



# **TARGET COMPANY STATEMENT**

**IN RELATION TO A FULL TAKEOVER OFFER BY NEW DAWN ENERGY LIMITED**

5 DECEMBER 2012

PREPARED IN ACCORDANCE WITH RULE 46 AND SCHEDULE 2 OF THE TAKEOVERS CODE



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**THIS IS AN IMPORTANT DOCUMENT THAT  
REQUIRES YOUR IMMEDIATE ATTENTION**



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# LETTER TO SHAREHOLDERS AND OPTION HOLDERS (FROM THE INDEPENDENT DIRECTORS)

5 December 2012

Dear shareholders and option holders

On 21 November 2012, New Dawn Energy Limited ('New Dawn Energy') made a conditional full takeover offer ('Offer') to purchase all the shares and options of L&M Energy Limited ('LME').

New Dawn Energy has offered **AUD\$0.06 per share, payable in cash**. New Dawn Energy has offered from **AUD\$0.0004 to AUD\$0.0599 per option, payable in cash**, depending upon the date and terms of issue of each option.

To review the Offer and to discharge LME's obligations under the New Zealand Takeovers Code, a sub-committee of independent directors was formed (consisting of Mr T Taylor, Mr D Ellenor, Mr C Lutyens and Mr K Anson) and KordaMentha was appointed as the Independent Adviser.

After considering a full range of expert advice available to them, **the independent directors of LME unanimously recommend that security holders ACCEPT the Offer from New Dawn Energy in the absence of a superior proposal**. The principal reasons for making this recommendation include:

- The independent directors note the Independent Adviser's conclusion that New Dawn Energy's offer price represents a 40% premium to the volume weighted average price of LME's shares in the month prior to the takeover notice being announced.
- The independent directors note the Independent Adviser's conclusion that a capital raising will be required in early 2013 and this will likely result in a substantial dilution for non-participating shareholders.
- The independent directors believe that a change of control transaction for cash consideration provides an equitable outcome for shareholders having regard to the capital raising requirements and alternatives available to LME (which were noted in Mr Loudon's letter in the Offer Document).
- LME has made soundings in the market, but received no counterproposals and the independent directors consider the prospect of receiving a superior alternative all cash offer to be relatively low; particularly considering the Independent Adviser's assessed valuation range and is considered to represent good value by the independent directors.
- Although the Offer is currently conditional on, amongst other things, New Dawn Energy receiving a minimum of 90% acceptances, New Dawn Energy has the discretion to waive this condition. If this were to occur, then by virtue of the pre-bid agreements in place, New Dawn Energy could own a minimum of 77.16% of LME shares. This would provide New Dawn Energy with effective control over LME operations.
- LME shares currently trade on the NZSX and ASX in relatively low volumes. If New Dawn Energy waives the condition requiring a minimum of 90% acceptances, this will likely lead to a further reduction in the liquidity of LME's listed ordinary shares and make shares held by minority shareholders more difficult to sell.

We encourage you to read the Target Company Statement and Independent Adviser's Report that accompany this letter and to seek your own professional advice so as to be able to consider the Offer in the context of your own circumstances.

The Offer is due to close on 11 January 2013. The independent directors will keep security holders informed of any new information or changes in circumstances relevant to the Offer that arise before the Offer closes.

For further information please contact the L&M Energy Shareholder Information Line on 0061 1800 303 491 (if calling within New Zealand) or 1800 303 491 (if calling within Australia).

Yours sincerely



Trevor William Taylor

*On behalf of the independent directors*

# TARGET COMPANY STATEMENT

(PREPARED PURSUANT TO RULE 46 AND SCHEDULE 2 OF THE TAKEOVERS CODE APPROVAL ORDER 2000)

## 1 Date

This Target Company Statement ('Statement') is dated 5 December 2012.

## 2 Offer

2.1 This Statement relates to a full takeover offer ('Offer') by New Dawn Energy Limited ('New Dawn Energy') to purchase all of the shares ('Shares') and options ('Options') (together the 'Securities') of L&M Energy Limited ('LME').

