



COMPANY ANNOUNCEMENT

7th April 2011

L&M ENERGY SIGNS POWER OFFTAKE AGREEMENT

L&M Energy Limited (LME) has entered into a landmark agreement to sell electricity output from its Ohai Coal Seam Gas (CSG) Pilot Project to the Rio Tinto Alcan-owned New Zealand Aluminium Smelters Limited (NZAS).

The smelter, situated less than 80km away from Ohai, is New Zealand's biggest single electricity user and expects to consume 5,500 GWh of electricity in 2011.

LME has also received all the regulatory consents required to site a Gough's Power Systems-supplied 1MW Caterpillar gas-fired generator on the Ohai site. Once commissioned, all electricity generated will be sold to NZAS.

L&M Energy chairman, Geoff Loudon, said this was a vindication of the potential for the Company's CSG project to generate strong economic returns and was looking forward to building a strong commercial relationship with NZAS.

"We have been talking with our neighbours at NZAS for some time now and have recognised that they have very significant energy requirements in the form of electricity, Fuel Oil and Liquefied Petroleum Gas. We are looking forward to exploring all of these opportunities with NZAS as the CSG development progresses into the future," Mr Loudon said.

The announcement follows on from the completion of the first stage of the Pilot Project: the successful intersection of thick coals via a 1,035m long lateral development well. The company has moved into the second stage of the Pilot and is commencing production testing operations.

The Pilot project follows on from the company's 3P reserves upgrade to 274 PJ and forms a key part of the company's 2P gas reserves campaign which is aimed at independently certifying New Zealand's first tranche of 2P CSG reserves.

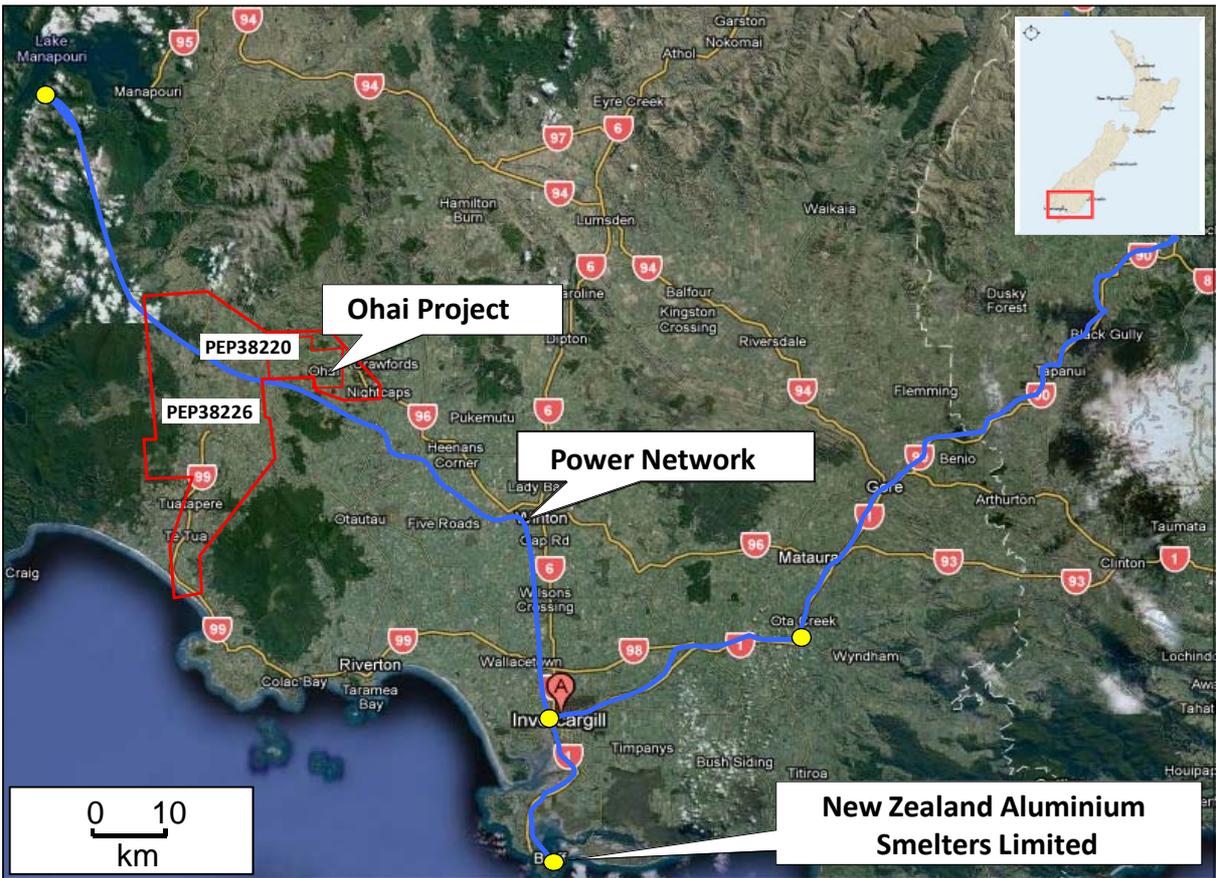
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Contact for further information:

