



COMPANY ANNOUNCEMENT

15th March, 2012

SHAREHOLDER LETTER

Please find attached a letter from the Chairman of L&M Energy Limited, Mr Geoff Loudon, sent to all shareholders.

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About L&M Energy Limited

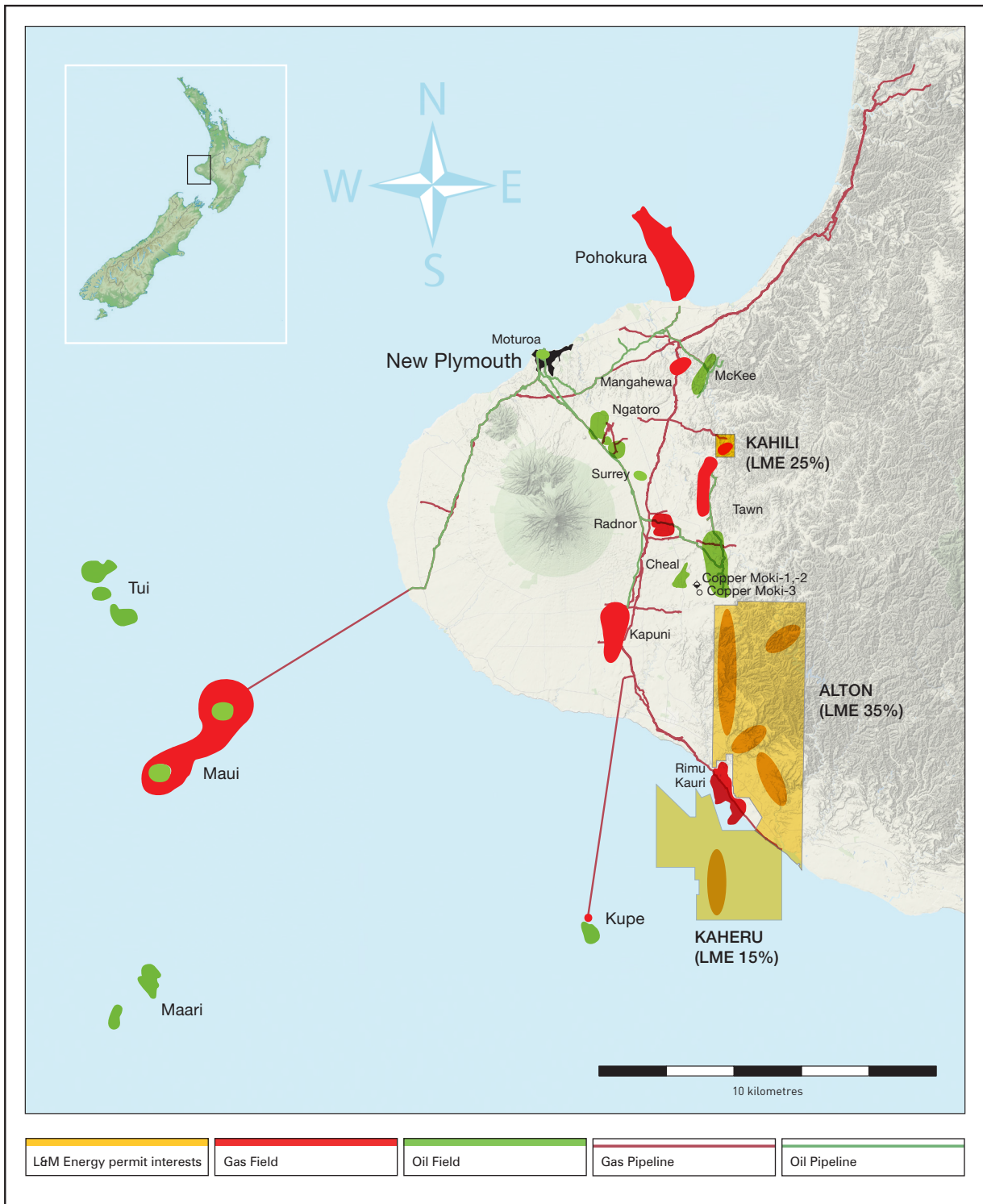
L&M Energy Limited is a New Zealand based company dual listed on the ASX and NZX stock exchanges. The Company is focused on the discovery and development conventional and unconventional oil and gas resources. The Company holds equity interests in over 8,200 km² of exploration acreage contained within eight New Zealand exploration permits.

