



COMPANY ANNOUNCEMENT

9th February, 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 is continuing operations at OM#5 and is at a current depth of 550m, which is within the upper section of the Morley coal measures.

OM#5 will be drilled to a total depth of approximately 750 metres targeting the thick Morley 2 coal seam. Two horizontal lateral wells will then be drilled 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

Contact for further information:

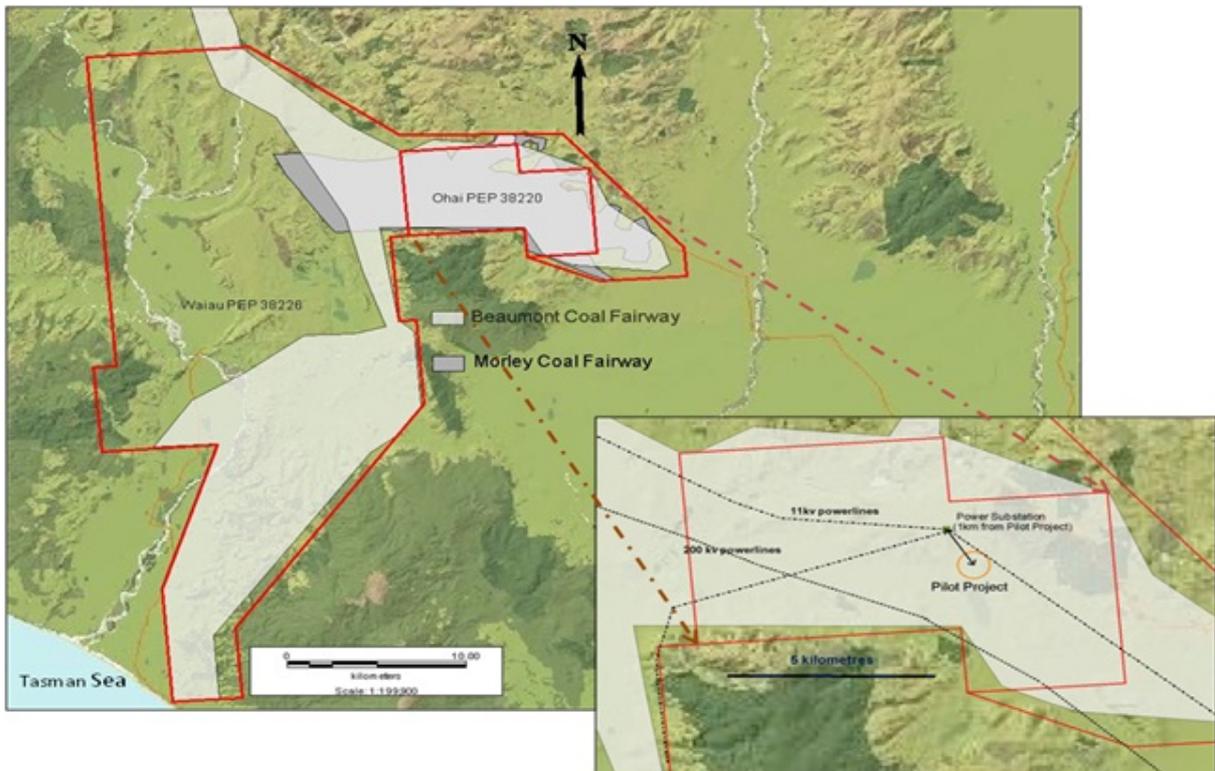
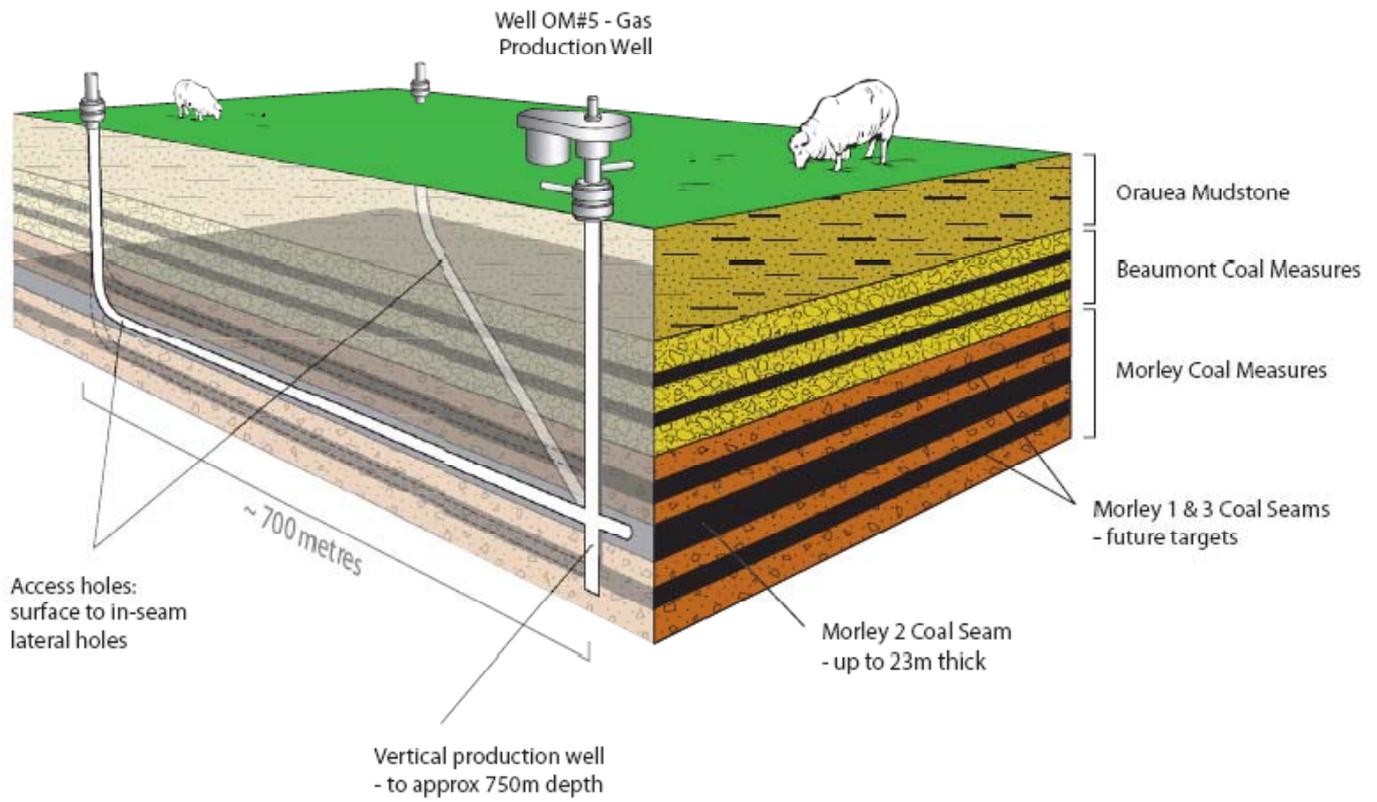
Kent Anson
Managing Director
L&M Energy
Tel: +64 3 377 0045

or Bruce McGregor
Company Secretary
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 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

