THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, or the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The whole of the text of this Document should be read.

The Company and the Directors, whose names appear on page 3 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Document, which is an admission document, constitutes a prospectus and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("POS Regulations") and the AIM Rules. A copy of this Document has been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised.

Application will be made for the whole of the issued and to be issued ordinary share capital to be admitted to trading on AIM. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority or to any other recognised investment exchange. It is expected that Admission will take place and that dealings in the Ordinary Shares will commence on AIM on 20 July 2004.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this Document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority.

MERIDIAN PETROLEUM PLC

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 5104249)

Placing of 6,003,100 Ordinary Shares of 5p each at 30p per Ordinary Share

and

ADMISSION TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET

Nominated Adviser and Broker
W H IRELAND LIMITED

Ordinary Share Capital on Admission

Authorised			*Issued and fully paid*	
Amount	*Number*		*Amount*	*Number*
£7,500,000	150,000,000	Ordinary shares of 5p each	£2,800,155	56,003,100

The Placing Shares will, following allotment, rank equally in all respects with the Existing Ordinary Shares of the Company, including the right to receive all dividends or other distributions declared or paid on the Ordinary Shares after the date of this Document.

W H Ireland, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser and Broker in connection with the Placing and Admission for the purposes of the AIM Rules and is acting exclusively for the Company and will not be responsible to anyone other than the Company for providing the protections afforded to customers of W H Ireland or for advising any other person on the Placing and other arrangements described in this Document. The responsibilities of W H Ireland, as Nominated Adviser and Broker, are owed solely to the London Stock Exchange. W H Ireland has not authorised the contents of any part of this Document for the purposes of Regulation 13(1)(g) of the POS Regulations or otherwise and no liability whatsoever is accepted by W H Ireland for the accuracy of any information or opinions contained in this Document, for which the Directors and the Company are solely responsible, or for the omission of any information.

This Document does not constitute an offer to sell, or a solicitation to buy Placing Shares or Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither the Placing Shares nor the Ordinary Shares have been nor will be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

The distribution of this Document and the placing of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Existing Ordinary Shares or by W H Ireland that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Copies of this Document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Admission from the office of W H Ireland, Cannongate House, 62-64 Cannon Street, London EC4N 6AE and from the registered office of the Company.

An investment in Meridian Petroleum PLC may not be suitable for all recipients of this Document. Any such investment is speculative and involves a high degree of risk. Prospective investors should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part II of this Document.

CONTENTS

DIRECTORS AND ADVISERS

Directors	Donald Blanks Caldwell, (*Non-Executive Chairman*) Anthony John Mason, (*Chief Executive Officer*) Brendon Peter Joyce, (*Chief Financial Officer*) Peter Richard Clutterbuck, (*Non-Executive Director*) John Ayscough Rickards, (*Non-Executive Director*) All of: 42 Berkeley Square, London W1J 5AW
Registered Office	42 Berkeley Square London W1J 5AW
Company Secretary	Bruce Maclennan FCA
Nominated Adviser and Broker	W H Ireland Limited Cannongate House 62-64 Cannon Street London EC4N 6AE
Solicitors to the Company	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Legal Advisers to the Company in Australia	McDonald Steed 262-266 Pirie Street Adelaide SA 5000 Australia
Legal Advisers to the Company in the USA	W. Miguel Swanwick 325 Audobon Blvd Lafayette Louisiana LA 70503-2610 Gwin, Lewis & Punches LLP 319 Market Street PO Box 1344 Natchez Mississippi 39121 Worman, Dixon & Manis, Plc Suite E, 2400 Lake Lansing Road Lansing Michigan 48912
Solicitors to the Placing	Trowers & Hamlins Sceptre Court 40 Tower Hill London EC3N 4DX
Reporting Accountants	Grant Thornton UK LLP Manor Court Barnes Wallis Road Segensworth Fareham Hampshire PO15 5GT

Competent Person	Scott Pickford Limited 4th Floor, Leon House 233 High Street Croydon CR0 9XT
Principal Bankers	Barclays Bank PLC 54 Lombard Street London EC3P 3AH
Registrars	Lloyds TSB Registrars Princess House 1 Suffolk Lane London EC4R 0AN
Financial PR	Citigate Dewe Rogerson 3 London Wall Buildings London Wall London EC2M 5SY

DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	the rules for companies governing admission to and trading on AIM, published by the London Stock Exchange
"Combined Code"	the Combined Code on Corporate Governance issued by the UK Listing Authority
"the Company"	Meridian Petroleum plc, a company incorporated in England and Wales on 16 April 2004 with company number 5104249
"Competent Person's Report"	the report prepared by the Technical Consultant contained in Part III of this Document
"CREST"	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo
"CRESTCo"	CRESTCo Limited
"Directors" or "Board"	the directors of the Company
"Document" or "Prospectus"	this document
"Enlarged Share Capital"	the issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares, the ordinary shares to be issued pursuant to the exercise of the RAB Warrants and the Placing Shares
"Existing Ordinary Shares"	the 45,000,000 Ordinary Shares in issue immediately prior to the Placing
"Financial Services and Markets Act" or "FSMA"	the Financial Services and Markets Act 2000
"FSA"	the Financial Services Authority, the single statutory regulator under the FSMA
"Group"	the Company and its subsidiaries
"Listing Rules"	the rules for listing published by the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"Meridian"	Meridian Resources and the Company
"Meridian Resources"	Meridian Resources Limited, a company incorporated in England and Wales on 14 October 2003 with company number 4931766
"Official List"	the official list of the UK Listing Authority

"Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Placing"	the placing by W H Ireland on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
"Placing Agreement"	the agreement dated 12 July 2004 between the Company, the Directors and W H Ireland, details of which are set out in paragraph 8 of Part V of this Document
"Placing Price"	30p per Ordinary Share
"Placing Shares"	the 6,003,100 new Ordinary Shares which are the subject of the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995, (Statutory Instrument 1995 No. 1537), (as amended)
"RAB Warrants"	the warrants to subscribe for 5,000,000 ordinary shares issued to RAB Special Situations LP, further details of which are set out in paragraph 8(d) of Part V of this document
"Shareholders"	holders of Ordinary Shares
"Technical Consultant" or "Competent Person"	Scott Pickford Limited
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of FSMA
"US" or "USA"	the United States of America, its territories and possessions, any states of the United States of America and the district of Columbia
"US$"	US dollars
"Warrant Instrument"	the warrant instrument adopted by the Company on 9 July 2004, details of which are set out in paragraph 7 of Part V of this Document
"Warrants"	warrants to subscribe for Ordinary Shares on the terms of the Warrant Instrument
"W H Ireland"	W H Ireland Limited
"£" or "Pound"	UK pounds sterling

£:US$ – where appropriate, figures in this Document denominated in Pounds have been translated from US dollar amounts at a rate of 1:1.793. As at 8 July 2004, the £:US$ exchange rate was 1:1.853.

EXPECTED TIMETABLE

Admission effective and commencement of dealings	20 July 2004
Placing Shares credited to CREST accounts	20 July 2004
Despatch of definitive share certificates (if applicable)	by 3 August 2004

PLACING STATISTICS

Placing Price	30 pence
Number of new Ordinary Shares being placed on behalf the Company pursuant to the Placing	6,003,100
Number of new Ordinary Shares being issued pursuant to the exercise of the RAB Warrants	5,000,000
Number of Ordinary Shares in issue immediately following the Placing	56,003,100
Percentage of Enlarged Share Capital attributable to the Placing	10.72 per cent.
Market capitalisation of the Company at the Placing Price on Admission	£16.80 million
Gross proceeds of the Placing and the exercise of the RAB Warrants	£2.30 million
Estimated net proceeds of the Placing and the exercise of the RAB Warrants	£1.82 million

PART I

INFORMATION ON THE GROUP

Introduction

The Company was incorporated on 16 April 2004 and on 26 May 2004 acquired Meridian Resources Limited, an exploration and production company incorporated on 14 October 2003 in England and Wales. The Group's principal activity is to invest in and to operate oil and gas exploration and production properties in the USA, Australia and elsewhere. To date the Group has acquired interests in six properties, production at one of which commenced in June 2004.

The Group's strategy has been to build a portfolio of oil and gas production assets in the USA which have, in the opinion of the Directors, the capacity to provide sustainable cash flow to fund exploration programmes and provide an early return on investment. It is intended that this cash flow will be used to fund large scale exploration activities in Australia and elsewhere and to locate and exploit prospects which have the potential to yield substantial oil and gas reserves and commensurate production. The Directors believe that the Group's current portfolio of projects provides a sound basis for growth because the Directors expect them to provide early cash generation with relatively low drilling costs.

The Group has financed its recent development principally through two fund raisings with an institutional investor. The Group has established its head office in London, with a corporate office in Houston, USA and a representative office in Adelaide, Australia.

The Group's management team has extensive experience in the financing, exploration and development of oil and gas assets in the USA, Australia and elsewhere.

Group Structure

The Company owns the entire issued share capital of Meridian Resources. Meridian Resources has two operating subsidiaries: Meridian Resources (USA) Inc., incorporated in Delaware, which owns and operates the Group's US oil and gas interests; and Meridian Resources Pty Limited, incorporated in South Australia, which owns and operates the Group's Australian oil and gas interests.

The Oil and Gas Markets

The link between global oil and gas production capacity and energy prices with the associated impact on the economies of countries throughout the world are well documented. In recent months, oil and gas markets have experienced volatility which has resulted in energy price rises.

Such price rises have been driven by a combination of factors, including rising demands for energy, a fall in oil and gas reserves together with the forecasted decline in new discovery rates throughout the world; geopolitical matters are also playing a role. These factors have led to countries seeking to secure their supplies of energy to ensure the sustainability of their economic growth.

Summary of Properties and Potential Reserves

Set out below is a summary of the properties and potential reserves in which the Group has an interest. The Group's interest in each of these properties has been acquired by the Group but, as at the date of this Document, and except in the case of the Emery Hudson property, the commencement of any operations at such properties remains subject to the granting to the Group of appropriate permits. Whilst in the view of the Directors such permits will be granted to the Group as required, there can be no guarantee that all such permits will be obtained. All permits necessary for the commencement of drilling and production at the Emery Hudson site have been obtained. Further details of the Group's potential reserves and resources are given in the Competent Person's Report.

	Expected production begins	Operator	*Group interests (%)*		*Pre-production Group WI P1+P2 Reserves*				NPV* of Group share of
			WI	*NRI*	*Oil (bbls)*	*Gas (mmcf)*	*Condensate (bbls)*	*BoE equivalent*	*P1+P2 £'000*
USA									
Emery Hudson (Michigan)	In production	Wellmaster Production Company	50.0	38.25	–	2,600	33,800	467,100	4,514
Brighton 36 (Michigan)	August 2004	Wellmaster Production Company	80.0	60.0	140,300	360	–	200,300	1,812
Calvin Sligo (Louisiana)	October 2004	Smith Petroleum LLC	60.0	45.0	–	7,290	295,100	1,510,100	9,853
West Levees Creek (Mississippi)	November 2004	Wilcox Energy Company	62.5	46.9	390,800	–	–	390,800	2,971
Middleton Creek (Mississippi)	November 2004	–	80.0	64.0	–	–	–	–	–
Calvin Rodessa (Louisiana)	March 2005	Smith Petroleum LLC	60.0	45.0	–	–	–	–	–
Australia									
Otway and Arrowie (Victoria and South Australia)	–	–	82.5	–	–	–	–	–	(456)
Total					531,100	10,250	328,900	2,568,300	18,695

**calculated at a nominal discount rate of 8 per cent.. The valuation methodology underlying the NPV calculation is set out in the Competent Person's Report*

Description of Business Assets

Set out below is a description of the Group's current exploration and production activities. Full details of such activities are given in the Competent Person's Report.

Emery Hudson Field No. 27B (Michigan, USA)

In December 2003, the Group acquired a 50.0 per cent. WI and a 38.25 per cent. NRI in the Emery Hudson project in Michigan. The project is a re-drill of a well, Emery Hudson 27B, originally drilled by Dominion-Midwest Inc. The Technical Consultant estimates that the Emery Hudson total potential reserves and resources comprise up to 5.2 bcf of gas and 67,600 barrels of condensate, based on drilling one well. The Group's share of the capital cost of the well was £291,000. The Group has entered into a joint operating agreement with Wellmaster Production Company LLC, an established operator in the region, to operate the well. Drilling commenced on 21 January 2004. The well tested positive for both gas and condensate and casing was set on 7 February 2004. The well has been flow tested at a rate of 22.8 mmcfpd of gas and initial recovery is anticipated to be 4 mmcfpd of gas and 52 bpd of condensate. Commercial levels of production commenced in June 2004, following a link up with the Mark West Pipeline, located nearby, with cash flow commencing in July.

Otway and Arrowie (Victoria and South Australia, Australia)

In December 2003, the Group acquired a 76.66 per cent. interest in a licence of a property situated on the onshore Otway and Gippsland basins. The Group also acquired a 100 per cent. interest in four licence applications relating to properties in the same area. Detailed seismic work has been carried out and the Technical Consultant has noted that the Directors' estimate of a P2 reserve of 125 bcf of gas would be a significant gas find in the Australian market. Tenders have been requested for stratigraphic testing and core hole sampling. The Otway prospect is located some 25 kilometres from the Moomba to Adelaide pipeline, which adjoins the populated markets of south-east Australia. An initial budget and drilling plan for both Otway and Arrowie is currently being compiled and the Directors propose to conduct initial testing during

2004, with the subsequent development of a detailed operational plan for deployment in 2005. The Group intends to capitalise on the likely deregulation of the Australian domestic gas market.

West Levees Creek (Mississippi, USA)

The Group has acquired a 62.5 per cent. WI and a 46.9 per cent. NRI in the West Levees Creek prospect in Mississippi. The prospect comprises an “attic” oil reservoir in a producing area. The Technical Consultant estimates that the West Levees Creek total potential reserves and resources comprise up to 834,000 barrels of oil in place, based on a four-well drilling programme. The Directors estimate the Group’s share of the capital cost to be £126,000 per well. The Group intends to enter into a joint operating agreement with established operator Wilcox Energy Company. The Technical Consultant estimates an initial recovery rate of 100 bpd of oil per well. The first well is expected to be completed in November 2004 with subsequent wells being drilled at two-monthly intervals.

Brighton 36 (Michigan, USA)

The Group has acquired an 80 per cent. WI and a 60 per cent. NRI in certain leases in the Brighton 36 prospect in Michigan. The Group needs to secure further leases in respect of the prospect before drilling and production can commence. Specifically, the Group needs to secure surface development rights on land within the prospect or adjoining it. The prospect is located in a prolific oil and gas producing area. The Technical Consultant estimates the Brighton 36 total potential reserves and resources comprise up to 1.3 bcf of gas and 526,000 barrels of condensate, based on a three-well drilling programme. The Directors estimate the Group’s share of the capital cost to be £374,000 per well. The Group expects to enter into a joint operating agreement with Wellmaster Production Company LLC to operate the wells. The Technical Consultant estimates an initial recovery rate of 0.5 mmcfpd of gas and 280 bpd of oil per well. The Directors believe the prospect is very similar in general geological character to Emery Hudson. The Group shot a confirmatory seismic line in May 2004 and has commenced the permitting process with the State of Michigan, which the Directors expect to be completed by mid-July 2004. Production is expected to commence at the first well in August 2004 with subsequent wells being completed at three-monthly intervals.

Calvin Field (Louisiana, USA)

The Group has acquired an 80 per cent. WI and a 60 per cent. NRI in the southern portion of the Calvin field in Louisiana. The Group’s interest may reduce to a 60 per cent. WI and a 45 per cent. NRI as set out in paragraph 4.1 of the Competent Persons’ Report. The prospect is divided into the Sligo-Pettet reservoir and the Rodessa reservoir which are simple, shallow structures within a producing field. The area is considered by the Directors as highly prospective based on available data and forms two zones of an identically symmetrical adjacent concession, which have been drilled successfully with substantial production resulting. The concession areas are in close proximity to gas pipelines.

The Technical Consultant estimates that the Sligo-Pettet reservoir total potential reserves and resources comprise up to 24.2 bcf of gas and 980,000 barrels of condensate, based on a two-well drilling programme. The Directors estimate the Group’s share of the capital cost to be £261,000 per well. The Technical Consultant estimates an initial recovery rate of 2 mmcfpd of gas and 81 bpd of condensate per well. The wells are expected to be completed in October 2004 and March 2005.

The Technical Consultant estimates that the Rodessa reservoir total potential reserves and resources comprise up to 12 bcf of gas and 180,000 barrels of condensate, based on an eight-well drilling programme. The Directors estimate the Group’s share of the capital cost to be £368,000 per well. The Technical Consultant estimates an initial recovery rate of 1 mmcfpd of gas and 15 bpd of condensate per well. The first well is expected to be completed in March 2005 with subsequent wells being completed at four-monthly intervals.

The Group intends to enter into a joint operating agreement with Smith Petroleum LLC, an established operator in the region, to operate the wells.

Middleton Creek (Mississippi, USA)

The Group has acquired an 80.0 per cent. WI and a 64.0 per cent. NRI in the Middleton Creek prospect in Mississippi. The prospect is located to the east of the Wilcox trend and overburdens the Lower Tuscaloosa reservoir. The Technical Consultant estimates that the Middleton Creek total potential reserves and resources comprise up to 134,000 barrels of oil in place, based on a two-well drilling programme. The Directors estimate the Group's share of the capital cost to be £602,000 per well. The Group plans to enter into a joint operating agreement with an established operator. The Technical Consultant estimates an initial recovery rate of 49 bpd of oil per well. The wells are expected to be completed in November 2004 and March 2005.

Other interests

The Group is also actively investigating other suitable properties in the USA, Australia and elsewhere.

Personnel

The Group has assembled an experienced management team to seek to achieve its corporate strategy. The team is headed by Donald Caldwell (Non-executive Chairman), a geologist with 40 years experience with major oil and gas exploration companies. Anthony Mason (Chief Executive Officer), formerly an investment banker with Merrill Lynch Inc., also has experience in oil and gas exploration and financing. Brendon Joyce (Chief Financial Officer), formerly an investment banker with Credit Suisse First Boston (Europe) Limited, has broad experience in financial analysis, mergers and acquisitions.

This management team is assisted by consultants, Meade Hufford (Head of US Operations), who has 42 years experience in the US oil and gas exploration sector; James Allender (Head of Australian Operations), a geophysicist experienced in Australian oil and gas exploration; and Alvin Hosking (Consultant Geophysicist), a geophysicist with broad experience in both US and Australian oil and gas exploration. Additional expertise is provided by Peter Clutterbuck (Non-executive Director), an experienced petroleum engineer with both project and public market experience in oil and gas, and Ron Pilbeam (consultant), who has experience in the African petrochemical sector. John Rickards (Non-executive director) has broad investment banking and public company experience.

Further details of the backgrounds of the Group's management team are provided under the heading "Board of Directors, Senior Management and Consultants" in this Part I.

Group Strategy and Future Prospects

The Group intends to continue to explore and develop its existing portfolio of properties as set out under the heading "Description of Business Assets" in this Part I. In addition, the Group intends to increase its productive capacity and to acquire further majority interests in additional oil and gas properties which meet the Group's criteria, namely:

- low technical and reservoir risk;
- low sovereign risk;
- low cost of acquisition and exploitation;
- previous drilling activity or extensive seismic coverage otherwise available;
- availability of an effective working interest; and
- strong local partner relationship.

The Board intends to adopt a policy of commodity price hedging as considered appropriate from time to time.

The Board's corporate objectives over the next three years of development are as follows:

Year 1

During the current year of operation the Company will seek to establish cash flow by developing its asset base of north American properties. This continuing cash flow, together with the proceeds of the Placing, will be used to finance Year 2 and Year 3 operations.

In addition, during Year 1, the Group is planning to develop an in-house geophysical capability for the Group's prospects as well as third party prospects.

Year 2

In the second year of operation the Group will seek to develop its larger prospects in southern Australia where the Directors believe there to be substantial exploration potential. The Board considers there to be potential in terms of acquiring additional reserves in Australia as well as potential benefits to the Group from increases in domestic gas prices anticipated following market deregulation in Australia.

Year 3

In the third year of operation the Company will seek to capitalise on its expertise by targeting large reserves with substantial exploration potential, particularly in Australia, Africa and south-east Asia, in accordance with the Group's acquisition criteria.

Board of Directors, Senior Management and Consultants

Board of Directors

Donald Caldwell, Aged 73, Non-Executive Chairman

Donald graduated as a geologist from Louisiana State University. He has over 50 years experience with junior and major oil and gas exploration companies, having held a number of senior positions. Between 1959 and 1983 he was executive vice-president of Callon Petroleum Company Inc. and was involved in its listing on NASDAQ. From 1983 to 1997 Donald continued to serve at Callon Petroleum Inc. as a consultant and as managing director of exploration. Donald is based in Houston and oversees the Group's oil and gas exploration operations and investments. He has an interest in each of the Group's US assets. Full details of his interests are set out in paragraph 4(e) of Part V of this Document.

Anthony Mason, Aged 49, Chief Executive Officer

Anthony passed out from the Royal Military Academy at Sandhurst and served in the Parachute Regiment, where he attained the rank of Major. He holds NASD Registration, Series 7, 63 and 65. Anthony has ten years experience in international investment banking and latterly with junior oil and gas exploration companies. He has held a number of senior positions in New York, including investment officer with Merrill Lynch Inc. and senior vice president with Anglo-Asian Capital Advisers Inc., where he was responsible for a number of transactions with junior and mid-size oil and gas production and exploration companies. Anthony is based in Houston and London and will manage the Group's global activities.

Brendon Joyce, Aged 31, Chief Financial Officer

Brendon has seven years experience in investment banking with Credit Suisse First Boston (Europe) Limited, where he had responsibilities for project execution, due diligence and financial analysis on a number of completed equity, debt and M&A transactions. He oversees the Group's financial activities including the implementation of a detailed financial model written by him to manage the Group's ongoing exploration and production activities.

