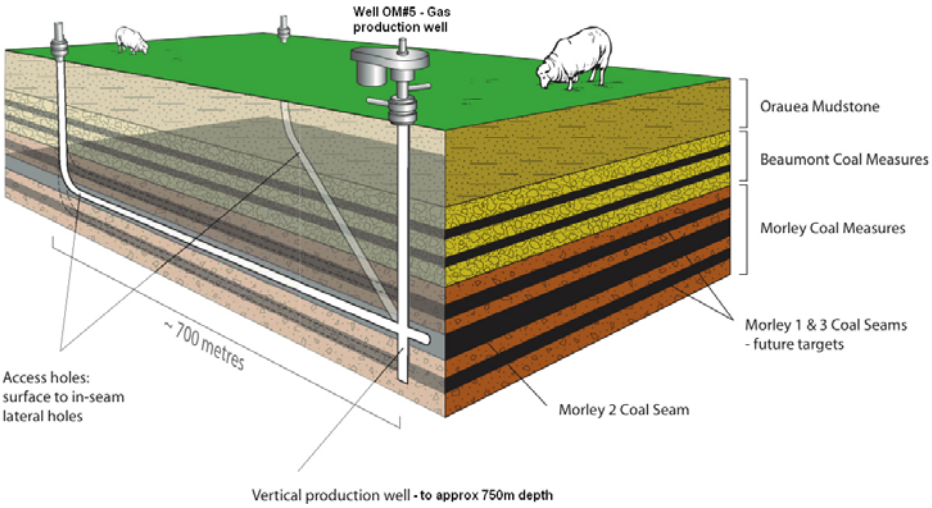
COMPANY ANNOUNCEMENT

18th January, 2011

OHAI COAL SEAM GAS PILOT PROJECT PROGRESS

L&M Energy Limited (LME) is pleased to announce that drilling has resumed at the Ohai pilot project after being suspended during the Christmas and New Year period. The programme is to drill and then install 9-5/8" surface casing to a depth of approximately 80m within both lateral access wells.

Once casing is installed the rig will then be relocated to complete vertical production well, OM#5, where surface casing was installed prior to the holiday break.



OM#5 will then be drilled to a total depth of ~750m intersecting the thick target coal seam, Morley #2.