2.2 New Dawn Energy has offered:

- a AUD\$0.06 per share, payable in cash.
- b The following per option, payable in cash:

Tranche / Issue Date	Exercise Price	Expiry Date	Offer Price (AUD\$)
<i>Employee Share Options</i>			
1	AUD\$0.20	15 April 2013	0.0004
2	AUD\$0.125	5 November 2013	0.0059
3	AUD\$0.10	27 April 2014	0.0115
4	AUD\$0.11	12 November 2014	0.0135
5	AUD\$0.14	17 March 2015	0.0126
6	AUD\$0.14	28 April 2015	0.0127
7	AUD\$0.12	10 November 2015	0.0168
8	AUD\$0.12	2 May 2016	0.0178
9	AUD\$0.12	7 November 2016	0.0196
10	AUD\$0.07	28 February 2017	0.0255
11	AUD\$0.12	28 June 2017	0.0202
<i>Consideration Options (vested)</i>			
26 February 2010	NZD\$0.0001	26 February 2015	0.0599
<i>Consideration Options (unvested)</i>			
26 February 2010	NZD\$0.0001	26 February 2015	0.0554



- 2.3 The Offer closes at 7.00pm (NZ time) (5.00pm AEDT) on 11 January 2013 (subject to any extension).
- 2.4 The terms of the Offer are set out in the offer document dated 21 November 2012 ('Offer Document'), which was despatched to shareholders and option holders on 21 November 2012.

### 3 Target company

- 3.1 The name of the target company is L&M Energy Limited.

### 4 Directors of LME

- 4.1 The directors of LME are:
- a Kent Ashley Anson;
  - b Douglas Wayne Ellenor;
  - c Gregory Ross Hogan;
  - d Archibald Geoffrey Loudon;
  - e Charles Patrick Lutyens; and
  - f Trevor William Taylor.

### 5 Ownership of equity securities of LME

- 5.1 Schedule 1 sets out:
- a the number, designation, and percentage of the equity securities<sup>1</sup> of any class of LME held or controlled by each director or senior officer<sup>2</sup> of LME ('Director' or 'Senior Officer' respectively) and their associates; and
  - b the number, designation, and percentage of the equity securities of any class of LME held or controlled by any other persons who hold or control 5% or more of any class of equity securities of LME, to the knowledge of LME.
- 5.2 Other than as set out in paragraph 5.1 and schedule 1, to the knowledge of LME, no other person holds or controls 5% or more of any class of equity security of LME.
- 5.3 Other than as set out in paragraph 5.1 and schedule 1, no Director or Senior Officer, and no associate of any Director or Senior Officer, holds or controls any equity securities of LME.
- 5.4 Schedule 2 sets out the number of equity securities of LME:
- a that have, during the two year period ending on 5 December 2012 (the date of this Statement), been issued to the Directors or Senior Officers or their associates; or
  - b in which the Directors and Senior Officers or their associates have, during the two year period ending on 5 December 2012 (the date of this Statement), obtained a beneficial interest under any employee share scheme or other remuneration arrangement,
- together with the price at which any such securities were issued or provided.

### 6 Trading in LME equity securities

- 6.1 Schedule 3 sets out the total number and designation of each class of the equity securities of LME that have, during the six month period before 29 November 2012 (being the latest practicable date before the date of this Statement), been acquired or disposed of by any person referred to in section 5.1, together with the consideration per security for, and the date of, each such transaction.
- 6.2 Other than as set out in paragraph 6.1 and schedule 3, no person referred to in paragraph 5.1 has, during the six month period before 29 November 2012, acquired or disposed of any equity securities of LME.

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1 For the purposes of the Takeovers Code and this Statement, the equity securities of LME are the Shares and the Options.

2 For the purposes of the Takeovers Code and this Statement, the senior officer of LME is Bruce Nicholson McGregor (CFO and Company Secretary).