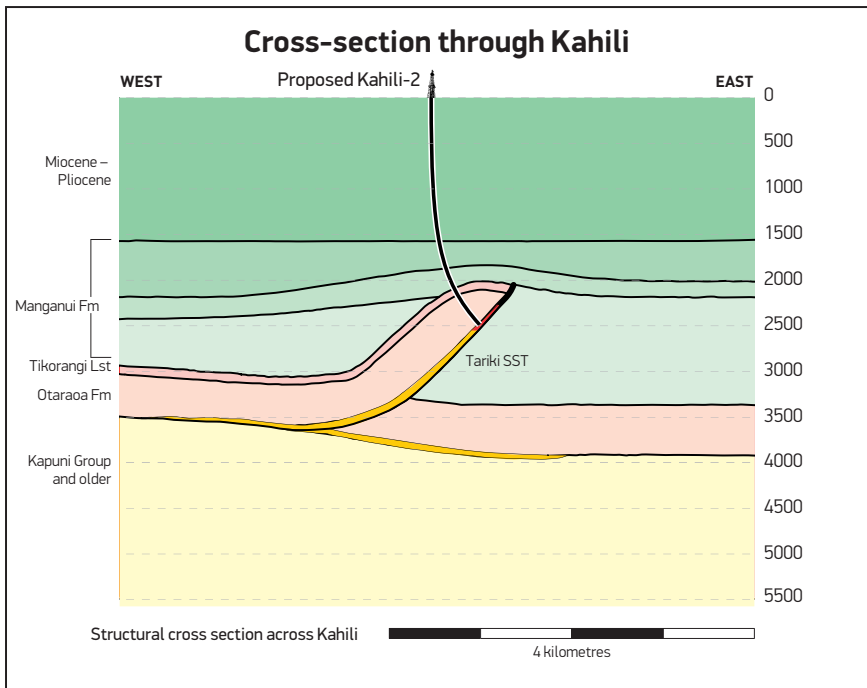
March 2012

Chairman's Letter

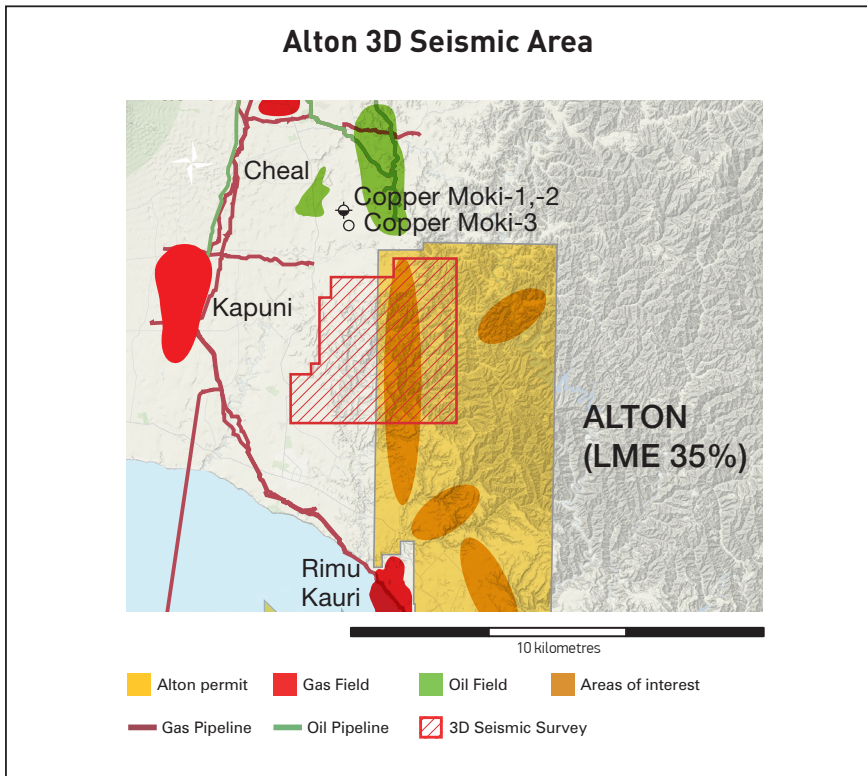
Dear Shareholder,

The start of 2012 marks a very important step forward for L&M Energy ("LME") as we prepare ourselves for 3 potential separate well drilling programmes during 2012-2013 in New Zealand's Taranaki Basin, the nation's oil and gas producing region. LME holds interests in 2 onshore and 1 offshore Taranaki permits. As can be seen on the map below, each of the 3 permits are on trend with, and close to, existing production and each is considered very prospective.

