



COMPANY ANNOUNCEMENT

**For Immediate Release
Monday, 26 July, 2010**

SHARE PURCHASE PLAN

L&M Energy Limited is pleased to announce that its Share Purchase Plan (SPP) has commenced for eligible shareholders in Australia and New Zealand to subscribe for up to shares in the Company. This follows the announcement of 13 July, 2010 in which the Company announced the completion of a capital raising of A\$7.1 million in order to fund LME's upcoming coal seam gas operations.

Each shareholder on the register with a registered address in either Australia or New Zealand as at 11PM (Sydney time) on 23 July 2010 is eligible to apply for Shares under the Plan.

Australian shareholders can subscribe for a maximum of A\$12,000 worth of shares at A\$0.09 per share. New Zealand shareholders can subscribe for a maximum of NZ\$15,000 worth of shares at NZ\$0.11 per share. These prices are the same as those extended to sophisticated and institutional investors in the July 2010 capital raising.

All relevant documentation and application forms will be distributed to eligible shareholders on Friday, 30 July 2010. The SPP opens at 9AM (Sydney time) on Tuesday, 3 August 2010. All applications must be received by 5PM (Sydney time) on Thursday, 26 August 2010.

ENDS

Contact for further information on L&M Energy:

Geoff Loudon
Chairman
L&M Energy Limited
Tel: +64 3 377 0045

or

Duncan Gordon
Executive Director
Adelaide Equity Partners Limited
Tel: +61 8 8232 8800

John W. Bay
Managing Director – Petroleum
L&M Energy Limited
+64 4 473 0415

or

Kent Anson
Managing Director – CSG
L&M Energy Limited
+64 3 377 0045

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 the exploration and development of conventional oil and gas, coal seam gas and underground coal gasification.



Dear Shareholder,

It is my great pleasure to be able to offer you the opportunity to participate in our Share Purchase Plan (SPP) on the same terms and conditions as our recent successful A\$7.1 million institutional share placement.

The SPP will allow all our 1,900+ smaller shareholders with an Australian or New Zealand address to subscribe up to A\$12,000 or NZ\$15,000 each at A\$0.09 or NZ\$0.11 per share, subject only to a minimum subscription of A\$1,000 or NZ\$1,000.

Background

L&M Energy (LME) is a New Zealand based natural resources group with a history stretching from the mid-1930's. Since its 2007 listing as L&M Petroleum it has concentrated on conventional oil and gas exploration. In 2010 we widened our scope by merging with a New Zealand coal seam gas entity, the combined enterprise adopting our current name L&M Energy.

Coal seam gas extraction is an exciting, relatively new technology perfected in the US where it currently supplies about 15% of the total gas market. In the last five years coal seam gas exploration in Queensland has taken off, supplying more than half of the domestic gas market and laying the foundation for a multi-billion dollar liquid natural gas (LNG) export industry.

Your company has been exploring for coal seam gas for more than 7 years and is about to start an advanced stage of pilot testing at Ohai near Invercargill in Southland – New Zealand's most southern district. To date, our exploration has identified 173 PJ of gas certified as 3P (Possible Reserves). Our piloting and ongoing work is aimed at increasing both the accuracy of the gas reserve from 3P to 2P (Probable Reserves) and expanding reserves out into untested parts of the coal field. The pilot will also determine gas flow rates and the economics of the field.

There is a fast-growing industrial market in Southland, including: a large aluminium smelter; the world's largest dairy export complex and other rural and resource-based industries. Gas is seen as an ideal input for electrical generation and as a transport fuel substitute to replace diesel fuel. Discussions are underway with road transport companies and power generators.

LME's other activities include advanced oil exploration in the onshore Taranaki oil producing province where we operate the 50%-owned Alton license. As operator we completed seismic acquisition in early 2010 immediately west of the producing Manutahi oil field. A shallow (1200m) well is planned for early 2011. In offshore Taranaki LME holds a 15% interest in the well-defined Kaheru Prospect which is on trend and south of the Rimu/Kauri producing oil fields. If a well is drilled this would likely be in 2012.

LME has excellent future potential both in supplying gas to industries in Southland and in discovering oil close to existing Taranaki producers. I commend our Share Purchase Plan to you and look forward to bringing you news of our exploration and development activities as events unfold over the next 12 months.

The SPP will open at 9am (Sydney time) on 3 August 2010 and will close at 5pm (Sydney time) on 26 August 2010. Shareholders wishing to take part in the SPP must have returned their Application Forms and application monies by 5pm (Sydney time) on 26 August 2010.