## 7 Acceptance of the Offer

- 7.1 The following Directors, Senior Officers, and their associates have advised that they have accepted, or intend to accept, the Offer in respect of the following equity securities of LME:
- a Kent Ashley Anson:
    - i 6,150,000 Consideration Options (vested).
    - ii 6,150,000 Consideration Options (unvested).
    - iii 700,000 Employee Share Options (Tranche 6).
    - iv 3,000,000 Employee Share Options (Tranche 8).
    - v 3,000,000 Employee Share Options (Tranche 11).
  - b Archibald Geoffrey Loudon<sup>3</sup>:
    - i 173,000,000 Ordinary Shares<sup>4</sup>.
    - ii 375,000 Employee Share Options (Tranche 1)<sup>4</sup>.
    - iii 375,000 Employee Share Options (Tranche 3)<sup>4</sup>.
    - iv 675,000 Employee Share Options (Tranche 6)<sup>4</sup>.
    - v 2,250,000 Employee Share Options (Tranche 8)<sup>4</sup>.
    - vi 2,250,000 Employee Share Options (Tranche 11)<sup>4</sup>.
  - c Gregory Ross Hogan<sup>5</sup>:
    - i 22,070,000 Ordinary Shares<sup>5</sup>.
    - ii 250,000 Employee Share Options (Tranche 1)<sup>5</sup>.
    - iii 250,000 Employee Share Options (Tranche 3)<sup>5</sup>.
    - iv 450,000 Employee Share Options (Tranche 6)<sup>5</sup>.
    - v 1,500,000 Employee Share Options (Tranche 8)<sup>5</sup>.
    - vi 1,500,000 Employee Share Options (Tranche 11)<sup>5</sup>.
  - d Campania Holding Inc. – 173,000,000 ordinary shares<sup>6</sup>.
  - e Tangent International Limited – 173,000,000 ordinary shares<sup>7</sup>.
  - f Runa Investments Limited – 41,000,000 ordinary shares<sup>8</sup>.
  - g Bruce Nicholson McGregor:
    - i 1,250,000 Employee Share Options (Tranche 7).
    - ii 1,250,000 Employee Share Options (Tranche 9).
    - iii 1,250,000 Employee Share Options (Tranche 10).
  - h Beakay Delta Trust<sup>9</sup>:
    - i 120,000 Employee Share Options (Tranche 2).
    - ii 120,000 Employee Share Options (Tranche 4).
    - iii 280,000 Employee Share Options (Tranche 5).

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<sup>3</sup> Archibald Geoffrey Loudon and Gregory Ross Hogan are associates of one another.

<sup>4</sup> Conditional agreement to accept the offer pursuant to the lock-up agreement between Archibald Geoffrey Loudon and New Dawn Energy dated 22 October 2012.

<sup>5</sup> Conditional agreement to accept the offer pursuant to the conditional lock-up agreement between Gregory Ross Hogan and New Dawn Energy dated 22 October 2012.

<sup>6</sup> Conditional agreement to accept the offer pursuant to the conditional lock-up agreement between Campania Holding Inc. and New Dawn Energy dated 22 October 2012. Campania Holding Inc. is an associate of Gregory Ross Hogan and Archibald Geoffrey Loudon.

<sup>7</sup> Conditional agreement to accept the offer pursuant to the conditional lock-up agreement between Tangent International Limited and New Dawn Energy dated 22 October 2012. Tangent International Limited is an associate of Gregory Ross Hogan and Archibald Geoffrey Loudon.

<sup>8</sup> Conditional agreement to accept the offer pursuant to the conditional lock-up agreement between Runa Investments Limited and New Dawn Energy dated 26 October 2012. Runa Investments Limited is an associate of Gregory Ross Hogan and Archibald Geoffrey Loudon.

<sup>9</sup> The Beakay Delta Trust is an associate of Bruce Nicholson McGregor.

- 7.2 Other than as set out in paragraph 7.1, none of the Directors, Senior Officers, or their associates have accepted or advised that they intend to accept the Offer in respect of the equity securities in LME held or controlled by them as set out in schedule 1.

## 8 Ownership of equity securities of New Dawn Energy

- 8.1 Archibald Geoffrey Loudon holds the one share in New Dawn Energy (i.e. Archibald Geoffrey Loudon holds 100% of the shares in New Dawn Energy).
- 8.2 Other than as set out in paragraph 8.1, neither LME, nor any Director or Senior Officer, nor any of their associates, hold or control any equity securities in New Dawn Energy.

## 9 Trading in equity securities of New Dawn Energy

- 9.1 On the incorporation of New Dawn Energy on 28 September 2012, Archibald Geoffrey Loudon acquired the one ordinary share of New Dawn Energy for nil consideration.
- 9.2 Other than as set out in paragraph 9.1, none of LME, nor any Director or Senior Officer, nor any of their associates, has acquired or disposed of any equity securities of New Dawn Energy during the six month period before 29 November 2012.

## 10 Arrangements between New Dawn Energy and LME

- 10.1 On 10 September 2012, Archibald Geoffrey Loudon and LME entered into a confidentiality deed, under which, amongst other things, LME agreed to provide certain confidential information to Archibald Geoffrey Loudon, and Archibald Geoffrey Loudon agreed to be bound by certain confidentiality obligations set out in the confidentiality deed.
- 10.2 Other than as set out in paragraph 10.1, there are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between New Dawn Energy (or any associates of New Dawn Energy) and LME (or any related company of LME) in connection with, in anticipation of, or in response to, the Offer.

