u>(80)</u>	<u>(36)</u>
Net Current assets		<u>6,387</u>	<u>5,062</u>
Net assets		<u>8,637</u>	<u>7,312</u>
Equity			
Called up share capital	6, 7	4,828	3,982
Share premium	7	4,463	3,544
Retained earnings and other reserves	7	<u>(654)</u>	<u>(214)</u>
Total equity attributable to the equity holders		<u>8,637</u>	<u>7,312</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 April 2008. They were signed on its behalf by:

Stephen Gutteridge

Chairman

15 April 2008

1. **Significant accounting policies**

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Foreign exchange

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rate subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account.

Cash flow statement

No cash flow statement is prepared for the Company under FRS 1 as the cash flows of the Company have been included in the consolidated cash flow statement of Meridian Petroleum PLC.

Related party transactions

The Company has taken advantage of the exemption available under FRS 8 with regard to the non-disclosure of transactions between group companies.

Share Based payments

The Company has applied the requirements of FRS 20 Share Based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included. All share based awards of the Company are equity settled as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period. The fair values are calculated using a Black Scholes option pricing model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the participants.

1. **Significant accounting policies (continued)**

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. **Loss for the year**

As permitted by Section 230 of the Companies Act 1985, the company has elected not to present its own profit and loss account for the year. Meridian Petroleum PLC reported a loss for the year ended 31 December 2007 of £563,000 (2006: £27,000).

The auditors' remuneration for audit services to the company was £20,000 (2006: £10,000).

3. **Investment in subsidiaries**

	<i>Place of Incorporation</i>	<i>Class of Share Capital</i>	<i>Percentage Held</i>	<i>Business</i>
Held Directly				
Meridian Resources Ltd	England	Ordinary	100%	Non trading
Held Indirectly				
Meridian Resources (USA) Inc	USA	Ordinary	100%	Oil and Gas
Meridian Resources Pty Ltd	Australia	Ordinary	100%	Oil and Gas

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4. Debtors	2007	2006
	£000	£000
Debtors – falling due within one year		
Prepayments and accrued income	<u>34</u>	<u>38</u>
Debtors – falling due after one year		
Amounts owed by group undertakings	<u>6,375</u>	<u>3,902</u>

The amounts owed by group undertakings are repayable on demand however the Directors consider that they will not be repaid within one year and have presented these accordingly in the Company balance sheet.

5. Creditors	2007	2006
	£000	£000
Social Security and other taxes	7	14
Other creditors	<u>73</u>	<u>22</u>
	<u>80</u>	<u>36</u>

6. Share Capital	2007	2006
	'000s	'000s
Authorised		
Ordinary shares of par value 5p each	<u>150,000</u>	<u>150,000</u>
Aggregate nominal value		
Ordinary shares of par value 5p each	<u>7,500</u>	<u>7,500</u>
Equity share capital		
Allotted, called up and fully paid		
Ordinary shares of par value 5p each	<u>96,561</u>	<u>79,649</u>
	£000	£000
Ordinary shares of par value 5p each	<u>9,026</u>	<u>7,362</u>

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6. **Share Capital (continued)**

Share Warrants

As at 31 December 2006 there were 3,940,154 share warrants outstanding. These lapsed during the year.

Details of share based payments and outstanding share options are included in note 24 to the Group accounts.

7. **Share Premium account and reserves**

	<i>Share capital</i>	<i>Share Retained premium</i>	<i>Other earnings</i>	<i>Other reserves</i>	<i>Total</i>
	£000	£000	£000	£000	£000
Balance at 1 January 2007	3,982	3,544	(290)	76	7,312
Shares issued	809	882	-	-	1,691
Total recognised income and expense	-	-	(563)	-	(563)
Share options exercised	37	37	-	-	74
Share based payments	-	-	-	123	123
Balance at 31 December 2007	<u>4,828</u>	<u>4,463</u>	<u>(853)</u>	<u>199</u>	<u>8,637</u>

**Notice of
Annual General
Meeting**

Notice is hereby given that the Annual General Meeting of Meridian Petroleum plc will be held on 12th June 2008 at 11:00 a.m. at 30 Finsbury Square London for the following purposes, namely:

Ordinary Business

As Ordinary Business, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

- 1 To receive and adopt the Directors' Report and the Financial Statements for the year ended 31 December 2007, together with the report of the auditors thereon.
- 2 To re-appoint Grant Thornton UK LLP as auditors of the Company until the conclusion of the next Annual General Meeting at which accounts for the Company are presented and to authorise the Directors to fix their remuneration.
- 3 To re-elect Angelo Baskaran as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-appointment.
- 4 To re-elect David Wake-Walker as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-appointment.

Special Business

As Special Business to consider and if thought fit to pass the following resolutions of which the resolution numbered 6 will be proposed as an ordinary resolution and the resolution numbered 7 will be proposed as a special resolution:

- 5 That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of £2,671,952 and that this authority will take effect on the date of passing of this resolution and will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company but the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to Section 80 of the Act.
- 6 That the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by Resolution 5 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be in substitution for any existing powers conferred on the Directors pursuant to section 95 of the Act and shall be limited to:

**Notice of
Annual General
Meeting**

- (a) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange in any territory; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £724,207

and the power hereby granted shall take effect on the date of this resolution and shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry but otherwise in accordance with the foregoing provisions of this power in which case the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

David Wake-Walker
Company Secretary
15 April 2008

Registered Office:
13 Regent Street
London
SW1Y 4LR

Notes

1. Copies or particulars of contracts of service between Directors and the Company or any of its subsidiary undertakings will be available for inspection by members at the registered office of the Company during normal business hours from the date of this notice until 11 June 2008 and at the place of the Annual General Meeting for fifteen minutes prior to and until the conclusion of that meeting.

2. Every member has the right to appoint some other person(s) of their choice, who need not be a member, as his proxy to exercise all or any of his rights to attend, speak and vote on their behalf at the meeting. If a member wishes to appoint a person other than the Chairman, he should insert the name of his chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than the member's full voting entitlement, he should enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as proxy. If left blank the proxy will be deemed to be authorised in respect of the member's full voting entitlement, (or if this proxy form has been issued in respect of a designated account for a member, the full voting entitlement for that designated account).

3. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Company's Registered Office or this form may be photocopied. A member should indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as his proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

4. To be valid, forms of proxy must be lodged at the office of the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, not less than 48 hours before the meeting or any adjournment.

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.

**PLEASE COMPLETE IF YOU DO NOT INTEND TO ATTEND IN PERSON
(Company No: 5104249)**

I (Name(s) in full in block capitals)
of (address)
.....
being a member of the above named Company hereby appoint

Name of proxy	Address of proxy	No. of shares

or, failing him/her the Chairman of the Meeting, as my proxy to vote for me on my behalf in accordance with the instructions set out below at the Annual General Meeting of the Company to be held on 12 June 2008 and at any adjournment thereof.

Please tick this box if this form is one of multiple instructions being given

Please delete "Either" or "Or" below and mark "For", "Against" or "Vote Withheld" as appropriate and return this form to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. To be valid this form must be lodged with the Company's registrars not less than 48 hours before the Meeting.

Either	To vote as my Proxy or failing him/her as the Chairman thinks fit.			
Or		For	Against	Vote Withheld
	Resolution 1			
	Resolution 2			
	Resolution 3			
	Resolution 4			
	Resolution 5			
	Resolution 6			

Signed
Name
Date



SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10846



**Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZL**

FIRST FOLD

THIRD FOLD & TUCK IN