Meridian Petroleum plc

Annual Report & Accounts 2008

Contents

Corporate Information

Directors	Stephen Gutteridge – Chairman 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
Corporate Bankers	Macquarie Bank Limited 1 Ropemaker Street London EC2Y 9HD
UK Bankers	Barclays Bank 54 Lombard Street London EC3P 3AH
US Bankers	Frost National Bank 100 West Houston Street San Antonio Texas 78296 Comerica Bank 910 Louisiana Street Houston Texas 77002
Australian Bankers	Australia and New Zealand Banking Group Limited (ANZ) 11-29 Waymouth Street Adelaide South Australia 5000
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6ZL
Registered number	5104249

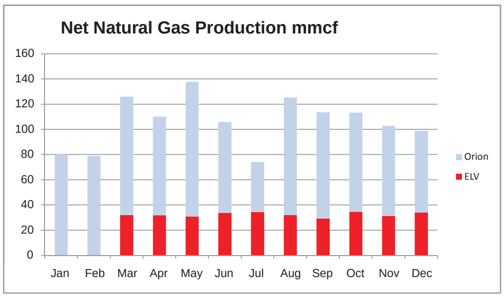
Chairman's Statement

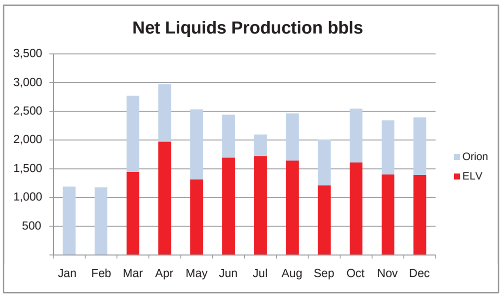
2008 was a highly successful year for Meridian Petroleum.

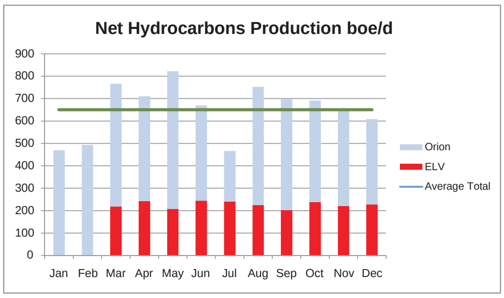
Strong Performance

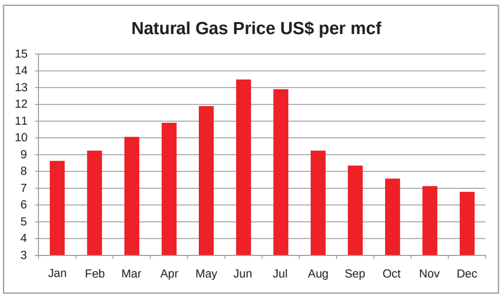
Compared to 2007, the Group's net natural gas production increased by 485% to 1.27 bcf and net oil production increased by 780% to 26,900 barrels. Proved and Probable hydrocarbon reserves increased by 319% to 1.06 million boe due to the acquisition of East Lake Verret. In terms of financial measures, revenues were up by 640% on 2007, a 2007 loss before tax of US$3.5 million was transformed into a US$2.8 million profit before tax in 2008, and the Group generated operating cash-flow of US$7.2 million.

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









Chairman's Statement

Acquisition of East Lake Verret

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

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

Hedging

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

Asset Portfolio

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

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

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

Chairman's Statement

Corporate Governance

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

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

Prospects

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

Finally, I would like to thank our shareholders, customers, partners, advisers and my colleagues at Meridian for their support and contribution in 2008.

Stephen Gutteridge
Chairman
14 April 2009

Reserves and Resources Report

Net Commercial Reserves as at 31 December 2008

	Natural Gas bcf	*Oil/NGL '000 bbls*	*Total Hydrocarbons '000 boe*	*Competent Person Report*
Proved				
Orion				
Gross at 1 July 2008	1.272	n/a	n/a	RPS Energy 19 September 2008
Gross production Jul-Dec 2008	(0.793)	(8.9)	(141.1)	
Gross as at 31 Dec 08	0.479	n/a	n/a	
Net Interest (54.589% NRI)	0.261	3.9*	47.4	
East Lake Verret	2.629	360.3	798.5	D-O-R Engineering 2 April 2009
Total Proved	2.890	364.2	845.9	
Probable				
Orion	0.104	1.6	18.9	RPS Energy 19 September 2008
East Lake Verret	0.302	148.3	198.6	D-O-R Engineering 2 April 2009
Total Probable	0.406	149.9	217.5	
Total Proved and Probable	3.296	514.1	1,063.4	

** NGL is calculated at 15 bbls per mmcf*

Net Contingent and Prospective Resources - Best estimates as at 31 December 2008

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

Reserves and Resources Report

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

GLOSSARY

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

Stephen Gutteridge
Chairman
14 April 2009

Directors' Report

The Directors present their report and the audited financial statements of Meridian Petroleum plc for the year ended 31 December 2008.