## 11 Relationship between New Dawn Energy and Directors and Senior Officers

- 11.1 On 22 October 2012, New Dawn Energy and Archibald Geoffrey Loudon entered into a conditional lock-up agreement, under which Archibald Geoffrey Loudon agreed to accept the Offer for his equity securities in LME (subject to the terms of the lock-up agreement).
- 11.2 On 22 October 2012, New Dawn Energy and Gregory Ross Hogan entered into a conditional lock-up agreement, under which Gregory Ross Hogan agreed to accept the Offer for his equity securities in LME (subject to the terms of the lock-up agreement).
- 11.3 Other than as outlined in paragraphs 11.1 and 11.2, there are no agreements or arrangements (whether legally enforceable or not) which have been made, or are proposed to be made, between New Dawn Energy (or any associates of New Dawn Energy) and any of the Directors or Senior Officers or any directors or senior officers of any related company of LME (including any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Offer.
- 11.4 None of the Directors or Senior Officers are directors or senior officers of New Dawn Energy or any related company of New Dawn Energy other than:
- a Archibald Geoffrey Loudon, who is a director of New Dawn Energy; and
  - b Gregory Ross Hogan, who is a director of New Dawn Energy.

## 12 Agreement between LME and Directors and Senior Officers

- 12.1 There are no agreements or arrangements (whether legally enforceable or not) that have been made, or are proposed to be made, between LME (or any related company of LME) and:
- a any Directors or Senior Officers (or their associates); or
  - b any directors or senior officers (or their associates) of any related company of LME,
- under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

### 13 Interests of Directors and Senior Officers in contracts of New Dawn Energy or related company

- 13.1 Archibald Geoffrey Loudon is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 11.1. The monetary value of that interest is potentially AUD\$10,478,535 (assuming all Archibald Geoffrey Loudon's equity securities of LME are acquired under the Offer).
- 13.2 Gregory Ross Hogan is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 11.2. The monetary value of that interest is potentially AUD\$1,389,890 (assuming all Gregory Ross Hogan's equity securities of LME are acquired under the Offer).
- 13.3 Campania Holding Inc. (an associate of Archibald Geoffrey Loudon and Gregory Ross Hogan) is a party to a conditional lock-up agreement with New Dawn Energy dated 22 October 2012, under which Campania Holding Inc. agreed to accept the Offer for its equity securities in LME (subject to the terms of the lock-up agreement). The monetary value of that interest is potentially AUD\$10,380,000 (assuming all Campania Holding Inc.'s equity securities of LME are acquired under the Offer).
- 13.4 Tangent International Limited (an associate of Archibald Geoffrey Loudon and Gregory Ross Hogan) is a party to a conditional lock-up agreement with New Dawn Energy dated 22 October 2012, under which Tangent International Limited agreed to accept the Offer for its equity securities in LME (subject to the terms of the lock-up agreement). The monetary value of that interest is potentially AUD\$10,380,000 (assuming all Tangent International Limited's equity securities of LME are acquired under the Offer).
- 13.5 Runa Investments Limited (an associate of Archibald Geoffrey Loudon and Gregory Ross Hogan) is a party to a conditional lock-up agreement with New Dawn Energy, dated 26 October 2012, under which Runa Investments Limited agreed to accept the Offer for its equity securities in LME (subject to the terms of the lock-up agreement). The monetary value of that interest is potentially AUD\$2,460,000 (assuming all Runa Investments Limited's equity securities of LME are acquired under the Offer).
- 13.6 Archibald Geoffrey Loudon has committed to New Dawn Energy to provide sufficient funds to New Dawn Energy to fund the Offer. The monetary value of that interest is potentially AUD\$47,900,452.08 (assuming all the equity securities of LME are acquired under the Offer).
- 13.7 Other than as set out in paragraphs 13.1 to 13.6, no Director or Senior Officer nor their respective associates, has any interest in any contract to which New Dawn Energy (or any related company of New Dawn Energy) is a party.