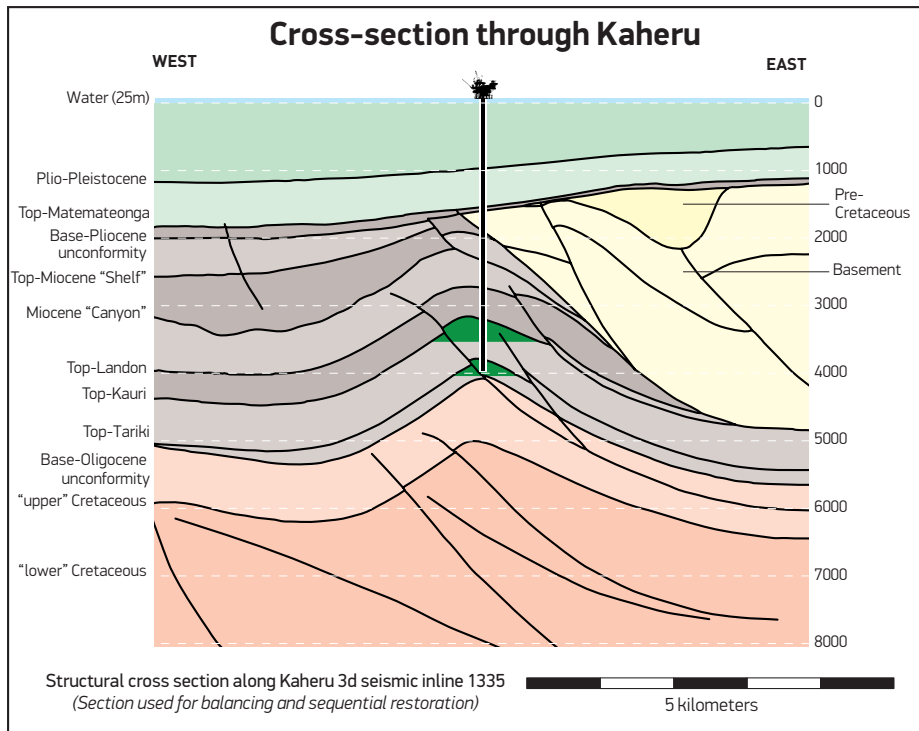




The first well is Kahili-2 in PEP53247 (LME: 25%) which will be drilled in 2012. LME (currently Operator) and our partner won the permit in competitive tender in 2010 and immediately carried out a detailed 33 kilometre seismic programme completed and interpreted by late 2011. Kahili had previously (2003) flowed gas and condensate and, along with the still existing production facilities, was connected to the national pipeline grid. The gas and condensate flow tapered off after 3 months and our recent more detailed programme has shown that the well tapped a small fault segment of the larger structure whose more precise location is now much more accurately defined. Kahili is rated as having a high chance of success and could quickly be connected to the pipeline grid.



At Alton, PEP 51151 (LME: 35%) is the subject of a joint venture with Canadian based New Zealand Energy Corporation (65%). A 50 square kilometre 3D seismic programme covering the northern parts of the permit is just starting. Alton is just 4 kilometres south-east of NZEC's 2011 Copper Moki oil discoveries which are producing 1,200 barrels/day. Additional Copper Moki wells 3 and 4 are currently being drilled. Alton is also 6 kilometres south-east of the producing Cheal wells (TAG Oil 100%). Alton is host to the Urenui, Mt Messenger and Moki formations currently producing from Copper Moki and Cheal wells and the current 3D seismic programme is expected to define prospects to be drilled in 2013 and beyond in all 3 formations. LME intends to participate in 1 or more Alton wells in 2013.



Kaheru (PEP52181: LME 15%) was won in open tender in 2010 by a group of 4 oil and gas companies headed by Roc Oil. Final seismic interpretation was completed in the offshore Kaheru permit in 2011. The Kaheru structure has been defined as a significant prospect in shallow water south of the onshore producing Rimu and Kauri fields and 8 kilometres east of the offshore Kupe field. A drilling decision will be made during 2012 with a commitment to start by May 2013. Completion of the seismic studies has attracted other producing companies who have shown interest in joining the programme. Kaheru has the ability to be a company maker for LME.

With potential drilling programmes in 3 separate permits in 2012-2013, in an active underexplored oil province, our near term oil and gas programmes are very exciting and any one of them has the ability to transform LME into a producer in the near term.

Elsewhere in New Zealand exploration is continuing on our unconventional energy programmes led by coal seam gas but also shale gas and in seam coal gasification.

Whilst New Zealand is an oil and gas producer, only 1/3rd of its 150,000 barrels/day oil consumption and 80% of current gas is currently met by local production. Government, recognising these needs, has set up an attractive tax and royalty regime to encourage oil and gas exploration and production. LME has excellent exposure to near term success with our 2012-2013 programmes and I am optimistic of success.

Yours faithfully

Geoff Loudon

Geoff Loudon
Chairman