Peter Clutterbuck, Aged 54, Non-Executive Director

Peter has a masters degree in engineering from Cambridge and is an experienced petroleum engineer with 30 years experience in oil and gas exploration and production in the USA, the North Sea, the former Soviet

Union, Latin America, the Middle East, Africa and south-east Asia. He spent 15 years as a senior engineer and manager with the BP Group and subsidiaries and founded and managed the AIM-quoted Northern Petroleum PLC. Peter is a member of the board of the Society of Petroleum Engineers in London. Peter also provides consultancy services to the Group and assists in the evaluation of reserves and project management and implementation.

John Rickards, Aged 64, Non-Executive Director

John has over 35 years experience in investment banking. He has held several senior positions in the City of London and New York, including chief executive of Nomura Gilts Limited and associate managing director of Nomura Securities. He was a partner at W. Greenwell & Co. Limited, and became chief executive of the New York operation. He served as a main board director of Samuel Montagu Limited. He has held senior positions at Cazenove & Co. Limited and is currently a director of Aberdeen New Thai Investment Trust Plc.

Senior Management and Consultants

Meade Hufford, Head of US Operations

Meade graduated with a degree in business administration from the University of Mississippi and in real estate from Rappahannock Community College. He has 42 years experience of oil and gas exploration, land and management experience including 26 years with Callon Petroleum Company Inc., a major US independent oil and gas producer, where he became a director. He was also vice president for 7 years of TI Energy Services Inc., a major pipeline engineering and oil and gas exploration company. For the past 9 years he has worked for several major oil and gas companies as an independent land and exploration consultant.

James Allender, Head of Australian Operations

James is a graduate in geology and mathematics from the University of Western Australia. He has over 30 years experience as an exploration geophysicist with a large number of junior and major oil and gas exploration companies. He has held senior positions or senior consulting roles with Asian Development Bank Limited, Ausaid, CSR (China), Delhi Petroleum Limited, Getty Oil Inc., Government of the Republic of South Africa, Korean Research Institute of Geosciences, Santos Limited, West Australian Petroleum Limited and WMC. James discovered the Tubridgi gas field in Western Australia as a principal consultant to Pan Pacific Consortium Limited and he has considerable experience in operating and interpreting geophysical data in a variety of geological environments. James manages the Group's Australian operations.

Alvin Hosking, Consultant Geophysicist

Alvin is an experienced geophysicist based in Michigan. He has advised Conoco Inc., BP PLC and Shell PLC and a significant number of major oil and gas exploration companies in the USA. He advises the Group on its US and Australian activities including interpreting geophysical data on prospective acquisitions.

Ron Pilbeam, Consultant

Ron is a manager, business analyst and engineer with 30 years experience in international project appraisal and implementation, including offshore oil and gas services, chemical plant, gas and petrochemical shipping and gas storage. He has held senior executive positions with companies in Brazil and South Africa. Ron has been a consultant with Unigas International BV, a major European petrochemical gas shipping group for more than 25 years, and has also been associated with LGE Process, the gas processing, storage and handling division of Weir Group PLC, for more than 10 years. He holds a B. Eng. from King's College, University of London, is a member of the UK Institute of Civil Engineers and is a licensed professional engineer in Ontario, Canada. Fluent in English, Portuguese and French, Ron is based in South Africa and will assist with the Company's operations throughout Africa.

Reasons for the Placing and for Admission

The Company is effecting the Placing in conjunction with the application for Admission in order that funds might be raised to pursue the Group's strategy as set out under the heading "Group Strategy and Future Prospects" in this Part I.

Use of Proceeds

The net proceeds of the Placing receivable by the Company are expected to amount to £1.32 million. The Directors intend that such proceeds shall be used primarily to finance capital expenditure on the Group's existing portfolio of properties and for working capital purposes. The proceeds of the Placing will also enable the Group to make further purchases of interests in oil and gas properties where such properties meet the Group's criteria and are available at what the Directors consider to be an appropriate price.

Admission to AIM and Dealings

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 20 July 2004. No application has been or will be made for the Warrants to be admitted to trading on AIM.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates may do so.

Details of the Placing

The Placing Shares represent approximately 10.72 per cent. of the Enlarged Share Capital. At the Placing Price, the Company will be valued at £16.80 million. The net proceeds of the Placing receivable by the Company will (after the expenses of the Placing) amount to £1.32 million.

W H Ireland has entered into the Placing Agreement pursuant to which it has agreed to use reasonable endeavours to procure subscribers for the Placing Shares. The Placing has not been underwritten by W H Ireland. Further details of the Placing Agreement are set out in paragraph 8 of Part V of this Document.

The Placing Shares, following allotment, will rank equally in all respects with the Existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Ordinary Shares.

It is expected that definitive documents of title to the Placing Shares will be delivered by Lloyds TSB Registrars, the Company's registrars, to those Shareholders who so request by first class post, not later than 14 days after the date of Admission. Placing Shares issued to any Shareholder who does not request a definitive certificate will be registered within the CREST system.

Lock-ins and Orderly Market Arrangements

At Admission the Directors, the company secretary and persons connected with them will own 25,150,000 Ordinary Shares representing 44.91 per cent. of the Enlarged Share Capital and in addition will have warrants over an aggregate of 2,800,154 Ordinary Shares representing 5 per cent. of the Enlarged Share Capital. The Directors have undertaken to the Company and to W H Ireland that they will not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and for a period of 12 months immediately following they will not make any such sale or disposal except following consultation with the broker of the Company for the time being who may in its discretion, acting reasonably, refuse or impose restrictions with a view to maintaining an orderly market in the Ordinary Shares.

RAB Special Situations LP and Philip Richards have undertaken to the Company and to W H Ireland that for a period of six months from Admission they will not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares except following consultation with the broker of the Company for the time being who may in its discretion, acting reasonably, refuse or impose restrictions with a view to maintaining an orderly market in the Ordinary Shares.

Save as disclosed above, all the other existing Shareholders (save for one Shareholder who will hold less than 1 per cent. of the Enlarged Share Capital) have undertaken to the Company and to W H Ireland that they will not sell or dispose of, except in certain circumstances, their respective interests in Ordinary Shares for a period of 24 months from Admission except following consultation with the broker of the Company for the time being who may in its discretion, acting reasonably, refuse or impose restrictions with a view to maintaining an orderly market in the Ordinary Shares.

Dividend Policy

The Directors do not envisage declaring a dividend in the short to medium term. However, if or when sufficient distributable reserves are available the Directors intend to pursue a progressive dividend policy.

Corporate Governance

The Directors intend that the Company will comply with the provisions of the Combined Code in so far as it is practicable for a company of its size. The Company has appointed three non-executive directors with relevant sector experience to complement the executive directors and to provide an independent view to the Board.

An Audit Committee, comprising the non-executive Directors, has been established by the Company to operate from Admission. The Audit Committee will be chaired by John Rickards and will meet at least twice each year. The Audit Committee will be responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

The Company has in addition established a Remuneration Committee, comprising the non-executive Directors, to operate from Admission. The Remuneration Committee will also be chaired by John Rickards. The Remuneration Committee will be responsible for reviewing the performance of the executive Directors, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant.

The Board intends regularly to review key business risks including the financial risks facing the Group in the operation of its business.

The Company will operate a share dealing code for Directors on the basis set out in the Listing Rules.

Warrants and Options

The Company has issued 1,680,093 Warrants, equal to 3 per cent. of the Enlarged Share Capital, to W H Ireland. The Warrants are exercisable at the Placing Price pursuant to and on the terms of the Warrant Instrument.

The Company has also issued an aggregate of 2,800,154 Warrants, equal to an aggregate of 5 per cent. of the Enlarged Share Capital, to Anthony Mason, Brendon Joyce and Bruce Maclennan. The Warrants are exercisable at the Placing Price pursuant to and on the terms of the Warrant Instrument.

The Company has also granted two options in respect of an aggregate of 1,030,000 Ordinary Shares to Brendon Joyce. A summary of the terms of these options is set out in paragraph 8 of Part V of this Document.

Taxation

Information regarding taxation is set out in paragraph 11 of Part V of this Document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

PART II

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.

In addition to the other relevant information in this Document, the Directors consider the following risk factors to be of particular relevance to the Group's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors may apply. Any one or more of these risks could have a material adverse effect on the value of the Company and should be taken into account in assessing the Group.

The Group

Meridian Petroleum plc is a recently formed company with a limited operating history upon which prospective investors may base an evaluation of its likely performance.

General exploration and extraction risks

The Group is currently, with respect to the majority of its properties, in the early stages of exploration. The exploration for and development of oil and gas deposits involves significant uncertainties and the Group's operations will be subject to all of the hazards and risks normally encountered in such activities. These hazards and risks include unusual and unexpected geological formations, rock falls, flooding and other climatic conditions, any one of which could result in damage to, or destruction of, the Group's facilities, damage to life or property, environmental damage or pollution and legal liability which could have a material adverse impact on the business, operations and financial performance of the Group. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

As is common with all exploratory operations, there is also uncertainty and therefore risk associated with the Group's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Group's control. Few properties which are explored are ultimately developed into producing assets. There can be no guarantee that the estimates of quantities and grades of resources disclosed will be available to extract. With all natural resources operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Natural resources exploration is speculative in nature and there can be no assurance that any potential deposits discovered will result in an increase in the Group's resource base.

Legal and regulatory environment

The exploration and extraction activities of the Group are subject to various laws governing prospecting, development, production taxes, labour standards and occupational health, site safety, toxic substances and other matters. Although the Directors believe that the Group's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration and extraction, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Group.

Environmental issues

The Group's exploration and extraction activities are subject to various laws and regulations relating to the protection of the environment. Whilst the Group intends to continue to operate in accordance with such laws and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing the protection of the environment, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Group.

Resource estimates

As with other natural resources companies, the Group's resource estimates are uncertain and potentially subject to future revisions and refinements. There can be no guarantee that any future production will be commensurate with the resource estimates presented in this Document.

Operational considerations

The Group's operational targets are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group.

The locations of all of the Group's current exploration activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and extraction activity levels might fluctuate.

Unscheduled interruptions in the Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

Project development risks

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.

There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated.

The Group's Licences

Some or all of the licences issued to the Group are or may be subject to conditions which, if not satisfied, may lead to the revocation of such licences. In the event of revocation, the value of the Company's investments in such projects may decline, which may lead to a fall in the value of any investment in the Ordinary Shares of the Company.

Labour

Certain of the Group's operations are carried out under potentially hazardous conditions. Whilst the Group intends to continue to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control.

Dependence on key personnel

The Company has a small management team and the loss of any key individual could affect the Company's business. The Company will investigate key man insurance policies for its key executives as and when appropriate post Admission.

Volatility of prices of oil and gas

The market prices of oil and gas is volatile and is affected by numerous factors which are beyond the Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in oil and gas market prices could render less economic, or uneconomic, some or all of the oil and gas exploration and/ or extraction activities to be undertaken by the Group.

Litigation

Legal proceedings may arise from time to time in the course of the Group's business. There have been a number of cases where the rights and privileges of extraction and exploration companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Group in future from time to time or that it may be subject to any other form of litigation.

Currency risk

The expenditures made by the Group are subject to exchange rate fluctuations and any potential income may become subject to exchange control or similar restrictions. The Group's operations are currently conducted in US dollars, Australian dollars and Pounds.

Additional requirements for capital

Substantial additional financing will be required if the Group is to be successful pursuing its intended strategy. No assurances can be given that the Group will be able to raise the additional finance that it may require for its anticipated future operations. Oil and gas prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Group or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties and reduce or terminate its operations.

Uninsured risks

The Group, as a participant in extraction and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Group may incur a liability to third parties (in excess of any insurance cover) arising from negative environmental impact or other damage or injury.

Market perception

Market perception of small extraction and exploration companies may change, potentially affecting the value of investors' holdings and the ability of the Group to raise further funds by the issue of further Ordinary Shares or otherwise.

AIM and liquidity of the Ordinary Shares

AIM is not the Official List. The Ordinary Shares will not be listed on the Official List. Notwithstanding that Admission becomes effective and dealings commence in the Ordinary Shares, this should not be taken as implying that there will be a liquid market for the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets. The price at which the Ordinary Shares will be traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its proposed operations, and some which may affect the business sectors in which the Group operates. Such factors could also include the performance of the Group's operations, large purchases or sales of the Ordinary Shares, liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Group and general economic conditions.

Possible volatility of the price of the Ordinary Shares

Following Admission the market price of the Ordinary Shares could be subject to significant fluctuations due to various factors and events, including any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, the price of oil and gas, developments in the Group's business or its competitors, or to changes in market sentiment towards the Ordinary Shares. The Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

Taxation framework

This document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Such legislation and practice may change and the current interpretation may therefore no longer apply.

Forward looking statements

Certain statements within this Document, including those in the part of this Document under the heading "Information on the Group", constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Group's ability to develop its existing or new resources, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this Document will, in fact, occur. These forward looking statements are correct only as at the date of this Document. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this Document except as required by law or by regulatory authority.

General

The risks noted above do not necessarily comprise all those potentially faced by the Group and are not intended to be presented in any assumed order of priority.

Although the Directors will seek to minimise the impact of the Risk Factors, an investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.

PART III

COMPETENT PERSON'S REPORT

ECL

SCOTT PICKFORD Ltd
AN ECL GROUP COMPANY

Scott Pickford Limited
4th Floor, Leon House
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CR0 9XT

The Directors
Meridian Petroleum plc
42 Berkeley Square
London
W1J 5AW

The Directors
W H Ireland Limited
Cannongate House
62-64 Cannon Street
London
EC4N 6AE

12 July 2004

Dear Sirs

INDEPENDENT VALUATION OF CERTAIN INTERNATIONAL LICENCE INTERESTS

At the request of the Directors of Meridian Resources Limited and its parent company Meridian Petroleum plc (collectively "Meridian"), Scott Pickford Limited has prepared a Competent Person's Report on Meridian's reserves and resources with respect to admission of its ordinary shares to trading on the AIM Market of the London Stock Exchange.

Scott Pickford have carried out a full evaluation of the licence interests currently held by Meridian Resources and where appropriate assigned Net Present Value ("NPV") to those interests. The evaluation has been conducted using the 2001 SPE/WPC guidelines for classifying and categorising reserves, whilst values have been assigned in accordance with the practices and definitions set out in Chapter 19 of the Listing Rules of the UK Listing Authority. The report covers the geoscience, engineering and economic aspects of Meridian Resources' licence interests.

Andy Kirchin, the principal consultant, is the managing director of Scott Pickford Limited and is a geophysicist by background. His work with Scott Pickford on complex multi-disciplinary projects includes numerous valuation, equity expert and advisory roles around the world. He has been with Scott Pickford for 17 years and has a broad range of experience from exploration through to production. In addition, his experience in managing and contributing to large integrated projects has resulted in a thorough understanding of the interplay between the geoscience and engineering disciplines required to fully evaluate hydrocarbon accumulations and their potential.

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Scott Pickford has provided its written consent for the inclusion of this report and references to the report and to its name in the admission document to be issued by Meridian Petroleum plc in the form and context in which they appear and has not withdrawn that consent and has authorised the contents of its report for the purposes of regulation 13(1)(g) of the Public Offers of Securities Regulations 1995 and accepts responsibility for it.

Yours faithfully

Andy Kirchin

Managing Director

Scott Pickford Limited

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1.0 INTRODUCTION

1.1 Background

Meridian Petroleum plc (the "Company") is proposing to seek admission of its ordinary shares to trading on the AIM market of the London Stock Exchange ("AIM"). Scott Pickford Limited ("Scott Pickford") has been requested by the Company to prepare this independent Competent Person's Report ("CPR") with respect to this admission.

Meridian Resources Limited is a wholly owned subsidiary of Meridian Petroleum plc and was formed under and is governed by the laws of England. Its registered office is located at 42 Berkeley Square, London W1J 5AW.

Certified legal opinions were prepared for Meridian Petroleum plc by McDonald Steed of Adelaide, Australia; W. Miguel Swanwick of Lafayette, Louisiana; Gwin, Lewis & Punches LLP of Natchez, Mississippi and Worman, Dixon & Manis Plc of Lansing, Michigan (collectively the "Law Firms"). Although the authors have not completed any formal searches on the properties reviewed in this document the Law Firms have provided independent legal opinions and Scott Pickford has no reason to believe that any of the information provided therein is misleading.

This CPR constitutes an independent report covering the technical aspects of the Company's exploration properties located in Michigan, Louisiana and Mississippi. This CPR was written pursuant to SPE/WPC guidelines for classifying and categorising reserves, Chapter 19 of the Listing Rules of the UK Listing Authority, the Public Offers of Securities Regulations 1995, and the AIM Rules.

Scott Pickford is an oil and gas exploration and development consulting company that offers independent technical advice intended to assist in the evaluation, development and financing of oil and gas projects. This CPR is based on a visit to Houston, USA and meetings with the key management of the Company and a review of seismic data, maps, well data, and other technical reports prepared by Meridian and their consultants.

The independence of Scott Pickford is guaranteed by the fact that neither it nor anyone acting on Scott Pickford's behalf hold any form of securities in Meridian Petroleum plc, its subsidiaries or affiliates, nor have any rights to subscribe for any Meridian Petroleum plc securities either now or in the future, nor have any vested interest or any rights to subscribe to any interest or tenements, or any adjacent properties held by Meridian Petroleum plc and have not been promised or led to believe that any such rights would be granted to Scott Pickford in the event of a successful admission to AIM.

Scott Pickford has entered into an agreement with Meridian Petroleum plc in regards to preparing this CPR and conducting a complete due diligence review including all expenses related to completing this CPR. The professional fees are charged at industry standards and payment of these professional fees under a standard professional services agreement is not dependent on admission to AIM.

1.2 Disclaimer

In preparing this report, Scott Pickford has relied on the materials provided by the Company which included seismic data, maps, well data, and other technical reports prepared by Meridian and their consultants. A draft copy of this CPR has been reviewed by the Company for factual errors. Any changes made as a result of these reviews did not involve any alteration to the conclusions made. Hence the statement and opinions expressed in this report are given in the belief that such statements and opinions are not false and misleading at the date of this CPR. Our estimates of potential reserves, resources, unrisked and risked values are based on data provided by Meridian. We have accepted, without independent verification, the accuracy and completeness of this data.

1.3 Properties Reviewed

The licence interests reviewed consist of several properties onshore in the U.S.A., which are to be drilled imminently and two major exploration opportunities in Australia, which will present a second phase of drilling targets from 2005 onwards.

The areas of activity and licences in question are referred to as follows:

Emery Hudson – Michigan Basin

A drilled and proven gas condensate accumulation situated 40 miles north of the town of Muskegon near Lake Michigan. The play is a three-hundred foot pinnacle reef in the well-known Niagaran Trend. Tests have shown the well to have strong capacity and this is reflected in the reserves and valuation. Meridian has a 50% WI and 38.25% NRI.

Brighton 36 – Michigan Basin

Located in the prolific Southern Reef Trend close to Lake Erie, this prospect is another pinnacle reef which is highly recognisable on seismic data. The prospect is surrounded by similar features with strong gas and oil production. Meridian has recently shot a further seismic line and results from this line are very encouraging. As the prospect is, as yet, undrilled it can only be categorised as P2 but we consider the likelihood of discovering commercial quantities of hydrocarbon to be high. Meridian has an 80% WI and 60% NRI in various leases in the prospect.

Calvin Field – Louisiana

This opportunity comprises two bypassed reservoirs (Sligo-Pettet and Rodessa formations) on the downthrown side of a fault block across which strong production has occurred. Known oil-water contacts and the structural configuration of the field lead to very high likelihood of discovering hydrocarbons, however, until drilling proves the presence of hydrocarbons the reserves are classified as P2. The application of modern completion technologies represents a significant upside potential for the field. The field is situated in Winn Parish, North Louisiana. Meridian has a 60% base case WI and 45% NRI. This evaluation has used these lower percentages as the base case for valuation but it should be noted that in the event that any or all of certain historical parties do not exercise their back-in rights after the drilling of the first test well, Meridian's WI and NRI will increase.

West Levees Creek Field – Mississippi

This prospect is situated within the Wilcox trend in Adams County. The prospect is an 'attic' play where a substantial amount of oil has been produced from a structure but it is thought that the apex of the structure has not been drilled, thus leaving oil as yet unproduced. Volumetric comparisons with neighbouring accumulations, which have been fully exploited, provide considerable comfort that oil will be produced when the attic is penetrated. However, the reserve remains classified as P2 until a well is drilled. Meridian has a 62.5% WI and a 46.9% NRI.

Middleton Creek – Mississippi

This prospect is located to the east of the Wilcox trend in the highly productive, deeper Tuscaloosa sands. It is immediately south west of the Bude Field which is thought to have under-performed its potential due to out-dated completion techniques. The application of modern technologies gives considerable scope for upside in the Middleton Creek prospect. The prospect has been drilled and oil columns found, however the distribution of the sand above the contact is currently very uncertain. The reserve has been classified as P3 and as such is not included in the over-all valuation presented below. However, it should be noted that if drilling proves successful the quality of the reservoir is such that substantial amounts of oil might be produced. Meridian has an 80% WI and a 64% NRI.

Other Resources

Exploration potential exists in several licences located within Australia's Arrowie and Otway Basins. No reserves have been allocated to these licences but they do represent considerable exploration upside situated as they are in known hydrocarbon provinces close to increasingly under-supplied markets. No values have been assigned to these licences.

1.4 Valuation Summary

The following table summarises the reserves size, classification and assigned Net Present Value (NPV) by licence and total.

Licence	Fluid Type	WI Proved (P1) Reserve	WI Probable (P1+P2) Reserve	NRI	NPV @ 8% discount (£000) Proved (P1)	Proved plus Probable (P1+P2)
Emery Hudson	**Gas**	1.5 Bcf	2.6 Bcf	38.25%	2,925	4,515
	Condensate	19,500 bbls	33,800 bbls	38.25%		
Brighton 36	**Gas**	–	355 MMcf	60%	–	1,812
	Oil	–	140,278 bbls	60%		
Calvin Field	**Gas**	–	7.28 Bcf	45%	–	9,853
	Condensate	–	295,108 bbls	45%		
West Levees Creek	**Oil**	–	390,795 bbls	46.9%	–	2,971
Meridian Proved (P1) Net Present Value					2,925	
Meridian Proved plus Probable (P1+P2) Net Present Value						19,151

All NPV values in this report are on a pre-tax basis. Head office costs are excluded.