### 13A Interests of substantial security holders in material contracts of New Dawn Energy or related company

- 13A.1 Other than as set out in paragraphs 13A.2 to 13A.9, no person who, to the knowledge of the Directors and Senior Officers, holds or controls 5% or more of any class of equity securities of LME, has any interest in any material contract to which New Dawn Energy (or any related company of New Dawn Energy) is a party.
- 13A.2 Archibald Geoffrey Loudon is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 11.1. The monetary value of that interest is as outlined in paragraph 13.1.
- 13A.3 Gregory Ross Hogan is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 11.2. The monetary value of that interest is as outlined in paragraph 13.2.
- 13A.4 Campania Holding Inc. is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 13.3. The monetary value of that interest is as detailed in paragraph 13.3.
- 13A.5 Tangent International Limited is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 13.4. The monetary value of that interest is as detailed in paragraph 13.4.
- 13A.6 Runa Investments Limited is a party to the conditional lock-up agreement with New Dawn Energy referred to and described in paragraph 13.5. The monetary value of that interest is as detailed in paragraph 13.5.
- 13A.7 Archibald Geoffrey Loudon has committed to New Dawn Energy to provide sufficient funds to New Dawn Energy to fund the Offer. The monetary value of that interest is as detailed in paragraph 13.6.

- 13A.8 Pursuant to the terms of a deed of indemnity and insurance, dated 28 September 2012, Archibald Geoffrey Loudon has indemnification and insurance coverage for liability incurred as a director of New Dawn Energy. The monetary value of that interest cannot be quantified.
- 13A.9 As the sole director of New Dawn Energy, Archibald Geoffrey Loudon has an indirect interest in all the material contracts of which New Dawn Energy (or a related company) is a party. To the knowledge of the Directors and Senior Officers, these are the contracts referred to and described in paragraphs 13.1 to 13.6.

## 14 Additional Information

- 14.1 In the opinion of the Committee (as defined in paragraph 26.1), no additional information is required to be added to the Offer Document to make the information in the Offer Document correct or not misleading.

## 15 Recommendation

- 15.1 After considering a full range of expert advice available to them, the independent directors of LME (Kent Ashley Anson, Douglas Wayne Ellenor, Charles Patrick Lutyens, and Trevor William Taylor) **unanimously recommend that security holders accept the Offer from New Dawn Energy in the absence of a superior proposal.**
- 15.2 The principal reasons for making this recommendation include:
- a The independent directors note the Independent Adviser's conclusion that New Dawn Energy's offer price represents a 40% premium to the volume weighted price of LME's shares in the month prior to the takeover notice being announced.
  - b The independent directors note the Independent Adviser's conclusion that a capital raising will be required in early 2013 and this will likely result in a substantial dilution for non-participating shareholders.
  - c The independent directors believe that a change of control transaction for cash consideration provides an equitable outcome for shareholders having regard to the capital raising requirements and alternatives available to LME (which were noted in Mr Loudon's letter in the Offer Document).
  - d LME has made soundings in the market, but received no counterproposals and the independent directors consider the prospect of receiving a superior alternative all cash offer to be relatively low; particularly considering the Independent Adviser's assessed valuation range and is considered to represent good value by the independent directors.
  - e Although the Offer is currently conditional on, amongst other things, New Dawn Energy receiving a minimum of 90% acceptances, New Dawn Energy has the discretion to waive this condition. If this were to occur, then by virtue of the pre-bid agreements in place, New Dawn Energy could own a minimum of 77.16% of LME shares. This would provide New Dawn Energy with effective control over LME operations.
  - f LME shares currently trade on the NZSX and ASX in relatively low volumes. If New Dawn Energy waives the condition requiring a minimum of 90% acceptances, this will likely lead to a further reduction in the liquidity of LME's listed ordinary shares and make shares held by minority shareholders more difficult to sell.
- 15.3 Archibald Geoffrey Loudon and Gregory Ross Hogan, as associates of New Dawn Energy, have a conflict of interest in respect of the Offer. For this reason they abstain from making any recommendation as to whether to accept or reject the Offer.

## 16 Actions of LME

- 16.1 LME entered into an agreement with the Independent Adviser, dated 8 October 2012, as a consequence of, in response to, and in connection with, the Offer, under which the Independent Adviser was appointed as the independent adviser for the purposes of preparing an independent adviser's report for the purposes of complying with rule 21 of the Takeovers Code.
- 16.2 LME entered into an agreement with Adelaide Equity Partners, dated 19 September 2012, as a consequence of, in response to, and in connection with, the Offer, under which Adelaide Equity Partners was appointed as the corporate finance advisers to advise the Committee on the Offer.
- 16.3 Other than as set out in paragraphs 16.1 and 16.2, there are no material agreements or arrangements (whether legally enforceable or not) of LME (or any related company of LME) entered into as a consequence of, in response to, or in connection with, the Offer.
- 16.4 There are no negotiations underway as a consequence of, in response to, or in connection with,

the Offer that relate to or could result in:

- a an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving LME (or any related company of LME);
- b the acquisition or disposition of material assets by LME (or any related company of LME);
- c an acquisition of equity securities by, or of, LME (or any related company of LME); or
- d any material change in the equity securities on issue, or policy relating to distributions, of LME.