Participation in the SPP is optional and is open to all eligible shareholders, presenting an opportunity for small shareholders to top up their shareholdings without incurring brokerage fees.

Payment of application moneys should be sent by cheque or money order and made payable to "L&M Energy Limited - SPP", sent to the address on the Application Form.

The offer to acquire Shares under the SPP is not a recommendation. Before deciding whether to apply for Shares under the SPP, please carefully read the SPP terms and conditions. The SPP terms and conditions and the Application Form will be sent out to you shortly. If you are in doubt, you should consult your professional advisor prior to completing and lodging an Application Form. You can find LME's current and historical share price and disclosures made to the Australian Stock Exchange at www.asx.com.au (ASX Code: LME) and the New Zealand Stock Exchange at www.nzx.com (NZX Code: LME).

If you have any questions in relation to the SPP, please contact the Company Secretary on +64 4 473 0415.

I take this opportunity to thank all shareholders for their continuing support as we move into this very exciting stage of L&M Energy's future both in coal seam gas and conventional petroleum.

Yours faithfully,

Geoff Loudon
Chairman

L&M ENERGY LIMITED
ARBN 122 323 871

SSP (Plan)
TERMS AND CONDITIONS
Offer Date 26 July 2010

Offer

L&M Energy Limited (**LME**) is offering its shareholders the opportunity to purchase fully paid ordinary shares in LME (**Shares**).

The issue price will be A\$0.09 or NZ\$0.11 per Share (**Issue Price**).

Shareholders applying for shares will receive shares listed on the same stock exchange as their existing shareholding.

The amount to be raised under the Plan will not be known as it will be dependent on the level of take up of Shares by the shareholders under and in accordance with the Plan. LME's board of directors (**Directors**) reserve the right to scaleback the amount raised at their sole discretion.

As the Plan is being offered simultaneously in Australia and New Zealand, the highest amount that each shareholder can invest under the Plan will be NZ\$15,000 or A\$12,000¹ (both or either of them the **Maximum Investment**).

Important Dates*

Event	Expected Date
<i>Record Date</i>	11pm (Sydney time), 23 July 2010
<i>Opening Date</i>	9am (Sydney time) 3 August 2010
<i>Closing Date</i>	5pm (Sydney time), 26 August 2010
<i>Share Issue Date</i>	1 September 2010
<i>Dispatch of Holding Statements / Confirmation advice</i>	2 September 2010
<i>Anticipated Quotation Date</i>	3 September 2010

* LME reserves the right to vary these dates

How to Apply

To accept the offer, complete the accompanying Application Form indicating the amount you wish to invest. You must invest a minimum A\$1,000 or NZ\$1,000, and any additional amount thereafter up to the applicable Maximum Investment. The table below provides an indication of the number of Shares you will be allotted based on differing application amounts, and depending on the currency.

Your completed Application Form together with a cheque or money order in A\$ or NZ\$ (as applicable) made payable to "L&M Energy Limited" and crossed "Not Negotiable" for the amount you are investing, should be received by

Computershare Limited (**Computershare**) by the Closing Date. Computershare's address can be found on the Application Form.

Example share allotments:

	Subscription Amount, A\$	Shares to be allotted calculated at the Issue Price, A\$0.09	Subscription Amount, NZ\$	Shares to be allotted calculated at the Issue Price, NZ\$0.11
Minimum Investment	\$1,000	11,112	\$1,000	9,091
	\$2,500	27,778	\$2,500	22,728
	\$5,000	55,556	\$5,000	45,455
	\$7,500	83,334	\$7,500	68,182
	\$10,000	111,112	\$10,000	90,910
Maximum Investment	A\$12,000 ¹	133,334	NZ\$15,000	136,364

Eligibility

Each shareholder on the register on the Record Date with a registered address in either Australia or New Zealand is eligible to apply for Shares under the Plan.

You are not eligible if you are a 'US Person' as defined in Regulation 'S' under the United States Securities Act of 1933, or acting for the account or benefit of a US Person. Shares to be issued under the Plan have not been and will not be registered under any foreign securities laws.

Single Holders: Each shareholder may only apply for up to the Maximum Investment amount under the Plan. If you are the only registered holder of a holding of Shares, but you receive more than one offer under the Plan (for example, due to multiple registered holdings), you may still only apply for an aggregate of up to the Maximum Investment worth of Shares.

