



The Manager
Company Announcements
Australian Stock Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

December 23, 2010

SECURITIES TRADING POLICY

In accordance with new Listing Rule 12.9 please find attached L&M Energy Limited's Securities Trading Policy.

With regards,

A handwritten signature in blue ink, appearing to be 'B. McGregor', written over a faint grid.

Bruce McGregor
Company Secretary



SECURITIES TRADING POLICY

1 GENERAL

Directors, officers, employees, key consultants and agents of the Company (including their immediate family members) (collectively, “Insiders”) must satisfy legal and ethical obligations for proper and effective disclosure of corporate information, including not trading its securities while in possession of that information. The Company’s shareholders, its reputation for integrity, the market generally and securities regulators all require the Company and its personnel to provide appropriate disclosure of material information when it is proper to do so, and to ensure they do not unjustly benefit from having such information. The wrongful use of material undisclosed information relating to the Company prior to the information being disseminated may, under securities laws, make both the Company and the individual involved liable for criminal and/or civil penalties.

2 SCOPE

This Securities Trading Policy applies to all Insiders of the Company.

3 DEFINITIONS

“Company” means L&M Energy Limited.

“Securities” includes ordinary shares of the Company and any structured financial product, swap, futures contract, option, warrant, or any other derivative over any ordinary share of the Company, whether issued by the Company or a third party, and any other interest in an ordinary share of the Company; including units in trusts, debentures, prescribed interests and rights or options to subscribe for shares, units, debentures or prescribed interests.

“Trading Plan” means a non-discretionary trading plan for which prior written clearance has been provided and where:

- the Insider did not enter into the plan or amend the plan during a Blackout Period;
- the trading plan does not permit the Insider to exercise any influence or discretion over how, when or whether to trade; and
- there is no ability to cancel or otherwise vary the terms of participation in the trading plan by the Insider during a Blackout Period other than in Exceptional Circumstances.

4 POLICY

4.1 Insiders are permitted to trade in the Company's securities:

- in the period commencing one trading day and ending thirty (30) calendar days following the date of announcement of the Company's annual, half yearly or quarterly results, or a major announcement, leading in the opinion of the Board, to an informed market;
- in periods outside of the above by:
 - a. notifying the Chairman of the Board or Managing Director ("MD") in writing that the Insider intends to trade in the Company's securities;
 - b. warranting that the Insider is not in possession of price sensitive or other material information that has not been disclosed to the public;
 - c. receiving written confirmation from the Chairman or MD that a Blackout Period is not in place; and
 - d. completing the trade within fifteen (15) trading days after having received such confirmation.

4.2 Insiders shall not trade, nor allow a dependent family member to trade, nor encourage others to trade, in the Company's securities:

- at any time in which the Insider is in possession of price sensitive or other material information that has not been disclosed to the public, until at least one (1) trading day after the public disclosure of the relevant material information;
- with the intent to sell any Company security within six (6) months of its acquisition unless the sale of the Company securities is arising from the exercise of outstanding stock options (exercised in accordance with their terms) and if the sale was approved in writing by the Chairman or MD at the time of exercise, and provided that there is no Blackout Period in force;
- during any Blackout Period, which shall consist of:
 - a. the period that begins five (5) trading days before and ends one (1) trading day after the public release of quarterly, half-yearly and annual results of operation of the Company;
 - b. the period in which any well drilling operations are underway in respect to exploring a previously undiscovered geologic structure or appraising the commerciality of a geologic structure previously untested, until at least one (1) trading day after the public disclosure of the relevant results of the well drilling results; and
 - c. any other period in which the Chairman or MD shall so designate as such.

4.3 Trading will be permitted during a Blackout Period under the following circumstances, providing it occurs in accordance with this policy:

- (a) the exercise of any fixed price option or warrant issued by the Company;
- (b) securities acquired pursuant to a previously existing Trading Plan may be sold, provided that the Insider was not in possession of any material undisclosed information (unless it has since been disclosed) at the time the Trading Plan was established;
- (c) participation in an offer or invitation made to all or most of the Company's shareholders (e.g. a bonus or rights issue, share buy back scheme etc);
- (d) the transfer of Company securities already held into a superannuation fund or other similar scheme where the restricted person is a beneficiary;
- (e) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the Company) where the assets of the fund or other scheme are invested at the discretion of a third party;
- (f) undertakings to accept, or the acceptance of, a takeover offer or similar arrangement; and
- (g) a disposal of Company securities that is the result of a secured lender exercising its rights (e.g. under a margin lending arrangement).

4.4 Insiders must inform the Chairman or MD of any material Information which they are aware of which is not yet public so that the appropriate timing for disclosure can be determined and whether a Blackout Period should be put in place.

4.5 Dealings in Company securities during a Blackout Period may be permitted in instances where it is established that there are exceptional circumstances warranting such dealing.

Exceptional circumstances may include severe financial hardship, compliance with court orders or an overriding legal or regulatory requirement.

The prior written consent of the Chairman of the Board must be obtained prior to dealing in Company securities during a Blackout Period. The person seeking clearance to deal in Company securities must provide adequate reasons as to why the proposed dealing of the Company securities is the only reasonable course of action available to them. In the case of the Chairman of the Board seeking to deal in securities under exceptional circumstances, approval must be obtained from the Chairman of the Audit Committee.

If consent is given, such consent must be communicated to the restricted person in writing and the dealing in the Company securities must be completed within five business days. The Company Secretary will keep a written record of any consents granted in these circumstances.

- 4.6 Directors are required to disclose their trading to the relevant stock exchanges within 5 business days. The Company Secretary will complete and file the appropriate forms in order to meet these obligations.

Approved by the Board of Directors: December 2010