



AIM: MRP

6 September 2007

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

**Interim Results  
and Operations Update**

Meridian Petroleum (AIM: MRP), the independent oil and gas exploration and production company with key assets in the USA and Australia announces its interim results for the six months to 30 June 2007 and an update on its operations.

**Operational Highlights**

- Native Title to South Australian Licences executed in April 2007
- New Chairman appointed
- Lease agreement executed at CBM project in Alabama, January 2007
- Three US gas wells progressed towards production:
  - Calvin 36-1 (NRI 68.75%) – initial production July 2007
  - Milford 36 (NRI 29%) – to be put on test September 2007
  - Orion 36 (NRI 75%) – initial production August 2007, brought on stream in seven months.

**Financial Highlights**

- US \$3.4 million (£1.78 million) raised from share placing
- Capital expenditure of US \$2.3million (H1 2006 US \$0.5million)
- Operating loss US \$1.4million (H1 2006 \$0.8million)

**Chairman's Statement**

The primary focus of our activity during the first half of 2007 was to generate revenue as quickly as possible from our US gas assets of Orion, Calvin and Milford. In particular, the Company invested significantly in the drilling and the extensive processing facilities that brought the Orion 36 well on-stream in less than seven months.

As a result of these activities, the Company has now achieved first gas from Orion 36 and Calvin 36-1, and it will put the Milford well on extended test shortly. Whilst the prospects for meaningful levels of production from Milford remain reasonable, the Calvin 36-1 well has been very disappointing and a continuing source of frustration to the Company and its shareholders.

With the major focus on achieving production and cash-flow, the Company made steady but limited progress during the first half in taking forward plans for its other assets: the Australian licences, the deep gas in the Calvin field, and the Coal Bed Methane project at Warrior Basin in Alabama.

In April the government of South Australia executed the Native Title agreement on the PEL-132 licence which contains the Dolores gas prospect. More recently, the Company has completed a thorough review of the seismic data for the PEL-82 licence, and this has identified an area of significant oil-bearing potential. Our strategy for developing our Australian assets is now likely to involve separate plans, and possibly separate partners, for the gas and oil prospects.

The Board has focused the Company's resources on moving from being an early stage producer to having the capability to exploit larger opportunities. Although we remain excited by the longer-term potential of Coal Bed Methane, we have decided to concentrate our next efforts on the deep gas opportunities in the Calvin Field. RPS Scott Pickford has identified contingent gas reserves of some 100bcf in the Terryville A & B Sands at a depth of some 12,800 feet. The board believes that it can add substantial value to shareholders by targeting early production from these sands and taking these reserves from category P2 to P1. In discussion with our operator, West Mountain, we intend to open up these reserves by a re-entry of the 5-29 well, which is a relatively low-risk, low-cost approach. We have not yet had confirmation from our JV partners, Ensign, that they will participate in this well, but we intend to proceed with the plan and subject to permit approval, the re-entry could commence early in 2008. Our strategy for testing the much larger, high-pressure, potential reserves in the deeper Calvin zones remains under discussion with Ensign.

Stephen Gutteridge  
Chairman  
6 September 2007

## **Operations Update**

### **Orion 36**

The Company announced earlier this week that it would be necessary to take the Orion 36 well off-line for a short period to remedy problems caused by small traces of mercaptans in the gas stream. The Company also indicated that it would use the opportunity of the downtime to effect further perforation of the reservoir and maximise reservoir potential. This will involve the same process of both conventional and explosive perforation as utilised successfully on the Milford 36 well.

Having now located all of the appropriate equipment, the well will be taken off-line at daybreak US time today, 6 September and is expected to be back on-stream this weekend.

### **Calvin 36-1**

We have now observed the performance of this well for a full month and it is clear that production will not improve under natural flow, and average output has dropped below 50mcf/d in recent days. We are currently assessing a remedial plan to boost output, devised in conjunction with our engineers, West Mountain Operating.

### **Milford 36**

The extended 30 day test of this well, operated by Wellmaster, the operator of Orion 36, is now expected to commence in mid September. The objective of the test is to clearly define

the extent of the oil column identified and to better develop bottom hole pressures and flow rates.

Full financial statements follow.

**ENDS**

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**About Meridian Petroleum plc**

Meridian Petroleum is an oil and gas exploration and production company with key on-shore assets in the United States and Australia. Meridian is quoted on the AIM market of the London Stock Exchange (ticker: MRP), and is headquartered in London, with offices in Houston, Texas and Adelaide, Australia.

## Consolidated Income Statement

|  | 30 June 2007<br>(Unaudited)<br>US \$ '000 | 30 June 2006<br>(Unaudited)<br>US \$ '000 | 31 Dec<br>2006<br>Audited<br>US \$ '000 |
|--|---|---|---|
| Revenue  | 2   | 7   | 8                                       |
| Cost of sales - production costs                         | (19)                                      | (30)                                      | (63)                                    |
|  | -----                                     | -----                                     | -----                                   |
| Gross loss   | (17)                                      | (23)                                      | (55)                                    |
| Administrative expenses                                  | (1,340)                                   | (783)                                     | (1,845)                                 |
| Impairment charge  | -   | -   | (4,065)                                 |
|  | -----                                     | -----                                     | -----                                   |
| Operating loss   | (1,357)                                   | (806)                                     | (5,965)                                 |
| Investment Income - interest on<br>bank deposits         | 19  | 14  | 21                                      |
|  | -----                                     | -----                                     | -----                                   |
| Loss on ordinary activities<br>before and after taxation | (1,338)                                   | (792)                                     | (5,944)                                 |
|  | =====                                     | =====                                     | =====                                   |
| Loss per share (cents) Note 3                            | (1.7)                                     | (1.1)                                     | (8.3)                                   |