Joint Holders: If you are recorded with one or more other persons as the joint holder of a holding of Shares, that joint holding is considered to be a single registered holding for the purpose of the Plan, and the joint holders are entitled to participate in the Plan in respect of that single holding only. If the same joint holders receive more than one offer under the Plan due to multiple identical holdings, the joint holders may still only apply for an aggregate of up to the Maximum Investment worth of Shares.

Australian custodians, trustees and nominees:

¹ The total subscription amount cannot exceed NZ\$15,000 converted at the NZ\$:A\$ exchange rate on the Closing Date of the Shares.

You are required to comply with the requirements below only if you are an Australian custodian, trustee or nominee who receives this offer in Australia.

An Australian custodian, trustee or nominee within the definition of "custodian" or "downstream custodian" in Australian Securities and Investments Commission (**ASIC**) Class Order [CO 09/425] or in any other ASIC relief granted to LME in relation to the Plan (**Australian Custodian**) and hold Shares on behalf of one or more persons (**Participating Beneficiaries**), you may apply for up to the Maximum Investment worth of Shares for each Participating Beneficiary, subject to providing a notice in writing to LME (**Custodian Certificate**) certifying the matters set out in section 9 of Class Order [CO 09/425], being in summary the following:

1. that you hold Shares on behalf of Participating Beneficiaries who have instructed you to apply for Shares on their behalf under the Plan;
2. the number of Participating Beneficiaries;
3. the name and address of each Participating Beneficiary;
4. the number of Shares that you hold on behalf of each Participating Beneficiary or which are held by downstream custodian in the class (as applicable);
5. the number or dollar amount of Shares which each Participating Beneficiary or a downstream custodian has instructed you to apply for on their behalf;
6. that there are no Participating Beneficiaries in respect of which the total of the subscription amount exceeds the Maximum Investment, calculated by reference to Shares applied for by you as Australian Custodian on their behalf under:
 - a. the Plan; and
 - b. any other Shares issued to you as Australian Custodian in the 12 months before your application under an arrangement similar to the Plan,in each case, as a result of an instruction given by them to you as Australian Custodian to apply for Shares on their behalf;
7. a copy of the written offer document was given to each Participating Beneficiary;
8. where downstream custodians are involved, the names and addresses of each custodian who holds beneficial interests in the Shares or interests or interests in the class held by the custodian in relation to each Participating Beneficiary; and
9. any such additional or varied information as might be required under any more specific ASIC relief that might be granted to LME in relation to the Plan.

For the purposes of ASIC [CO 09/425] you are a "custodian" if you are a registered holder that:

1. holds an Australian financial services licence that:
 - a. covers the provision of a "custodial or depository service" (as defined in section 766E of the Corporations Act 2001); or

- b. includes a condition requiring the holder to comply with ASIC [CO 02/294]; or
2. is exempt under:
 - a. paragraph 7.6.01(1)(k) of the Corporations Regulations 2001; or
 - b. under ASIC [CO 05/1270] to the extent that it relates to ASIC [CO 03/184], from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service; or
3. is a trustee of a:
 - a. self-managed superannuation fund; or
 - b. superannuation master trust; or
4. is a responsible entity of an IDPS-like scheme; or
5. is a registered holder of shares or interests in the class and is noted on the register as holding shares on account for another person.

Australian Custodians should have received a Custodian Certificate with the Plan terms and conditions. If you did not receive a Custodian Certificate or would like further information on how to apply, you should contact Computershare.

New Zealand custodians, trustees and nominees:

You are required to comply with the requirements below only if you are a New Zealand trustee corporation, nominee company or bare trustee holding Shares by reason only of acting for another person in the ordinary course of business as a trustee corporation or nominee company or, in the case of a bare trustee, in your capacity as a bare trustee of a trust holding Shares (together a '**New Zealand Custodian**') who receives this offer in New Zealand.

Under the Plan LME may issue to a New Zealand custodian in any 12-month period Shares the total price of which is more than NZ\$15,000 if:

1. The New Zealand Custodian certifies the following in writing to LME:
 - a. that it holds Shares as a New Zealand custodian for beneficial owners; and
 - b. the number of those beneficial holders; and
 - c. in respect of each of the beneficial owners, how many Shares the beneficial owner, or its agent, has instructed the New Zealand Custodian to accept on behalf of that beneficial owner; and
 - d. that the New Zealand Custodian undertakes not to accept on behalf of any of those beneficial owners for which it acts directly or indirectly as a New Zealand Custodian, in any 12-month period, Shares the total price of which is more than NZ\$15,000; and
2. LME is reasonably satisfied that in any 12-month period the total issue price of Shares issued to any beneficial owner is not more than NZ\$15,000, whether those Shares are issued through any New Zealand Custodian

or if the beneficial owner is also a security holder, in their own right as a security holder.

