



## **COMPANY ANNOUNCEMENT**

**11<sup>th</sup> October, 2011**

### **COAL SEAM GAS DRILLING TO COMMENCE NEAR DUNEDIN NEW ZEALAND**

- Appraisal programme commencing on L&M Energy CSG permit near Dunedin, NZ
- Will allow L&M to test CSG potential of permit area
- Well to be cased as potential future production well

L&M Energy is pleased to announce the commencement of a new CSG appraisal programme within its Kaitangata permit (PEP 38219), located 60km south of Dunedin, scheduled to commence mid October.

The first well to be drilled, Wangaloa-1, is set to test the coal seam gas potential from five sub-bituminous coal horizons (Capstick, Jordan, Kai Main, Carson and Shore) within the coalfield. The hole will be drilled to a target depth of 515m. LME plans to case and suspend the well as a future production well in order to carry out further testing at a later date pending positive results.

The target coals seams within Kaitangata are Cretaceous in age (the same age as the Morley Coal Measures within the Ohai Coalfield) and typically contain up to five sub-bituminous coal seams with individual seam thicknesses up to 15m. Testing by L&M has shown excellent permeability characteristics, with the Kai Main and Carson seams showing permeability in excess of 100 and up to 900 milliDarcies. Gas content tests to date have been made at relatively shallow depths (in the order of 150m to 250m) with results averaging between 0.50 to 1.0 m<sup>3</sup> per tonne. Methane adsorption isotherm data for the Kai Main and Carson seams show that the coals have the potential to contain in excess of 3 m<sup>3</sup> per tonne of coal at 400m depth. This combination of high permeability and gas content has the potential to generate commercially viable gas flows.

The Kaitangata Coalfield has been the scene of coal mining operations since the 1860's. With a long history of coal exploration and mining in the area, the Kaitangata permit has been known to host 'gassy' coals. With an extensive data set available via more than 500 historic coal exploration holes the company believes it is in a strong position to identify a new coal seam gas play within New Zealand.

Located close to the major city of Dunedin, Kaitangata is ideally placed in being able to supply power generation to significant agriculture and domestic demand as well as CNG to a strong local bottled gas market.

**ENDS**

**Contact for further information:**

Kent Anson  
Managing Director  
L&M Energy  
Tel: +64 27 234 4009

or

Chris McKeown  
Commercial Manager  
L&M Energy  
Tel: +64 4 473 0415

or

Duncan Gordon  
Executive Director  
Adelaide Equity Partners  
Tel: +61 8 8232 8800

**About L&M Energy Limited**

L&M Energy Limited is a New Zealand based company dual listed on the ASX and NZX stock exchanges. The Company is focused on the development of commercial coal seam gas resources and discovering unconventional (UCG and Shale) and conventional oil and gas resources. The Company holds equity interests in over 8,200 km<sup>2</sup> of exploration acreage contained within eight New Zealand exploration permits.

