



COMPANY ANNOUNCEMENT

For Immediate Release

28 April 2009

Annual General Meeting 2009 Chairman and Managing Director's Addresses

The Annual General Meeting of L&M Petroleum Limited is due to be held in the Lambton 3 Room, Level 2, St John House, 114 The Terrace, Wellington, New Zealand on Tuesday, 28 April 2009 at 12.00pm.

The Chairman and Managing Director's addresses follow:

Chairman's Address:

Dear Fellow Shareholder,

During the 2008 calendar year, I am pleased to report that your Company has made significant inroads into its aim of successfully translating strong exploration potential into real shareholder returns.

All of these advances have been made in the face of a world that has changed. Tough economic conditions, significant market volatility and a steep drop in the price of oil have brought many challenges to bear in adding shareholder value.

Although L&M Petroleum is not immune from these changing conditions, your Company is in an enviable position with robust financial strength, a quality management team and a willingness to seize the opportunities that these market fluctuations will bring.

Even more importantly, L&M has been cognisant of risk. In these times, shareholders will likely recognise that the most important measure of shareholder value comes not from immediate share price rises, but from attention to sound business principles and a willingness to protect against extreme market cycles through diversification and sound business management.

Risk management is one of the key reasons why L&M has made a successful move in identifying and delineating coal seam gas reserves within its permit position. Coal seam gas exploration brings natural hedges to our existing conventional oil and gas program in terms of lower discovery risk and, more importantly, a hedge against the volatile oil price. Unlike oil, gas pricing is generally driven by long term supply agreements to power providers and significant industry players that offset the peaks and lows in oil pricing.

In New Zealand, L&M see huge advantages in Coal Seam Gas discovery and commercialisation. Declining existing gas resources, shortages in power generation capacity and the potential for the supply of bottled gas for domestic use offer a number of paths for generating returns.

Unlike most CSG reserves in the Australian market, coal seam gas discoveries in New Zealand will not be dependent on the construction of expensive LNG plant. Indeed, gross margins for CSG production in New Zealand could be similar to the margins expected from LNG sales in Australia.

Irrespective of L&M's activities in both CSG and conventional oil exploration, we recognise that the greatest asset and investment the Company holds is in the experience and professionalism of its staff, consultants and contractors.

Before I hand over to John Bay for his report on the Company's activities, I would like to take the time to thank John, his staff and my fellow Directors for their tireless work during the year.

In addition, I would like to thank all our shareholders for their loyalty and support during what has been a time of unprecedented change in the markets.

Thank you, ladies and gentlemen, for your attendance here today and I now would like to invite our Managing Director, John Bay to give his report on the Company's activities.

Geoff Loudon.
Chairman

Managing Director's Address:

It gives me great pleasure to report to you the activities undertaken by the Company throughout 2008 and update you on the work programme for 2009.

In 2008, the Company embarked on a program of expanding its portfolio of exploration opportunities and reducing its overall exploration risk profile. We achieved this goal by identifying the coal seam gas potential contained within its existing onshore Western Southland Basin permit and acquiring three new permits in two new basins.

L&M's 2008 exploration program had a number of highlights:

- The most exciting news for 2008 was the very positive result of our evaluation of the coal seam gas potential contained within our onshore Western Southland Basin permits; with our initial analysis indicating that our permits could contain up to 300 PJ of potential coal seam gas resources. L&M drilled four test wells in 2008 that confirmed the presence of the coals and established the coal seam gas potential in the Takitimu South Trend. Results from those wells have confirmed the Beaumont formation in the area contains up to 11 meters of coal with potentially commercial quantities of methane. The results from our initial drilling program have provided sufficient encouragement for the Company to embark on a major coal seam gas exploration program in 2009, which will see up to seven additional wells drilled with the aim of delineating commercial reserves;
- Within our conventional oil and gas exploration program, the Company participated in drilling a well to test the Fireball Creek biogenic gas prospect and acquired equity in two new exploration permits within the onshore West Coast Basin on the South Island. The Fireball Creek-1 well encountered gas shows in the target formation, and whilst the quantities discovered were too small to be commercially developed, the confirmation of the presence a working petroleum system result has given the Company confidence in the potential for its drilling activity to result in a commercial discovery in the West Coast region;
- L&M acquired a third new permit when the Company, in conjunction with Australian producer, Mosaic Oil, lodged the successful bid for a premium permit located the onshore Taranaki Basin, currently New Zealand's only commercially producing basin. The permit lies adjacent to three currently producing fields and has both shallow oil and deep gas potential.
- L&M restructured its Western Southland Basin permit drilling obligations, which will enable the Company to protect its strong cash position and manage its risk exposure. This will enable L&M to hold onto its rights to the deeper, conventional, exploration prospects with the permits until it is

able to conclude farmout arrangements on acceptable commercial terms to enable these very exciting prospects to be drilled.

- The re-interpretation of over 1,000 km of 2D seismic over the Company's offshore Waitutu permit was completed. This work has identified several potentially large leads within the permit area that we hope to be able to progress to drillable status in 2009.

The addition of the large coal seam gas potential and the three new conventional exploration permits provide L&M Petroleum with attractive expansions to the Company's Western Southland Basin petroleum exploration portfolio. These opportunities have enabled L&M to diversify its exploration risk and provide the Company with the potential for to realise early cash flow if a discovery is made.

In 2008, the Company spent approximately NZ\$2.6 million on exploration related expenses and expects to spend just over NZ\$2 million dollars in 2009.

In these times of uncertainty, L&M will not simply 'sit on its hands' and cease activities. Rather, the Company sees opportunity in taking advantage of depressed asset pricing and lower drilling costs to generate shareholder value whilst at the same time reducing risk. L&M is pleased to report it ended the year with NZ\$9.4 million cash in hand. At the end of the first quarter in 2009 this has reduced slightly to NZ\$8.7 million as a result of the major coal seam gas drilling program currently underway, a program which the Company believes has the potential to return to shareholders many times its investment cost.

The Company maintains a close control on overhead costs. The Company spent approximately NZ\$2.1 million on overhead related expenses in the year, which was offset by NZ\$1.3 million recovered from interest on cash invested and joint venture recoveries, resulting in net spending on overheads of only approximately NZ\$65,000 per month.

In the year ahead, the Company will continue to be working hard to deliver value to our shareholders.

For 2009, our focus will be on:

- unlocking the coal seam gas potential within the Company's onshore Western Southland Basin permits by drilling up top seven test wells in 2009 with the potential to define commercial reserves;
- evaluating the existing geological data in our new West Coast and Taranaki Basin permits to uncover the exploration opportunities in those areas;
- executing farmout arrangements on acceptable commercial terms that will enable us to drill wells to test the Otahu and Whitestone exploration prospects contained within our existing Western Southland Basin permits;
- completing the geological work necessary to mature to drillable status the numerous leads we have identified in our offshore Waitutu permit; and
- continuing to seek to expand our portfolio of exploration opportunities at value.

In conclusion, despite the current worldwide financial situation, L&M Petroleum is in good heart and more bullish than ever regarding its future prospects. It has built a portfolio of exciting conventional exploration opportunities that sit alongside its coal seam gas activities. It is actively exploring and has sufficient funds to enable it to undertake its exploration programs.

L&M Petroleum is well placed to achieve its goals and I look forward to reporting in near future on its success.

Thank you.

John W. Bay
Managing Director