Net Present Value has been calculated using the industry standard technique of discounted cash flow analysis. An economic model was provided by Meridian which has been extensively audited by Scott Pickford for accuracy and completeness. This was used to calculate net cash flow from the production profiles predicted by Scott Pickford. Estimates of capital, processing and transport costs were provided by Meridian based on similar existing projects in the region. Scott Pickford has verified that these are reasonable, and consistent with industry norms.

2.0 EMERY HUDSON – MICHIGAN BASIN

2.1 Location and Licences

In December 2003, Meridian Resources (USA) Inc. acquired a 50% working interest from Longwood Exploration Company with a net revenue interest (“NRI”) of 38.25% in the Emery Hudson project in Michigan. The project is located approximately 40 miles north of the town of Muskegon in Section 27, T15N, R17W, close to Lake Michigan (see figure 1). Meridian has entered into a joint operating agreement with Wellmaster Production Company LLC, an established operator in the region. Production commenced in June 2004.

2.2 Description

The Emery Hudson project involved the re-drilling of a Niagaran Reef which had previously been penetrated by two wells. The No.27 well which was plugged and abandoned before directionally drilling the No.27A well 680' to the north northeast. The 27 well penetrated 329' of the tight core of the reef and encountered only a few scattered gas shows from mid-reef to the base of the reef. The 27A well, on the other hand, encountered 221' of reef with the lower half exhibiting excellent gas shows and was flow tested for 4 days at an average rate of 1.973 MMcfd with an average of 38 barrels of condensate per day at a depth of about 4500'. Both wells were drilled in 1997 by Dominion-Midwest. Samples obtained during the well test show the gas to contain 0.74% hydrogen sulphide, 1.81% nitrogen and 0.53% carbon dioxide. The hydrogen sulphide content requires that for the gas to get to market it has to be connected to the Basin Pipeline Co. H^2S pipeline system, which would have required the construction of an expensive processing facility and flow line to connect to the system at the time. At about this time Santa Fe Energy, one of the major partners in the well, informed Dominion-Midwest they were pulling out of the Oceana Project and were not interested in putting the well (the only successful discovery at the time) on production. Whether Santa Fe’s decision served as a catalyst is unknown but Dominion Energy of Richmond, West Virginia, instructed their subsidiary, Dominion-Midwest to divest of all H^2S shut-in properties. In June 2000, Dominion abandoned the 27A well and removed its 5⅝ inch and 5½ inch casing at 2000' approximately 1200' below the 11¾ inch surface casing.

In 2002, Mark West Energy, the owner of the Basin Pipeline System, built a ten-mile three inch flow line from the Elbridge No. 21 reef production facility in Section 21, T15N, R16W to their Baileys No. 24 well in Section 24, T15N, R18W. This pipeline traverses the Emery Hudson 80 acre unit. The possibility of transporting gas from Emery Hudson through this line to the processing facility was discussed and agreed between Mark West and Meridian such that the economics for re-drilling the reef and connecting to the Basin Pipeline System became compelling.

The 27B well was duly drilled and has encountered 303' of Niagaran Reef limestone and dolomite. The upper 93' is dominantly limestone with low porosity and poor reservoir potential. The lower 210' of the Niagaran section is dominantly dolomitic with moderate porosity of around 8% present. The porosity in the 27B appears to be lower by around 4% than the 27A well which encountered similar Niagaran thicknesses. This variation may be artificial as it is based on comparison of the paper extract neutron log values in the 27A well, which has not been evaluated to the same degree as the digital files available for 27B for this review. Both the 27A and 27B wells tested gas rates of 2MMscf/d indicating the potential reservoir properties to be similar in the wells.

The analysis of recoverable reserves and economic value is based on analogy to other producing reef wells in the area. Volumetric calculations are unreliable due to the absence of sufficient geological definition of the productive area and thickness of the reef. Material balance estimates of reserves will be quite reliable but these calculations require a period of pressure depletion prior to this methodology being applicable.

Six analogous gas wells were located in the vicinity of Emery Hudson 27B. These wells are shown in Figure 1. For each offset well, Table 1 lists the initial potential, maximum gas rate during the first months of production, cumulative gas production at 25 months and an estimated ultimate recovery (EUR). The EUR estimates are from decline curve analysis.

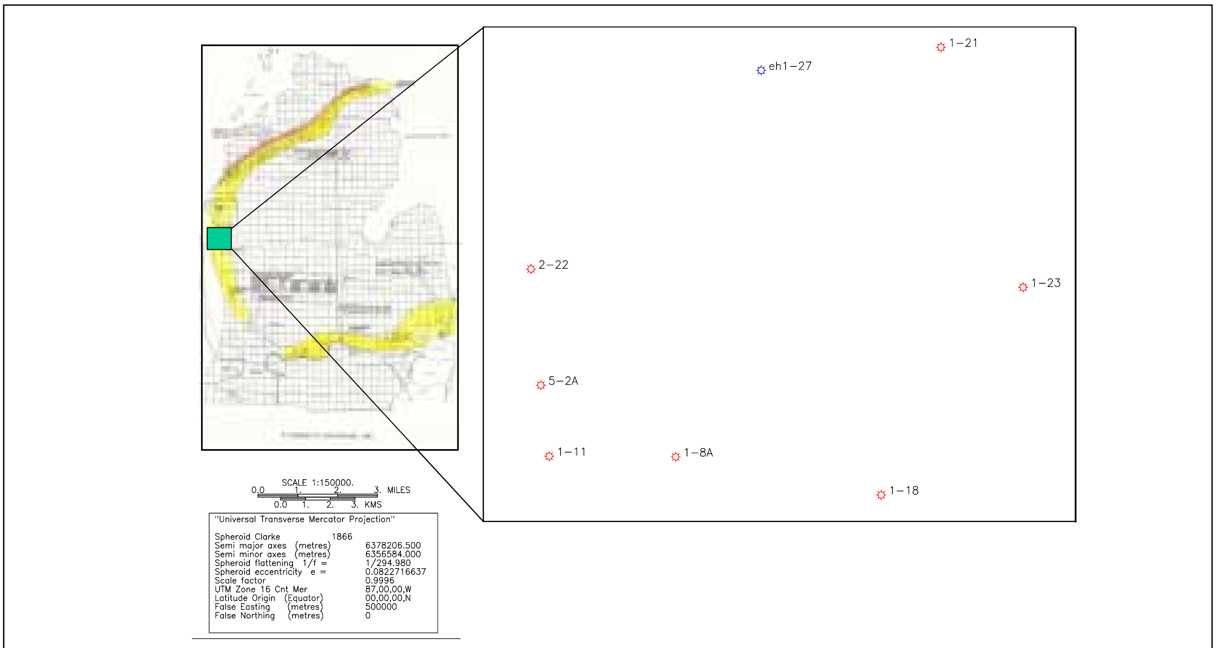


Figure 1: Basemap of the Michigan Basin, Oceana County, Niagaran Wells

Well Name	IP (Mcfd)	EUR (MMcf)	Max Monthly Rate (MMcf)	CUM@25 months (MMcf)
Dykstra 1-8a	3000	606	61	398
Nyman 1-18	5000	2242	223	2104
Schultz 2-22	2300	3247	87	1330
Rood 1-23	10000	5596	310	4213
Miller-Fox 1-11	3875	4738	109	1488
Slocum 1-21	3100	5775	293	4505

Table 1: Offset Wells

The distribution of the recoverable gas reserves for the offset wells shows the average recovery for these wells is 3 Bcf of gas while the upside recovery is 5.2 Bcf of gas. To some extent the estimated ultimate recovery of the offset wells correlates to the demonstrated initial potential of the wells. Figure 2 is a plot of this relationship for the offset wells.

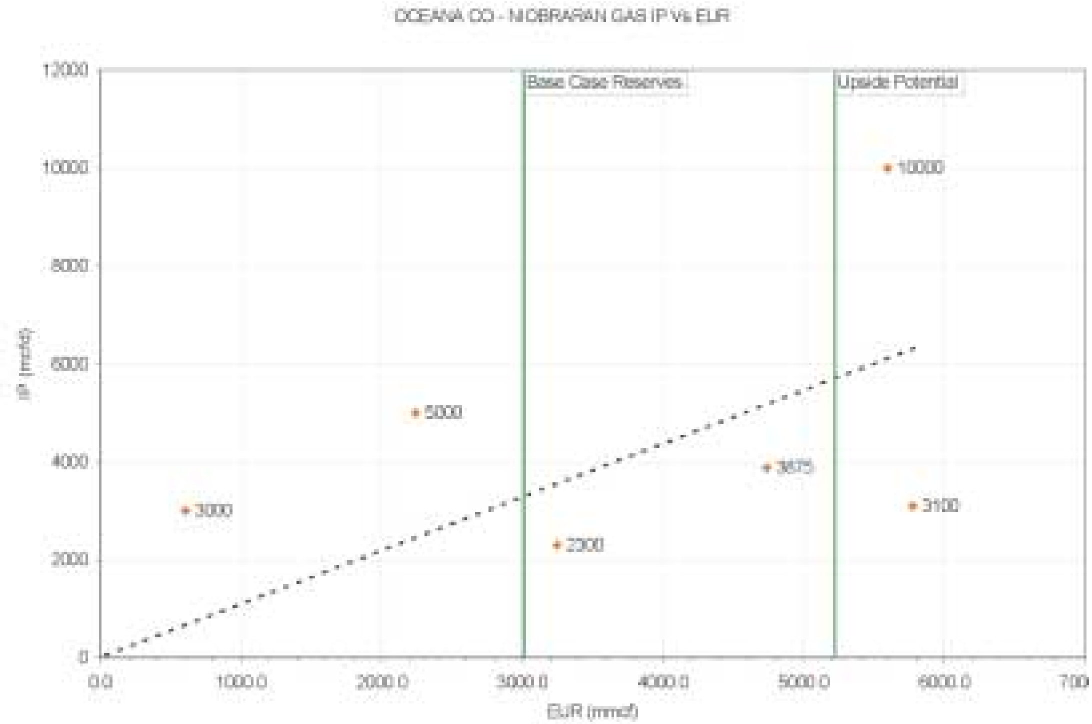


Figure 2: Offset wells show a limited correlation between initial well potential and EUR

The available well tests on the Emery Hudson 27B have been very encouraging. Using down hole pressure gauges and a single flow period at 2,000 Mcfd, the testing company has estimated an “absolute open flow potential” of 22,800 Mcfd. An analysis that incorporates tubing effects and a well-head delivery pressure of 200 psi provides an estimate of 11,400 Mcfd for the well initial potential (although the well may not be equipped to flow at such high rates for a short initial period). This calculated initial potential in conjunction with Figure 2 suggests the possibility of an ultimate recovery in excess of 5 Bcf.

The State of Michigan sets a gas allowable based on 17.5 percent of the tested absolute open flow, which for the Emery Hudson 27B would provide the opportunity to flow at a rate of 4,000 Mcfd. By limiting the flow to this reduced rate the well will flow at well-head pressures in excess of the 200 psi imposed by the gathering system. Accordingly, the well will flow for a period of time at a constant rate of 4,000 Mcfd with declining well-head pressure. For the 3 Bcf P1 reserves case, the well should produce for approximately 15 months before going on a capacity decline. For the 5.2 Bcf P1 plus P2 reserves case, the well may produce for 27 months before going on a capacity decline. Figure 3 plots the expected rate versus time performance for the two reserve scenarios.

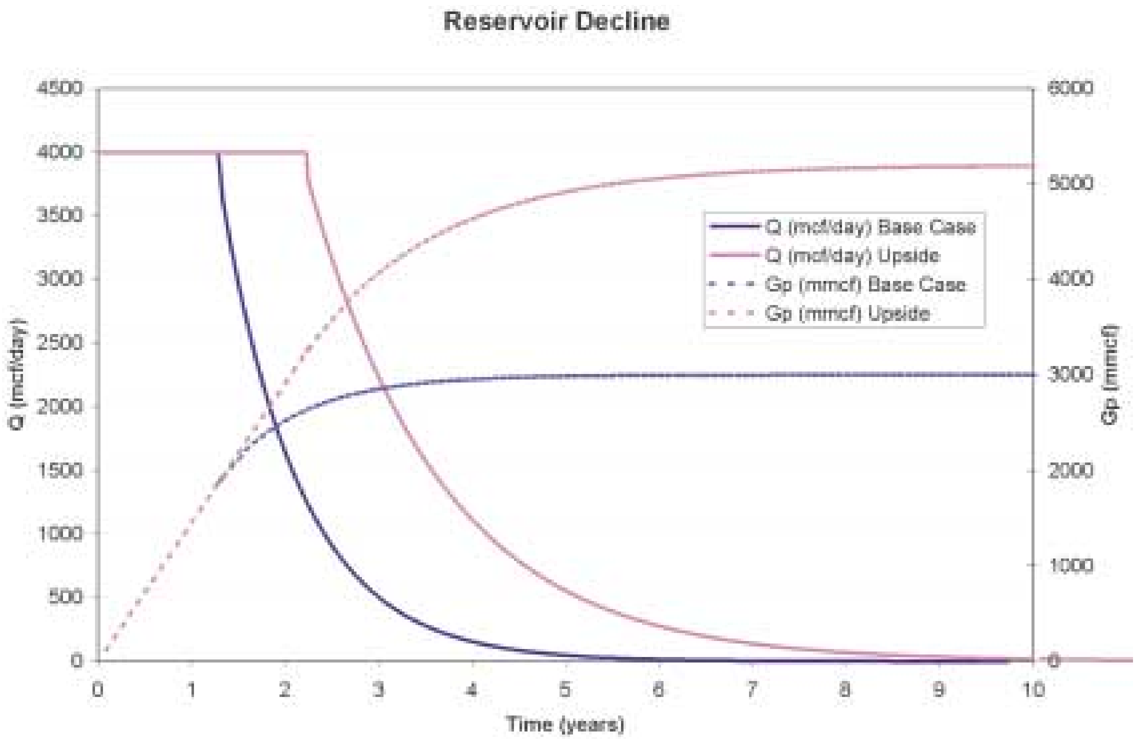


Figure 3: Constant production rate of 4000 Mcf/day followed by capacity decline

These production scenarios have been entered into the calculation of economic value. It should be noted that the 4,000 Mcfd production rate is reduced by 3 per cent. (to 3,880 Mcfd) to account for the removal of inert gases including hydrogen sulphide, nitrogen and carbon dioxide. In addition to the production of gas, the tests on the Emery Hudson 27B report condensate production in the amount of 13 barrels per million cubic feet of gas. The value of condensate production is included in the economic evaluation based on this ratio remaining constant throughout the life of the well.

2.3 Valuation

Production commenced in June 2004 and the Proved Developed Non-Producing and Proven plus Probable production profiles are shown in Figure 3 above. These profiles have been economically modelled and the values associated with the P1 and P2 profiles are shown as tables 2 and 3. All values are pre-tax.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Gas	3 Bcf	1.5 Bcf	38.25%	2,992	2,925	2,861
Condensate	39,000 bbls	19,500 bbls	38.25%			
Emery Hudson Proved (P1) Net Present Value					2,925	

Table 2: Emery Hudson Proved Recoverable Reserves and Valuation Summary.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Gas	5.2 Bcf	2.6 Bcf	38.25%	4,683	4,515	4,358
Condensate	67,600 bbls	33,800 bbls	38.25%			
Emery Hudson Proved + Probable (P1+P2) Net Present Value					4,515	

Table 3: Emery Hudson Proved plus Probable Reserves and Valuation Summary.

The following economic assumptions have been made:

- Gas is sold at the Henry Hub reference price with an adjustment to take account of the higher calorific value of Emery Hudson gas. Condensate is sold at 95% of the price of crude oil (WTI).
- Gas, condensate and crude oil reference price forecasts commence with May 2004 spot prices and then decline over 18 months to long-term reference prices of \$4.50/mcf for gas, \$25.20/bbl for condensate and \$26.50/bbl for oil.
- The actual prices used are as follows:

	Gas		**Condensate**
	Henry Hub US\$/mcf	**Emery Hudson US\$/mcf**	**US\$/bbl**
2004 2H	5.70	6.73	34.49
2005	4.88	5.79	28.34
2006	4.50	5.31	25.18
2007 on	+ 2% pa	+ 2% pa	+ 3% pa

All costs and prices are inflated at 2% per annum.

US\$ have been converted to Pounds at a rate of 1.793

3.0 Brighton 36 – Michigan Basin

3.1 Location and Licences

Meridian Resources (USA) Inc. has acquired an 80% WI with a NRI of 60% in various leases in the Brighton 36 Niagaran Reef Prospect. The Prospect is located within the prolific Southern Reef Trend close to Lake Erie in Livingston County, Michigan, Section 26, T2N, R6E, on the southernmost portion of the Kensington Park (see figure 4). The drill site location lies approximately one and a half miles south of CMS's 10 inch pipeline for gas whilst oil would be transported by truck using a well connected and excellent existing road system. Meridian expects to enter into a joint operating agreement with Wellmaster Production Company LLC to operate the wells and has shot a confirmatory seismic line in May 2004 and has commenced the permitting process with the State of Michigan.

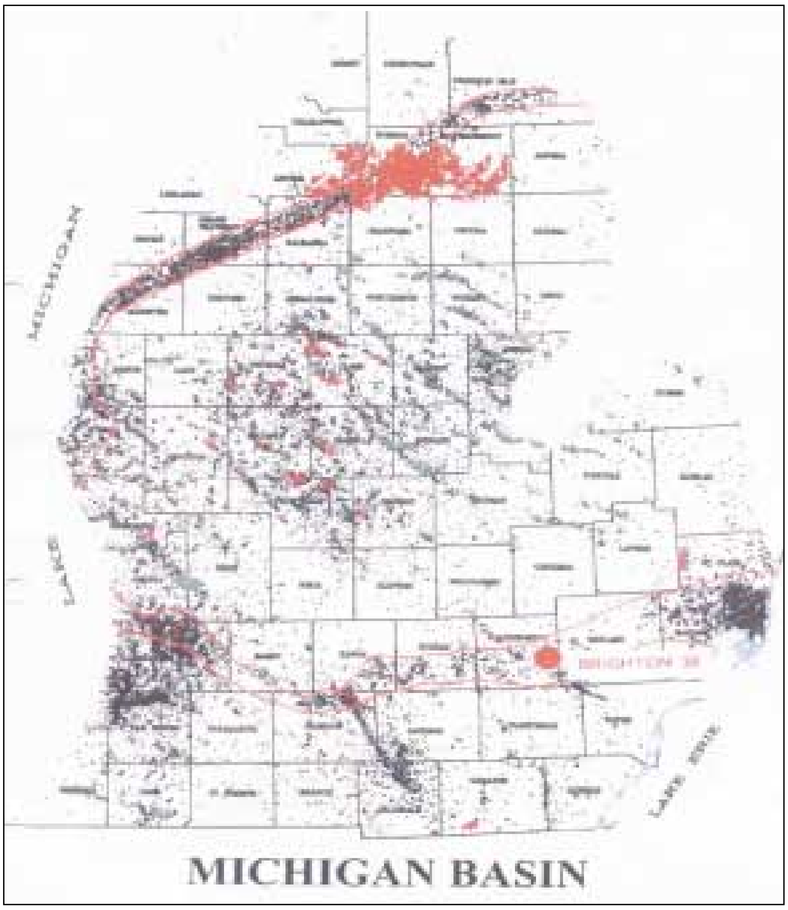


Figure 4: Basemap showing Brighton 36 location within the Michigan Basin

3.2 Description

As shown in figure 5, the Brighton 36 prospect is well situated in a prolific oil and gas producing area. All of the producing reefs in the area were located by seismic data. Thus far Brighton 36 is defined by 3 seismic lines, the most convincing of which, POG 89-3, extends across the in a northeast-southwest direction and exhibits a very dramatic ‘bird’s-eye’ anomaly. Two further seismic lines extend the anomaly to the south and west but are not as convincing as the feature is at the end of the lines where the fold-coverage is diminishing rapidly. To help mitigate the risk of mis-locating the reef due to side-swipe, Meridian intend to shoot a further seismic line paralleling POG 89-3 just to the south to prove up the anomaly prior to drilling. The intention is to directionally drill northwest from a site outside the park to penetrate the reef.

The strength and character of the seismic anomaly leaves little doubt that a reef exists in the near vicinity. The production from surrounding reefs (see figure 5) suggests that the likelihood of there being no hydrocarbons within the reef if it successfully located and penetrated outside of the generally tight core is very low. The production from the surrounding reefs demonstrates a fair degree of variation which is captured below by assuming moderate reservoir qualities and production for the Probable (P2) case and the better reservoir qualities and production for the Possible (P3) case.

3.3 Valuation

The potential reserves assigned to the Brighton 36 are based on the observed recoveries from nearby reefs. A total of 19 reefs in the immediate vicinity have produced a cumulative volume of 4.7 million barrels of oil and 9.6 Bcf of gas from a total of 30 wells. The gas recovery values for each field have been converted to a barrel oil equivalent basis using a 10 Mcf per barrel conversion factor. Subsequently the ultimate oil equivalent recovery values have been sorted on a cumulative basis from the smallest to the highest recovery values and is plotted as figure 6 below. The median recovery value corresponding to the P2 reserves case is approximately 200,000 STBOE and the maximum value corresponding to the P3 reserves is approximately 630,000 STBOE.

On the basis of this analysis, two specific fields were selected to represent the P2 and P3 cases for the Brighton 36 area. The P2 case is based on the production history from the Milford 29-02N-07E (figure 7) which is classified as a gas field by the State and contains one producing well. The P3 case is based on the production history from the Lyon Field (figure 8) which is classified as an oil field by the State and contains four producing wells. The build-up in production for the Lyon Field is associated with the additional drilling.