Australian and New Zealand Non-custodians, trustees and nominee applicants:

If you hold Shares as a trustee or nominee for another person, but are not a Australian Custodian or New Zealand Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Unless you are a Australian Custodian or New Zealand Custodian, by returning the Application Form you certify that you have not applied for more than the Maximum Investment worth of Shares under the Plan or any similar plan issued by LME in the last 12 months prior to your application (including any Shares applied for, or held, on your behalf by an Australian Custodian or New Zealand Custodian).

Maximum Subscription (Scale Back)

The Directors may, in their absolute discretion, undertake a scaleback to the extent and in the manner they see fit. Any scaleback will be announced on the allotment date. If there is a scaleback, a shareholder may not receive any or all of the Shares for which they applied.

To ensure that the NZ\$ Maximum Investment is not exceeded for the purposes of calculating the maximum subscription, applications in A\$ will be converted to NZ\$ at the exchange rate prevailing on the Closing Date (as quoted by a trading bank in Australia or New Zealand). Excess application monies in A\$ will be refunded by LME cheque or direct credit into the shareholder's bank account nominated for the payment of dividends without interest. Any refunds of less than \$2 will not be returned to shareholders

Issue of Shares

The Directors reserve the right, in their sole discretion, to accept any application in whole or in part. If any application is rejected in whole or in part, LME will refund the whole or relevant part of the application money tendered without interest. Refunds will be made by LME cheque or direct credit in the same manner as listed above.

Application will be made to ASX or NZX (as applicable) for the listing of the Shares. Shares issued pursuant to the Plan will rank equally with all other ordinary shares in LME.

Any fraction of a Share will be rounded up to a whole number in calculating the number of Shares for allotment.

Discretion Regarding Applications

LME may accept or reject or scale back (as LME considers appropriate in its discretion) the applications to buy Shares under the Plan, including (but not limited to) cases where:

1. an Application Form is incorrectly completed, incomplete or otherwise determined by LME to be invalid;
2. a cheque is dishonoured or has not been completed correctly;
3. a cheque or money order is not made out for the exact amount of the value selected on the Application Form;
4. an applicant would subscribe for more than the Maximum Investment;
5. an Application Form is received after the Closing Date. While LME retains discretion to accept late Application Forms and cheques or money orders, there is no assurance that it will do so. Late Application Forms with payments, if not processed, may be returned to you without interest, to your registered address;
6. LME believes an applicant is not eligible under the Plan; or
7. an applicant holds Shares on the Record Date only as a result of that applicant's failure to settle on the contractual settlement date for a sale of their Shares. Where a Shareholder does not meet the settlement conditions for a particular trade, LME reserves the right to deem an offer as having been made to, and accept an application to buy Shares under the Plan from, the counterparty in respect of that failed trade provided that party would otherwise be eligible under the Plan (even if that party does not hold Shares on the Record Date). However, it remains the responsibility of the applicant and counterparty to settle their respective rights and liability and LME accepts no responsibility or liability to either the applicant or counterparty in respect of deeming or not deeming (in LME's discretion) an offer as having been made to a counterparty.

Price Risk

There is a risk that the market price of Shares may change between the date of the offer and the date Shares are issued under the Plan. The market value of Shares subscribed for under the Plan may rise or fall depending on various factors including the success or otherwise of LME's exploration and development projects and economic and stock market conditions generally. It is possible that up to or after the Share Issue Date, investors may be able to buy Shares at a lower price than the Issue Price.

LME encourages you to seek your own financial or other professional advice regarding your participation under the Plan and in particular the financial, social security and other implications of applying for Shares under the Plan in light of your personal circumstances.

Exchange Rate Risk (Maximum Investment and Potential Scale Back)

As a result of the operation of New Zealand and Australian securities laws, the maximum amount that may be subscribed is NZ\$15,000.