Financial Review

The results for 2008 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).

Proved 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 the Reserves and Resources Report on page 6.

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 5.

Results and Dividends

The profit for the year after taxation amounted to US$2.4m (2007 loss: US$3.5m). The Directors do not recommend a dividend.

Directors

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

Stephen Gutteridge
Angelo Baskaran
Peter Clutterbuck
David Wake-Walker

None of the Directors has a service agreement of more than one year's duration. Save as disclosed in note 31 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.

Directors' Report

Post Balance Sheet Events

There are no significant post balance sheet events.

Substantial Shareholders

As at 1 April 2009, the latest practicable date prior to the publication of this report, the following interests appeared in the register.

TD Waterhouse Nominees (Europe) Limited	2,953,566	18.35%
HSDL Nominees Limited	2,180,329	13.55%
Barclayshare Nominees Limited	1,758,169	10.92%
L R Nominees Limited	1,244,248	7.73%
Hanover Nominees Limited	1,086,473	6.75%
Hargreaves Lansdown (Nominees) Limited	585,968	3.64%
James Capel (Nominees) Limited	581,533	3.61%
Raven Nominees Limited	524,085	3.26%

Included in the above, the Company has been advised of the following beneficial holdings.

Barclays plc	1,819,841	11.31%
Maurene Singer	1,062,925	6.60%
T Markham	483,333	3.00%

Key Performance Indicators

Key Performance Indicators are used to measure the extent to which Directors and management are reaching key objectives. The principal method by which the Directors monitor the Group's performance is volumes of net production reviewed against prior year. The Directors also carry out a regular review of cash available for exploration and development and review actual capital expenditure and operating expenses against forecasts and budgets.

	2008	*2007*	*Increase*
Net Gas production mmcf	1,270	217	485.3%
Net Oil and NGL production mbbls	26.9	3.1	767.7%
Total net hydrocarbons mboe	238.1	39.1	509.0%
Operating costs US$000	2,686	407	560.0%
Operating costs per boe	US$11.28	US$10.40	8.5%
Cash Balances US$000	3,875	295	1,213.6%

Directors' Report

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 arise 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.

These risks are mitigated by geological analysis prior to significant expenditure being incurred.

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.

Key financial risks that face the company and the management policy to deal with those risks are described in detail in note 28 to the accounts.

Payment Policy and Practice

It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. The company had no trade creditors outstanding at 31 December 2008.

Directors' Report

Financial risk management objectives and policies

The Group has in the past financed its operations from equity issues raised in pounds sterling. Prior to 2008 US$17 million was raised in this way and was used principally for exploration and development costs in US Dollars. In 2008 the Group arranged a US$50 million loan facility and utilised US$8.75 million to finance an acquisition of assets in Louisiana at a cost of US$9.84 million

In 2009 the Group commenced seismic work in Australia at a budgeted cost of A$2.7 million. Australian Dollars to the value of this commitment were purchased in 2008 to minimise exchange risk.

The Group has significant gas production in the US and receives revenue in US Dollars. To date, the Group has chosen not to hedge the exchange rate risk.

The Group's financial performance is related to oil and gas prices. During 2008 the Group benefited from record prices and in July 2008, near the peak of these prices, the Directors took out a cap and floor hedge based upon 45% of the estimated future production volumes from existing producing wells. Subsequent falls in oil and gas prices have resulted in a significant profit on these contracts and, under IFRS rules, this has resulted in a credit to the income statement of US$2.4 million although only US$652,000 of this gain relates to gains realised in 2008.

The Group reviews its financing requirements and its hedging policies when required. More detail is provided in note 28 to the accounts.

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 31.

Annual General Meeting

Your attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM.

The Annual General Meeting will be held on 18 June 2009 at 11:00 a.m.

ON BEHALF OF THE BOARD

Stephen Gutteridge
Chairman
14 April 2009

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 Gutteridge has 30 years experience of the energy sector with Shell, Amerada Hess, Seeboard 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.

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.

Directors' Remuneration Report

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), David Wake-Walker and Stephen Gutteridge. Mr Gutteridge does not participate in any decision affecting his own remuneration. Other Directors may be invited to attend meetings of the Remuneration Committee, but do not participate in any decision affecting their own remuneration. The Remuneration Committee meets as necessary, and during the year met formally three times. All committee members were present at these meetings.

Remuneration Policy

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

Director's Terms, Conditions and Remuneration

The Directors have been engaged under the terms of letters of appointment. With the exception of Stephen Gutteridge, their engagements can be terminated upon three months' notice by either party. Mr Gutteridge's engagement can be terminated upon six months notice by either party, except in the event of a change of control when the Group is required to give twelve months notice. Re-appointment is subject to the Group's Articles of Association, which provide for retirement by rotation every three years.

