

QUARTERLY ACTIVITIES REPORT - FIRST QUARTER 2011

28th April 2011

HIGHLIGHTS

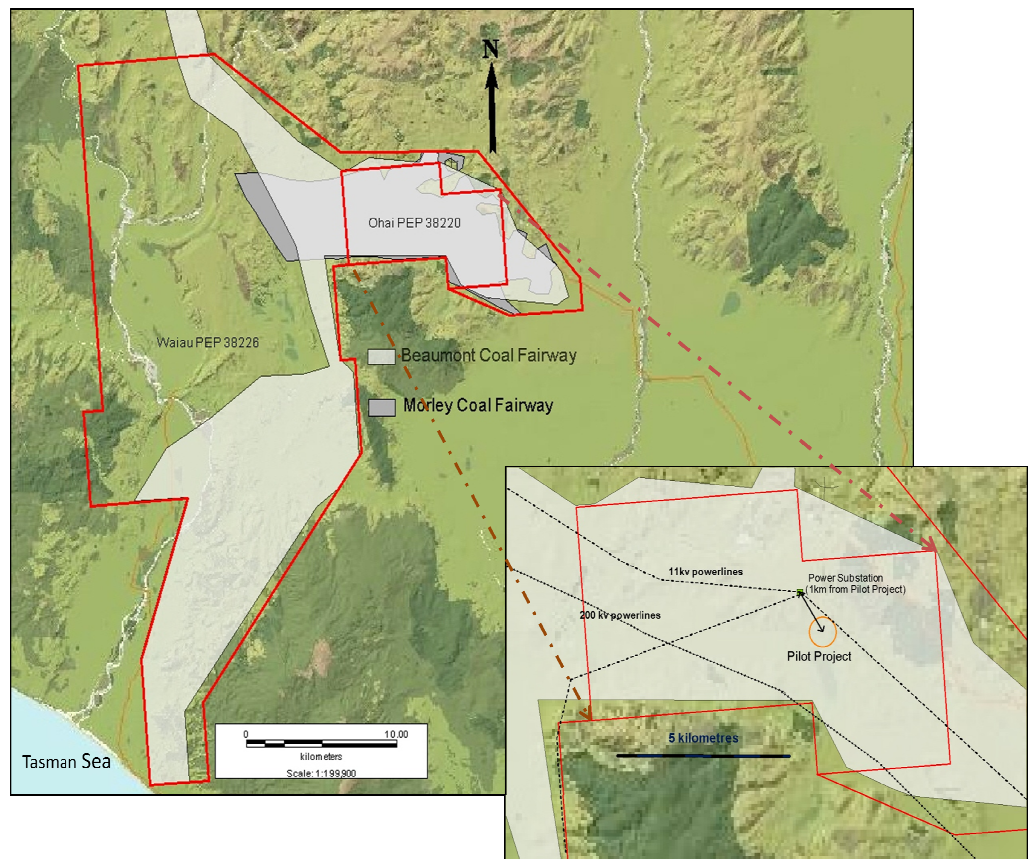
- Drilling completed at Ohai coal seam gas pilot project
 - Foundation power offtake agreement executed
 - Continued preparations for drilling first onshore Taranaki Basin well
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COAL SEAM GAS ACTIVITIES

Drilling at the Ohai pilot project (PEP 38220) was successfully completed after the lateral well OM#7 intersected the OM#5 production well. OM#7 was drilled to a total lateral length of 1,150m and intersected the thick target Morley #2 coal seam within OM#5. Production well OM#5 was completed earlier in the quarter and encountered an unprecedented thickness of the Morley#2 coal seam of 38.2m. Well surface and subsurface production equipment is currently being installed with pilot production scheduled to commence in early May 2011.

The company's push for near term cash flow opportunities from pilot gas production is drawing closer via the execution of a landmark agreement to sell electricity output from the Ohai Coal Seam Gas (CSG) pilot project to the Rio Tinto Alcan-owned New Zealand Aluminium Smelter (NZAS). Preparations are now underway to install a 1MW gas-fired generator at the pilot site.

Once commissioned mid-year, this generator will sell any electricity generated to NZAS.