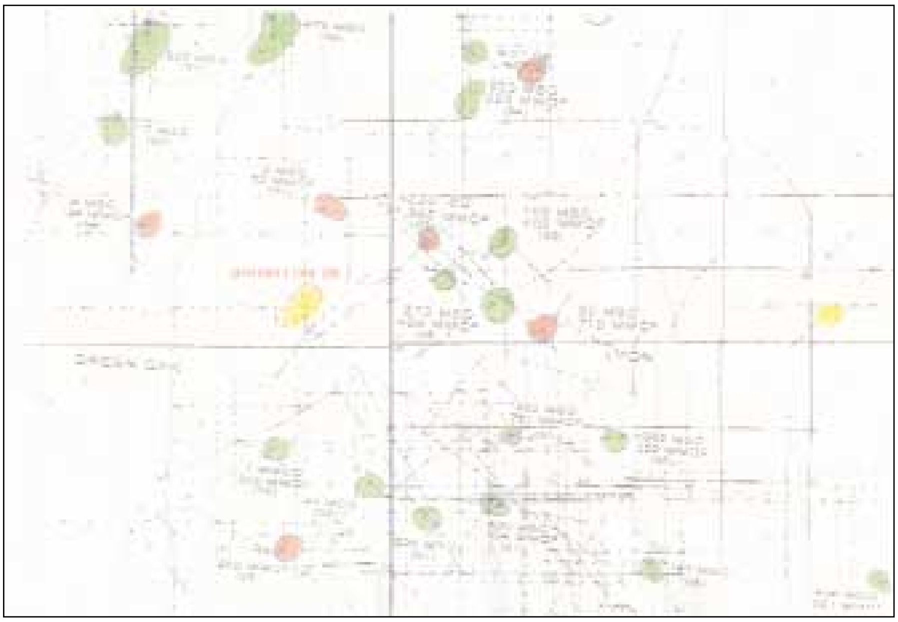


Figure 5: Livingston County Michigan showing reef fields surrounding Brighton 36

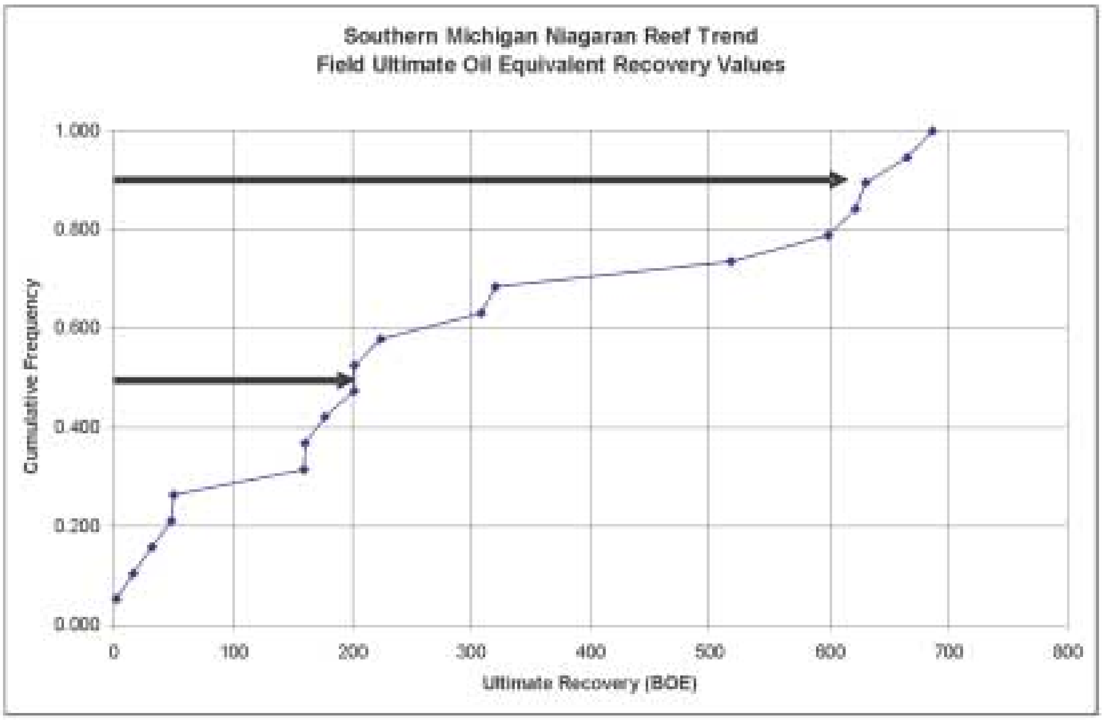


Figure 6: Southern Michigan Niagaran Reef Trend Ultimate BOE Recovery

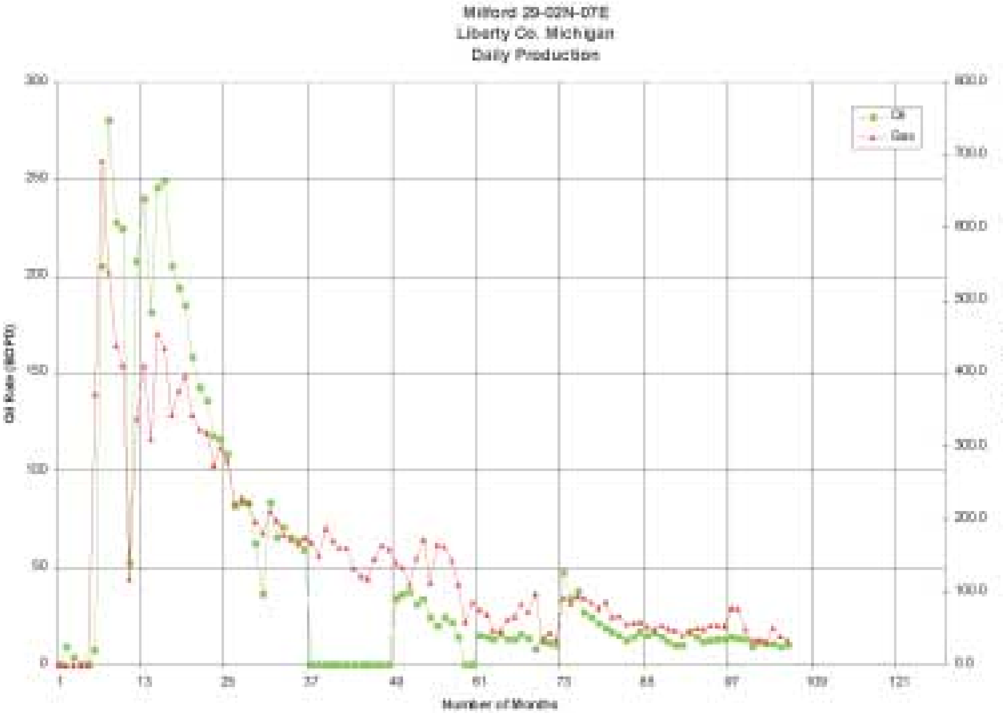


Figure 7: Milford 29-02N-07E Daily Production

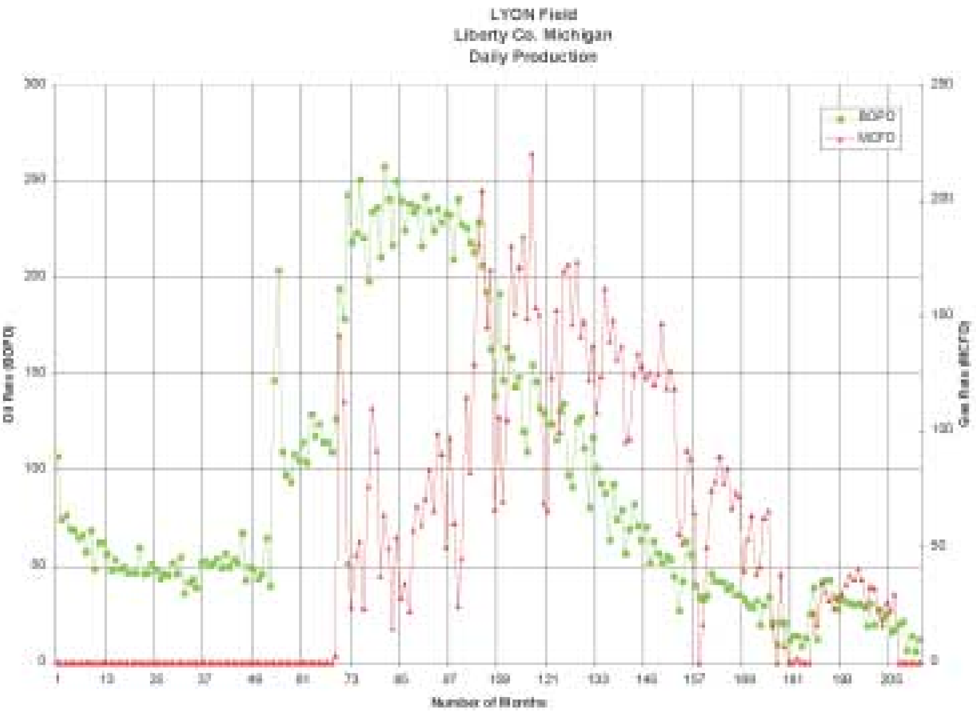


Figure 8: Lyon Field Daily Production

An idealised well profile was created based on the Milford well with the data drop-outs modelled using an exponential decline best fit and is shown as figure 9. For the P2 case, a single well production is assumed which reflects the Milford case. For the P3 case we have allowed for three of the modelled well profiles which more or less matches the approximate production observed in the Lyon field in terms of BoE.

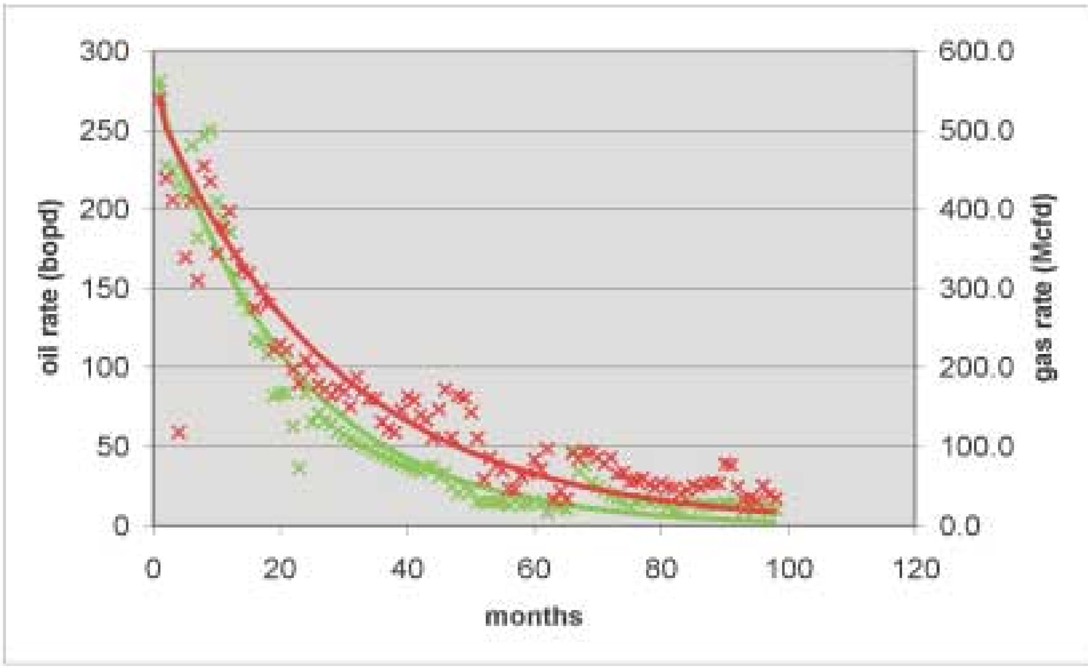


Figure 9: Idealised Production profiles based on Milford 29-02N-07E

Appropriate economic cut-offs were applied and ultimate recoveries calculated. These are tabulated below along with their appropriate values. All values are pre-tax.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	**8%**	**10%**
Gas	444.3 MMcf	355.4 MMcf	60.0%	1,883	1,812	1,746
Oil	175,347 bbls	140,278 bbls	60.0%			
Brighton 36 Probable (P2) Net Present Value					1,812	

Table 4: Brighton 36 Probable Recoverable Reserves and Valuation Summary.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	**8%**	**10%**
Gas	1.333 Bcf	1.066 Bcf	60.0%	5,285	5,054	4,840
Oil	526,041 bbls	420,833 bbls	60.0%			
Brighton 36 Probable plus Possible (P2+P3) Net Present Value					5,054	

Table 5: Brighton 36 Probable plus Possible Recoverable Reserves and Valuation Summary.

The following economic assumptions have been made:

- Gas is sold at the Henry Hub reference price. Oil price is equal to WTI.
- Gas, condensate and crude oil reference price forecasts commence with May 2004 spot prices and then decline over 18 months to long-term reference prices of $4.50/mcf for gas, $25.20/bbl for condensate and $26.50/bbl for oil.

- The actual prices used are as follows:

	Gas US$/mcf	Oil US$/bbl
2004 2H	5.70	35.90
2005	4.88	29.90
2006	4.50	26.50
2007 on	+ 2% pa	+ 3% pa

All costs are inflated at 2% per annum.

US$ have been converted to Pounds at a rate of 1.793

4.0 Calvin Field – Louisiana

4.1 Location and Licences

In April 2004, Meridian Resources (USA) Inc. completed a series of agreements which resulted in their holding a WI of 80% and 60% NRI in the southern portion of the Calvin field for the Sligo-Pettet and Rodessa formation reservoirs. The terms of the agreements reached mean that several historical interests have the right to back-in up to 60 days after the first test well has been drilled. In this scenario, Meridian will be left with a 60% WI and 45% NRI in the field after appropriate well-costs etc have been paid back. This evaluation has used the lower WI and NRI as the base case on which to assign value but it should be noted that in the event that any or all of the historical parties do not exercise their back-in rights, Meridian's WI and NRI will increase. The Group intends to enter into a joint operating agreement with Smith Petroleum LLC, an experienced and established operator in the region.

The Calvin Field is located at the confluence of T11N & T12N, R4W & R5W, Winn Parish, Louisiana, within the Kisatchie National Forest near the town of Winnfield. The licence history is long and complicated and has evolved through time as different Operators with different stratigraphic objectives have come and gone.

Regionally, the field is situated within the North Louisiana Salt Dome Basin and is a faulted 'turtle' structure with a significant regional down-to-basin northwest-southeast trending fault bisecting the structure. Meridian's two target horizons are the Rodessa, which consists of a series of grainstone shoals sometimes inter-mixed with sand, and the Sligo-Pettet, which is part of a regionally recognised fossiliferous grainstone and boundstone facies which produces some 6 miles to the southwest at the Black Lake Field. There has been a considerable amount of drilling activity on the Calvin Field as a whole since 1976 but a significant amount of the drilling activity in the field has been targeted at the deeper Hosston and significantly deeper Cotton Valley and Calvin sands (after which the field is named).

4.2 Description

Fina during previous drilling activity noted a comparison in bottom-hole pressures between the Sligo RA SUA #3-31 and #9-25 wells to the bottom-hole pressures at the Black Lake Field located 6 miles southwest of the Calvin Field. The Black Lake Field had produced 63.9 Bcf of gas, 70,200,000 BC and 105,800,000 BSW from an equivalent Sligo-Pettet Reef build-up zone. Since the bottom-hole pressures bore this similarity, Fina believed there was a possibility that there was some form of reservoir communication between the two fields. If this was the case then the Calvin Field's southern fault blocks would have suffered loss of reserves due to lowered bottom-hole pressures. Unfortunately, due to this possibility, Fina did not make any further attempt to develop and produce any of the Sligo-Pettet gas and condensate reserves in the south fault blocks. Since Fina sold their interest in the field, Palmer Petroleum drilled a well on the west flank south of the NW-SE trending fault crossing the Calvin Structure and found the Sligo-Pettet zone to have normal un-depleted bottom-hole pressure in this fault segment. Thus there is an excellent opportunity to encounter virgin reserves in the south downthrown fault segment of the field.

Meridian is proposing the drilling of the #2 USA 1-36 as a twin to the Fina #1 USA 1-36. The well-bore will be drilled to the top of the Sligo-Pettet, casing will be set, and once the rig is moved off location, approximately 40' will be drilled with a coil-tubing unit using a nitrogen foam system. The Sligo-Pettet zones will be open hole completed. This will minimize damage from conventional drilling or cementing and eliminate the need for acidization to clean up mud and cement damage. A review of the northern flank well histories indicates the necessity of this procedure. Evaluation of the Rodessa zones in the proposed well will be made prior to setting casing to test the Sligo-Pettet.

Based on the drilling activity of Getty Oil and Fina, the Rodessa in the southern fault block has to be evaluated as a higher risk than the Sligo-Pettet. Only one well (#1 Bodcaw in Section 30) has produced any significant volume of gas and condensate (890 MMcf and 54,000 BC) and the majority of the shows reported have been found in the northern fault block. Log data provides some evidence for hydrocarbon saturation in the southern fault block (see below) and as such a volume has been calculated. However, the producability of the Rodessa has not really been demonstrated though it is accepted that the problems of reservoir damage etc may well be alleviated by the introduction of modern and appropriate drilling and completions techniques.

Two reservoir intervals have been reviewed from the available paper log extracts for 5 wells. The reservoirs are at around 7,500' depth in the case of the Rodessa limestone and the deeper Sligo-Pettet limestone unit at around 8,500'.

The paper logs extracts are of variable quality and no log headers are available. The log suites are basic suites of induction, gamma, calliper, density and neutron logs. No corrections or computer manipulation of the logs were performed due to lack of logging details. Manual examination of the log extracts was performed to determine the net reservoir intervals. Core analysis data is available either from core or sidewall samples from all wells and this was used to collaborate the log interpretation. Identification of the net reservoir intervals thickness was determined from the density and neutron logs. The neutron porosity is seen to match core porosities in the majority of the cored sections and was used as the main indicator for net reservoir determination. From the core porosity versus permeability relationship, a porosity cut off of 6% was used to define the net reservoir thickness. A porosity of 6% approximates to an air permeability of 0.1mD which is considered a standard permeability cut off for gas reservoirs. In the absence of any supporting well test data to verify the porosity capable of flow in the reservoir sections, the 6% cut off is considered appropriate.

The porosity from the neutron log in limestone should be a direct indicator for the total porosity. Clay effects are considered to be minimal in the net reservoir sections and silty limestone has been excluded from any potential pay where the clay influence produces an overestimation of porosity in the neutron tool. The neutron porosity when compared to measured core porosity are in general agreement given the valuation in measurements at this scale in a heterogeneous limestone environment (within +/- 2 porosity units over most sections) with better agreement in the lower quality less fossiliferous limestone formations.

Log responses from the induction logs indicate high resistivity adjacent to low porosity while in the net reservoir sections lower resistivity are observed due to increases in porosity. The induction logs are strongly influenced by the porosity variations and it is difficult to determine in-situ connate water volumes. Uncertainty in the log readings due to invasion of drilling fluids as well as the appropriate formation water salinity and Archie parameters add difficulty in the calculation of water saturation from logs.

The core data is obtained from conventional cores and sidewall samples. The sidewall sample quality and results are less reliable than the core derived data. The sidewall samples have not been included in the porosity verses permeability relationship as the permeability is not measured in these samples. The measured permeability to air versus porosity cross plot displays a considerable scatter in the values and some uncertainty in the relationship is present which is not unusual for carbonate reservoirs. Reservoir fluid saturations were measured on all samples undergoing core analysis using the retort method. The values for water, oil and gas are indicative only and the values are not accurately determined as direct measures of the in-situ fluid saturations. The influence of water based mud filtrate flushing, gas expansion, oil shrinkage and evaporation / loss of fluid during core retrieval and transport prior to the measurement, results in the values not being truly representative. However the presence of residual oil and core fluorescence are strong indicators of hydrocarbon bearing intervals and support the log indicators for identifying the net reservoir.

As core porosity has been determined directly, the core values have been used to determine the average porosity for the Rodessa and Sligo-Pettet net reservoir sections. Water saturations in the net reservoir sections are uncertain from both log and core data. Therefore a range of saturations have been applied to the reservoir sections which are considered to be reasonable for the given reservoir properties.

The table below summarises the Sligo-Pettet and Rodessa net reservoir intervals (greater than 6% porosity) and properties which were used as input for the hydrocarbon-in-place determination.

Pettet Sligo

Well	Net Reservoir Thickness (feet)	Average Porosity (%)	Average Permeability (mD)	Geometric average permeability (mD)	Estimated water saturation (%)
Bodcaw#1	31.5	10.7	1.82	0.86	25 +/- 10
Fina 1-36	23.0	11.4	30.3	1.52	25 +/- 10
Fina 5-31	26.0	9.3	27.3	0.43	25 +/- 10
Fina 3-31	16.0	12.1	14.9	0.9	25 +/- 10
Getty 10-36	14.0	–	–	–	25 +/- 10
AVERAGE*	22.1	10.6	24.9	0.78	25 +/- 10

*Average using all available data for combined wells not average of tabulated data above.

Rodessa

Well	Net Reservoir Thickness (feet)	Average Porosity (%)	Average Permeability (mD)	Geometric average permeability (mD)	Estimated water saturation (%)
Bodcaw#1	38	10.8	4.6	0.74	25 +/- 10
Fina 1-36	39	–	–	–	25 +/- 10
Fina 5-31	49.5	–	–	–	25 +/- 10
Fina 3-31	32	9.9	1.1	0.43	25 +/- 10
Getty 10-36	41	–	–	–	25 +/- 10
AVERAGE*	39.9	10.4	3.18	0.59	25 +/- 10

*Average using all available data for combined wells not average of tabulated data above.