For the year ended 31 December 2008, the Director's remuneration comprised a basic salary, discretionary bonus payments and share options. Discretionary bonuses were determined by the Remuneration Committee. There were no other taxable benefits or pension schemes.

For 2009, a more formal bonus structure for Executive Directors and key employees has been introduced, the details of which are given below.

Salary

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

	2008 *US$000*	*2007* *US$000*
Stephen Gutteridge	190	60
Angelo Baskaran	159	168
Peter Clutterbuck	74	78
David Wake-Walker	68	72
Donald Caldwell (resigned 2 August 2007)	-	95
Anthony Mason (resigned 17 October 2007)	-	191
	491	664

Directors' Remuneration Report

Executive Bonus Scheme

An executive bonus scheme ("EBS") has been introduced for 2009.

- The participants in the EBS are Stephen Gutteridge, Angelo Baskaran, Edward Childers (Chief Operating Officer) and Ray Shilling (Group Financial Controller).
- The EBS provides for awards of a bonus of up to 100% of salary. Bonus awards of up to 50% of salary will be paid in cash. Bonus awards over 50% will be paid in cash and shares in the ratio of 60/40.
- The amount of bonus awarded is determined by performance against a series of operational and financial targets which have been determined by reference to the medium-term growth and viability of the Company's business, including Group EBITDA exceeding budget and growth in the Group's net liquid assets and reserves, as well as individual performance and contribution.
- The EBS will be administered by the Remuneration Committee.

Share options granted to Directors

	Grant date	*No. of 30p shares as at 31 December 2008*	*No. of 30p shares as at 1 January 2008*	*Option price per 30p share pence*	*Expiry date*
Stephen Gutteridge	27 Jun 07	141,666	141,666	82.50	27 Jun 17
	12 Sep 07	66,666	66,666	75.00	12 Sep 17
	12 Jun 08	208,333	-	55.74	30 Jun 12
Angelo Baskaran	20 Jul 06	125,000	125,000	124.50	20 Jul 16
	12 Jun 08	125,000	-	55.74	30 Jun 12
Peter Clutterbuck	31 Aug 06	120,000	120,000	124.50	31 Aug 16
	12 Jun 08	120,000	-	55.74	30 Jun 12
David Wake-Walker	20 Jul 06	120,000	120,000	124.50	20 Jul 16
	12 Jun 08	120,000	-	55.74	30 Jun 12

The above share options granted in 2006 and 2007 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 grant. The share options granted in 2008 are exercisable immediately. The number of shares as at 1 January 2008 have been restated to allow for the one for six share consolidation.

Directors' Remuneration Report

Directors' interests in the share capital of the Company

The beneficial interests of the Directors who held office at 31 December 2008 in the ordinary shares of the Company were:

	31 December 2008 *30p shares*	*1 January 2008* *30p shares*
Stephen Gutteridge	261,669	41,667
Angelo Baskaran	22,500	22,500
Peter Clutterbuck	178,528	178,528
David Wake-Walker	41,667	12,500

There has been no change in the interest of any Director between 1 January 2009 and the date of this report. During 2008, the highest mid-market price of the Company's shares (as adjusted for consolidation) was 70.5p and the lowest was 20.0p. The year- end price was 20.0p.

This report was approved by the Board on 14 April 2009 and was signed on its behalf by:

Peter Clutterbuck
Chairman of the Remuneration Committee
14 April 2009

Corporate Governance Statement

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 comprises David Wake-Walker (Chairman) and Peter Clutterbuck.

The remuneration committee comprises Peter Clutterbuck (Chairman), David Wake-Walker 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.

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

Corporate Governance Statement

Board Committees (continued)

- 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 or share 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 also sends its June 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.

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 Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- for the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Stephen Gutteridge
Chairman
14 April 2008

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 2008 which comprise the Group income statement, the Group and Parent Company balance sheets, the Group cash flow statement, the Group statement of recognised income and expense, the group notes 1 to 31 and the Company notes 1 to 8. The 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 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.

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 2008 and of its profit 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 2008;
- 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
14 April 2009

Consolidated Income Statement Year ended 31 December 2008

	Note	2008 US$000	2007 US$000
Sales revenue	4	18,066	2,441
Cost of sales	5	(13,364)	(1,618)
Gross profit		4,702	823
Administrative expenses	6	(2,797)	(2,727)
Other operating income	7	-	363
Operating profit/(loss) before impairment charge		1,905	(1,541)
Impairment charge	8	(1,131)	(1,999)
Operating profit/(loss)		774	(3,540)
Gain on derivatives	9	2,423	-
Investment income	10	36	42
Finance costs	10	(449)	-
Profit/(loss) before taxation	11	2,784	(3.498)
Taxation	13	(385)	-
Profit/(loss) for the year attributable to equity shareholders		2,399	(3,498)
Profit/(loss) per share – basic (US cents)	14	14.9	(23.5)
Profit/(loss) per share – diluted (US cents)	14	13.1	(23.5)

