



COMPANY ANNOUNCEMENT

24th June, 2011

L&M ENERGY TO EXPLORE SOUTH ISLAND SHALE PLAYS

- Five areas identified in South Island NZ with high Shale Gas potential
- Current permits plus applications pending cover total area of 26,279 km²
- Shales in Waiau Basin show strong similarities to US shale gas plays
- Work programme commencing immediately to quantify potential gas in place

L&M Energy Limited (**ASX: LME**) is pleased to announce that it has identified five areas of interest in the South Island of New Zealand that hold significant shale gas potential analogous to some of the most productive shale acreage in the USA.

Following extensive conventional drilling programmes, L&M is seeking to become a leading player in shale gas exploration on the South Island with existing acreage holdings and substantial planned acquisitions. LME currently holds two granted permits in the Waiau Basin covering an area of 616.1 km² and has applied for five further permits that could significantly increase its holding to 26,279 km². This acreage potential is similar in size to the Nappamerri Trough in the Cooper Basin of Australia.¹

Through its previous Southland conventional and coal seam gas exploration, LME has built a considerable database of geological information for the region. This data, combined with the elevated gas readings in the many oil and gas exploration wells in the basin has been used to complete an initial phase of exploration, with the definition of the aerial extent, thickness and maturity of shales in the basin. Based on the available data, the Waiau Basin shales compare very favourably to the best US shale gas plays.

LME will seek expressions of interest from shale gas certification experts to assist in better defining the shale resource potential and mapping a forward drilling work plan to migrate the resource potential to reserves status, and ultimately build a commercialisation pathway for any gas produced.

Commenting on the identified opportunities, LME's Chairman, Mr Geoff Loudon says "We are excited by the shale gas opportunities we have identified in the South Island of New Zealand. We look forward to increasing our permit holdings in the South Island and increasing the certainty around the measurement of gas in place for our acreage. We are confident that we can build upon our expertise in commercialising gas to create a significant business for LME and for the South Island".

The recent shale gas revolution in North America has resulted in a significant increase in production of natural gas from shale formations. Shale formations are tight rocks with substantial gas in place across large horizontal and vertical areas. New technology involving horizontal drilling and hydraulic fracturing has allowed the creation of the required permeability in shales for commercial quantities of gas to readily flow.

¹ Two of these applications are being partially contested.

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Contact for further information:

Kent Anson
Managing Director
L&M Energy
Tel: +64 27 234 4009

or

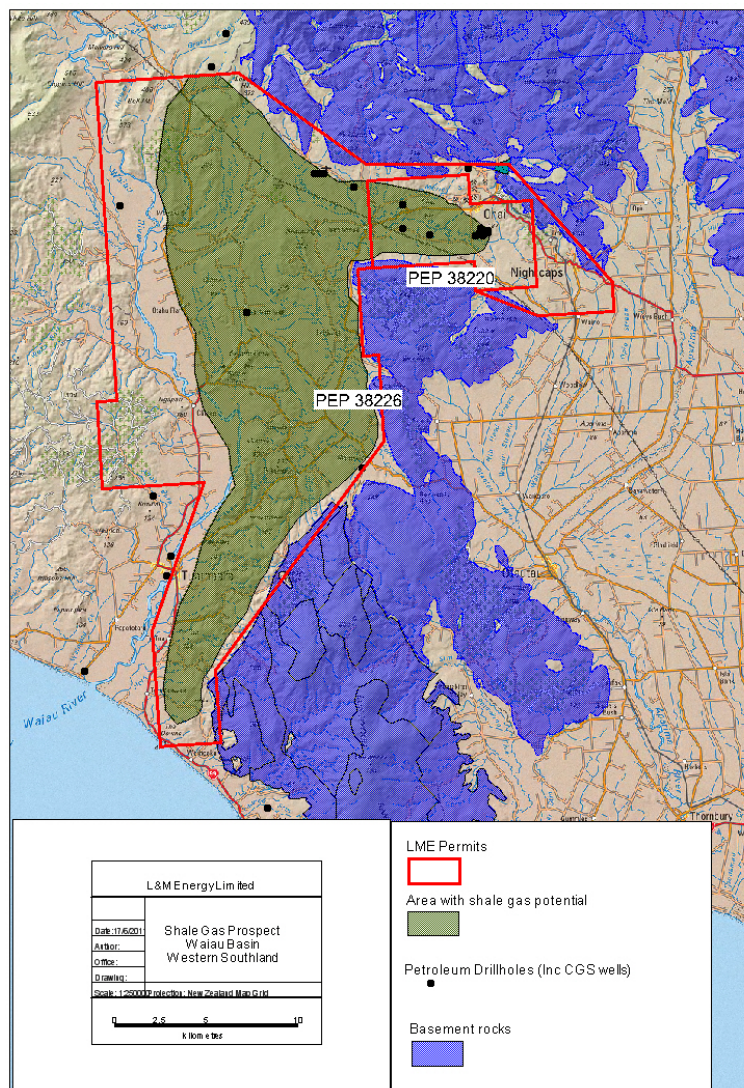
Chris McKeown
GM: Commercial
L&M Energy
Tel: +64 4 473 0415

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 a number of exploration permits.



Shale gas potential in LME's Waiau Basin permits (PEP 38220 and PEP38226)

