



COMPANY ANNOUNCEMENT

31st January, 2011

OHAI COAL SEAM GAS PILOT PROJECT PROGRESS

L&M Energy Limited (LME) is pleased to provide the following update on drilling progress at the Ohai pilot project.

The rig has now installed 9-5/8" surface casing to a depth of approximately 80m within both lateral access wells. The rig has since relocated to well site OM#5 and should resume drilling from the surface casing set point of 126m tomorrow.

OM#5 will be drilled to a total depth of approximately 750 metres intersecting the thick target Morley #2 coal seam. The two horizontal lateral wells will then be extended to intersect OM#5 using proven directional drilling methods. Each of the lateral wells will pass through approximately 700m of coal with the gas they produce to be extracted from OM#5.

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.

ENDS

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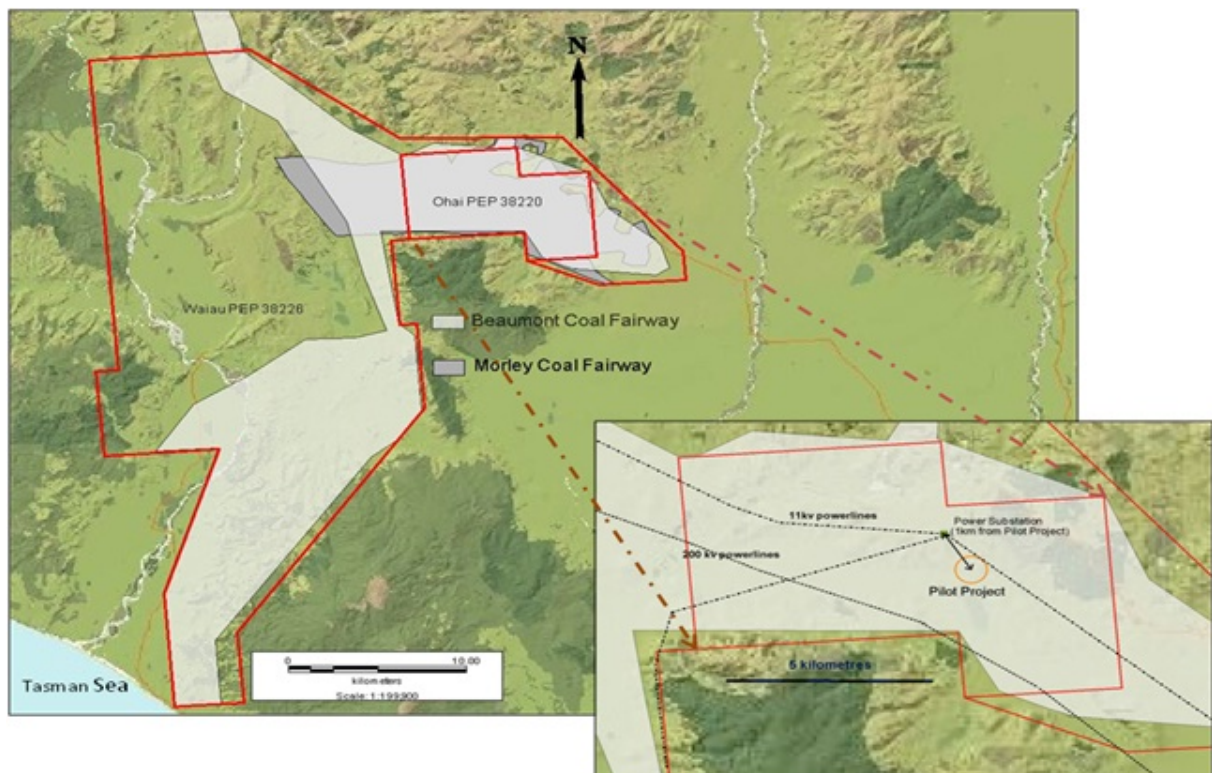
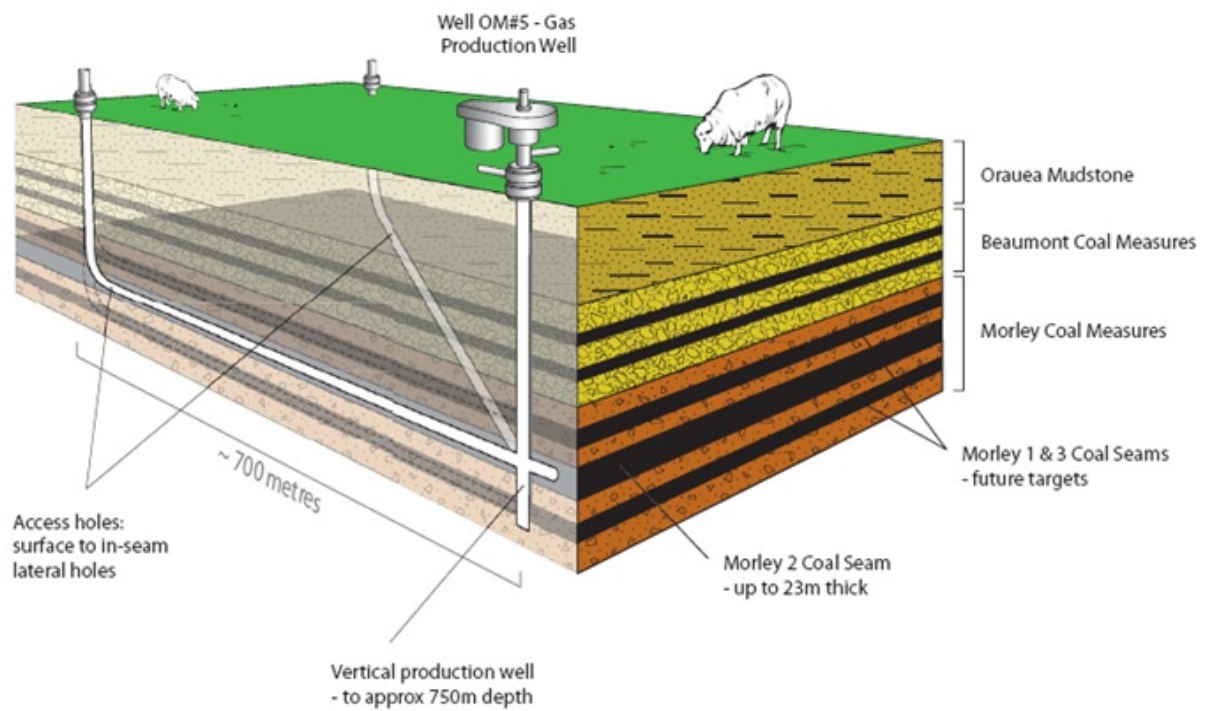
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About L&M Energy Limited

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 over 10,000 km² of exploration acreage contained within nine New Zealand exploration permits and is well funded for its current work programmes.



LME Coal Seam Gas Permits – Pilot project and adjacent power infrastructure

