Meridian Petroleum plc
Interim Report & Accounts 2008

Chairman's Statement

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

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

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

Outlook

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

Our plans for the next six to nine months include:

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

Chairman's Statement

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

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

- We are also still interested in securing a farm-in partner to drill the Calvin Deep prospect in Louisiana, although we will relinquish some non-critical acreage later this year

- We will be actively seeking further acquisitions and the share consolidation that we have announced separately today, combined with the support of Macquarie Bank, provides us with a strong financial structure to consider and pursue a wide range of asset and corporate acquisition opportunities.

Stephen Gutteridge
Chairman
24 September 2008

Consolidated Income Statement

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

Statement of Recognised Income and Expense

	US$000	*US$000*	*US$000*
Profit/(loss) for the financial period	1,010	(1,338)	(3,498)
Currency differences on foreign currency net investments	152	(196)	48
Total gains and losses recognised since last financial statements	1,162	(1,534)	(3,450)

Consolidated Balance Sheet

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

Consolidated Cash Flow Statement

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

Notes to the Consolidated Accounts

1. Basis of preparation and accounting policies

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

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

2. Segmental reporting

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

Notes to the Consolidated Accounts

3. Cost of Sales

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

4. Administrative expenses

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

Notes to the Consolidated Accounts

5. Profit/(Loss) per share

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

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Notes to the Consolidated Accounts

6. Non-current assets

	Intangible	*Property Plant and Equipment*	*Total*
Cost			
At 1 January 2008	1,720	10,046	11,766
ELV assets acquired	1,737	6,665	8,402
Other additions	-	386	386
At 30 June 2008	3,457	17,097	20,554
Depreciation			
At 1 January 2008	-	6,714	6,714
Charge for the period	-	1,377	1,377
At 30 June 2008	-	8,091	8,091
Net Book value			
At 30 June 2008	3,457	9,006	12,463

7. Loan

Loan finance provided by Macquarie to acquire ELV assets	8,750
IFRS 2 charge in respect of grant of warrants	824
Other costs connected with loan	292
	1,116
Net loan	7,634

On 30 June 2008 the Group drew down a loan from Macquarie bank to finance the acquisition of East Lake Verret ("ELV") assets. The loan has been recognised net of loan issue costs and the fair value of warrants issued to Macquarie as part of the financing arrangement.

Notes to the Consolidated Accounts

8. Reconciliation of operating profit to net cash outflow from operating activities

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

Notes to the Consolidated Accounts

9. Retained Earnings and other reserves

	Share capital US$000	Share premium US$000	Retained earnings US$000	Foreign currency reserve US$000	Other reserves US$000	Total US$000
Balance 1 January 2008	9,026	8,372	(12,655)	160	387	5,290
Total recognised income and expense	-	-	1,010	152	-	1,162
Share based payments	-	-	-	-	1,333	1,333
Balance 30 June 2008	9,026	8,372	(11,645)	312	1,720	7,785