## Consolidated Statement of Total Recognised Income and Expenditure

|  | 30 June 2007<br>(Unaudited)<br>US \$ '000 | 30 June 2006<br>(Unaudited)<br>US \$ '000 | 31 Dec 2006<br>Audited<br>US \$ '000 |
|--|---|---|--------------------------------------|
| Loss for the financial period  | (1,338)                                   | (792)                                     | (5,944)                              |
| Currency translation differences<br>- (loss) / gain                  | (196)                                     | 99  | 105                                  |
|  | -----                                     | -----                                     | -----                                |
| Total gains and losses recognised<br>since last financial statements | (1,534)                                   | (693)                                     | (5,839)                              |
|  | =====                                     | =====                                     | =====                                |

## Consolidated Balance Sheet

|  | 30 June 2007<br>(Unaudited)<br>US \$'000 | 30 June 2006<br>(Unaudited)<br>US \$'000 | 31 Dec 2006<br>Audited<br>US \$'000 |
|--|--|--|-------------------------------------|
| <b>Non-current assets</b>                                  |  |  |                                     |
| Intangible assets:   | 1,005                                    | 546                                      | 646                                 |
| Property, plant and equipment                              | 3,934                                    | 5,776                                    | 2,020                               |
|  | -----                                    | -----                                    | -----                               |
|  | 4,939                                    | 6,322                                    | 2,666                               |
| <b>Current Assets</b>                                      |  |  |                                     |
| Trade and other receivables                                | 376                                      | 224                                      | 234                                 |
| Cash and cash equivalents                                  | 2,622                                    | 1,526                                    | 2,332                               |
|  | -----                                    | -----                                    | -----                               |
|  | 2,998                                    | 1,750                                    | 2,566                               |
|  | -----                                    | -----                                    | -----                               |
| <b>Total assets</b>  | 7,937                                    | 8,072                                    | 5,232                               |
|  | -----                                    | -----                                    | -----                               |
| <b>Current liabilities</b>                                 |  |  |                                     |
| Trade and other payables                                   | (857)                                    | (375)                                    | (211)                               |
|  | -----                                    | -----                                    | -----                               |
| <b>Total liabilities</b>                                   | (857)                                    | (375)                                    | (211)                               |
|  | -----                                    | -----                                    | -----                               |
| <b>Net Assets</b>  | 7,080                                    | 7,697                                    | 5,021                               |
|  | =====                                    | =====                                    | =====                               |
| <b>Equity</b>  |  |  |                                     |
| Called up share capital                                    | 9,013                                    | 6,681                                    | 7,362                               |
| Share premium  | 8,359                                    | 4,915                                    | 6,565                               |
| Retained earnings  | (10,495)                                 | (4,005)                                  | (9,157)                             |
| Translation reserve  | (84)                                     | 106                                      | 112                                 |
| Other reserves - share based<br>payments                   | 287                                      | -  | 139                                 |
|  | -----                                    | -----                                    | -----                               |
| <b>Total equity attributable to<br/>the equity holders</b> | 7,080                                    | 7,697                                    | 5,021                               |
|  | =====                                    | =====                                    | =====                               |

## Consolidated Cash Flow Statement

|  | 30 June 2007<br>(Unaudited)<br>US \$'000 | 30 June 2006<br>(Unaudited)<br>US \$'000 | 31 Dec 2006<br>Audited<br>US \$'000 |
|--|--|--|-------------------------------------|
| <b>Cash flows from operating activities</b>            |  |  |                                     |
| Cash consumed by operations - Note 4                   | (1,013)                                  | (808)                                    | (2,055)                             |
| Interest received                                      | 19                                       | 14                                       | 21                                  |
|  | -----                                    | -----                                    | -----                               |
|  | (994)                                    | (794)                                    | (2,034)                             |
|  | -----                                    | -----                                    | -----                               |
| <b>Cash flows from investing activities</b>            |  |  |                                     |
| Expenditure on exploration and evaluation assets       | (359)                                    | (122)                                    | (459)                               |
| Expenditure on development and production assets       | (1,914)                                  | (378)                                    | (450)                               |
|  | -----                                    | -----                                    | -----                               |
|  | (2,273)                                  | (500)                                    | (909)                               |
|  | -----                                    | -----                                    | -----                               |
| <b>Cash flows from financing activities</b>            |  |  |                                     |
| Proceeds from issue of shares                          | 3,445                                    | 2,354                                    | 4,686                               |
|  | -----                                    | -----                                    | -----                               |
| Net increase in cash and cash equivalents              | 178                                      | 1,060                                    | 1,743                               |
| Opening cash and cash equivalents at beginning of year | 2,332                                    | 370                                      | 370                                 |
| Exchange gains on cash and cash equivalents            | 112                                      | 96                                       | 219                                 |
|  | -----                                    | -----                                    | -----                               |
| Closing cash and cash equivalents                      | 2,622                                    | 1,526                                    | 2,332                               |
|  | -----                                    | -----                                    | -----                               |

## Notes

### 1. Basis of preparation and accounting policies

The interim financial statements for the six months to 30 June 2007 have been prepared on the basis of the accounting policies set out in the Company's financial statements for the year ended 31 December 2006. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial information for the six months ended 30 June 2007 and 30 June 2006 was neither audited nor reviewed by the auditors and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for the year to 31 December 2006 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

### 2. Segmental reporting

In the opinion of the Directors the operations of the Group comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The Group