Statement of Recognised Income and Expense Year ended 31 December 2008

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

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

Consolidated Balance Sheet as at 31 December 2008

	Note	2008 US$000	2007 US$000
Non-current assets			
Intangible assets	15	2,593	1,720
Property, plant and equipment	16	6,229	3,332
		8,822	5,052
Other non-current assets	17	663	-
		9,485	5,052
Current assets			
Trade and other receivables	18	4,790	541
Cash and cash equivalents	19	3,875	295
		8,665	836
Total assets		18,150	5,888
Current liabilities			
Trade and other payables	20	2,246	503
Loan	21	2,320	-
		4,566	503
Non-current liabilities			
Loan	21	4,175	-
Provisions	22	316	95
Total liabilities		9,057	598
Net assets		9,093	5,290
Equity			
Called up share capital	23	9,026	9,026
Share premium	24	8,372	8,372
Retained earnings	24	(10,256)	(12,655)
Translation reserve	24	195	160
Other reserves	24	1,756	387
Total equity attributable to the equity holders		9,093	5,290

The financial statements were approved by the Board of Directors and authorised for issue on 14 April 2009. They were signed on its behalf by:

Stephen Gutteridge

Director

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

Consolidated Cash Flow Statement Year ended 31 December 2008

	Note	2008 US$000	2007 US$000
Cash flows from operating activities			
Cash generated from /(consumed by) operations	25	7,225	(1,329)
Taxation paid		(1,261)	-
Interest received		36	42
		6,000	(1,287)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(2,004)	(711)
Expenditure on development and production assets		(7,067)	(3,721)
Deposits with state authorities		(161)	-
		(9,232)	(4,432)
Cash flows from financing activities			
Proceeds from issue of shares		-	3,471
Drawdown of bank loan		8,750	-
Repayment of bank loan		(1,648)	-
Debt arrangement fees		(232)	-
		6,870	3,471
Net increase/(decrease) in cash and cash equivalents		3,638	(2,248)
Opening cash and cash equivalents at beginning of year		295	2,332
Exchange (losses)/gains on cash and cash equivalents		(58)	211
Closing cash and cash equivalents		3,875	295

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

Notes to the Consolidated Accounts Year ended 31 December 2008

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 Clarkston Michigan, 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 h).

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 except for derivative financial instruments that have been measured at fair value. 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)

Notes to the Consolidated Accounts Year ended 31 December 2008

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)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)

Amendment to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments (effective 1 January 2009)

Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)

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

IFRS 8 Operating Segments (effective 1 January 2009)

IFRIC 13 Customer Loyalty Programmes (IASB effective date 1 July 2008)

IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)

IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)

The above Standards and Interpretations are not expected to have any material impact on the Group's financial statements.

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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

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.

There are no unrealised gains and losses or income and expenses arising from intra-group transactions. Intra-group balances 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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

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

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.

Development and production assets - property, plant and equipment

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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

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

Impairment (continued)

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.

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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

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.

h) Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which an entity 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 other 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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

h) Foreign currencies (continued)

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.

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.

i) Financial instruments

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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

i) Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in oil and gas prices. Derivative financial instruments are stated at fair value. The Group does not use hedge accounting. Gains or losses on derivatives are taken directly to the Income Statement in the period.

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 28 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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

i) Financial instruments (continued)

Accounting for financial assets (continued)

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.

j) Income taxes

Tax expense recognised in the income statement comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

Notes to the Consolidated Accounts Year ended 31 December 2008

2. Significant accounting policies (continued)

j) Income taxes (continued)

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.

l) 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.

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

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. Also future gas and oil prices affect the point at which the well becomes uneconomic, and the value of the future cash flows.

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. The company has exploration assets in the US and Australia.

Notes to the Consolidated Accounts Year ended 31 December 2008

5. Cost of sales

	2008 US$000	2007 US$000
Royalties, overrides and other interests	6,604	755
Depreciation	4,074	456
Well operating costs	2,686	407
	13,364	1,618

6. Administrative expenses

	2008 US$000	2007 US$000
Directors and staff costs	954	831
Share incentive costs	545	248
Other administrative costs	1,298	1,648
	2,797	2,727

7. Other operating income

Other operating income of US$363,000 in 2007 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 did not meet its commitments.

8. Impairment charge

	2008 US$000	2007 US$000
West Sipsey CBM, Alabama, USA	489	-
Milford 36	371	-
Mississippi Leases	271	-
Calvin Shallow, Louisiana, USA	-	1,956
Victory 21	-	43
	1,131	1,999

Further details of the impairment charge are provided in note 15.