## 17 Equity Securities of LME

17.1 LME has the following classes of equity securities on issue:

- a 754,405,518 Ordinary Shares. These are fully paid ordinary shares. Subject to the constitution of LME, the ASX Listing Rules, and the NZSX Listing Rules, the Ordinary Shares confer on the holder of the Ordinary Shares the right to:
  - i one vote on a poll at a meeting of LME on any resolution, including any resolution to:
    - A appoint or remove a director or auditor;
    - B alter LME's constitution;
    - C approve a major transaction;
    - D approve an amalgamation of LME under the Companies Act 1993;
    - E put LME into liquidation;
  - ii the right to an equal share in dividends authorised by the board of LME;
  - iii the right to an equal share in the distribution of the surplus assets of LME.
- b 38,295,000 outstanding Employee Share Options, issued at various times. There are 11 tranches of outstanding Employee Share Options on issue. The material terms of the Employee Share Options are as follows:
  - i Purpose of issue: Issued in relation to share options plans established for certain directors and employees of LME.
  - ii Issue price: Nil.
  - iii Vesting: Vest in prescribed periodic tranches, as specified in the deeds. Only vest if option holder is an employee of LME.
  - iv Expiry: 5 years following issue. Non vested Employee Share Options will expire if option holder ceases to be employed by LME. Vested Employee Share Options must be exercised within a prescribed period if option holder ceases to be employed by LME, or will lapse.
  - v Exercise price: Range from AUD\$0.07 to AUD\$0.20 per option, depending on the particular tranche.
  - vi Dividend/Voting/Capital: Prior to the options being exercised and ordinary shares being issued, no option carries any right to vote, receive distributions, or share in the capital of LME.
- c 20,750,000 outstanding Consideration Options, issued on 26 February 2010, which vested immediately on issue ("Consideration Options (Immediate Vesting)"). The material terms of the Consideration Options (Immediate Vesting) are as follows:
  - i Purpose of issue: Issued in connection with LME acquiring all of the issued shares of L&M Coal Seam Gas Limited.
  - ii Issue price: Nil.
  - iii Vesting: Vested immediately on issue.
  - iv Expiry: 5 years following issue.
  - v Exercise price: NZ\$0.0001 per option.
  - vi Dividend/Voting/Capital: Prior to the options being exercised and ordinary shares being issued, no option carries any right to vote, receive distributions, or share in the capital of LME.

- d 12,600,000 outstanding Consideration Options, issued on 26 February 2010, which vest in prescribed periodic tranches ('Consideration Options (Deferred Vesting)'). The material terms of the Consideration Options (Deferred Vesting) are as follows:
- i Purpose of issue: Issued in connection with LME acquiring all of the issued shares of L&M Coal Seam Gas Limited.
  - ii Issue price: Nil.
  - iii Vesting: Vest in prescribed periodic tranches, as specified in the deeds. Only vest if option holder continues to be an employee of LME.
  - iv Expiry: 5 years following issue. Non vested Consideration Options (Deferred Vesting) will expire if option holder ceases to be employed by LME. Vested Consideration Options (Deferred Vesting) must be exercised within a prescribed period if option holder ceases to be employed by LME, or will lapse.
  - v Exercise price: NZ\$0.0001 per option.
  - vi Dividend/Voting/Capital: Prior to the options being exercised and ordinary shares being issued, no option carries any right to vote, receive distributions, or share in the capital of LME.

