



COMPANY ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT SECOND QUARTER 2010

29 July 2010

For Immediate Release

HIGHLIGHTS

- ***Successfully completed a share placement to institutional and sophisticated investors raising circa A\$7.1million (before fees).***
 - ***Completed step out well OM-4 at the Ohai coal seam gas field encountering ~40m of thick gassy coals with gas contents of up to 11m³ per tonne of coal on a dry ash free basis.***
 - ***Awarded PEP 52181 (Kaheru) conventional petroleum exploration permit.***
 - ***Applied for ~21,000 km² of additional New Zealand coal seam gas and conventional petroleum exploration acreage.***
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L&M Energy Limited (ASX/NZX: LME) is pleased to report to shareholders its activities for the second quarter of 2010.

In the second quarter:

- A\$7.1 million (before fees) of new capital was raised by placing 78.9 million shares to institutional and sophisticated investors.
- PEP 52181 (Kaheru) located in the offshore Taranaki Basin, was granted to LME (15%) along with its joint venture partners ROC Oil (50% and Operator), Mighty River Power (20%) and Mosaic Oil (15%).
- Submitted applications to the Crown to acquire five new exploration permits, consisting of:
 - Two permits located in the onshore Canterbury Basin on the South Island to explore for coal seam gas;
 - One permit located in Western Southland adjacent to the company's existing PEP 38226 and 38220 permits to explore for coal seam gas;
 - One permit located in the onshore Taranaki Basin of the North Island to explore for conventional petroleum; and

- One permit located in the onshore Waikato Basin of the North Island to undertake prospecting studies in respect to the potential for underground coal gasification.

The applications for the new permit areas are currently being processed and decisions in respect of whether the applications have been granted are expected to be received in Q3 2010.

- Notice of surrender was given to the Crown for the following exploration permits:
 - three coal seam gas permits – PEP 38218 (Hawkdun), PEP 38235 (Winton) and PEP 51244 (Ohura River); and
 - two conventional petroleum permits – PEP 38238 (Blackmount) and PEP 38237 (Waitutu).

SUMMARY OF OPERATIONS ACTIVITIES

In the second quarter, the following operational activities were undertaken:

- PEP 38220 (Ohai): the CSG exploration core well OM-4, was successfully completed after reaching a total depth of 1034m and intersecting ~40m of coal. Gas desorption results received to date indicate gas contents up to 11m³ per tonne of coal on a dry ash free basis.

Preparations are continuing for the development of a production test pilot project within the area with a view to establishing commercial gas flow rates and an initial tranche of 2P gas reserves.
- PEP 50348 (South Waikato): the final well of the three well programme, Te Kuiti-1 CSG core well was completed during the quarter after reaching a total depth of ~449m and intersecting no significant coal seams.
- PEP 51244 (Ohura River): completed the drilling of two CSG exploration wells, Heao-1 and MacClure-1, to a total depth of ~518m and ~435m respectively. While both wells intersected the Maryville coal measures no significant coal seams were encountered.

At report date the Company holds equity interests in five conventional petroleum and three coal seam gas exploration permits within New Zealand (see map attached), consisting of:

- PEP 38219 (Kaitangata) (LME 100%), coastal Otago CSG permit;
- PEP 38220 (Ohai) (LME 100%), onshore Western Southland Basin CSG permit;
- PEP 38226 (Waiau), onshore Western Southland Basin conventional and CSG permit
 - 90% equity in the conventional petroleum prospects; and
 - 100% equity in the coal seam gas program (subject to the Sole Risk back-in provisions under the Waiau JOA);
- PEP 38521 (West Coast) (LME 100%), onshore Westland Basin conventional permit;
- PEP 50348 (South Waikato) (LME 100%), onshore Waikato Basin CSG permit;
- PEP 50558 (Hohonu) (LME 100%), onshore Westland Basin conventional permit;
- PEP 51151 (Alton) (LME 50%), onshore Taranaki Basin conventional permit; and

- PEP 52181 (Kaheru) (LME 15%), offshore Taranaki Basin conventional permit.

The Company is the Operator of all its joint ventures except for PEP 52181 (Kaheru), for which ROC Oil (New Zealand) Limited is Operator.

FUTURE OUTLOOK

In the next quarter, the Company intends to:

- offer existing shareholders the opportunity to increase their shareholding in the Company via participation in a Share Purchase Plan;
- continue appraising its two Western Southland Basin permit areas with a view to increasing the current certification level of its coal seam gas 3P reserves;
- undertake the initial well drilling for the coal seam gas production pilot within PEP 38220 (Ohai) with a view to certifying the company's first 2P coal seam gas reserves early in the new year;
- assess the feasibility of establishing a power generation facility at the Ohai pilot project;
- progress the geological and geophysical evaluation of the two onshore Westland Basin permits, PEP 38521 (West Coast) and PEP 50558 (Hohonu), in preparation for undertaking a 2D seismic acquisition program in Q1 2011 to further define previously identified oil leads contained within the permits;
- complete the petroleum source rock and migration analysis in PEP 51151 (Alton) in preparation for drilling the Talon-1 well in Q1 2011; and
- re-process and interpret the existing 3D seismic dataset over PEP 52181 (Kaheru).

CONCLUSION

At the end of the quarter, the Company had c. NZ\$1.4 million dollars of cash available to undertake its work programs. However, as a result of the private share placement, at the time of this report the Company's cash position has improved to c. NZ\$8 million dollars of cash available.

L&M Energy has the largest portfolio of coal seam gas permits in New Zealand and has aggressive exploration programs underway within both its conventional petroleum and coal seam gas permit areas.

Management will continue to seek opportunities to diversify the Company's portfolio of conventional and coal seam gas exploration opportunities seeking to minimise exploration risk, access early cash flow generation opportunities and create maximum returns for its shareholders.

We appreciate the support we have received from our shareholders and look forward to their continued investment in the Company.

ENDS

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Competent Persons Statement

The technical information relating to Coal Seam Gas contained in this announcement is based on information compiled by the Company's Senior Geologist, Mr Kerry Gordon, who has more than 8 years of experience in the coal seam gas and coal sectors.

About L&M Energy Limited

L&M Energy Limited is a New Zealand based company dual listed on the Australian and New Zealand stock exchanges. The Company is focused on the exploration and development of conventional oil and gas, coal seam gas and underground coal gasification.



Petroleum Exploration Permits