Notes to the Consolidated Accounts Year ended 31 December 2008

9. Gain on derivatives

	2008
	US$000
Fair value movement on derivatives matured in year	652
Fair value movement on derivatives yet to mature	
Due in less than one year	1,383
Due in more than one year	388
	1,771
Total recognised in income statement	2,423

In July 2008 the Company took out hedging contracts covering 45% of projected output from the existing, producing Orion and East Lake Verret wells. The Group's hedge position as at 31 December 2008 can be summarised as follows:

		2009	2010
Gas	Volume	292,000 mmbtu	39,000 mmbtu
	Put	US$10/mmbtu	US$10/mmbtu
	Call	US$12.20/mmbtu	US$12.20/mmbtu
Oil	Volume	5,720 bbl	5,461 bbl
	Put	US$100/bbl	US$100/bbl
	Call	US$200/bbl	US$200/bbl

The above hedge position has been valued on a mark to market basis and treated as a derivative at fair value through profit or loss.

10. Finance costs

	2008	2007
	US$000	US$000
Finance costs – interest payable on loan	449	-
Investment income – interest on bank deposits	(36)	(42)

Notes to the Consolidated Accounts Year ended 31 December 2008

11. Profit/(loss) before taxation

Profit/(loss) before taxation has been arrived at after charging:

	2008	2007
	US$000	US$000
Depreciation of property, plant and equipment	4,170	455
Impairment of intangible assets	1,131	-
Impairment of property, plant and equipment	-	1,999
Staff costs (see note 12)	1,206	903
Auditors' remuneration for audit services (see below)	68	80
Rentals payable in respect of land and buildings	81	49

Auditors' remuneration

Services to the Company		
Fees payable to the Company's auditors for the audit of the annual financial statements	68	80
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
Other services relating to taxation	29	25

Notes to the Consolidated Accounts Year ended 31 December 2008

12. Staff costs

	2008 Number	2007 Number
Average monthly number of employees (including executive Directors and Chairman but excluding non-executive Directors)	4	4

	US$000	US$000
Wages and salaries and Directors' fees (including Chairman and excluding non-executive Directors)	779	666
Expense in respect of share based payments	399	196
Social security costs	28	41
	1,206	903

Other than the two executive Directors there are two full time employees of the Group who are also 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).	190	191

There are no Directors or staff who are members of a company pension scheme.

Further details of Directors' remuneration are included in the Directors' Remuneration Report on page 12.

Notes to the Consolidated Accounts Year ended 31 December 2008

13. Taxation

	2008	2007
	US$000	US$000
Current tax	499	-
Deferred tax – origination and reversal of temporary differences	(114)	-
	385	-

The tax charge for the year can be reconciled to the income statement as follows:

	2008	2007
Profit/(loss) on ordinary activities before taxation	2,784	(3,498)
Tax at 28.5% (2007: 30%)	793	(1,049)
Reduction in tax losses carried forward	(1,342)	(130)
Losses not available for offset against taxable profits	401	1,049
Expenses not deductible for tax purposes	239	55
Difference in tax rates	294	75
	385	-

Notes to the Consolidated Accounts Year ended 31 December 2008

14. Profit/(loss) per share

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

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

	2008	2007
	US$000	US$000
Profit/(loss)		
Profit/(loss) for the purposes of basic earnings per share being net loss attributable to equity holders of the Parent Company	2,399	(3,498)

	Number	Number
	'000	'000
Number of shares		
Weighted average number of 30p ordinary shares in issue	16,093	14,897
Dilutive effect of share options	1,359	-
Dilutive effect of share warrants	830	-
	18,282	14,897

	US cents	US cents
Profit/(loss) per 30p share		
Basic	14.9	(23.5)
Diluted	13.1	(23.5)

Notes to the Consolidated Accounts Year ended 31 December 2008

15. Intangible assets - exploration and evaluation assets

	US$000
Cost	
At 1 January 2007	646
Additions	1,074
At 1 January 2008	1,720
Additions	2,004
At 31 December 2008	3,724
Impairment	
Impaired in year	1,131
Net Book Value	
At 31 December 2008	2,593
At 31 December 2007	1,720

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.

Impairment relates to the full write-off of assets at Milford 36 Michigan, CBM in Alabama and various leases in Mississippi. This impairment was made following a review of available data and in light of test results during the year. The review concluded that the assets impaired were not commercially viable. As a result all capitalised costs in relation to these assets have been fully written off. Details are set out in note 8.

Notes to the Consolidated Accounts Year ended 31 December 2008

16. Property, plant and equipment - development and production assets

	US$000
Cost	
At 1 January 2007	6,280
Additions	3,766
At 1 January 2008	10,046
Additions	7,067
At 31 December 2008	17,113
Depreciation	
At 1 January 2007	4,260
Charge for the year	455
Impairment	1,999
At 1 January 2008	6,714
Charge for the year	4,170
At 31 December 2008	10,884
Net Book Value	
At 31 December 2008	6,229
At 31 December 2007	3,332

Notes to the Consolidated Accounts Year ended 31 December 2008

17. Other non-current assets

	2008	2007
	US$000	US$000
Financial assets		
Gain on derivatives due in more than one year (note 9)	388	-
Deposits with state authorities	161	-
	549	-
Deferred tax asset	114	-
	663	-

Deposits will be refunded from the state authorities when the oil and gas wells have been satisfactorily decommissioned.