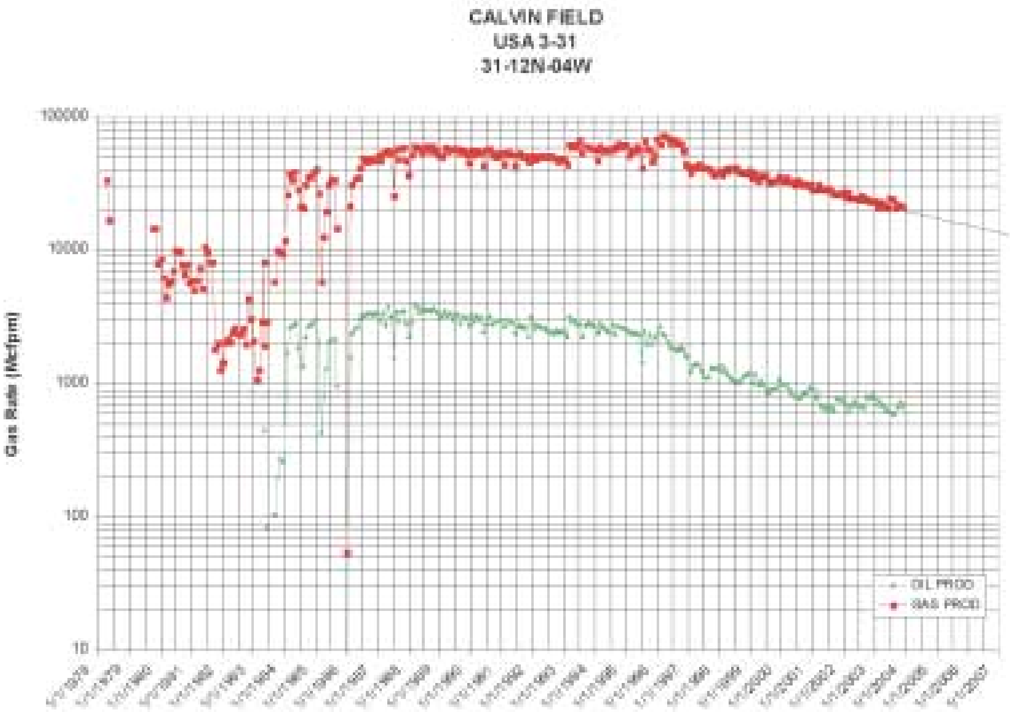
Lowest contacts for hydrocarbon and water were estimated from each well for the Sligo-Pettet and Rodessa formations. The contacts are not clear in any well due to uncertainty in the fluid present and no reservoir pressure data is available to define contact depth. The lowest hydrocarbon depth is indicated below from core gas shows from mud log and log response.

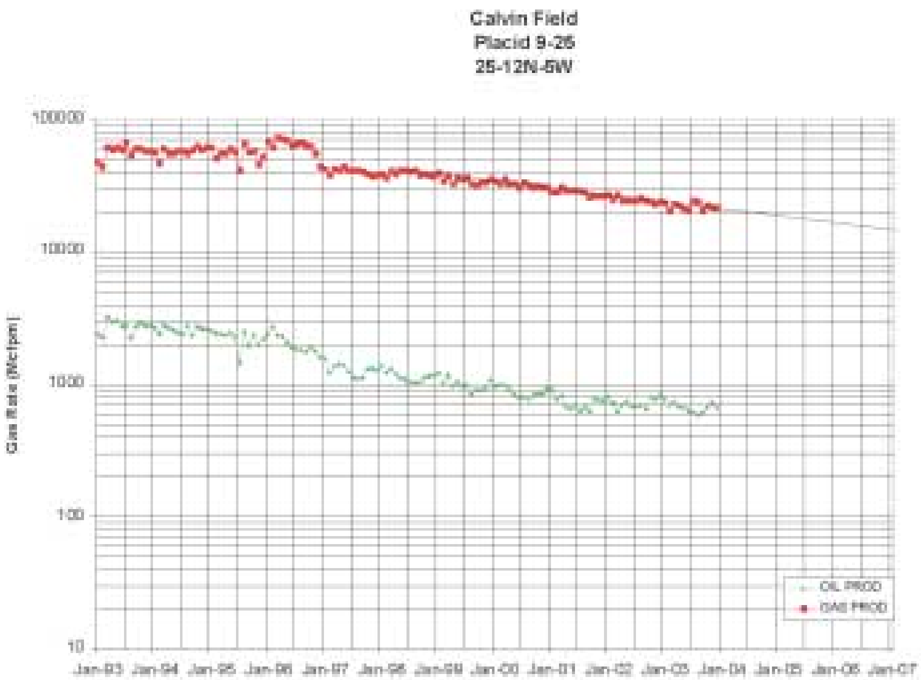
	Formation	Hydrocarbon Down To Depth – KB (feet)
South of fault	PETTET SLIGO	8275
	RODESSA	7434

The Rodessa and Sligo-Pettet structure maps were scanned and set up on the correct scale using a regular grid which was not referenced to any particular projection or spheroid but was checked to ensure the Sections illustrated calculated the correct area (one square mile or 27,878,400 sq.ft.). The resultant contours were gridded and volumes were calculated using the contacts defined above and limited to the appropriate licence areas for each reservoir.

Reserves: Sligo-Pettet

The Sligo-Pettet has demonstrated good gas and condensate recovery values from the three wells that have produced north of the fault. Decline curve analysis has been used to determine estimated ultimate recovery values from each of the two remaining producing wells.



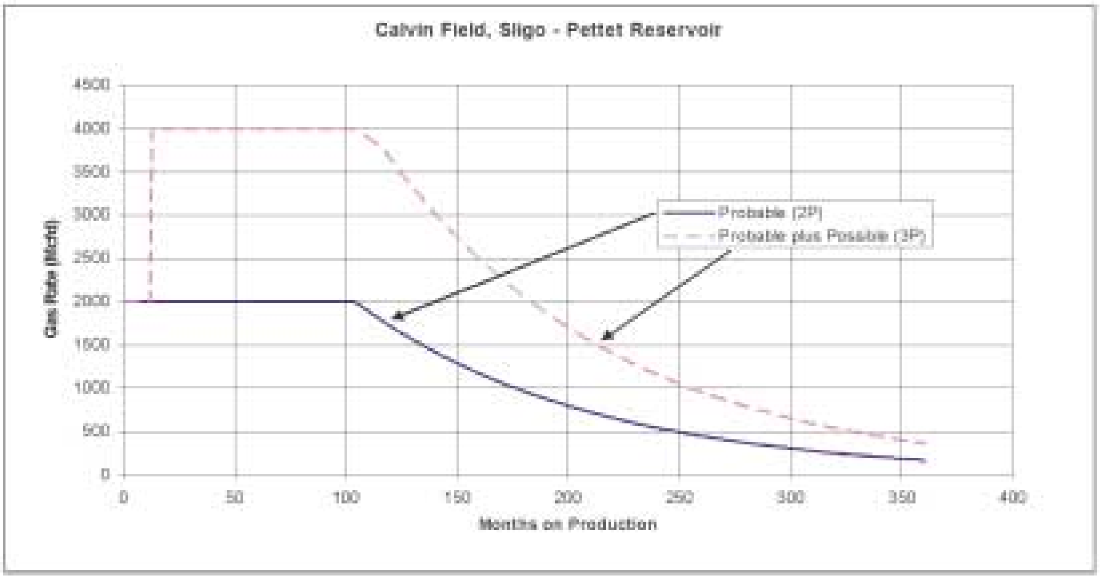


The total estimated ultimate recovery for the current producers together with the Bodcaw 10-25 well is 24.7 Bcf of gas and 998 MSTB of condensate. These 3 producers develop a Unit area that contains approximately 624 acres of reservoir. Recovery expressed on a per acre basis is therefore 35.9 MMcf of gas and 1.6 MSTB of condensate per acre of reservoir. A 320 acre spaced well would be expected to recover 12.6 Bcf of gas and 510 MSTB of condensate.

CALVIN FIELD, SLIGO-PETTET FORMATION HISTORICAL RECOVERY VALUES

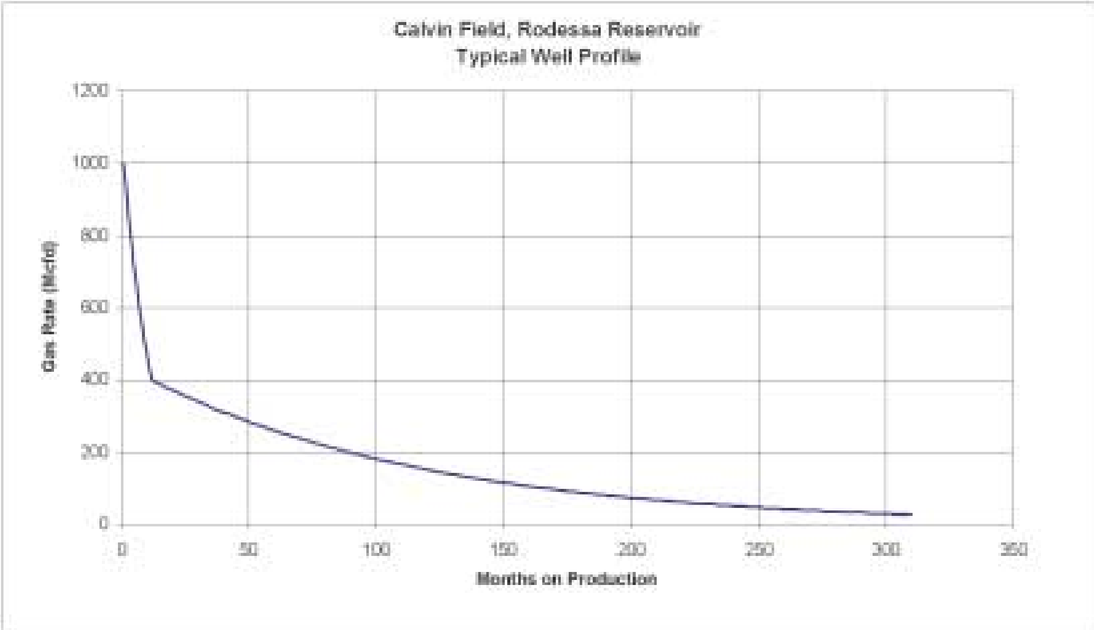
Well	Cumulative Gas (MMcf)	Cumulative Condensate (MSTB)	Remaining Gas (MMcf)	Remaining Condensate (MSTB)	Ultimate Recovery Gas (MMcf)	Ultimate Recovery Condensate (MSTB)
1. USA 3-31	10,377.2	481.9	3,925.7	117.8	14,302.9	599.6
2. Placid 9-25	5,518.7	192.4	3,925.7	117.8	9,444.4	310.2
3. Bodcaw 10-25	915.9	88.5	Shut-In	Shut-In	915.9	88.5
Sligo RA SUA	16,811.8	762.8	7,851.4	235.5	24,663.2	998.4
"Average Well"					8,221.1	332.8

The P2 reserves assigned to the Sligo-Pettet on the south side of the fault are based on drilling one well to develop a 320 acre spacing unit. The P2 and P3 reserves assigned to the Sligo-Pettet in this area are based on drilling two wells, each on 320 acre spacing. Prior experience with wells in this area (e.g. USA 3-31) have shown that the wells are capable of producing gas at a constant rate of 2,000 Mcfd until as much as 50 per cent. of the expected ultimate recovery is produced. Thereafter the wells follow an exponential decline. The P2 and P3 case flowstreams have been developed in this manner. Condensate production is assigned on the basis of an average producing ratio of 40.5 barrels per million cubic feet derived from historical performance of the other Sligo-Pettet wells.



Reserves: Rodessa

The performance of Rodessa tests in the Calvin Field has been disappointing, although these tests may reflect mechanical problems rather than true reservoir capability. For this reason future reserves attributable to the Rodessa have been placed in the P3 classification. Reserves for future Rodessa wells have been calculated assuming 80 acre spacing and the petrophysical properties described above. These properties have been combined with an estimated initial pressure of 3,000 psia and an initial gas gravity of 0.65 to arrive at a volumetric initial gas-in-place estimate of 2,120 MMcf. Using a typical recovery factor of 70 percent suggests that the ultimate recovery for a typical well would be in the order of 1.5 Bcf of gas. This recovery is scheduled by assuming an initial rate of 1,000 Mcfd which is twice the rate observed for the prior tested wells in the Rodessa formation. The initial rate is declined for one year at a nominal decline rate of 1.00 per year and then declined at a constant exponential rate (0.107 per year) consistent with the assigned reserves.



The area calculated within the GWC is approximately 720 acres, some of which will be 'wedge-zone'. On the assumptions outlined above the Rodessa might support as many as 8 wells (assuming this proves commercial) which would lead to a potential recovery of approximately12 Bcf of gas.

4.3 Valuation

Production is targeted for March 2005 and the production profiles shown above have been incorporated into the economic model and the resulting values are shown in tables 6 and 7a and b below. To calculate the NPVs presented therein, Scott Pickford has audited the economic modelling (and input parameters thereto) carried out by Meridian on each of the individual licences. We have checked that the production profiles in the model match those predicted by ourselves and that the pricing, opex and capex assumptions are reasonable and in line with current expectation. The resulting cash flow model has been consolidated and discounted in the usual way resulting in the valuation quoted below.

As noted in the introductory paragraph for this field, his evaluation has used the lower WI and NRI of 60% and 45% respectively as the base case on which to assign value but it should be noted that in the event that any or all of the historical parties do not exercise their back-in rights, Meridian's WI and NRI will increase. All values are pre-tax.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Gas	12.14 Bcf	7.28 Bcf	45%	11,436	9,853	8,600
Condensate	491,846 bbls	295,108 bbls	45%			
Calvin (Sligo-Pettet base case) Probable (P2) Net Present Value					9,853	

Table 6: Calvin Field Probable Recoverable Reserves and Valuation Summary.

Fluid Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Gas	24.22 Bcf	14.53 Bcf	45%	22,604	19,415	16,892
Condensate	981,000 bbls	588,600 bbls	45%			
Calvin (Sligo-Pettet) Probable plus Possible (P2+P3) Net Present Value					19,415	

Table 7a: Calvin Field (Sligo) Probable plus Possible Recoverable Reserves and Valuation Summary.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Gas	12 Bcf	7.2 Bcf	45%	7,907	6,662	5,671
Condensate	180,032 bbls	108,019 bbls	45%			
Calvin (Rodessa) Possible (P3) Net Present Value					6,662	

Table 7b: Calvin Field (Rodessa) Possible Recoverable Reserves and Valuation Summary.

The following economic assumptions have been made:

- Gas is sold at the Henry Hub reference price with an adjustment to take account of the higher calorific value of Calvin gas. Condensate is sold at 95% of the price of crude oil (WTI).
- Gas, condensate and crude oil reference price forecasts commence with May 2004 spot prices and then decline over 18 months to long-term reference prices of \$4.50/mcf for gas, \$25.20/bbl for condensate and \$26.50/bbl for oil.
- The actual prices used are as follows:

	Gas		Condensate
	Henry Hub US\$/mcf	**Calvin US\$/mcf**	**US\$/bbl**
2004 2H	5.70	6.27	34.49
2005	4.88	5.40	28.34
2006	4.50	4.95	25.18
2007 on	+ 2% pa	+ 2% pa	+ 3% pa

All costs are inflated at 2% per annum.

US\$ have been converted to Pounds at a rate of 1.793.

5.0 WEST LEVEES CREEK – MISSISSIPPI

5.1 Location and Licences

In May 2004, Meridian completed the acquisition a 62.5% WI in West Levees Creek with a NRI of 46.9% from Wilcox Energy Company (WECO). The project is located in Section 17, T5N – R1W of Adams County, Mississippi. Wilcox Energy Company will be the operator.

The Levees Creek Field was discovered in 1953 in Adams County, Mississippi. It consists of three structural closures that progressively step up in depth to the west, each of which appears to filled and spilled in turn resulting in three stepped original oil-water contacts. The central and eastern closures have well completions on their structural apexes that appear to have efficiently drained these features. However the western most closure has a broad area that appears not to have been penetrated by an apex well. The Minter "B" Sand is an excellent producer with cumulative production per well in the western closure to date ranging from 101,000 to 280,000 barrels of oil. The cumulative production to date from the western closure is 1,070,000 barrels of oil. The northeast of the closure has not been as extensively drained as the south and southeast where the producing wells are clustered, hence we feel the proposed location is optimum in terms of maximising the chance of success.

The Deltaic Wilcox Producing Area of Southwest Mississippi and East Central Mississippi is one of the most prolific oil producing trends in the Gulf Coast. It covers four counties in Southwest Mississippi and seven parishes in East Central Louisiana with the town of Natchez, Mississippi being the focal area of the trend. Over 42 oil producing sands ranging in depth from 3600 to 7500 feet have been classified in the Wilcox Trend. These sand zones have porosity ranges from 25% to 33% and from 50 to 4000 mD permeabilities. With their water drive mechanisms most Wilcox oil reservoirs are capable of 400 to 750 barrels of oil per acre-foot recoveries. The reservoir traps are both low relief structural closures and combination structural-stratigraphic features formed by low relief structural noses with natural levee shale barriers forming stratigraphic closure barriers. Extensive delta system depositions modified by shoreline oscillation periods sets up both differential compaction low relief structural closures and the complex structural-stratigraphic shale barrier systems.

The prolific oil recoveries of Wilcox oil sands and high economic returns caused a large number of wells to be drilled in the area from the late 1940s through the early 1980s. Discovery rates declined over the years and the principal operators relocated to other areas. There has been little emphasis towards continued reservoir development with re-drilling for structural advantage to achieve more complete drainage of reservoirs. Instead, as wells reached economic limits they have been abandoned with little thought to additional oil recovery from their fields.

5.2 Description

Included with the prospect data is a structure map of the Roxie Field, Franklin County, Mississippi contoured on top of the field's Benbrook sand interval. All of the wells in this field had been abandoned in 1981 when Callon recognized that an attic oil possibility existed in the Benbrook sand. Callon drilled two wells on the apex of the Benbrook sand structure and to date these wells have a cumulative production of 313,000 BO. One of the wells continues to produce as an economic stripper producer. The success of the Roxie Field re-drilling for un-recovered attic oil provides a perfect analogue for the WECO Oil Recovery Program effort in which Meridian will be a partner.

Wireline logs in the form of paper extracts for the producing and non-producing wells which penetrate the structure were examined. The thickness of the Minter "B" sand unit and the presence of hydrocarbon in the sands to define the original oil water contact for each well was undertaken. The top depth for the Minter "B" was also noted for the estimation of the potential attic oil volumes remaining in the structure. The paper log extracts provided included induction and spontaneous potential suites from which the Minter "B" sands could be identified. Core data from the Furrh 20-1 and Jett 1 wells indicate very good reservoir quality in the sands with an average porosity of 28.6% and permeability of 144 mD (geometric permeability is 89mD).

Log-derived porosity is not possible to obtain due to lack of log measurements. Thus the core porosity has been used as an estimate for the Minter "B" sands. The initial water saturation cannot be accurately determined from the available logs or core data and an estimated value has been applied based on analogue data for volumetric determination.

The table below summarises the net thickness and oil down to levels in the Levees Creek field.

Well	Map Name	Minter "B" thickness (ft)*	Top picked depth**	Map Depth*	Oil Down To*	Water Up To*	Shift applied to level OWC
Furrh 20-1	Furrh 20-1	16	6435	6434	6441		0
Champlin 1	Champlin-1	6	6430	6430	6431		0
Kemp USA 1	Kemp USA-1	10	6430	6430		6450	0
Kemp Minter 1	Kemp-1	12	6425	6428	6428		+3
Tidewater 1	TW-JETT-1	9	6430	6423	6438		-7
Jett Oil 1	JETT-1	6	6425	6426	6431		0
Gribas 1	Gribas-1	6	6436	6436			0
Jett Oil A2	JETT A-2	7	6424	6424	6437		0
Barnett Serio 3	J-O OIL-3	8	6433	6427	6439		-6
Barnett Serio A1	A-1	6	6424	6424	6430		0
Serio-2	Serio-2	8	6423	6423	6431		0
Durbin Bond-1	Un-named	6	6425	6425	6431		0

*All depths in feet measured to DF datum

**Top Minter "B" depth as picked by Scott Pickford from paper logs

The logs were shifted where required such that the OWC (highly recognisable) matches the average contact of 6431'. It is thought to be highly unlikely that the original contact was tilted and the quality of the depth measurements are likely to be prone to error given the lack of modern survey information.

The principal risk for this project is whether the relatively thin reservoir and very low relief closure may have already been substantially drained by lateral movement of the oil through time as a result of pressure draw-down. As a result, careful volumetric and productivity analysis was required to evaluate the remaining potential reserves.

The structure map and well locations were carefully scanned and set up on the correct scale using a regular grid which was not referenced to any particular projection or spheroid. As a check, the well data was extracted and gridded using CPS-3 Taylor Series algorithm to examine whether an entirely objective, computer contoured approach supports the area of closure proposed by Meridian and we found that allowing for a slight weakness in the northeast of the closure, where well control is least, the closure is robust.

A Minter "B" Sand thickness of 8' was used to construct the reservoir envelope and contacts of 6431' and 6423' were used to represent original oil-water contact ("OOWC") and the present day prognosed oil-water contact ("POWC"). The volume of the reservoir envelope above OOWC and volume above POWC were calculated and the difference calculated to check whether sufficient volume exists between OOWC and POWC to support the known production-to-date. The area within the POWC is 132 acres.

A spreadsheet was set up to allow the sensitivity to variations in net thickness, porosity, initial saturation, Bo and recovery factor to be examined and compared with the performance seen in the wells that have produced already in terms of likely drainage areas. Three 'captured' sensitivities are displayed as tables a, b & c below. The key sensitivities examined were with regard to the thickness of the reservoir and its consistency between the middle of the three Levees Creek closures (hence forth referred to as 'central') and the western closure (hence forth referred to as 'west'). As described above, 'central' has been drilled on its apex and therefore we can expect it to be more or less fully depleted giving an accurate indication of the overall recovery factor that can be achieved from these reservoirs. There is a moderately complex inter-dependence between the net thickness within any given area, the recovery factor ("RF") and the area drained. Of course, saturation, porosity and Bo can influence the ultimate recoverable reserves but by fixing these parameters we can examine the inter-dependencies.

