

MEDIA RELEASE

12 October 2006

L&M PETROLEUM AND MIGHTY RIVER POWER TO PARTNER IN ONSHORE WESTERN SOUTHLAND BASIN PETROLEUM EXPLORATION PROJECT

L&M Petroleum Limited (“L&M”) has entered into an agreement with Mighty River Power Limited to jointly explore in L&M’s Waiiau Petroleum Exploration Permit (PEP) 38226 in the onshore Western Southland Basin (indicated on the adjacent map).

L&M’s previous exploration work in the 1,123 sq km permit area has identified seven exploration prospects and five leads in the permit. L&M recently announced that small quantities of gas and traces of oil were recovered from the target Beaumont formation reservoir sands at its initial Sharpridge Creek #1 well drilled in the first half of 2006. These encouraging results from Sharpridge Creek, together with active oil and gas seeps in the permit, confirm the existence of an active petroleum system in the Waiiau basin. L&M and Mighty River Power plan to drill the Eastern Bush Prospect in early 2007 as the first well in their joint exploration programme.

John Bay, L&M Petroleum Managing Director said, “L&M is pleased to have forged this alliance with Mighty River Power to work together in this effort. It validates L&M’s vision of exploring for and developing energy resources in the southern region of the South Island and places us in a strong position leading up to our proposed IPO in late 2006.”

Doug Heffernan, Chief Executive of Mighty River Power said the programme with L&M was part of Mighty River Power’s strategy of investigating a wide range of potential fuel sources to help meet the opportunity created by New Zealand’s growing demand for energy.

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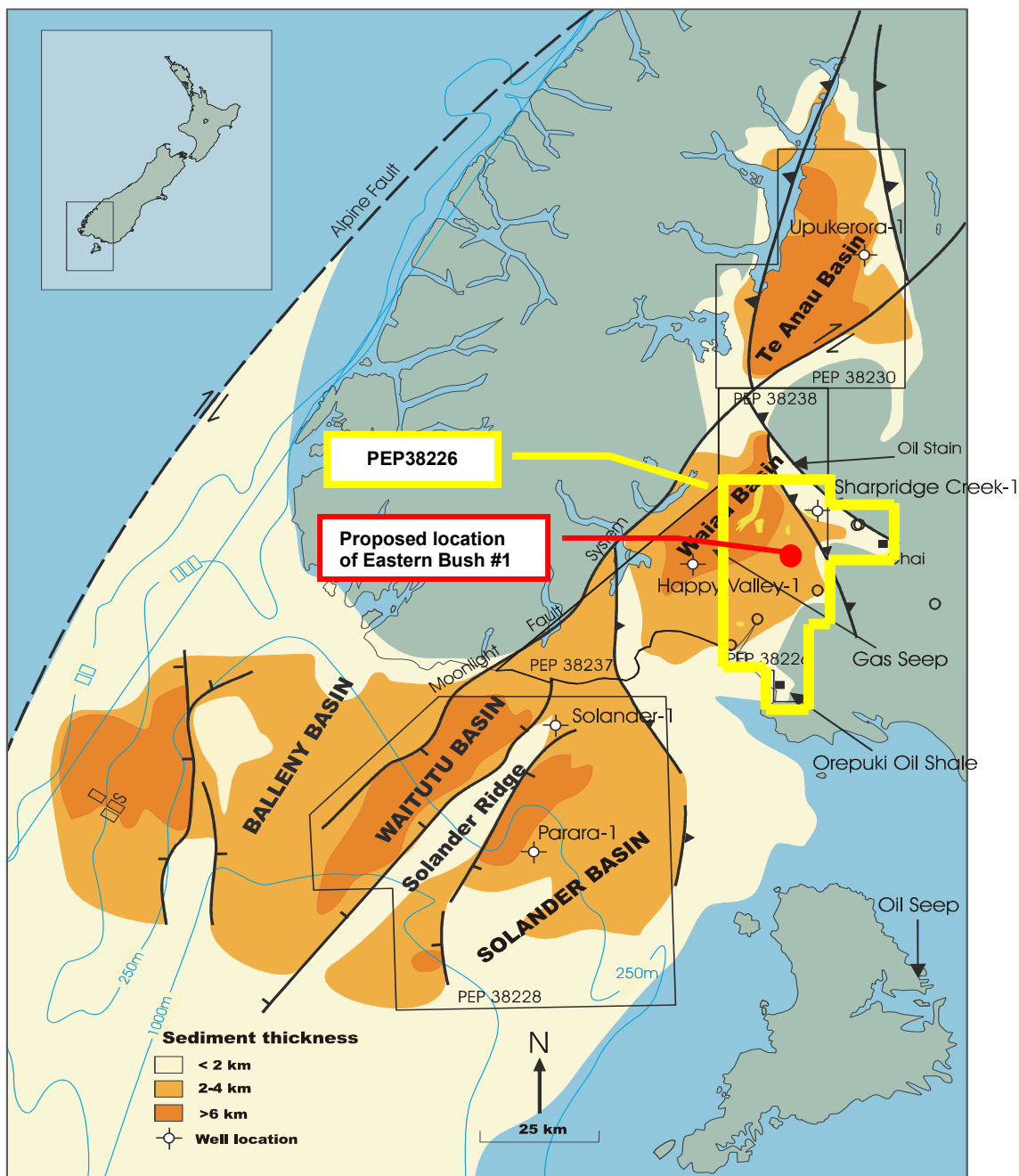
About L&M Petroleum: L&M Petroleum Limited is a privately-owned petroleum exploration company based in Christchurch, New Zealand. The Company is planning to list on the ASX/NZX in late 2006. It plans to drill 9 wells in the Western Southland Basin of New Zealand over the next two years targeting more than 622 mmbbl of P50 oil and 1.5TCF of gas in place.

About Mighty River Power: Mighty River Power is a New Zealand owned generator and retailer of energy, providing up to 22% of New Zealand’s total electricity and supplying to more than 320,000 business and domestic customers. Mighty River Power currently operates geothermal sites at Rotokawa and Mokai in conjunction with Iwi partners and has been awarded resource consents for a geothermal development at Kawerau. The company’s hydro generation assets are based on Lake Taupo and eight dams on the Waikato River, supplemented by growing capabilities in combined cycle generation and landfill methane generation. Mighty River Power participates in several joint venture partnerships to explore for natural gas. The Company is also currently exploring generation development options in wind, thermal and small hydro.

For more information:

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L&M Petroleum's Five Western Southland Basin Permits.