

COMPANY ANNOUNCEMENT



13th July 2011

Talon-1 funding update

L&M Energy Limited (ASX: LME) advises that AGL Energy Limited ("AGL") has executed an Agreement to sell AGL's 50% interest in PEP51151 (Alton) to New Zealand Energy Corp. ("NZEC"). The Agreement is subject to obtaining New Zealand ministerial consent.

As previously announced NZEC have agreed to fund 100% of LME's share of expenses in the currently drilling Talon-1 exploration well - approximately NZ\$1.75 million (including \$250,000 of completion costs, in the event of a discovery), with LME retaining its existing 50% interest in PEP 51151.

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

Talon-1 drilling operations are currently underway: surface casing has been set to 507m and the drilling rig is currently being set up for drilling the second, deviated phase of the well to the target depth of 1455m.

ENDS

Contact for further information:

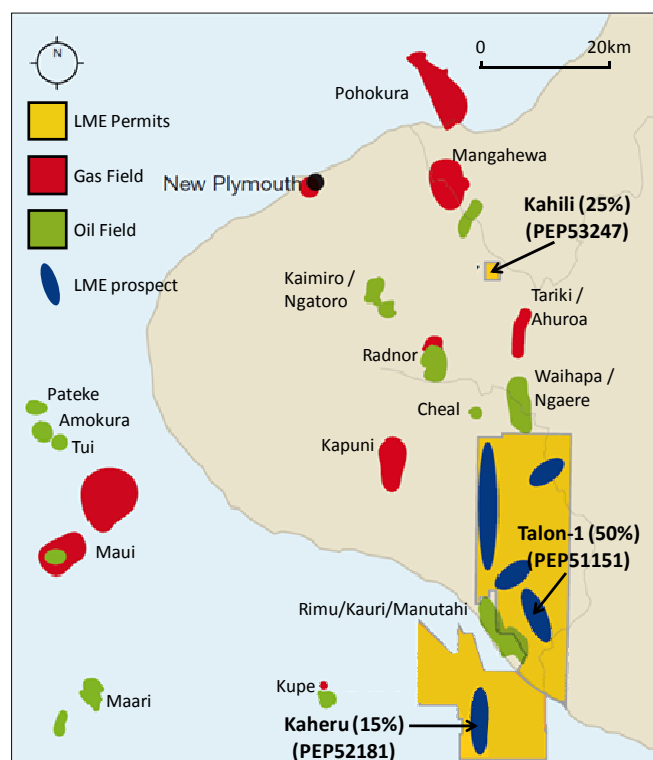
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ITEM	DETAIL
Well name	Talon 1
Permit	PEP51151
Participants	L&M Energy Ltd (50%) AGL Upstream Gas (MOS) Pty Ltd (50%) *
Primary target(s)	Oil bearing Manutahi Sandstone
Total Planned Measured Depth (MD)	1,455 (metres)
Total Planned Vertical Depth (TVD)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

* AGL has executed an Agreement whereby, subject to regulatory approval, 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.

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