VOLUMETRICS – OIL

PROSPECT	WEST LEVEES CREEK WHOLE STRUCTURE	WEST LEVEES CREEK Attic	WEST LEVEES CREEK PRODUCED	CENTRAL LEVEES CREEK ADJACENT STRUCTURE
area (acres)	219	76	143	225
net pay (ft)	7.8	7.8	7.8	9.265
n:g	1	1	1	1
porosity	28.6%	28.6%	28.6%	28.6%
sat hydro	80.0%	80.0%	80.0%	80.0%
Bo	1.109	1.109	1.109	1.109
STOIIP (MMstb)	2.73	0.95	1.79	3.34
RF	0.6	0.6	0.6	0.6
Reserves	1.64	0.57	1.07	2.002
ACTUAL PRODUCED			1.07	2.002 +

Single well drainage area

area (acres)	13.7	37.4
net pay (ft)	7.8	7.8
n:g	1	1
porosity	28.6%	28.6%
sat hydro	80.0%	80.0%
Bo	1.109	1.109
STOIIP (MMstb)	0.17	0.47
RF	0.6	0.6
Reserves	0.103	0.280
Production	103 MBO	280 MBO

Table a: Volumetric balance with RF set to 60% and "central" average net pay allowed to "float" to accommodate known production. "West" produced area allowed to "float" to match known production.

Table a shows the case where RF is set to 60%. This is based on our best judgement based on initial and residual saturations (core-based) leading to estimates of volumetric sweep efficiency. Imposing the 60% RF and keeping all other parameters the same as 'west', requires that 'central' has a thicker net of 9.265' as opposed to the 7.8' average seen in the 'west' wells. We requested some wells from 'central' to check this and to date the wells we have seen (Minter A-3 and PanAm-9) show thickness consistent with 'west' at about 8' and 7' respectively. This may suggest that the RF should be higher to permit consistency of net thickness and this is examined below. However, for completeness, we have examined the implications of the RF being set at 60% in 'west'. In order to match the production seen to-date (1.07 million barrels of oil), the area drained has to be set to 143 acres out of the total area of 219 acres above the OOWC. The mapped area of 'attic' above the POWC is 132 acres. This implies that 56 of the proposed 132 acres of 'attic' have already been produced due to draw-down, water under-running and cusping as described above. It is likely that in this scenario, given the producing well distribution on 'west', that the southern part of the 'attic' area has been depleted more than the northern part. However, the volumetric balance still leaves 570,000 barrels of oil recoverable which, depending on whether the wells drilled perform to the higher or lower end of productivity to date, will require between 2 and 5 wells to produce (see "single well drainage area" summary panel for Levees Creek on table a).

VOLUMETRICS – OIL

PROSPECT	**WEST LEVEES CREEK WHOLE STRUCTURE**	**WEST LEVEES CREEK Attic**	**WEST LEVEES CREEK PRODUCED**	**CENTRAL LEVEE CREEK ADJACENT STRUCTURE**
area (acres)	219	100	119	225
net pay (ft)	7.8	7.8	7.8	7.8
n:g	1	1	1	1
porosity	28.6%	28.6%	28.6%	28.6%
sat hydro	80.0%	80.0%	80.0%	80.0%
Bo	1.109	1.109	1.109	1.109
STOIIP (MMstb)	2.73	1.25	1.49	2.81
RF	0.72	0.72	0.72	0.7125
Reserves	1.97	0.90	1.07	2.002
ACTUAL PRODUCED			1.07	2.002 +

Single well drainage area

area (acres)	11.5	31.2
net pay (ft)	7.8	7.8
n:g	1	1
porosity	28.6%	28.6%
sat hydro	80.0%	80.0%
Bo	1.109	1.109
STOIIP (MMstb)	0.14	0.39
RF	0.72	0.72
Reserves	0.103	0.281
Production	103 MBO	280 MBO

Table b: Volumetric balance with "central" average net pay set to 7.8' and RF allowed to "float" to accommodate known production. "West" produced area allowed to "float" to match known production.

Table b shows what happens if one accepts that the average net thickness over both 'west' and 'central' is 7.8' and allow the RF to vary such that known production is matched on 'central'. An RF of 0.7125 matches the 2.002 million barrels of oil posted exactly; however, as stated above, there are a couple of wells posted as producers that do not have production quotas annotated (A&N-1 and A&N A-4) so 2.002 million probably represents a minimum. For this reason we have rounded up to 72% but the difference is minimal. The 72% RF requires that 32 of the proposed 132 acres of 'attic' have already been depleted, the distribution of which will follow similar logic to the case presented above. In this scenario, the recoverable reserves remaining in west Levees Creek is 900,000 barrels of oil which will require between 3 and 8 wells depending on well performance as described above (see "single well drainage area" summary panel for West Levees Creek on table b).

VOLUMETRICS – OIL

PROSPECT	WEST LEVEES CREEK WHOLE STRUCTURE	WEST LEVEES CREEK Attic	WEST LEVEES CREEK PRODUCED	CENTRAL LEVEE CREEK ADJACENT STRUCTURE
area (acres)	219	56	163	225
net pay (ft)	7.8	7.8	7.8	10.585
n:g	1	1	1	1
porosity	28.6%	28.6%	28.6%	28.6%
sat hydro	70.0%	70.0%	70.0%	70.0%
Bo	1.109	1.109	1.109	1.109
STOIIP (MMstb)	2.39	0.61	1.78	3.34
RF	0.6	0.6	0.6	0.6
Reserves	1.44	0.37	1.07	2.002
ACTUAL PRODUCED			1.07	2.002 +

Single well drainage area

area (acres)	15.7	42.7
net pay (ft)	7.8	7.8
n:g	1	1
porosity	28.6%	28.6%
sat hydro	70.0%	70.0%
Bo	1.109	1.109
STOIIP (MMstb)	0.17	0.47
RF	0.6	0.6
Reserves	0.103	0.280
Production	103 MBO	280 MBO

Table c: Volumetric balance with RF set to 60% and Sw set to 70%. "Central" average net pay allowed to "float" to accommodate known production. "West" produced area allowed to "float" to match known production.

Table c shows a case where the RF is set at 60% and the hydrocarbon saturation has been dropped to 70% (from 80%). The average net thickness required in 'central' is 10.585' to match known production and this is stretching the limits of the available well data but not impossible. The un-drained 'attic' is restricted to 56 acres under this scenario and has 370,000 barrels of oil remaining recoverable, again probably concentrated in the north of the structure. If the higher end well productivity can be achieved the majority of the reserves would be drilled by one well but 2 wells equally spaced might be worth considering in order to allow for the eventuality of the wells performing to the lower end demonstrated thus far.

The reserve size and classification is discussed below.

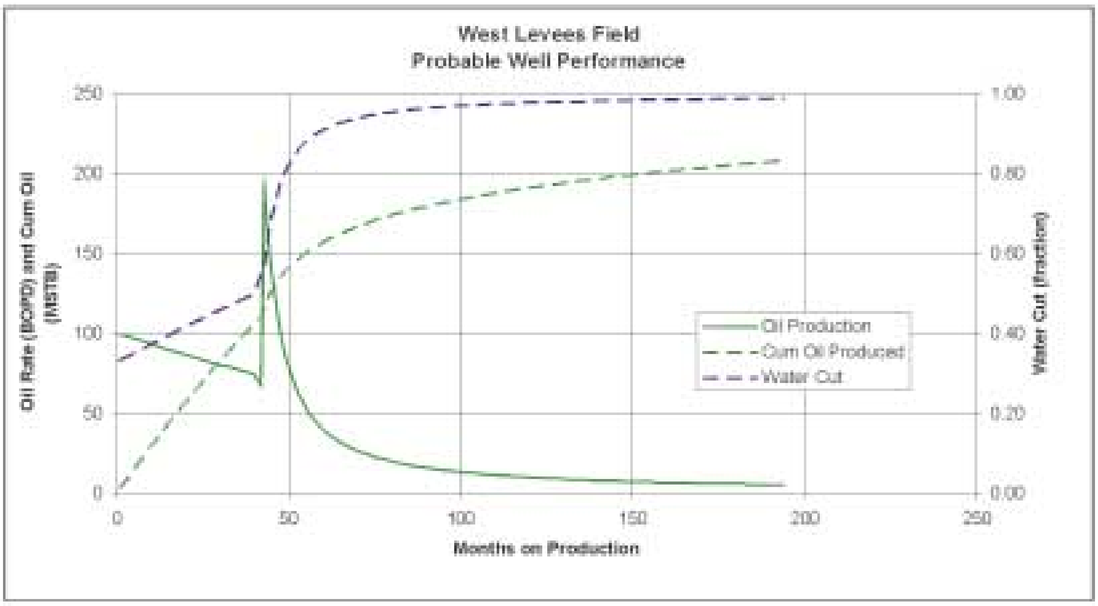
5.3 Valuation

The potential remaining recoverable reserves therefore range from 370,000 barrels to 900,000 barrels of oil. In our opinion, the reserve should be classified as P2. At this point in time, aside from the uncertainty on the range of reserve size, two major considerations have to be taken into account in classifying the reserve. Firstly, the 'attic', by definition has not been drilled and therefore in the absence of any seismic evidence for the structure there remains a possibility (admittedly very small) that there is no further closure above the POWC as defined by the wells to date. Secondly, there remains a possibility that the reservoir in the 'attic' area could be absent or of markedly poorer quality, particularly towards the north of 'west' where production has not been strongly demonstrated. The consistency of thickness and production across the whole of Levees Creek would suggest this outcome to be extremely unlikely, however, until a well has been drilled and production proven the reserve has to remain as P2.

The median reserve, based on the above, is 635,000 BO and the mean is 613,000 BO. As a result we have settled on P2 reserve for West Levees Creek of 625,000 barrels of oil. If required, the 900,000 barrel figure could be considered as a separate P3 reserve but should not be used in an additive sense with the P2 reserves as it is incorporated into the mean and median already since it is deemed an equally likely outcome given the evidence from the 'central' production as described.

The production schedule for the P2 reserve volume is based on the concept that typical wells in this area exhibit ultimate oil recovery values in excess of 200,000 barrels of oil. This implies that three wells will be required to develop the P2 reserve volume, each of which recovers 208,333 barrels of oil. Initial potentials for the older wells range from as low as 50 BOPD to over 100 BOPD. Given the water drive and low dip nature of the reservoir, the optimum plan of operation would be for the producing rate to be kept relatively low to avoid water under-running or water cusping problems. For this reason, the production schedule utilizes an initial rate of 100 BOPD per well and assumes that the initial water cut will be no more than 33 per cent. Total liquid withdrawal rate will initially be limited to 150 BFPD even though there will be additional deliverability due to the high permeability nature of the formation.

In this type of field, the water-oil-ratio tends to increase logarithmically with cumulative oil withdrawals. By limiting the overall rates of withdrawal, the water-oil-ratio versus cumulative production performance will be more favourable due to minimizing under-running and cusping effects. It is assumed that half the reserves will be produced in this fashion. Once the water-cut increases to 50 per cent. it is assumed that high volume artificial lift will be installed allowing withdrawals to increase to at least a 450 BFPD rate as observed in other nearby wells. The terminal water cut of 99 per cent. will then correspond to a terminal oil rate of approximately 5 BOPD. The following plot shows the expected performance of a typical Probable well in West Levees Creek Field.



Production is targeted for November 2004 and the production profile shown above was incorporated into the economic model and the resulting values are shown in tables 8 and 9 below. To calculate the NPVs presented therein, Scott Pickford has audited the economic modelling (and input parameters thereto) carried out by Meridian on each of the individual licences. We have checked that the production profiles in the model match those predicted by ourselves and that the pricing, opex and capex assumptions are reasonable and in line with current expectation. The resulting cash flow model has been consolidated and discounted in the usual way resulting in the valuation quoted below. All values are pre-tax.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Oil	625,272 bbls	390,795 bbls	46.9%	3,238	2,971	2,738
West Levees Creek Probable (P2) Net Present Value					2,971	

Table 8: Levees Creek Probable Recoverable Reserves and Volumetric Summary.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Oil	833,696 bbls	521,060 bbls	46.9%	4,287	3,927	3,613
West Levees Creek Probable plus Possible (P2+P3) Net Present Value					3,927	

Table 9: West Levees Creek Probable plus Possible Recoverable Reserves and Volumetric Summary.

The following economic assumptions have been made:

- Gas, condensate and crude oil reference price forecasts commence with May 2004 spot prices and then decline over 18 months to long-term reference prices of \$4.50/mcf for gas, \$25.20/bbl for condensate and \$26.50/bbl for oil.
- The actual prices used are as follows:

	Oil US\$/bbl
2004 2H	35.90
2005	29.90
2006	26.50
2007 on	+ 3% pa

All costs are inflated at 2% per annum.

US\$ have been converted to Pounds at a rate of 1.793

6.0 Middleton Creek – Mississippi

6.1 Location and Licences

On 7th May 2004, Meridian Resources (USA) Inc. acquired an 80% WI from Longwood Exploration Company, with a NRI of 64%, in the Middleton Creek Prospect, Franklin County, Mississippi. The prospect is located in Sections 30 & 31, T5N – R4E and Sections 34 & 35, T5N – R3E. In addition to the purchase of the 80% WI in the licence, Meridian Resources (USA) Inc. is committed to pay 100% of the actual costs to drill the initial test well to casing point and 80% of any completion costs to maintain its 80% WI.

Middleton Creek is located to the east of the Wilcox trend where the drilling activity has traditionally targeted the deeper (approximately 11,000') Lower Tuscaloosa channel sands. It is situated immediately southwest of the Bude Field, approximately 35 miles southeast of Natchez, Mississippi.

6.2 Description

The Lower Tuscaloosa B-1 sand production was established in the Bude Field in February, 1949, with the completion of the Barnsdall No. 1 Pittman well in Section 29, T5N, R4E. Six additional oil wells were completed in the field during the following 15 months. The B sands in these wells are cemented with smectite chloritic clays and are therefore extremely sensitive to drilling fluid filtrate invasion which causes the clays and chlorites to swell, damaging the original in-situ permeability. This phenomenon is well documented today and has lead to a proliferation of technologies, including under-balanced drilling and specialist inert fluid completions techniques, but was less well known in the ‘40’s and ‘50’s. Even more damaging to these sands is the introduction of stimulation acid which causes ferrous iron from the chloritic clay to go into solution before forming an iron peroxide precipitate which further impairs the permeability by blocking the sand pore thoats. Both these effects occurred in the Bude Field and it is highly likely that the application of more appropriate drilling and completion techniques would have significantly enhanced the 931,374 barrels of oil that were actually produced.

In late 1975, Beard Oil Company drilled the No.1-45 USA well approximately 1¾ miles southwest of the Barnsdall No. 1 Pittman discovery at the Bude Field. The well was reported as having encountered 16' of B-1 oil sand. The B-1 sand in the Beard well was 20' higher than the B-1 3’ oil show on water seen in Gulf 45-15 USA drilled in 1960, half a mile to the south. The Beard well had a full load cushion of saltwater for perforation and was acidised with 200 gallons of acid following perforation. The well managed 32 BOPD and was abandoned after producing only 3,745 barrels of oil. Callon Petroleum Company secured a farm-out in 1982 and drilled the No. 1 Federal Beard well. The 3’ B-1 was tight but the 10' B-2 sand had good oil shows. Although Callon had kept water loss to a minimum during drilling they loaded the hole with 8,700' of load water prior to perforating. After perforation of a 16' section, it took 11 swab runs to achieve flow. Worse still was the lack of a good cement bond between the B-2 sand and a 60' water bearing sand some 45' below. Initial production rates from the B-2 averaged 60 BOPD but gradually saltwater rates increased such that the well was plugged and abandoned in June 1983.

The Lower Tuscaloosa “B” sand reservoir has been penetrated by three wells in the Middleton Creek Prospect area and by 7 producing wells in the Bude Field to the north east of the prospect. Well control in the Middleton Creek prospect is poor to the east of the three wells drilled into the prospect and the easterly extension of the “B” sand unit and its quality is uncertain.

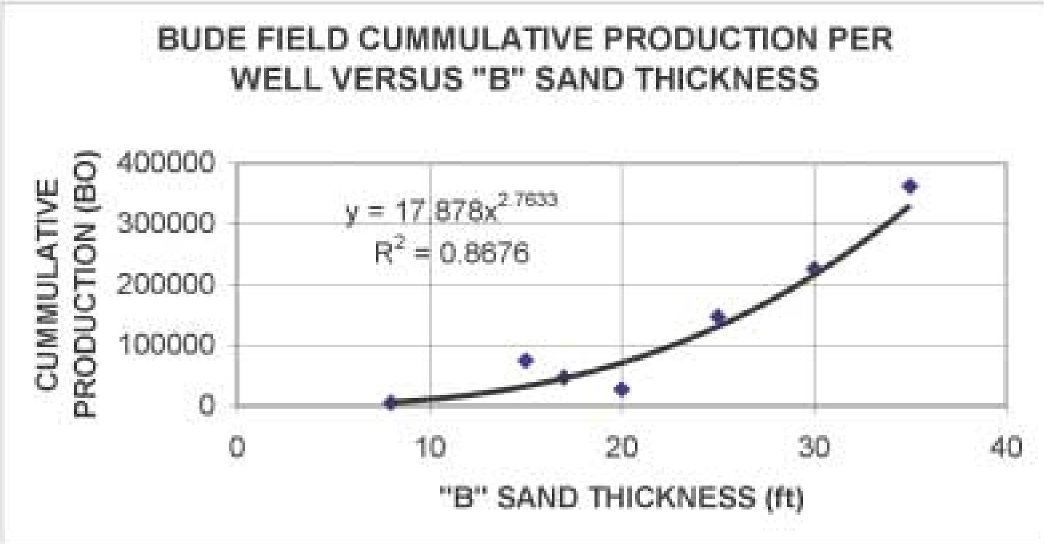
Wireline log extracts for the Middleton Creek Prospect and Bude Field were provided. A basic suite of logs were run on the wells with spontaneous potential and electrical inductance logs provided in paper form (in the Callon Federal Beard 1 well additionally a gamma and sonic report were also provided).

The log extracts were examined to determine the net thickness of the “B” sand unit and also to define the oil water contact within the Middleton Creek Prospect. Core data from the Callon Federal Beard 1 well was also available from a limited number of sidewall samples. The table below summarises the net sand thickness and contacts defined in the prospect area.

	Thickness (Ft)			Feet to DF
Well	**“B1”**	**“B2”**	**“B” unit**	**datum**
Beard 1-45	8	5	13	10646
Callon Fedral Beard 1	2	17	19	10641
Gulf 45-15	17	7	24	10643

The Callon and Beard wells both tested oil at 64 and 32 BOPD respectively while the Gulf 45-15 well intersected the “B” sands below the contact encountering wet sands with slight shows. Sidewall cores from the Callon Federal Beard 1 well have very consistent properties in the “B” sand with average porosity of 24.3% and permeability of 91.4 mD (Geometric average permeability is 87mD). From the log spontaneous potential response this well appears slightly lower reservoir quality than the other wells and these values may be slightly pessimistic. Log derived porosity is not possible to obtain due to lack of log measurements and uncertainty in the Callon Federal Beard 1 well sonic response. Water saturation cannot be accurately determined from the available logs or core data and an estimated value has been applied based on analogue field data.

Examination of the producing wells of the Bude Field and their reservoir sand thickness, indicates the “B” sand to be of variable thickness but the properties of the sand would appear to be consistent. This consistency in the “B” sand unit properties is displayed by the plotting of the cumulative production versus sand thickness of the sand unit encountered in each well. The plot below indicates a consistent trend which can be fitted by a simple power function.



The OWC in the Bude is consistent with depths estimated in the Middleton Creek prospect at 10643 ft (DF datum). However, careful analysis of the well data reveals that the picture is not as simple as first mapped. The best producing well on the field (Pittman #1) exhibits 15' of B1 sand and 20' of B2 sand. The nominal mapped 'contact' happens to coincide with the base of the B1 in that well; however, the B2 sand is also oil-wet and, we think, contributed to the overall production from this well (see graph and reasoning above). The likely thickness of the combined B1/B2 sand at the proposed location is 18' and will be above the 10643' OWC average observed in the Middleton wells. Using the above relationship this predicts that the well will produce of the order of 60,000 barrels of oil, although it should be noted that the application of modern drilling and completion techniques may considerably improve this performance.

We have undertaken an independent mapping exercise based on the well data in an attempt to quantify the likely pool size that might be exploited. By mapping the top B1 sand and independently contouring our interpreted thickness of the two sands in the wells, we were able to construct top and base B1 and B2 surfaces. The B2 sand was separated from the B1 by a constant 15' shale as seen in several of the wells. The resultant base reservoir surfaces were then clipped to 10643' contact seen in the Middleton area and the resulting net pay thickness mapped. The exercise reveals that the B2 sand has a moderate thickness (10-14') above the contact over an area of approximately 160 acres which extends NW from the Callon Federal Beard 1 well (see figure 10), whilst the B1 sand extends over most of the licence interest but is relatively thin over the area where B2 is above contact and only reaches 15' maximum within the licence. The proposed location will fall within this area and, as described above, should intersect approximately 18' of combined B sand.

This modelling has been used to calibrate the average production profile calculated from the Bude wells as described below.

