



COMPANY ANNOUNCEMENT

19th October, 2011

OHAI CSG PILOT PROJECT UPDATE

L&M Energy Limited (**ASX/NZX:LME**) wishes to provide the following update for its Coal Seam Gas (CSG) Pilot Project at Ohai in the South Island of New Zealand (PEP38220).

Operations at the Pilot Project are continuing, with a well work-over programme currently underway. Although LME is pleased with the thick gassy coals encountered in the OM#5 well, production rates to date are lower than modelled and the latest work-over programme is aimed at determining the variances between actual and modelled production rates.

The programme will be initiated with a series of tests to reaffirm the connectivity between the lateral and vertical production wells with further tests involving individual coal seams. Before commencement of the programme, production equipment will be removed and the well will be cleaned out to total depth.

While early stage technical challenges are not uncommon among pilot projects and CSG operations in general, LME is committed to trialing and refining the different well designs and completion techniques applicable to the Ohai project. It is expected that this test work is likely to be ongoing until the end of Q4 or until the issue has been satisfactorily resolved.

Once resolved, LME then intends to commit to the remaining large capital expenditure items for the pilot power station on the basis of a positive outcome from this testing process. Outstanding procurement and construction activities will occur upon the establishment of reliable production data with completion of the station being timed so as to be available in line with the power station fuel gas requirements.

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 the development of commercial coal seam gas resources and discovering unconventional (UCG and Shale) and conventional oil and gas resources. The Company holds equity interests in over 8,200 km² of exploration acreage contained within eight New Zealand exploration permits.

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Location of PEP 38220 in relation to Invercargill and major energy user New Zealand Aluminium Smelters Limited

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