## 18 Financial Information

- 18.1 Every person to whom the Offer is made is entitled to obtain from LME a copy of LME's most recent annual report (being the annual report for the period ended 31 December 2011 (the 'Annual Report')) by making a written request to:
- L&M Energy Limited  
 Level 9, St John House  
 114 The Terrace  
 Wellington  
 New Zealand
- or to: [info@lmenergy.co.nz](mailto:info@lmenergy.co.nz)
- A copy of the Annual Report is also available on LME's website <http://www.lmenergy.co.nz/>
- 18.2 A copy of the six-month interim financial report for the period ended 30 June 2012 for LME is **attached** to this Statement.
- 18.3 A copy of the mining exploration entity quarterly cash flow report for the quarter ended September 2012 is **attached** to this Statement.
- 18.4 Since the Annual Report, LME has raised AUD\$5 million through the issue of convertible notes to Mr A G Loudon as there were limited alternative sources of finance. LME is currently spending the funds raised from the convertible note issue and it is estimated that these funds will be exhausted around the end of the first quarter of 2013. At this time further funding will be required to enable LME to advance its work programmes and meet overhead expenses. Any capital raising is likely to be at a significant discount to the share price at that time and would result in substantial dilution for non-participating shareholders.
- 18.5 As part of a rationalisation of permits holdings and related expenditure, LME has relinquished a number of exploration permits since the last Annual Report.
- 18.6 The independent directors have noted the permit valuations within the Independent Adviser's Report. These valuations will be considered by the directors in the preparation of the 31 December 2012 financial statements and this may result in adjustments of the carrying values of permits.
- 18.7 Other than as set out elsewhere in this Statement or contained in the Independent Adviser's Report:
- a there have been no known material changes in the financial or trading position or prospects of LME since the Annual Report; and
  - b there is no further information about the assets, liabilities, profitability and financial affairs of LME that could reasonably be expected to be material to the making of a decision by security holders to accept or reject the Offer.

## 19 Independent advice on merits of the Offer

- 19.1 KordaMentha was appointed the independent adviser to provide a report on the merits of the Offer as required by rule 21 of the Takeovers Code.



19.2 A copy of the Independent Adviser's Report is **attached** to this Statement.

## 19A Different classes of securities

19A.1 Northington Partners Limited was appointed by New Dawn Energy as an independent adviser to provide a report for the purposes of certifying whether, in its opinion, the consideration and the terms offered for each class of equity securities are fair and reasonable in relation to the other classes of equity securities, as required by rule 22 of the Takeovers Code.

19A.2 A copy of this report is **attached** to this Statement.

## 20 Asset Valuation

20.1 Please see the Independent Adviser's Report that includes valuation analysis. This Statement does not refer to the valuation of any asset by a valuer.

## 21 Prospective financial information

21.1 The Independent Adviser's Report and this Statement contain prospective financial information in relation to the forecast cash spend of LME and the expected capital/cash issues faced by LME.

21.2 This prospective information has been based on LME management forecasts. The principal assumptions on which this prospective financial information is based are as follows:

- a No deviations from anticipated work programmes within LME's permits occurring
- b Anticipated administrative and overhead costs continuing at levels reflected in the six-month interim financial report for LME for the period ended 30 June 2012.

## 22 Sales of unquoted equity securities under the Offer

22.1 The Ordinary Shares are quoted on the NZSX and the ASX.

22.2 The Options are not quoted on any stock exchange.

22.3 LME is not aware of any Options having been disposed of in the 12 month period before 29 November 2012 (being the latest practicable date before the date on which this Statement is sent).

## 23 Market Prices of quoted equity securities under the Offer

23.1 The closing price on the NZSX and ASX of LME's Ordinary Shares:

- a on 29 November 2012 (being the latest practicable working day before the date on which this Statement is sent) was NZD\$0.072 (on the NZSX) and AUD\$0.057 (on the ASX) per Ordinary Share; and
- b on 19 October 2012 (being the last day on which the NZSX was open for business before the date on which LME received New Dawn Energy's takeover notice) was NZD\$0.054 per Ordinary Share on the NZSX;
- c on 19 October 2012 (being the last day on which the ASX was open for business before the date on which LME received New Dawn Energy's takeover notice) was AUD\$0.042 per Ordinary Share on the ASX; and
- d on 22 October 2012 (being the last day on which the ASX was open for business before the date on which New Dawn Energy's takeover notice was announced (as the takeover notice was received after the NZSX and the ASX had closed on 22 October 2012)) was AUD\$0.042 per Ordinary Share on the ASX.

23.2 The highest and lowest closing market prices on the NZSX of LME's Ordinary Shares (and the relevant dates) during the six months before 22 October 2012 (being the date on which LME received New Dawn Energy's takeover notice), were as follows:

- a highest closing market price was NZD\$0.100 per Ordinary Share (on the 23rd, 27th and 30th of April, 2012); and
- b lowest closing market price was NZD\$0.053 per Ordinary Share (on the 24th of September and the 5th of October 2012).