18. Trade and other receivables

Trade receivables	1,903	467
Gain on derivatives due in less than one year (note 9)	1,383	-
Other receivables	212	-
Prepayments	530	74
Corporation tax receivable	762	-
	4,790	541

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.

19. Cash and cash equivalents

Cash at bank and in hand	3,875	295

20. Trade and other payables

	2008	2007
	US$000	US$000
Trade payables	2,196	453
Other payables	50	50
	2,246	503

Notes to the Consolidated Accounts Year ended 31 December 2008

21. Loan

	2008 US$000	2007 US$000
Loan finance provided by Macquarie Bank to acquire East Lake Verret assets	8,750	-
Repaid in period	(1,648)	-
IFRS 2 charge in respect of grant of warrants	(824)	-
Other costs connected with loan	(232)	-
Interest payable in income statement in period	449	-
	6,495	-
Due in less than one year	2,320	-
Due in more than one year	4,175	-
	6,495	-

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

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

22. Provisions

	US$000
Decommissioning	
At 1 January 2007	-
Increase of provision	95
At 1 January 2008	95
Increase of provision	221
At 31 December 2008	316

Provisions for decommissioning relate to the restoration of a well site to a satisfactory environmental condition following the cessation of production. These provisions have been created based on the Group's internal estimates and, where available, operator's estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to

Notes to the Consolidated Accounts Year ended 31 December 2008

22. Provisions (continued)

take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

23. Share capital

Equity share capital

	2008	2007
	'000s	'000s
Authorised		
Ordinary shares of par value £0.05 (US$0.07) each	-	150,000
Ordinary shares of par value £0.30 (US$0.43) each	35,000	-
	US$000	US$000
Aggregate nominal value		
Ordinary shares of par value £0.05 (US$0.07) each	-	14,932
Ordinary shares of par value £0.30 (US$0.43) each	15,094	-
	'000s	'000s
Issued - allotted, called up and fully paid		
Ordinary shares of par value £0.05 (US$0.07) each	-	96,561
Ordinary shares of par value £0.30 (US$0.43) each	16,093	-
	US$000	US$000
Ordinary shares of par value £0.05 (US$0.07) each	-	9,026
Ordinary shares of par value £0.30 (US$0.43) each	9,026	-

The issued share capital is reconciled as follows (adjusted for one to six consolidation)

	'000	'000
Balance at beginning of year	16,093	13,274
Shares issued	-	2,697
Share options exercised	-	122
Balance at end of year	16,093	16,093

Notes to the Consolidated Accounts Year ended 31 December 2008

23. Share capital (continued)

Consolidation

On 23 October 2008 the Company's share capital was consolidated on the basis of one New Ordinary Share of 30p for each Ordinary Share of 5p. Following the consolidation the share option and share warrant agreements were varied so that the rights of the holders were preserved.

Share warrants

As at 31 December 2007 there were no share warrants outstanding.

During the Year 1,500,000 share warrants were issued to Macquarie Bank at a price of 55.74 pence per 30p share (as adjusted for share consolidation).

24. 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 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 payment	-	-	-	-	248	248
Balance at 1 January 2008	9,026	8,372	(12,655)	160	387	5,290
Total recognised income and expense	-	-	2,399	35	-	2,434
Share based payments	-	-	-	-	1,369	1,369
Balance at 31 December 2008	9,026	8,372	(10,256)	195	1,756	9,093

Other reserves relates to share based payments.

25. Notes to the cash flow statement

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

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.

26. Contingent liabilities

The loan agreement with Macquarie Bank (note 21) provides for a Net Profit Interest on wells producing at the time the loan was taken out. Based upon current forward prices for oil and gas and estimated future production volumes no Net Profit Interest will be payable.

27. Operating Leases

The Company has leases in respect of its London and Michigan office premises. Minimum lease payments are as follows:

	2008 US$000	2007 US$000
Due within one year	65	56
One to five years	132	184

Notes to the Consolidated Accounts Year ended 31 December 2008

28. 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 co-ordinated 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 and a loan from Macquarie Bank denominated in US Dollars. 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. Other than hedging contracts referred to below 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 not significant.

Hedging of oil and gas prices

During 2008 the Group benefited from record prices and in July 2008, near the peak of these prices, the Directors took out a cap and floor hedge based upon estimated 45% of the future production volumes from existing producing wells.

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.

In 2009 The Group has commenced seismic work in Australia at a budgeted cost of A$2.7 million. Australian Dollars to the value of this commitment were purchased in 2008 to minimise exchange risk.

Surplus cash is applied to reductions in the loan.

At the year end the Group held the following cash balances.

	2008	*2007*
	US$000	*US$000*
Australian Dollars	1,423	-
US Dollars	2,387	180
Sterling	65	115
	3,875	295

Notes to the Consolidated Accounts Year ended 31 December 2008

28. Risk management objectives and policies (continued)

Interest rate sensitivity

The interest rate on the Loan (note 21) is at between 3.5% and 5.5% over US Dollar LIBOR. A 1% change in LIBOR increases or decreases interest cost by approximately $70,000 per annum.