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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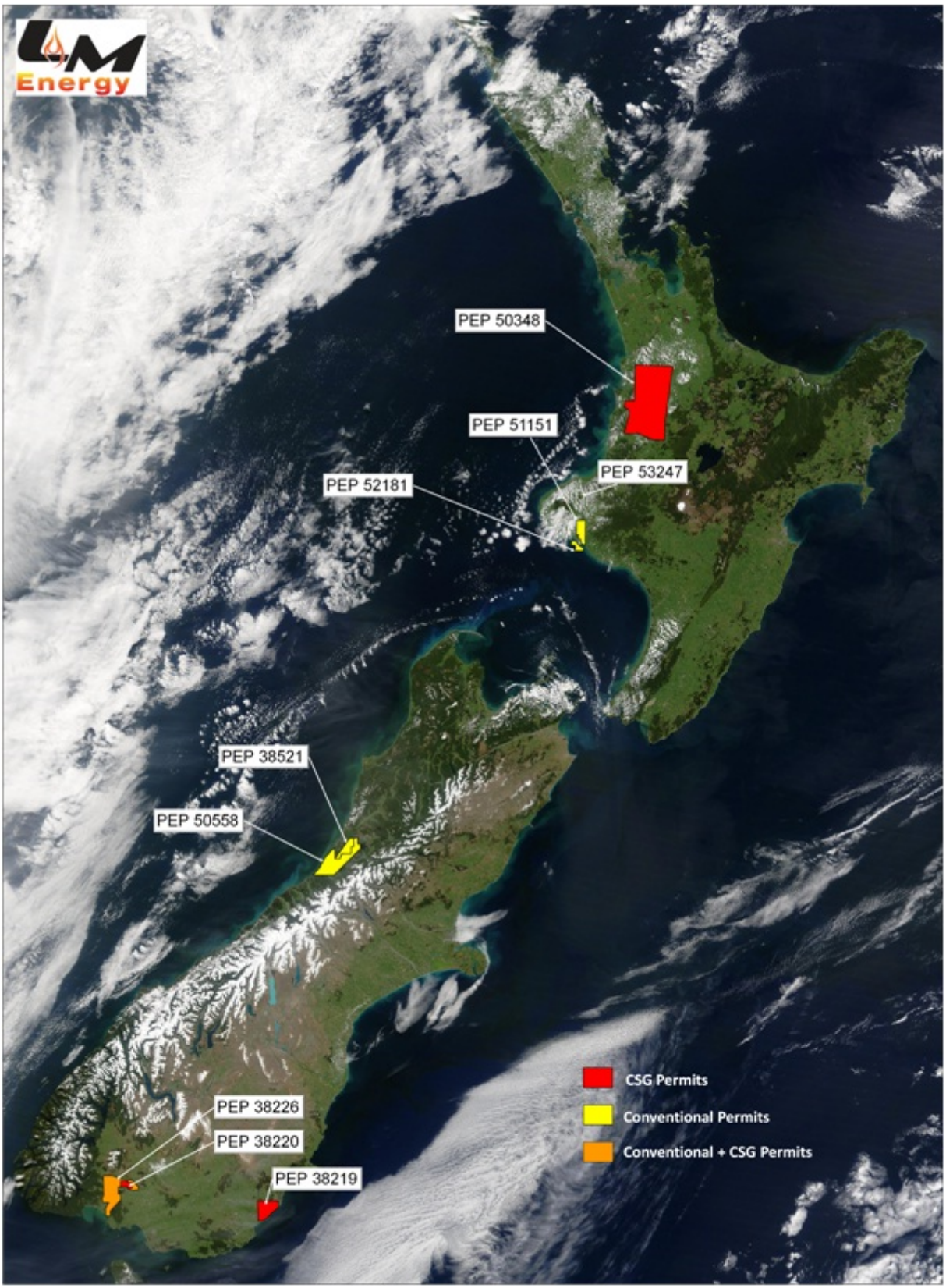
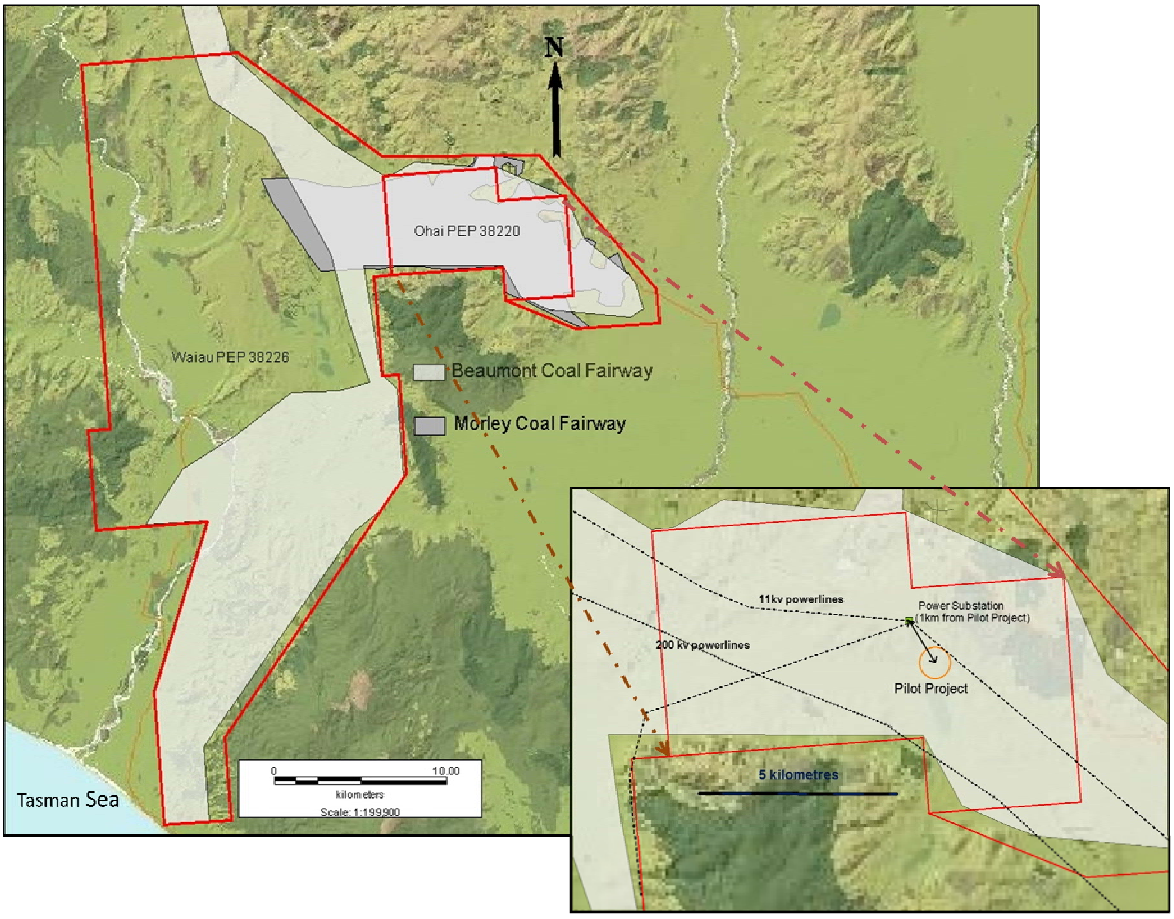
About L&M Energy Limited

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 km^2 of exploration acreage contained within nine New Zealand exploration permits and is well funded for its current work programmes.


Energy
PEP 50348
PEP 51151
PEP 53247
PEP 52181
PEP 38521
PEP 50558
PEP 38226
PEP 38220
PEP 38219
CSG Permits
Conventional Permits
Conventional + CSG Permits


N
Ohai PEP 38220
Waiau PEP 38226
Beaumont Coal Fairway
Morley Coal Fairway
Tasman Sea
0
10.00
kilometers
Scale: 1:199900
11kv powerlines
Power Sub station
(1km from Pilot Project)
200 kv powerlines
Pilot Project
5 kilometres