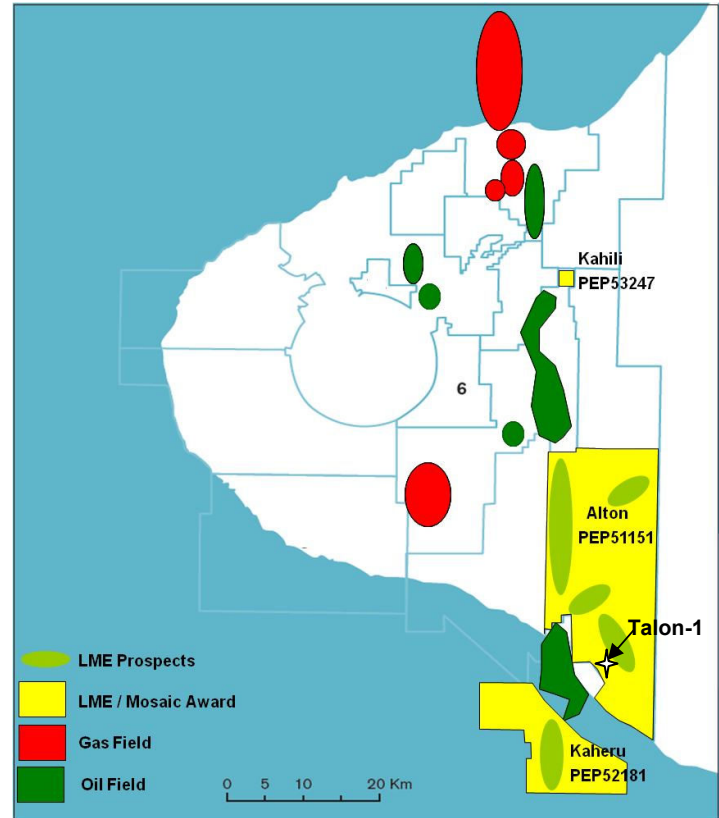
CONVENTIONAL OIL AND GAS ACTIVITIES

PEP 51151 (Alton). Preparations for drilling the shallow oil well, Talon-1, are advancing as planned. All regulatory and landowner agreements are now in place and a drilling contract has been signed for the Ensign Rig 19. Drill site construction is complete and drilling is expected to commence in late May / early June.

The well is designed to test a Manutahi Formation shallow oil prospect located to the northwest of Origin Energy's Manutahi Field (which produces from the same formation). The target has been calculated to have the potential to hold mean recoverable reserves of over 2 million barrels of oil at a relatively shallow depth (~1,500m).

PEP 51151 (Alton) is located in the onshore Taranaki basin and covers an area of 482km². The permit is operated by L&M Energy and is part of a 50:50 joint venture with AGL Upstream Gas (MOS) Pty Limited.

PEP 52181 (Kaheru) is located in the offshore Taranaki Basin and covers an area of 311.9 km². LME holds 15% equity in the permit and is part of a joint venture with ROC Oil (New Zealand) Limited (50% and Operator), TAG Oil (Offshore) Limited (20%) and AGL Upstream Gas (MOS) Pty Limited (15%). The permit has existing 3D seismic coverage, including coverage over the block's primary prospect, the large Kaheru prospect, which has multiple potential reservoir targets. The reprocessing of the Kaheru 3D seismic dataset is being finalised and interpretation of preliminary data is in process. A significant extension of the permit area was awarded on the 18 February 2011 which extended the permit to the north, northeast and south by an additional 140.4 km² and increased the area to 311.9 km². This extension almost doubled the size of the permit and now covers the entire Kaheru structure and several additional leads.



PEP 53247 (Kahili) is located in the onshore Taranaki Basin. The participants in the permit are L&M Energy Limited (25%), and Australian based Mosaic Oil NZ Limited (75%), a wholly owned subsidiary of AGL Energy Limited. The Company is currently Operator of the permit. The joint venture has all regulatory and landowner access agreements in place, has completed surveying of the three 10km 2D seismic lines and has drilled and loaded 60% of seismic shot holes. Seismic data recording is expected to be completed in early May. Over 300km of existing 2D seismic data is currently being reprocessed and the entire seismic data

package will be interpreted over the coming months with a view to identifying a suitable drilling target towards the end of the year. In parallel, the joint venture has entered into an agreement to gain access to the existing Kahili wellsite, ensuring that if in the event that wellsite is chosen as the preferred drilling location then there will be no impediment to progress.

OTHER

PEP 52711 was awarded to the Company on 30 March, 2011. The permit covers 2,112 km² within the Waikato area of the North Island, New Zealand. Within 12 months the Company is to undertake data review and develop a GIS database of all existing data, complete geological mapping and submit a geological report.

CORPORATE

At the end of the quarter the company has NZ\$7.395 million dollars of cash available to undertake its work programs.

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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 discovery of conventional oil and gas resources. The Company holds equity interests in a number of exploration permits in New Zealand.