

## COMPANY ANNOUNCEMENT

18 January 2012

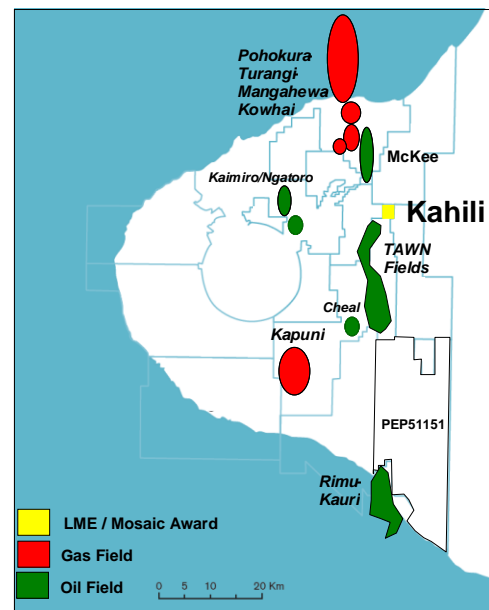
### ***L&M Energy commits to drill new well in the Kahili gas condensate field***

- L&M Energy and Mosaic Oil NZ Limited commit to drill new well in onshore Taranaki permit
- High chance of success as historical oil and gas production within permit
- Infrastructure in place for early production upon successful drilling

L&M Energy (LME) today announced that it intends to drill a new well in the dormant Kahili gas condensate field with the aim of generating significant cashflow within 12 months.

The Kahili permit (PEP53247), onshore Taranaki, New Zealand, was awarded to the Joint Venture after a contestable blocks offer in late 2010. Following the award of the permit the Joint Venture acquired over 30km of new high quality 2D seismic, reprocessed over 200 km of existing 2D seismic data, undertook a comprehensive geological and reservoir modelling study and have mapped an encouraging drilling target.

The Kahili field was discovered in 2002 and the previous permit holder achieved commercial gas and condensate flows via the Kahili-1B well. In anticipation of full production an on-site processing facility and pipeline connecting to the gas network were constructed by the Natural Gas Corporation (now Vector Ltd). The production facility and pipeline are 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.



Kahili-1B produced 0.18 BCF of gas and 5.53 mbbbls of condensate prior to production ceasing unexpectedly in 2004. The current Joint Venture believes that Kahili-1B drained a small, isolated fault block: the new well is planned to target a larger adjacent gas condensate accumulation interpreted from new seismic mapping.

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.

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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 km<sup>2</sup> of exploration acreage contained within eight New Zealand exploration permits.

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