To ensure compliance with these laws, LME has established a maximum A\$ subscription amount of A\$12,000. If, at the Closing Date NZ\$15,000 is less than A\$12,000 (as determined by LME by reference to the exchange rate quoted by a trading bank in Australia or New Zealand) then:

- a. the maximum A\$ amount that can be subscribed will be limited to the lesser amount;
- b. all applications in excess of that maximum A\$ amount will be scaled back to the maximum permitted subscription in A\$; and
- c. all excess A\$ subscription monies will be refunded without interest after the issue of Shares under the Plan.

Waiver, Amendment, Suspension and Withdrawal

LME may, at its discretion, waive compliance with, amend or vary, or suspend or withdraw any or all provisions, terms or conditions of the Plan at any time and for any reason. Any such waiver, amendment, variation, suspension or withdrawal will be binding on all shareholders eligible under the Plan even where LME does not notify you of the event.

Additional Information

The Plan is not underwritten.

For the purposes of the Securities Act (NZX – Share and Unit Purchase Plans) Exemption Notice 2005 the issue price of NZ\$0.11 per Share is equal to the price (converted from A\$0.09 @ 0.82) paid for Shares by placees under LME's recently completed private placement and is lower than the average end of day market price of Shares in the period July 1 to July 21 2010, being a period falling within the 30 days immediately before the Plan was offered to shareholders.

The offer of Shares under the Plan is non-renounceable. You cannot sell your right to participate under the Plan.

Participation in the Plan is optional.

If application monies are returned to an applicant (e.g. due to a scale back of applications, or for any other reason), these will be refunded without interest after the issue allotment of Shares under the Plan.

There are no brokerage, commission or other fees or costs imposed by LME under the Plan though some brokers may be entitled to receive a stamping fee where investment in the SPP is made via them,

LME's rights and discretions under the Plan may be exercised by the Directors or any delegate of the Directors.

A reference to A\$ means the lawful currency of the Commonwealth of Australia. A reference to NZ\$ means the lawful currency of New Zealand.

Please contact the Company Secretary for LME's privacy policy.

By making an application for Shares under the Plan you agree to be bound by the terms and conditions of the Plan and LME's constitution.

Shareholders may obtain from LME free of charge a copy of the company's most recent annual report and financial statements on request. These documents are also available via LME's website: www.lmenergy.co.nz

How to accept the SPP

Payment Details

You can apply for Shares by utilising the payment options detailed below.

By making your payment using cheque, bank draft or money order, you confirm that you agree to all of the terms and conditions of the SPP as enclosed with this Application Form.

Make your cheque, bank draft or money order payable to **L&M Energy Limited - SPP** in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian branch of a financial institution. Please ensure you submit the correct amount. Incorrect payments may result in your application being rejected. Complete cheque details in the boxes provided and return the slip below and Cheque, Bank Draft or money order in the envelope provided. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below where indicated. Cash will not be accepted. A receipt for payment will not be forwarded.

Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding the slip below.

Lodgement of Application

When paying by cheque, bank draft or money order, the slip below must be received by Computershare Investor Services Pty Limited (CIS) Sydney by no later than 5:00pm (Sydney time) 26 August 2010. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Return the slip below with cheque, bank draft or money order attached.

Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning this form or your entitlement, please contact CIS on 1300 705 763.

CHES holders must contact their Controlling Participant to notify a change of address



Payment Options:

By Mail:

**L&M Energy Limited
Computershare Investor Services Pty Limited
GPO Box 253
Sydney, NSW 2001
AUSTRALIA**

How to accept the SPP

Payment Details

You can apply for Shares by utilising the payment options detailed below.

By making your payment using cheque, bank draft or money order, you confirm that you agree to all of the terms and conditions of the SPP as enclosed with this Application Form.

Make your cheque, bank draft or money order payable to **L&M Energy Limited - SPP** in New Zealand currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on New Zealand branch of a financial institution. Please ensure you submit the correct amount. Incorrect payments may result in your application being rejected. Complete cheque details in the boxes provided and return the slip below and Cheque, Bank Draft or money order in the envelope provided. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below where indicated. Cash will not be accepted. A receipt for payment will not be forwarded.

Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding the slip below.

Lodgement of Application

When paying by cheque, bank draft or money order, the slip below must be received by Computershare Investor Services Limited (CIS) Auckland by no later than 5:00pm (Sydney time) 26 August 2010. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in New Zealand. Return the slip below with cheque, bank draft or money order attached.

Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning this form or your entitlement, please contact CIS on 0800 108 609.

CHESS holders must contact their Controlling Participant to notify a change of address



Payment Options:

By Mail:

**L&M Energy Limited
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
NEW ZEALAND**