



COMPANY ANNOUNCEMENT

**For Immediate Release
Friday, 21 May 2010**

L&M ENERGY AWARDED PEP 52181 (KAHERU) OFFSHORE TARANAKI BASIN, NEW ZEALAND

L&M Energy Limited (ASX/NZX: LME) is pleased to advise that the New Zealand Ministry of Economic Development has granted LME and its joint venture partners PEP 52181 (Kaheru) located in the offshore Taranaki Basin of New Zealand (see map).

The 171.5km² near-shore PEP 52181 (Kaheru) lies on the prospective Eastern Margin trend of the Taranaki Basin, and is adjacent to the Rimu oil and gas field and the Kauri gas/condensate field. 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 and the potential to contain an estimated mean prospective resource of 350 billion cubic feet of gas and 10 million barrels of condensate.

The work programme for the five-year term includes the option to drill an exploration well to test the Kaheru structure in year three.

Participating interests in PEP 52181 (Kaheru) are:

Roc Oil (New Zealand) Limited (Operator).....	50%
Mighty River Power Gas Investments Limited.....	20%
L&M Energy Limited.....	15%
Mosaic Oil NL.....	15%

Commenting on the award of the permit, LME's Managing Director - Petroleum, John Bay said

"Award of this new exploration permit is consistent with L&M's stated dual-focus strategy of pursuing conventional petroleum exploration opportunities along with our coal seam gas development programme, such as the pilot production testing programme planned to start-up in July to determine the optimum development concept to commercialise the 173 PJ of CSG reserves in PEP 38220 (Ohai) permit that LME acquired with its recent acquisition of LMCSG.

We look forward to working with our joint venture partners in exploring the new Kaheru permit."

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. The Company is focused on discovering major oil and gas resources. L&M Energy is the only company in New Zealand currently carrying out exploration programmes targeting both conventional oil and gas and coal seam gas opportunities. Pending completion of the acquisition of L&M Coal Seam Gas Limited, the Company will hold equity interests in over 12,995 km² of exploration acreage contained within twelve exploration permits within New Zealand. The Company is the Operator of all of its joint ventures and has sufficient cash available to undertake its current work programs.