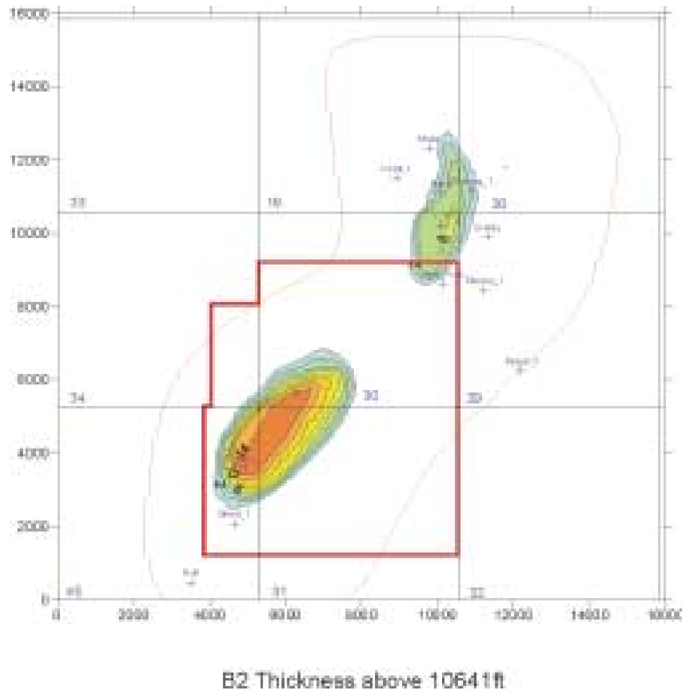


Figure 10: B2 sand thickness above OWC

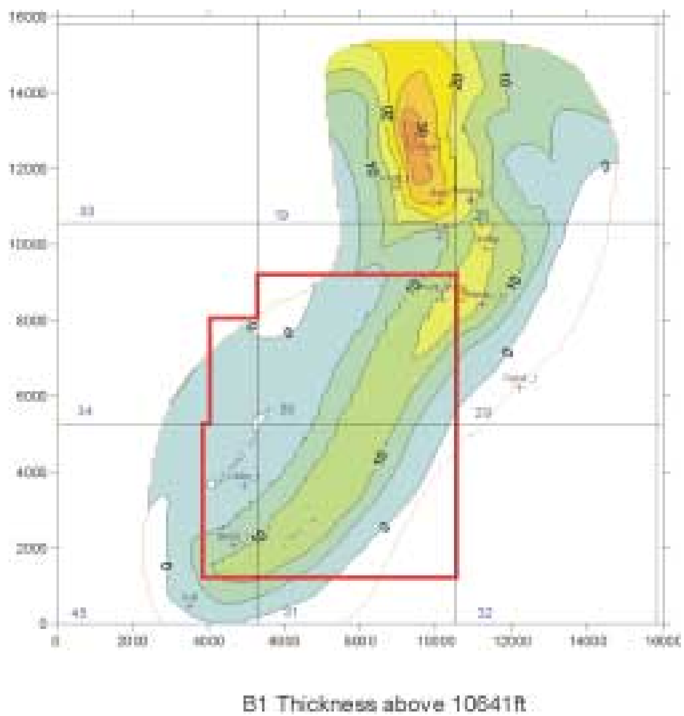
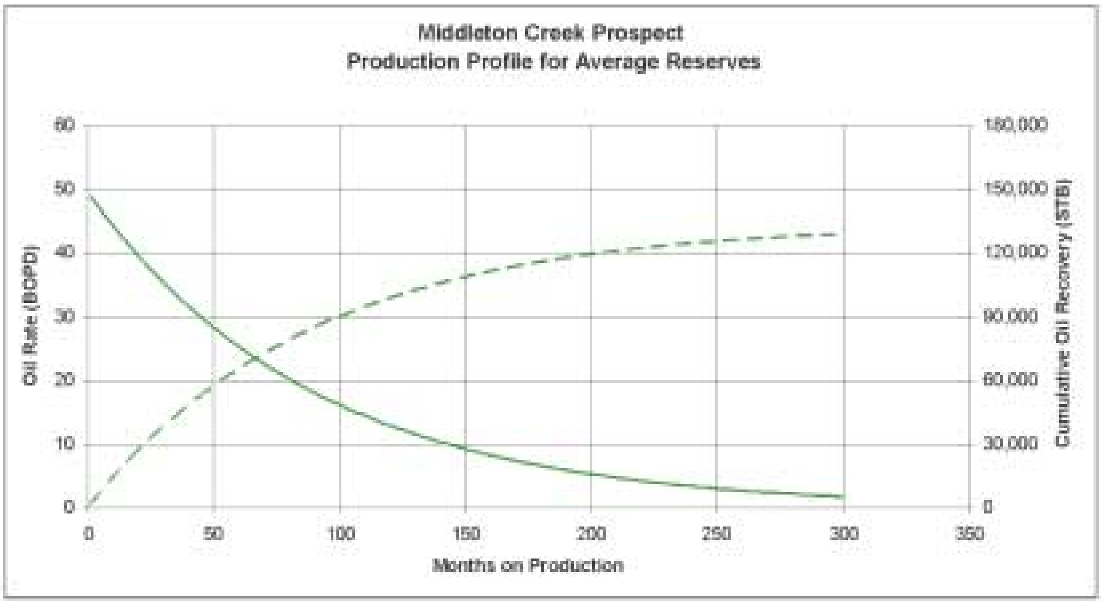


Figure 11: B1 sand thickness above OWC

Due to the lack of geologic control in the area to the east and north of the Callon Federal Beard 1 well, reserves can be assigned only on the basis of analogy to the recovery from wells in the offsetting Bude Field. On average the seven producing wells in the Bude Field recovered 131,000 barrels of oil over an extended period of time beginning in 1949. The highest recovery of the seven wells amounted to 362,657 barrels of oil while the lowest amounted to 4,743 barrels of oil. For the purpose of this analysis, the average production is scheduled using an initial rate of 50 BOPD and an exponential decline of 0.134 per year. The well life for this average well is 24 years.



For this report, two wells are drilled to the northeast and southeast (proposed location) of the Callon Federal-Beard 1. The reserves associated with these wells are classified as P3. The average profile calculated from the Bude wells delivers approximately 120,000 barrels of oil. As described above we believe the ratio of net B sand thickness to total production per well is reasonably clear. On that basis we would expect the wells drilled within the Middleton licence, based on the well data to date, to deliver of the order of 60,000 barrels of oil. We have maintained the initial production rate seen in Bude but doubled the decline rate to reflect the thinner reservoir deliverability. Assuming an 80 acre drainage capacity we have allowed for two wells to be drilled to test and produce from the B1 and B2 sand using the revised decline curve. This delivers approximately 120,000 barrels of oil. Future drilling may indicate that there are several additional drill sites and may also indicate the potential for oil recovery values greater than those included in this report. In our opinion, given the uncertainties described above this prospect can only be categorised as P3.

The production profile shown above was incorporated into the economic model as described and the resulting values are shown in table 10 below. To calculate the NPVs presented therein, Scott Pickford has audited the economic modelling (and input parameters thereto) carried out by Meridian on each of the individual licences. We have checked that the production profiles in the model match those predicted by ourselves and that the pricing, opex and capex assumptions are reasonable and in line with current expectation. The resulting cash flow model has been consolidated and discounted in the usual way resulting in the valuation quoted below. All values are pre-tax.

Fluid	Field Reserves	WI Reserves	NRI	NPV discounted @ (£000)		
				6%	8%	10%
Oil	133,566 bbls	106,853 bbls	64%	-84	-144	-197
Middleton Creek Possible (P3) Net Present Value					0	

Table 10: Middleton Creek Possible Recoverable Reserves and Valuation Summary

The following economic assumptions have been made:

- Gas, condensate and crude oil reference price forecasts commence with May 2004 spot prices and then decline over 18 months to long-term reference prices of $4.50/mcf for gas, $25.20/bbl for condensate and $26.50/bbl for oil.

The actual prices used are as follows:

	Oil US$/bbl
2004 2H	35.90
2005	29.90
2006	26.50
2007 on	+ 3% pa

All costs are inflated at 2% per annum.

US$ have been converted to Pounds at a rate of 1.793

7.0 OTHER RESOURCES

7.1 Arrowie and Otway Basins – Australia

Meridian has acquired a 76.7% WI in a licence (PEL82) of a property situated in the Otway Basin. It has also acquired 100 per cent. interests in four licence applications in respect of properties in the Arrowie Basin (PELA 131, 132, 133 and 134).

The Arrowie licence applications relate to some 8.7 million acres and has some 3400km of 2D seismic. PELA132 contains the Dolores prospect just to the south of Lake Frome in South Australia and is located just 25km from the existing Moomba – Adelaide pipeline. The prospect is identified on seismic as an anomalous amplitude within the Cambrian clastics of the Billy Creek Formation at about 1600m depth. The prospect has been worked up by Meridian and the prospect risk summary is shown below. Scott Pickford has not formally valued this acreage but notes that even the P2 reserve of approximately 125 bcf calculated by Meridian (see prospect risk summary at page 53 of this Document), would be a significant gas find in a market which is already experiencing periods of short supply and is in the process of de-regulating. Gas prices are expected to remain firm and probably increase as the de-regulation proceeds.

Meridian plans to drill the Dolores prospect towards the end of 2004 or slightly later but in the meantime will be undertaking an exploration program based on gravity, magnetics and seismic re-processing and new acquisition. It is likely that a number of other prospects will emerge as a result of this work in what is undeniably a huge area.

The Otway licence, PEL-82, is a new addition (December 2003) to the Meridian portfolio and will be targeting the well known Waarre Sandstone as well as some less well developed shallower plays. The exploration program for PEL-82 will follow a similar pattern to the Arrowie licences. Again, Scott Pickford has not carried out a formal valuation of this acreage but considers Australian licences as significant, as yet, unrealised potential value that will be appraised whilst the US portion of the portfolio is drilled for early cash-flow and will most likely form a significant proportion of Meridian's activity in the second phase of the business plan.

PROSPECT RISK SUMMARY   Meridian

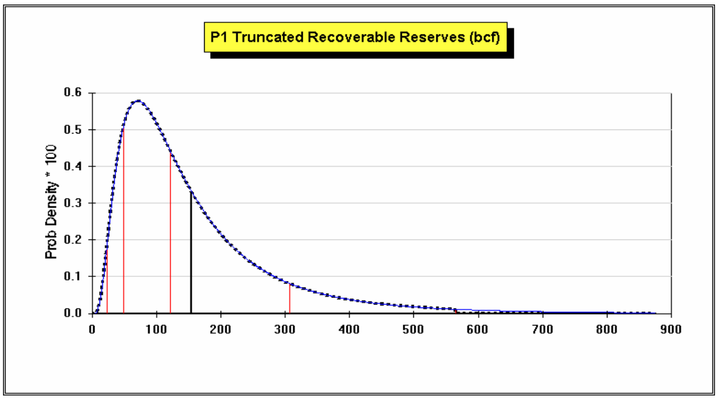
Prospect	**Dolores**	**Total Depth**	**1,600** m
Block		**Well cost**	**$1.20** million

Dolores 1 is located about 40 kilometres north-east of Gas compressor station no 4 on the Moomba to Adelaide gas pipeline.

Risk Analysis	**Billy Creek sand**
Trap	65%
Reservoir	70%
Seal	60%
Source	70%
COA	**19%**

Potential reserves - Deterministic

	Billy Creek sand
Area (sq km)	2.4
Relief (m)	20
Geometric factor	0.42
Net/Gross	80%
Porosity	20%
Sh	50%
FVF	0.9
Recovery	40%
Fill factor	100%
In place (bcf)	**0.1**
Recoverable (bcf)	**0.0**



Potential reserves - Probabilistic

Billy Creek sand	**P99**	**P90**	**P50**	**P10**	**P01**	**Mean**	
Area (sq kms)	16.95	20.00	24.49	30.00	35.39	**24.80**	
Vertical relief (m)	15.1	20.0	28.3	40.0	53.1	**29.3**	
Geometric factor	0.76	0.80	0.85	0.90	0.94	**0.85**	
GRV (sq km m)	**281.43**	**391.78**	**587.88**	**882.12**	**1228.03**	**618.10**	
Net/Gross	76%	80%	85%	90%	94%	**85%**	
Porosity	6%	7%	9%	12%	15%	**9%**	
Sh	46%	50%	55%	60%	65%	**55%**	
FVF	46.9	90.0	200.0	444.4	852.2	**242.8**	
In place	**32.01**	**68.97**	**176.86**	**453.52**	**977.22**	**231.67**	
Recovery	53%	60%	69%	80%	90%	**70%**	
Recoverable reserves	**21.74**	**47.27**	**122.53**	**317.66**	**690.60**	**161.52**	bcf
Meps (bcf)	**5.00**						
Truncated recoverable	**21.69**	**47.07**	**121.40**	**306.14**	**564.80**	**153.90**	bcf

COMMERCIAL ANALYSIS	**Creek**	
Minimum economic pool size	5.0	bcf
P(Meps)	100%	
P(Commercial success)	19%	
Mean commercial reserve	153.90	bcf
NPV of discovery ($/mcf)	**1.00**	
Finding cost ($m)	**1.50**	
Expected monetary value ($m)	**27.90**	

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PART IV

FINANCIAL INFORMATION ON THE GROUP

PART IV (A): ACCOUNTANTS' REPORT ON MERIDIAN PETROLEUM PLC

The Directors
Meridian Petroleum plc
42 Berkeley Square
London
W1J 5AW

and

The Directors
WH Ireland Limited
Cannongate House
62-64 Cannon Street
London
EC4N 6AE

12 July 2004

MERIDIAN PETROLEUM PLC (THE "COMPANY")

1 INTRODUCTION

1.1 We report on the financial information set out in paragraph 2. This financial information has been prepared for inclusion in the Admission Document of the Company dated 12 July 2004.

BASIS OF PREPARATION

1.2 The financial information set out in paragraph 2 below is based on the transactions of the Company from incorporation to 30 April 2004.

RESPONSIBILITY

1.3 The directors of the Company are responsible for the books and records from which such transactions have been extracted.

1.4 The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

1.5 It is our responsibility to compile the financial information set out in our report from the books and records of the Company, to form an opinion on the financial information and to report our opinion to you.

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BASIS OF OPINION

1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

1.7 We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

OPINION

1.8 In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 April 2004.

CONSENT

1.9 We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2 FINANCIAL INFORMATION

2.1 The Company was incorporated in England and Wales as Meridian Petroleum Resources plc on 15 April 2004, with company number 5104249. On incorporation the Company had an authorised share capital of £5,000,000 divided into 100,000,000 ordinary shares of £0.05 each.

2.2 On 11 May 2004 the shareholders passed a special resolution to increase the authorised share capital to £7,500,000 divided into 150,000,000 ordinary shares of £0.05 each.

2.3 On 12 May 2004 the Company changed its name to Meridian Petroleum plc.

Balance sheet as at 30 April 2004

	At 30 April 2004 *£*
CURRENT ASSETS	
Debtors	0.10
TOTAL ASSETS LESS CURRENT LIABILITIES	0.10
CAPITAL & RESERVES	
Called up share capital	0.10
SHAREHOLDERS' FUNDS	0.10

2.4 On 26 May 2004 the Company entered into an agreement with all the shareholders of Meridian Resources Limited to acquire the whole of the issued share capital of that company, the consideration to be satisfied by the allotment and issue of 44,999,998 Ordinary Shares, credited as fully paid, in the Company together with the transfer of 1 Ordinary Share each to Anthony Mason and Mercap Partners LLP.

2.5 On 14 May 2004 the Company issued 5,000,000 warrants at an exercise price of 10p per Ordinary share to RAB Special Situations LP to be exercised before 31 December 2005.

2.6 The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

2.7 As at the date of the Admission Document the Company has carried out no trading, has declared no dividends and the only transactions of the Company are as stated above.

2.8 The Company has not entered into any material contracts at the date of this report other than those set out on paragraph 8 of Part V of the Admission Document.

Yours faithfully

GRANT THORNTON UK LLP

Grant Thornton

Chartered Accountants
UK Member of
Grant Thornton International

PART IV (B): ACCOUNTANTS' REPORT ON MERIDIAN RESOURCES LIMITED

The Directors
Meridian Petroleum plc
42 Berkeley Square
London
W1J 5AW

and

The Directors
WH Ireland Limited
Cannongate House
62-64 Cannon Street
London
EC4N 6AE

12 July 2004

MERIDIAN RESOURCES LIMITED ("MERIDIAN RESOURCES") AND ITS SUBSIDIARY UNDERTAKINGS (TOGETHER THE "MERIDIAN RESOURCES GROUP")

1 INTRODUCTION

1.1 We report on the consolidated financial information set out in paragraphs 3.1 to 4.15. This financial information has been prepared for inclusion in the Admission Document of Meridian Petroleum plc.

BASIS OF PREPARATION

1.2 The financial information set out in paragraphs 3.1 to 4.15 below is based on the unaudited consolidated financial statements of Meridian Resources Limited for the period from incorporation on 14 October 2003 to 30 April 2004 and has been prepared on the basis set out in paragraph 4.1 to which no adjustments were considered necessary.

RESPONSIBILITY

1.3 Such financial statements are the responsibility of the directors of Meridian Resources Limited who approved their issue.

1.4 The directors of Meridian Petroleum plc are responsible for the contents of the Admission Document dated 12 July 2004 relating to the admission to AIM of Meridian Petroleum plc in which this report is included.

1.5 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

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BASIS OF OPINION

1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by Meridian Resources in preparing the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

1.7 We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

OPINION

1.8 In our opinion the financial information gives, for the purposes of the Admission Document dated May 2004, a true and fair view of the results and cash flows of the Meridian Resources Group for the period ended 30 April 2004 and the state of affairs of the Meridian Resources Group at 30 April 2004.

CONSENT

1.9 We consent to the inclusion in the Admission Document dated 1 May 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2 STATUTORY INFORMATION

2.1 The Meridian Resources Group comprises:

Holding company	Meridian Resources Limited
Subsidiary companies	Meridian Resources (USA) Inc. (US based subsidiary)
(100% owned)	Meridian Resources Pty Limited (Australian based subsidiary)

3 FINANCIAL INFORMATION

3.1 **Consolidated Profit and Loss Account**

	Note	*7 months ended 30 April 2004* £
Turnover	4.2	–
Direct costs		
Non capital exploration and testing costs		(95,823)
Gross loss		(95,823)
Administrative expenses		(358,559)
Operating loss		(454,382)
Interest receivable		468
		(453,914)
Interest payable		–
Loss on ordinary activities before taxation		(453,914)
Tax on loss on ordinary activities	4.4	–
Loss on ordinary activities after taxation		(453,914)
Dividends		–
Loss for the period	4.11	(453,914)

All amounts relate to continuing activities.

3.2 **Consolidated Balance Sheet**

	Note	*At 30 April 2004* £
INTANGIBLE ASSETS		
Exploration and development costs	4.5	325,834
CURRENT ASSETS		
Debtors	4.6	52,915
Cash at bank and in hand		167,632
		220,547
CREDITORS		
Amounts falling due within one year	4.7	(96,795)
NET CURRENT ASSETS		123,752
TOTAL ASSETS LESS CURRENT LIABILITIES		449,586
CAPITAL & RESERVES		
Called up share capital	4.12	4,500
Share premium		899,000
Profit and loss account	4.13	(453,914)
SHAREHOLDERS' FUNDS	4.13	449,586

3.3 **Consolidated Cash Flow Statement**

	Note	*7 months ended 30 April 2004* £
Net cash outflow from operating activities	4.8	(410,502)
Returns on investments and servicing of finance		
Interest received		468
Net cash inflow from returns on investments and servicing of finance		468
Capital expenditure		
Cost of exploration and evaluation of reserves		(325,834)
Net cash outflow from capital expenditure and financial investment		(325,834)
Financing		
Issue of share capital		903,500
Net cash inflow from financing		903,500
Increase in cash and cash equivalents	4.9	167,632

4 NOTES TO THE FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 APRIL 2004

4.1 Accounting Policies

Basis of preparation

The financial information has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Consolidation

The consolidated financial statements, from which this financial information has been complied, incorporate the financial statements of Meridian Resources Limited and its subsidiaries. The results of subsidiaries are included from the date of acquisition.

Exploration and development costs

In accordance with the full cost method as set out in the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued in June 2001, expenditure including related overheads on the acquisition, exploration and evaluation of interest in licences not yet transferred to a cost pool is capitalised under intangible assets. Cost pools are established on the basis of geographical area. 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 tangible assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

4.2 Segmental information

There has been no turnover within Meridian Resources Group since incorporation.

The gross loss and exploration assets all arise in North America from oil, gas and condensate interests.

4.3 **Staff Costs**

	7 months ended 30 April 2004 £
Wages and salaries	42,206
Social security costs	–
Other pension costs	–
	42,206

There was one employee, the director, during the period.

4.4 **Taxation**

The Meridian Resources Group is currently generating losses and therefore has no tax liability for the period under review. Losses carried forward at 30 April 2004 amounted to £453,914.

4.5 **Intangible Fixed Assets**

	£
Cost	
At 30 April 2004	325,834
Amortisation	
Provision for the year	–
Net book value	
At 30 April 2004	325,834

4.6 **Debtors**

	At 30 April 2004 £
Other debtors	2,960
Social security and other taxes	38,155
Prepayments	11,800
	52,915

All amounts shown under debtors fall due for payment within one year.

4.7 **CREDITORS: Amounts Falling Due Within One Year**

	At 30 April 2004 £
Trade creditors	4,557
Other creditors	61,838
Accruals	30,400
	96,795

4.8 **Net cash outflow from operating activities**

	7 months ended 30 April 2004 £
Operating loss	(454,382)
(Increase) in debtors	(52,915)
Increase in creditors	96,795
Net cash outflow from operating activities	(410,502)

4.9 **Analysis of changes in net cash and cash equivalents**

	Cash in hand & at bank £
At 14 October 2003	–
Cash inflow	167,632
At 30 April 2004	167,632

4.10 **Deferred Taxation**

There are no actual or potential liabilities for deferred taxation provided for within the financial statements of the Group.

4.11 **Reserves**

	7 months ended 30 April 2004 £
Profit and Loss Account	
Brought forward	–
Loss for the period	(453,914)
Carried forward	(453,914)
Share Premium Account	
Brought forward	–
Premium on shares issued in the period	899,000
	899,000

4.12 **Called up share capital**

	Ordinary shares of 0.1p each No.	*Nominal value* £
30 April 2004 Authorised	10,000,000	10,000
Allotted, Called up & Fully paid	4,500,000	4,500

4.13 **Reconciliation of Movements in Shareholders' Funds**

	7 months ended 30 April 2004
	£
Opening shareholders' funds	–
Loss for the period	(453,914)
Issue of Ordinary Shares during the period	903,500
Closing shareholders' funds	449,586

4.14 **Contingent Liabilities**

There were no contingent liabilities as at 30 April 2004.

Yours faithfully

GRANT THORNTON UK LLP

PART V

ADDITIONAL INFORMATION

1. Incorporation and Status of the Company

(a) The Company was incorporated in England and Wales under the Act on 16 April 2004 under the name of Meridian Petroleum Resources plc with registered number 5104249 as a public company with limited liability under the Act. On 12 May 2004, the Company changed its name to Meridian Petroleum plc. On 27 May 2004, the Company obtained a certificate pursuant to section 117 of the Act entitling it to do business and borrow. The liability of the members of the Company is limited.

