



COMPANY ANNOUNCEMENT

For Immediate Release

26th October 2010

L&M ENERGY INCREASES 3P GAS RESERVES BY 60%

- **60% upgrade to certified 3P gas reserves**
- **Further upgrades expected**
- **Net 3P reserves increased from 173 PJ to 274 PJ**

L&M Energy Limited (ASX:LME) is pleased to advise of a substantial increase in interim 3P from 173 PJ to 274 PJ at its Western Southland Basin permit, PEP 38220 (Ohai), located on the South Island of New Zealand approximately 60km northwest of Invercargill.

The review and certification of 3P reserves was conducted by independent consultants MHA Petroleum Consultants LLC, based in Denver USA following results from the recent completion of step out well OM-4.

The increase in 3P reserves applies only to the Company's Ohai permit area and does not include any of the potential gas resources from within adjoining permit, PEP 38226 (Waiau). It is anticipated that with further exploration work within the adjoining Waiau acreage will contribute significantly to future reserves upgrades.

This reserves increase follows on from the recent successful Placement and Share Purchase Plan. It also comes at time when L&M Energy continues to confidently pursue its multiple commercial opportunities for the region including onsite power generation, transport fuel and coal replacement.

L&M Energy Managing Director (CSG), Kent Anson, said, "The reserve increase is another significant step forward for the Company in developing the South Island's first commercial gas field. We expect further reserve upgrades when the rest of our acreage is taken into account giving us a tremendous opportunity to supply into what is a very buoyant energy market".

The pilot project at Ohai is advancing with the drilling phase of the project scheduled to commence this quarter with a view to certifying the company's first tranche of 2P reserves early next year.

ENDS

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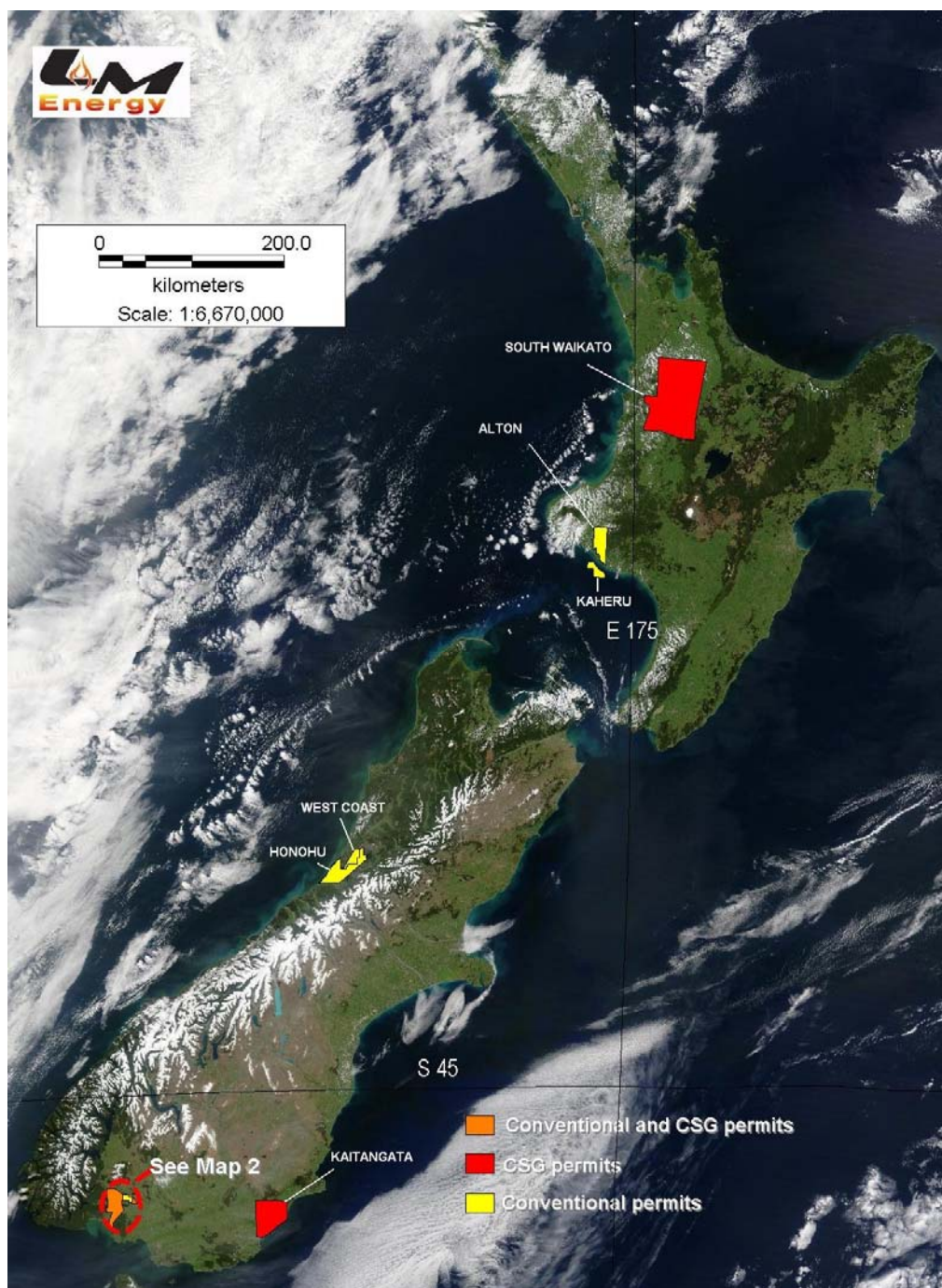
Competent Persons Statement

Information on the Reserves and Resources in this release has been prepared and compiled by Mr John P Seidle, Ph.D., P.E, Vice President of MHA Petroleum consultants, LLC (MHA) who has given his consent as of the date of this release to the inclusion of this statement and the information in the form and the context in which they appear in this release. The estimate of reserves and resources has been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers.

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.

Map 1: L&M Energy New Zealand Permits



Map 2:L&M Energy Waiau and Ohai permit areas