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.

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:

	2008	*2007*
	US$000	*US$000*
Trade receivables	1,903	467
Other receivables	212	-
Cash and cash equivalents	3,875	295
Derivatives due	1,771	-
	7,761	762

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.

Medium and long term growth is being financed with a loan facility provided by Macquarie Bank. The loan is repayable by 30 June 2011.

Notes to the Consolidated Accounts Year ended 31 December 2008

28. Risk management objectives and policies (continued)

As at 31 December 2008 the Group's financial liabilities have contractual maturities which are summarized as follows:-

	Current		Non-Current	
	<6 months	7-12 months	1-5 years	over 5 years
	US$000	US$000	US$000	US$000
Loan	1,160	1,160	4,782	-
Trade payables	2,196	-	-	-
Others	50	-	-	-

This compares with the maturities of the Group's financial liabilities in the previous reporting period as follows.

	Current		Non-Current	
	<6 months	7-12 months	1-5 years	over 5 years
	US$000	US$000	US$000	US$000
Trade payables	453	-	-	-
Others	50	-	-	-

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.

Summary of financial assets and liabilities by category

	2008	2007
	US$000	US$000
Current assets		
Trade receivables	1,903	467
Other receivables	212	-
Cash and cash equivalents	3,875	295
	5,990	762
Current liabilities – Financial liabilities measured at amortised cost		
Trade payables	2,196	453
Other payables	50	50
	2,246	503
Loan		
Balance with Macquarie Bank (note 21)	7,449	-
Other financial assets – carried at fair value through profit or loss		
Gain on derivatives (note 9)	1,771	-

Notes to the Consolidated Accounts Year ended 31 December 2008

29. Share based payments

Equity-settled share option plan

Share options are granted to certain Directors and staff. The exercise price of the options granted prior to 2008 was equal to the market price at the date of grant. The exercise price of the options granted in 2008 was equal to the market price based on the average price in the 30 days before the grant of the options.

This reconciliation excludes options and warrants vesting prior to 1 January 2005, which fall outside the scope of IFRS2. The numbers of shares and exercise prices listed below have been adjusted to reflect the one for six share consolidation in October 2008.

	2008			2007		
		Weighted average exercise price			Weighted average exercise price	
	Options	pence (p)	cents (US¢)	Options	pence (p)	cents (US¢)
Outstanding at beginning of year	923,331	100	199	620,000	112	219
Exercised during the year	-	-	-	(121,669)	(60)	(120)
Granted during the year	789,999	56	102	425,000	71	142
Outstanding at the end of the year	1,713,330	79	154	923,331	100	199

Out of the 1,713,333 (2007: 923,331) outstanding options, 1,571,667 (2007: 473,889) 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 at the date of grant. The contractual life of the options (4 or 10 years) is used as an input into this model.

Notes to the Consolidated Accounts Year ended 31 December 2008

29. Share based payments (continued)

	2008		2007	
Fair Value of Granted Options at measurement date	£531,850	$764,591	£318,000	$633,000
Share Price - pence/cents	79p	154¢	100p	199¢
Exercise Price - pence/cents	79p	154¢	100p	199¢

	2008	2007
Expected volatility (expressed as weighted average volatility used in the modelling under Black Scholes model)	90%	90%
Risk free rate (based on national government bonds)	5.5%	5.5%

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 (as adjusted for the one for six share consolidation).

	Exercise price	2008	2007
Options expiring 2009	£1.25	133,333	133,333
Options expiring 2016	£1.25	365,000	365,000
Options expiring 2017	£0.83	191,666	191,666
Options expiring 2017	£0.75	66,666	66,666
Options expiring 2017	£0.56	166,666	166,666
Options expiring 2012	£0.56	789,999	-
		1,713,330	923,331

Share warrants

Share warrants were issued to Macquarie Bank as part of the arrangements for providing finance for the acquisition of the East Lake Verret assets.

Notes to the Consolidated Accounts Year ended 31 December 2008

29. Share based payments (continued)

Share warrants (continued)

	Warrants	Weighted average exercise price pence (p)	Weighted average exercise price cents (US¢)
Granted during the year and outstanding at the end of the year	1,500,000	56	102

30. Post balance sheet events

There are no significant post balance sheet events.

31. Transactions with Directors and other related parties

Angelo Baskaran

A wholly owned subsidiary (Meridian Resources (USA) Inc.) has a consulting agreement with LCL Merchant Partners Inc. which was paid US$100,755 (2007 US$129,275). Angelo Baskaran is a shareholder and president of LCL Merchant Partners Inc. There was no balance with that company as at the beginning or end of the year.

