

COMPANY ANNOUNCEMENT

Thursday, 16 December 2010

L&M ENERGY SUCCESSFUL IN JOINT BID FOR ONSHORE TARANAKI PERMIT

Highlights

- L&M Energy and Mosaic Oil NZ Limited awarded PEP53247 (Kahili) onshore Taranaki permit
- Historical oil and gas production within permit confirms hydrocarbon presence
- Infrastructure in place for early production upon successful drilling

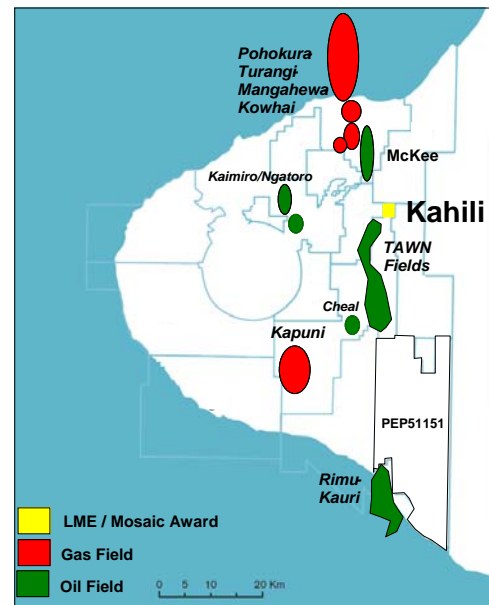
L&M Energy (LME) today announced that it is continuing to grow its portfolio of exploration opportunities with near term cashflow potential through the award of the Kahili permit (PEP53247), onshore Taranaki, New Zealand, after a contestable blocks offer.

This latest award will result in the Company having interests in three permits in Taranaki, New Zealand's only commercially proven producing basin.

The participants in the permit are L&M Energy Limited (25%), and Australian based Mosaic Oil NZ Limited (75%). Mosaic Oil NZ Limited is a wholly owned subsidiary of AGL Energy Limited.

The Kahili field was discovered in 2002 and the previous permit holder achieved commercial gas and condensate flows. In anticipation of that production, an on-site processing facility and pipeline connecting to the gas network were constructed by Natural Gas Corporation (now Vector Ltd). The Kahili-1B well produced 0.18 BCF of gas and 5.53 mbbls of condensate prior to watering out unexpectedly in 2004.

Both the production facility and the pipeline remain under a care and maintenance program by Vector Ltd pending further work within the permit. With these facilities available any future discoveries can be rapidly commercialised.



Following the award of the permit the joint venture will commence the acquisition of 30km of new seismic and reprocess a minimum of 160km of seismic in order to identify a suitable drilling target.

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 focused on the development of commercial coal seam gas resources and discovering major conventional oil and gas resources. The Company holds equity interests in over 10,000 km² of exploration acreage contained within eight exploration permits within New Zealand.