(b) On Admission, the Company will be the holding Company of the Group and will, directly or indirectly, own the following wholly owned subsidiaries:

(i) Meridian Resources Limited which was incorporated in England and Wales on 14 October 2003 with registered number 4931766;

(ii) Meridian Resources (USA) Inc. which was incorporated in Delaware on 8 December 2003;

(iii) Meridian Resources Pty Limited which was registered in South Australia on 12 December 2003 with company number 107 376 385.

2. Share capital of the Company

(a) The authorised and issued share capital of the Company immediately following Admission will be as follows:

Authorised share capital		*Issued share capital*	
£	*Number of Ordinary Shares*	*£*	*Number of Ordinary Shares*
7,500,000	150,000,000	2,800,155	56,003,100

(b) By a written resolution of the members of the Company passed on 11 May 2004 the following resolution was passed:

(i) generally and unconditionally to authorise the Directors, until the conclusion of the Company's annual general meeting to be held in 2005, to allot relevant securities in accordance with section 80 of the Act up to an aggregate nominal amount of £5,287,499.90 provided always that in the case of any allotment made other than an allotment of relevant securities in connection with the acquisition of Meridian Resources or an allotment of up to 11,000,000 Ordinary Shares in connection with issues of warrants by the Company or an allotment of relevant securities pursuant to the Placing, the authority conferred by the resolution is limited to the allotment of relevant securities up to an aggregate nominal amount of £1,237,500; and

(ii) to empower the Directors, until the conclusion of the Company's next annual general meeting, pursuant to section 95 of the Act, to allot equity securities in connection with an issue of securities in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of Ordinary Shares and otherwise for cash up to an aggregate nominal amount of £2,612,500 pursuant to the authority referred to in the above sub-paragraph b(i) provided always that, in the case of any allotment made other than in connection with the allotment of equity securities up to an aggregate nominal amount of £1,125,000 pursuant to the Placing or the allotment of equity securities up to an aggregate nominal amount of £550,000 in connection with the issue of warrants, the authority conferred by the resolution is limited to the allotment of equity securities up to an aggregate nominal amount of £937,500.

(c) The provisions of Section 89 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent disapplied by the resolution referred to in sub-paragraph b(ii) above.

(d) The Placing Shares in issue following Admission will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.

(e) Save as disclosed in this document, no share or loan capital of the Company is proposed to be issued or is under option or is the subject of an agreement, conditional or unconditional, to be put under option.

(f) The Company's Articles of Association permit the Company to issue shares in uncertificated form. Application will be made for the Ordinary Shares to be admitted to CREST on Admission.

(g) No shares of the Company are currently in issue with a fixed date on which an entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.

The Articles of Association include provisions to the following effect:

(a) *Voting Rights*

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

(b) *Alteration of Capital*

(i) The Company may from time to time by ordinary resolution:

(a) increase its capital as the resolution shall prescribe;

(b) consolidate and divide all or any of its shares into shares of larger amount;

(c) sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division; and

(d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(c) *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(d) *Purchase of Own Shares*

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

(e) *Transfer of Shares*

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

(f) *Dividends and other distributions*

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board. The board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid *pro rata* to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the board so resolves, be forfeited and cease to remain owing by the Company.

The board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

The Company may cease to send any cheque or dividend warrant through the post if such instruments have been returned undelivered or remain uncashed by a member on at least two consecutive occasions. The Company shall recommence sending cheques or dividend warrants if the member claims the dividend or cashes a dividend warrant or cheque.

In a winding up, the liquidator may, with the sanction of an extraordinary resolution and subject to the Insolvency Act 1986, divide among the members *in specie* the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(g) *Restrictions on Shares*

If the board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the board (of the Company) may serve on such member or on any such person a notice (a "direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party, or by the acceptance of a take-over offer or through a sale through a recognised investment exchange as defined in the Financial Services and Markets Act 2000. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(h) *Directors*

(i) At every annual general meeting of the Company as near as possible (but greater than) one third of the directors for the time being shall retire by rotation and be eligible for re-election. The directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected directors on the same day, shall, unless they otherwise agree, be determined by lot.

(ii) Save as provided in paragraph (iii) below, a director shall not vote at a meeting of the board or any committee of the board on any resolution of the directors concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(iii) The prohibition in paragraph (ii) above shall not apply to a director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its subsidiaries by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company; (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

(iv) The ordinary remuneration of the directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £250,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the board. The directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the board or in the discharge of their duties as directors. Any director who by request of the board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the board may determine. The directors may pay pensions and other benefits to, *inter alios*, present and past employees and directors and may set up and maintain schemes for the purpose.

(v) The provisions of Section 293 of the Act relating to the mandatory retirement of directors at age 70 do not apply to the Company.

(vi) Unless otherwise determined by ordinary resolution of the Company, the number of directors shall not be less than two. There is no maximum number of directors. A director shall not be required to hold any shares of the Company by way of qualification.

(i) *Borrowing Powers*

The directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far as regards subsidiaries as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final payment) for the time being outstanding of all monies borrowed by the Company and its subsidiaries and for the time being owing to third parties shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles).

4. Directors' and Other Interests

(a) The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act in the issued share capital of the Company which have been notified to the Company pursuant to Section 324 and 328 of the Act (or are required to be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act) as at the date of this document and as expected to be immediately following Admission are as follows:

Name	*Number of Existing Ordinary Shares*	*% of Existing Ordinary Shares*	*Number of Ordinary Shares immediately following Admission*	*% of Enlarged Share Capital*
D Caldwell	450,000	1.00	450,000	0.80
A Mason	24,700,000	54.89	24,700,000	44.10
B Joyce	–	–	–	–
P Clutterbuck	–	–	–	–
J Rickards	–	–	–	–

(b) As at the date of this document, the following Directors of the Company have been granted Warrants, or options to subscribe for Ordinary Shares:

Name	*Number of Options*	*Number of Warrants*
A Mason	–	2,240,124
B Joyce	1,030,000	280,015

Further details of the Warrants and options are set out in paragraphs 7 and 8 respectively below.

(c) In addition to the interests of the Directors set out in paragraph 4(a) above, the Directors are aware of the following interests (within the meaning of Part VI of the Act) in the Ordinary Shares which, immediately following Admission, would amount to 3 per cent. or more of the Enlarged Share Capital

Name	*Number of Ordinary Shares following Admission*	*% of Enlarged Share Capital*
RAB Special Situations LP	13,750,000	24.55
Kevin Collins	5,150,000	9.20
Ron Pilbeam*	2,000,000	3.57
Mercap Partners LLP	1,800,000	3.21

*The Ordinary Shares shown against Ron Pilbeam's name are held by GOP Financial Services Limited, a company of which Ron Pilbeam is the sole shareholder and director.

(d) So far as the Directors are aware, save as disclosed in paragraphs 4(a) and (c) above, there are not any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

(e) Donald Caldwell has an interest in each of the Group's US assets by virtue of his interests in Longwood Exploration Company and Lodestar Energy, LLC. Donald Caldwell and his wife own the entire issued share capital of Lodestar Energy, LLC and they are also the sole directors of the company. Donald Caldwell owns 40 per cent. of the issued share capital of Longwood Exploration Company and is also a director and president of the company. Longwood Exploration Company and Lodestar Energy, LLC own various residual shares of the working interests and the net revenue interests in each of the Group's U.S. assets.

Longwood Exploration Company owns a 20 per cent. WI and 15.2 per cent. NRI in the Emery Hudson prospect. Lodestar Energy, LLC owns a 3.5 per cent. WI and a 2.66 per cent. NRI in the Emery Hudson prospect. In addition, Donald Caldwell personally owns a small overriding royalty interest in the lease of approximately 1.5 per cent.

Longwood Exploration Company owns a 10 per cent. WI in the Brighton 36 prospect. The NRI will not be fixed until all of the leases required in respect of the prospect have been acquired. Donald Caldwell also owns a small personal interest in the prospect.

Longwood Exploration Company owns a 3.33 per cent.WI and a 2.5 per cent. NRI in the Calvin Field prospect.

Lodestar Energy, LLC is in the course of settling its interest in the West Levees Creek prospect. Its WI will be between 3.125 per cent. and 6.25 per cent., with its NRI being 75 per cent. of the final WI figure.

Longwood Exploration Company owns a 20 per cent. WI and a 16 per cent. NRI in the Middleton Creek prospect.

5. Directors' Service Agreements/Letters of Appointment

(a) A Mason has agreed to act as chief executive officer of the Company pursuant to a service agreement with the Company dated 9 July 2004. He receives an annual salary of £120,000 pursuant to his service agreement. The agreement may be terminated by either party giving 12 months' written notice.

(b) B Joyce has been appointed as chief financial officer of the Company pursuant to a service agreement dated 9 July 2004. Pursuant to his service agreement, Brendon has agreed to work a minimum of 25 hours per week. He receives a basic annual salary of £78,000 with an additional fee at the rate of £400 per day for each day worked in excess of his 25 hour per week minimum. The agreement may be terminated by either party giving three months' written notice.

(c) D Caldwell has agreed to act as non-executive chairman of the Company for an annual fee of US$12,000, pursuant to a letter of appointment dated 9 July 2004. The letter of appointment may be terminated by either party giving three months' written notice. Lodestar Energy, LLC, a company owned by Donald Caldwell and his wife, has agreed to provide the Company with certain services, details of which are set out in paragraph 8(l) below.

(d) P Clutterbuck has agreed to act as a non-executive director pursuant to a letter of appointment dated 9 July 2004. In addition, pursuant to a consultancy agreement between the Company and Global Energy Consultants Limited, Global Energy Consultants Limited has agreed to provide the services of Mr Clutterbuck for a minimum of 5 days per month to perform various technical and strategic services for the Company. Pursuant to the consultancy agreement, Global Energy Consultants Limited receives a fee at the rate of £3,250 per month with an additional fee at the rate of £650 per day for each day worked in excess of the minimum of 5 days per month. The consultancy agreement and the letter of appointment may each be terminated by any party giving three months' written notice.

(e) J Rickards has agreed to act as a non-executive director for an annual fee of £12,000, pursuant to a letter of appointment dated 9 July 2004. The appointment may be terminated by either party giving three months' written notice.

(f) Save as disclosed above, there are no service contracts in existence between any Director and the Company or any company in the Group which cannot be determined by the relevant Company without payment of compensation (other than statutory compensation) within one year and none of the service contracts referred to in this paragraph have been amended in the last six months.

(g) It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ending 31 December 2004 will be approximately £212,000.

6. Additional Information on the Directors

(a) In addition to directorships of the Company and the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

Directors	*Current Directorships/Partnerships*	*Past Directorships*
D Caldwell	Longwood Exploration Company Lodestar Energy, LLC	None
A Mason	Meridian Resources Limited Meridian Resources (USA) Inc. Meridian Resources Pty Ltd.	None
B Joyce	Chilton Cooke Limited	None
P Clutterbuck	Global Energy Consultants Limited Eastcoast Energy Corporation Reservoir Development Associates	Northern Petroleum Plc Chinevale Limited Northern Petroleum Limited
J Rickards	Stratton Associates Limited Liontrust Winners Investment Trust PLC Colfe's Leisure Services Limited Aberdeen New Thai Investment Trust Plc	Crownridge Special Steels Limited Malcolm Innes Gallery Limited Shires of Winchester Limited Recovery Trust PLC

(b) Save as disclosed above none of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had any bankruptcy order made against him or entered into any individual voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he owned that asset or was a partner in that partnership or within the 12 months after he ceased to own that asset or to be a partner in that partnership;

(vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

(vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

(c) Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Group and remains in any respect outstanding or unperformed.

(d) No loans made or guarantees granted or provided by the Company or any member of the Group to or for the benefit of any Director are outstanding.

7. Warrants

By resolution of the Board passed on 9 July 2004, the Company executed an instrument constituting the Warrants and agreed to issue Warrants to subscribe for 4,480,247 Ordinary Shares. No application will be made for the Warrants to be admitted to trading on AIM. The principal terms of the Warrants are as follows:

(a) *Exercise Price*

The exercise price for the Warrants is the Placing Price per Ordinary Share subject to adjustment in certain limited circumstances (such as a rights issue).

(b) *Exercise and lapse of the Warrants*

The Warrants are exercisable in whole or in part from Admission until the third anniversary of Admission, after which they will lapse. The Company shall apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of the Warrants.

(c) *Variations in share price*

In the event of certain variations of the issued share capital of the Company, the Company shall effect such adjustments (if any) to the exercise price and/or the number of Warrants as the Company's auditors shall advise to be appropriate.

8. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries within the period of two years immediately preceding the date of this document and are, or may be, material:

(a) A subscription agreement dated 16 December 2003 between RAB Special Situations LP and Meridian Resources pursuant to which RAB Special Situations LP agreed to subscribe an aggregate of £500,000 in two installments of £250,000 each in consideration for the allotment of an aggregate of 500,000 ordinary shares in Meridian Resources in two installments of 250,000 ordinary shares each. The agreement contains warranties from Meridian Resources to RAB Special Situations LP in relation to the business, assets and status of Meridian Resources.

(b) A subscription letter dated 25 March 2004 between Meridian Resources and Philip Richards whereby Mr Richards subscribed for 125,000 Ordinary Shares in Meridian Resources in consideration for the payment of £100,000. The subscription letter contains various warranties from Meridian Resources to Philip Richards concerning the business, assets and status of Meridian Resources.

(c) A subscription letter dated 25 March 2004 between Meridian Resources and RAB Special Situations LP whereby RAB Special Situations LP subscribed for 375,000 Ordinary Shares in Meridian Resources in consideration for the payment of £300,000. The subscription letter contains various warranties from Meridian Resources to RAB Special Situations LP concerning the business, assets and status of Meridian Resources.

(d) A warrant instrument dated 14 May 2004 by which the Company created 5,000,000 warrants to subscribe for Ordinary Shares, which were issued to RAB Special Situations LP. Each warrant gives the holder the right to subscribe for one Ordinary Share at an exercise price of 10p per Ordinary Share and the warrants are to be exercised on Admission.

(e) A share purchase agreement dated 26 May 2004 between the Company and each of Anthony Mason, Donald Caldwell, James Allender, Alvin Hosking, Mercap Partners LLP, RAB Special Situations LP and Philip Richards whereby the Company acquired the entire issued share capital of Meridian

Resources for a consideration satisfied by the issue of 44,999,998 Ordinary Shares in the Company, together with the transfer of 1 Ordinary Share to each of Anthony Mason and Mercap Partners LLP.

(f) The instrument constituting the Warrants as summarised in paragraph 7 above.

(g) A nominated adviser agreement dated 5 July 2004 between the Company and W H Ireland pursuant to which W H Ireland has been appointed to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay a fee of £65,000 for the initial fundraising and advice. The Company has further agreed to pay W H Ireland a fee of £15,000 per annum for its services as Nominated Adviser under the agreement, together with all reasonable expenses and VAT. Furthermore, the Company agreed to issue 1,680,093 Warrants to W H Ireland. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulation. The agreement is for an initial period of 12 months subject thereafter to termination on the giving of 90 days' notice.

(h) A broker agreement dated 5 July 2004 between the Company and W H Ireland pursuant to which W H Ireland has been appointed to act as broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay W H Ireland a fee of £25,000 and commission of 5 per cent. on the aggregate value at the Placing Price of the Placing Shares. The Company has further agreed to pay W H Ireland a fee of £10,000 per annum for its services as Broker under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulation. The agreement is for an initial period of 12 months subject thereafter to termination on the giving of 90 days' notice.

(i) The Placing Agreement dated 12 July 2004 between the Company, the Directors and W H Ireland pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 20 July 2004 (or such later time or date as the Company and W H Ireland may agree being not later than 31 August 2004) W H Ireland agreed to use reasonable endeavours to procure subscribers for the Placing Shares.

The agreement contains representations and warranties from the Company and the Directors and an indemnity from the Company in favour of W H Ireland together with provisions which enable W H Ireland to terminate the agreement in certain circumstances prior to Admission including in the event of a material breach of any of the warranties and *force majeure*.

(j) An option agreement dated 9 July 2004 between the Company and Brendon Joyce pursuant to which the Company granted an option to Mr Joyce to subscribe for 696,667 Ordinary Shares at 10 pence per share. The option may be exercised at any time during the period of 3 years from Admission.

(k) A further option agreement dated 9 July 2004 between the Company and Brendon Joyce pursuant to which the Company granted an option to Mr Joyce to subscribe for 333,333 Ordinary Shares at 10 pence per share under the Enterprise Management Incentive provisions of the Income Tax (Earnings & Pensions) Act 2003. The option may be exercised at any time during the period of 3 years from Admission.

(l) A consultancy agreement dated 9 July 2004 between the Company and Lodestar Energy, LLC ("Lodestar"). Donald Caldwell and his wife own the entire issued share capital of Lodestar and they are also the sole directors of the Company. Lodestar has agreed to submit to the Company any proposal for participation in oil and gas prospects which it assembles on at least as favourable terms as those submitted to any other company or individual. Lodestar will grant the Company a right of first refusal in respect of any such proposal and will grant the Company an exclusive period of between 15 and 30 days to consider any such proposal. Donald Caldwell will directly supervise all consulting services provided by Lodestar. Lodestar will, in normal circumstances, devote 15 days per month to providing its services and will receive a basic monthly fee at the rate of US$8,250 per month with an additional fee at the rate of US$1,000 for each day worked in excess of the 15 day norm. Either party may terminate the agreement by giving three months' written notice.

(m) An undertaking dated 9 July 2004 from RAB Special Situations LP to the Company pursuant to which RAB Special Situations LP agreed to exercise the RAB Warrants, conditional on Admission.

9. Litigation

No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the Company's or the Group's financial position.

10. Working capital

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Placing, that following Admission the Company and the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

11. Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

(a) *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. The amount paid for the Ordinary Shares subscribed for will be eligible for taper relief allowance.

If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

(b) *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.

(c) *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent.) or the Schedule F upper rate (32.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income and are required to account for tax at the Schedule F trust rate, currently 25 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

12. General

(a) The total costs and expenses relating to the Placing payable by the Company are estimated to be £485,000 (excluding VAT). The net proceeds receivable by the Company are estimated to be £1.32 million.

(b) Grant Thornton UK LLP have given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their report in this document and have authorised the contents of their report for the purposes of regulation 13(1)(g) of the POS Regulations and accept responsibility for it.

(c) Scott Pickford has given and not withdrawn its written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of its report in this document and have authorised the contents of their report for the purposes of regulation 13(1)(d) of the POS Regulations and accept responsibility for it.

(d) W H Ireland has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

(e) The accounting reference date of the Company is 31 December.

(f) For the purposes of paragraph 21(a) of Part IV of Schedule I to the POS Regulations the minimum amount which must be raised for the Company pursuant to the Placing is £1.8 million, in respect of each of the following:

    (i) purchase price of property £nil;

    (ii) commissions and expenses (excluding VAT) £485,000;

    (iii) repayment of monies borrowed in respect of (i) and (ii) above £nil; and

    (iv) working capital £1.32 million.

    There are no amounts to be provided for otherwise than from the proceeds of the Placing in respect of the matters specified in this paragraph.

(g) It is expected that definitive share certificates will be despatched by hand or first class post by 3 August 2004. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 20 July 2004.

(h) Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Group's activities.

(i) Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.

(j) Save as disclosed in this document, there have been no significant changes in the trading or financial position of the Company since its incorporation.

(k) The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act and no such accounts have been prepared for the Company since its incorporation.

(l) No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

(m) Save as disclosed in this document there are no significant investments in progress.

14. Availability of this document

Copies of this document are available free of charge from the Company's registered office and at the offices of Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

12 July 2004

PART VI

GLOSSARY

"API"	American Petroleum Institute units of specific gravity of liquid hydrocarbon
"ATP"	authority to prospect
"bbls"	barrels
"BFPD"	barrels of fluid per day
"BC"	barrels of condensate
"BO"	barrels of oil
"Bo"	the expansion factor for oil at surface pressure compared with reservoir pressure
"BoE"	barrels of oil equivalent
"BOPD"	barrels of oil per day
"bpd"	barrels per day
"BSW"	barrels of salt water
"cf"	cubic feet
"cfpd", "cfd"	cubic feet per day
"DST"	drill stem test
"EUR"	estimated ultimate recovery
"farm-in" or "farm-out"	an arrangement with a third party company to join an existing venture on negotiated terms whereby a company relinquishes part of its interest in an exploration or production licence to another company in return for part payment of its costs
"GIIP"	gas initially in place
"GRV"	gross rock volume
"GWC"	gas-water content
"IP"	initial production
"IRR"	internal rate of return
"m", "mm", "b", "t"	thousands, millions, billions (thousand millions), trillions (million millions) respectively
"M", "MM", "B", "T"	thousands, millions, billions (thousand millions), trillions (million millions) respectively
"mD"	milli Darcy (a unit of permeability)
"MD"	measured depth
"MSTB"	thousands of stock tank barrels

"MW"	million watts
"N:G"	net to gross ratio
"NPV"	net present value
"NRI"	net revenue interest – the percentage of revenues, net of royalties and other direct expenses, to which an interest holder in a property is entitled
"OWC"	oil-water content
"P1"	proven reserves, generally recognised to be those reserves which on the available evidence and taking into account technical and economic factors have a better than 90 per cent. chance of being produced
"P2"	probable reserves generally recognised to be those reserves which are not yet P1 but which on the available evidence and taking into account technical and economic factors have a better than 50 per cent. chance of being produced
"P3"	possible resources, which on the available evidence and taking into account technical and economic factors have a no better than 10 per cent. chance of being produced
"PLA"	production licence application
"psi"	pounds per square inch
"RF"	recovery factor
"SCAL"	special core analysis
"Sg"	gas saturation
"SPE"	Society of Petroleum Engineers
"STBOE"	stock tank barrel of oil equivalent
"STOIIP"	stock tank oil initially in place
"Sw"	water saturation
"TVDSS"	true vertical depth sub sea
"WI"	working interest – an interest in an oil and gas lease which gives the owners of the interest the right to drill for and to extract oil and gas in the area the subject of the lease and which requires each of the owners to pay a share of the costs of drilling and production operations in agreed proportions. The owners of 100 per cent of the working interest in a lease are required to pay all of the operating costs but receive the revenues from the lease area after deduction of a proportion payable to the lessor as a royalty, such receipt representing the owner's respective NRIs
"WPC"	World Petroleum Congress