

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10, 17/12/10

Name of entity

L&M Energy Limited (consolidated)
--

ABN

122 323 871

Quarter ended ("current quarter")

March 2011

Consolidated statement of cash flows

	Current quarter \$NZ'000	Year to date (3 months) \$NZ'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(88) (533) - (876)	(88) (533) - (876)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	97	97
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,400)	(1,400)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,400)	(1,400)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,400)	(1,400)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,400)	(1,400)
1.20	Cash at beginning of quarter/year to date	8,748	8,748
1.21	Exchange rate adjustments to item 1.20	47	47
1.22	Cash at end of quarter Note (a)	7,395	7,395

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$NZ'000
1.23	Aggregate amount of payments to the parties included in item 1.2	25
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 relates to the payment of Directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$NZ'000	Amount used \$NZ'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$NZ'000
4.1 Exploration and evaluation	1,858
4.2 Development	2,287
4.3 Production	-
4.4 Administration	769
Total	4,914

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$NZ'000	Previous quarter \$NZ'000
5.1 Cash on hand and at bank	138	23
5.2 Deposits at call	270	2,212
5.3 Bank overdraft	-	-
5.4 Other (provide details)		
Term deposits	6,987	6,513
Total: cash at end of quarter (item 1.22)	7,395	8,748

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	PEP 50348 (South Waikato)	Exploration	100%	0%
	PEP 38521 (West Coast)	Exploration	100%	0%
	PEP 50558 (Hohonu)	Exploration	100%	0%
6.2 Interests in mining tenements acquired or increased	PEP 52711 (Waikato)	Exploration	0%	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference *securities <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	731,755,518	731,755,518		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000 -	1,000,000 -	NZ\$0.00001 -	Fully paid
7.5 *Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	92,715,000		<i>Exercise price</i> Note (b)	<i>Expiry date</i> Note (b)
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	(1,000,000)	-	NZ\$0.00001	31/12/2011
7.10 Expired during quarter	(1,325,000) (note c)	-	Note (c)	Note (c)
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes (totals only)	-	-
------	-------------------------------	---	---

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: 28 April 2011
 (Company secretary) Date:

Print name: B N McGregor

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.

**ADDITIONAL NOTES TO BE READ IN CONJUNCTION WITH APPENDIX 5B
QUARTERLY REPORT**

March 2011

All currency is stated in New Zealand dollars unless otherwise noted

This report includes the consolidation of L&M Energy Limited ("LME") and L&M Coal Seam Gas Limited ("LMCSG").

Note a: Cash on hand includes \$89,929 being the Company's share of cash held in Joint Venture bank accounts.

Note b. Details of share options on issue at the end of the quarter are as follows:

	Number issued	Exercise prices	Number vested	Future vesting dates	Expiry dates
Class A	18,500,000	A\$0.30	18,500,000	Fully vested	31 Dec 2011
Class C	4,375,000	A\$0.20	4,375,000	Fully vested	31 Dec 2011
Class E	56,000,000	NZ\$0.0001	46,550,000	25 Feb 2012 - 25 Feb 2014	26 Feb 2015
ESOP	1,025,000	A\$0.30	1,025,000	Fully vested	31 Jan 2012- 4 Mar 2012
ESOP	2,320,000	A\$0.20	1,265,000	15 Apr 2011 - 16 Jun 2012	30 Oct 2012 - 15 Jun 2013
ESOP	470,000	A\$0.125	260,000	6 Nov 2011 - 6 Nov 2012	5 Nov 2013
ESOP	1,875,000	A\$0.10	468,750	28 Apr 2011 - 28 Apr 2013	27 Apr 2014
ESOP	295,000	A\$0.11	92,500	12 Nov 2011 - 13 Nov 2013	12 Nov 2014
ESOP	3,605,000	A\$0.14	107,500	29 Apr 2011 - 28 Apr 2014	17 Mar 2015 - 28 Apr 2015
ESOP	4,250,000	A\$0.12	-	11 Nov 2011 - 11 Nov 2014	10 Nov 2015
	<u>92,715,000</u>		<u>72,643,750</u>		

Note c. 1,325,000 unlisted share options were cancelled effective 18 February, 2011. The terms of these were as follows:

Number	Original expiry date	Exercise price
75,000	5 March, 2012	A\$0.30
25,000	30 October, 2012	A\$0.20
50,000	5 November, 2013	A\$0.125
75,000	12 November, 2014	A\$0.11
100,000	17 March, 2015	A\$0.14
1,000,000	10 November, 2015	A\$0.12

+ See chapter 19 for defined terms.