Peter Clutterbuck

The Company has a consulting agreement with Global Energy Consultants Limited which was paid US$73,888 (2007: US$78,086) during the year. Peter Clutterbuck is a shareholder and director of Global Energy Consultants. There was no balance with that company as at the beginning or end of the year.

David Wake-Walker

The Company has a consulting agreement with David Wake-Walker Limited which was paid US$59,037 (2007: US$62,069) during the year. David Wake-Walker is a shareholder and director of David Wake-Walker Limited. There was no balance with that company as at the beginning or end of the year.

Company Balance Sheet 31 December 2008

	Note	*2008* *£000*	*2007* *£000*
Fixed assets			
Investment in subsidiaries	3	2,250	2,250
Current assets			
Debtors – falling due within one year	4	49	34
Debtors – falling due after one year	4	6,366	6,375
Cash and cash equivalents		45	58
		6,460	6,467
Current liabilities			
Creditors: amounts falling due within one year	5	46	80
Net current assets		6,414	6,387
Net assets		8,664	8,637
Equity			
Called up share capital	6, 7	4,828	4,828
Share premium	7	4,463	4,463
Retained earnings and other reserves	7	(627)	(654)
Total equity attributable to the equity holders		8,664	8,637

The financial statements were approved by the Board of Directors and authorised for issue on 14 April 2009. They were signed on its behalf by:

Stephen Gutteridge

Chairman

14 April 2009

Notes to the Company Accounts Year ended 31 December 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.

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.

Notes to the Company Accounts Year ended 31 December 2008

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 2008 of £684,000 (2007: £563,000).

The auditors' remuneration for audit services to the company was £20,000 (2007: £20,000).

3. Investment in subsidiaries

	Place of Incorporation	*Class of Share Capital*	*Percentage Held*	*Business*
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

Notes to the Company Accounts Year ended 31 December 2008

4. Debtors

	2008	2007
	£000	£000
Debtors – falling due within one year		
Prepayments and accrued income	49	34
Debtors – falling due after one year		
Amounts owed by group undertakings	6,366	6,375

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

	2008	2007
	£000	£000
Social Security and other taxes	3	7
Other creditors	43	73
	46	80

6. Share capital

	2008	2007
Authorised	'000	'000
Ordinary shares of par value 5p each	-	150,000
Ordinary shares of par value 30p each	35,000	-
Aggregate nominal value	£000	£000
Ordinary shares of par value 5p each	-	7,500
Ordinary shares of par value 30p each	10,500	-
Equity share capital		
Allotted, called up and fully paid	'000s	'000s
Ordinary shares of par value 5p each	-	96,561
Ordinary shares of par value 30p each	16,093	-
	£000	£000
Ordinary shares of par value 5p each	4,828	4,828

Notes to the Company Accounts Year ended 31 December 2008

6. Share Capital (continued)

Consolidation

On 23 October 2008 Company's share capital was consolidated on the basis of 6 Ordinary Shares of 5p for each New Ordinary Share of 30p. Following the consolidation the share option and share warrant agreements were varied so that the rights of the holders were preserved.

Share Based Payments

Details of share based payments and outstanding share options are included in note 29 to the Group accounts

7. Share Premium account and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Total £000
Balance at 1 January 2008	4,828	4,463	(853)	199	8,637
Total recognised income and expense	-	-	(684)	-	(684)
Share based payments	-	-	-	711	711
Balance at 31 December 2008	4,828	4,463	(1,537)	910	8,664

Other reserves relates to share based payments.

Notes to the Company Accounts Year ended 31 December 2008

8. Staff costs

	2008 Number	2007 Number
Average monthly number of employees (including executive Directors and Chairman but excluding non-executive Directors)	2	2
	£000	£000
Wages and salaries and Directors' fees (including Chairman and excluding non-executive Directors)	186	96
Expense in respect of share based payments	70	53
Social security costs	10	19
	266	168

Other than the Chairman there is one full time employee of the Company who is also considered to be key management. The above staff costs are therefore those for key management.

	2008	2007
Emoluments paid in respect of the highest paid Director in the year (excluding share based payment charge).	104	39

There are no Directors or staff who are members of a company pension scheme.

Further details of Directors' remuneration are included in the Directors' Remuneration Report on page 12.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Meridian Petroleum plc will be held on 18 June 2009 at 11:00 a.m. at 30 Finsbury Square London EC2P 2YU 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 2008, 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 Stephen Gutteridge 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 Peter Clutterbuck as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-appointment.

5 To transact any other ordinary business.

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:

6 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 £5,671,952 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.

7 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 6 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:

(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 £965,610

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	Registered Office:
Company Secretary	13 Regent Street
14 April 2009	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 17 June 2009 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 at 6:00 p.m. on 16th June 2009.

Form of Proxy For Annual General Meeting

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	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 18 June 2009 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 Secretary/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			
	Resolution 7			

Signed ....

Name ....

Date ....

MERIDIAN PETROLEUM PLC

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10846

1

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

FIRST FOLD

THIRD FOLD & TUCK IN