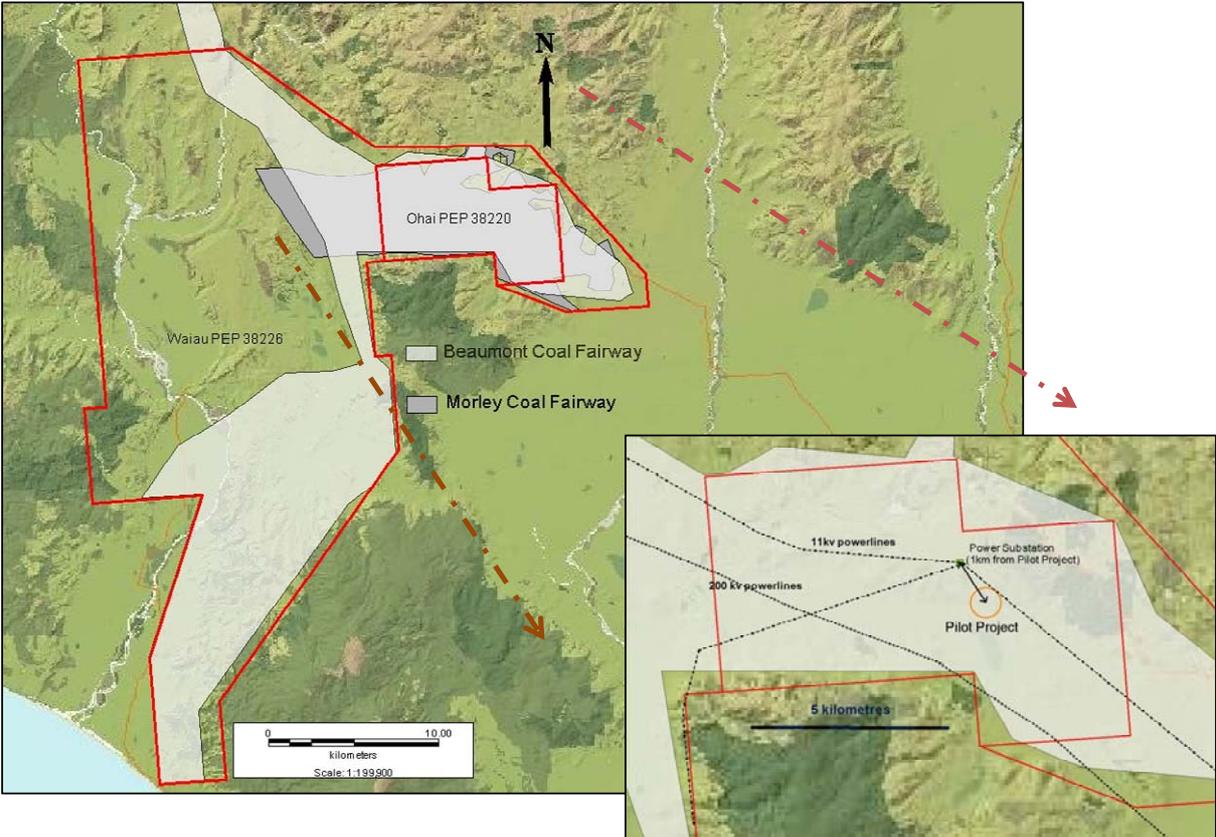
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About L&M Energy Limited

L&M Energy Limited is a New Zealand based company dual listed on the ASX and NZX stock exchanges focused on the development of commercial coal seam gas resources and discovering major conventional oil and gas resources. The Company holds equity interests in a number of exploration permits and is well funded for its current work programmes.



L&M Energy’s Southland CSG permits in relation to New Zealand Aluminium Smelters Limited



L&M Energy’s Ohai Pilot Project in relation to adjacent power infrastructure