

COMPANY ANNOUNCEMENT



5th July, 2011

L&M Energy Spudding Talon-1 Well

L&M Energy Limited (ASX/NZX: LME) is pleased to advise that Talon-1, the Company's first well in the Taranaki Basin, will spud this evening following finalisation of rig set up operations.

Talon-1 is the first well to be drilled on the 482.4km² permit, which also contains multiple further drilling targets.

The 1450m Talon-1 well is targeting mean reserves of 2mmbbl oil (recoverable) in shallow Manutahi sands in a structure geologically identical to the adjacent Manutahi Oil field operated by Origin Energy (estimated recoverable reserves of 4mmbbl).

As announced on 1st June, LME will be free carried through the drilling of the well (subject to third party final documentation and regulatory consents).

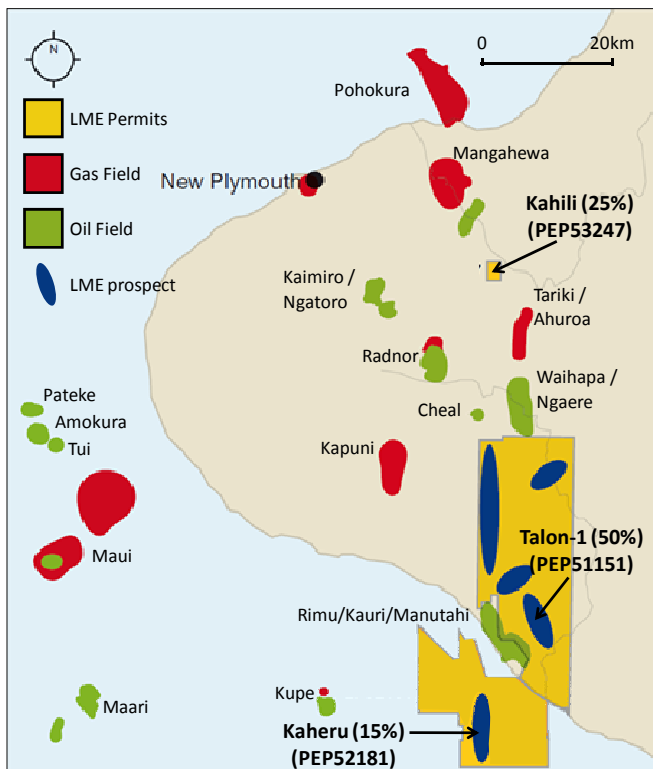
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ITEM	DETAIL
Well name	Talon 1
Permit	PEP51151
Participants	L&M Energy Ltd (50%) AGL Upstream Gas (MOS) Pty Ltd (50%) *
Primary target(s)	Oil bearing Manutahi Sandstone
Total Planned Measured Depth (MD)	1,455 (metres)
Total Planned Vertical Depth (TVD)	1,275 (metres)
Maximum Inclination	17 degrees

* AGL has entered into an Agreement whereby, subject to finalisation of documentation and regulatory approvals, AGL will sell their 50% equity in the Permit to New Zealand Energy Corp.

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 a number of exploration permits.