23.3 The highest and lowest closing market prices on the NZSX of LME's Ordinary Shares (and the relevant dates) during the six months before 23 October 2012 (being the date on which New Dawn Energy's takeover notice was announced (as the takeover notice was received after the



NZSX had closed on 22 October 2012)), were as follows:

- a highest closing market price was NZD\$0.100 per Ordinary Share (on the 23rd, 27th and 30th of April 2012); and
  - b lowest closing market price was NZD\$0.053 per Ordinary Share (on the 24th of September and 5th of October 2012).
- 23.4 The highest and lowest closing market prices on the ASX of LME's Ordinary Shares (and the relevant dates) during the six months before 22 October 2012 (being the date on which LME received New Dawn Energy's takeover notice), were as follows:
- a highest closing market price was AUD\$0.087 per Ordinary Share (on the 23rd of April 2012); and
  - b lowest closing market price was AUD\$0.040 per Ordinary Share (on the 10th, 12th and 20th of September 2012).
- 23.5 The highest and lowest closing market prices on the ASX of LME's Ordinary Shares (and the relevant dates) during the six months before 23 October 2012 (being the date on which New Dawn Energy's takeover notice was announced (as the takeover notice was received after the ASX had closed on 22 October 2012)), were as follows:
- a highest closing market price was AUD\$0.087 per Ordinary Share (on the 23rd of April 2012); and
  - b lowest closing market price was AUD\$0.040 per Ordinary Share (on the 10th, 12th and 20th of September 2012).
- 23.6 During the periods referred to in this section 23, LME did not issue any equity securities or make any changes in any equity securities on issue or make any distributions which could have affected the market prices of LME's Ordinary Shares referred to above.

## 24 Other Information

- 24.1 Subject to the information set out elsewhere in this Statement the Directors do not consider there is any other information that could reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer.

## 25 Approval of target company statement

- 25.1 Except as set out in paragraph 25.2, this Statement has been approved by the Directors of LME.
- 25.2 Archibald Geoffrey Loudon and Gregory Ross Hogan abstained and did not vote on the resolution to approve the content of this Statement due to their conflict of interest arising from their relationship with New Dawn Energy.

## 26 Interpretation

- 26.1 Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined in this Statement have the same meaning when used in this Statement.

In this Statement:

'AUD\$' means Australian dollars;

'ASX' means the main board equity market operated by ASX Limited;

'ASX Listing Rules' means the listing rules of the ASX;

'Committee' means the committee of directors of LME that are independent of New Dawn Energy, being Kent Ashley Anson, Douglas Wayne Ellenor, Charles Patrick Lutyens, and Trevor William Taylor;

'Consideration Options' means the options issued on 26 February 2010 in connection with LME acquiring all of the issued shares of L&M Coal Seam Gas Limited;

'Director' means a director of LME;

'Employee Share Options' means the options issues in various tranches in relation to share options plans established for certain directors and employees of LME;

'Independent Adviser' means KordaMentha;

'Independent Adviser's Report' means the report referred to in paragraph 19.1;

'NZD\$' means New Zealand dollars;

'NZSX' means the main board equity security market operated by NZX;

'NZX' means New Zealand Exchange Limited;

'NZSX Listing Rules' means the listing rules of the NZX;

'Offer' means the full takeover offer dated 21 November 2012 by New Dawn Energy to purchase all the securities of LME that it does not already hold;

'Offer Document' means the offer document dated 21 November 2012 despatched to security holders of LME by New Dawn Energy;

'Offer Period' means the period commencing on 21 November 2012 and ending at 7.00pm (NZ time) (5.00pm AEDT) on 11 January 2013 (or such later date to which the Offer may be extended);

'Offer Price' means the consideration offered for the equity securities of LME outlined in paragraph 2.2;

'Option' and 'Options' means an option to acquire a fully paid ordinary share of LME;

'Ordinary Shares' means the ordinary shares of LME;

'Senior Officer' means a senior officer of LME;

'Takeovers Act' means the Takeovers Act 1993;

'Takeovers Code' means the Takeovers Code approved by the Takeovers Code Approval Order 2000; and

Where any information required by schedule 2 of the Takeovers Code is not applicable, no statement is made regarding that information.

## 27 Certificate

27.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by LME under the Takeovers Code.

Signed by:



Chief Executive Officer



Chief Financial Officer



Director



Director

## Schedule 1 Ownership of equity securities of LME

(paragraph 5.1)

Name	Holder ('H') or Controller ('C')	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities in class
<b>Directors</b>				
Kent Ashley Anson	H	6,150,000	Consideration Options (vested)	22.736%
Kent Ashley Anson	H	6,150,000	Consideration Options (unvested)	97.619%
Kent Ashley Anson	H	700,000	Employee Share Options (Tranche 6)	22.047%
Kent Ashley Anson	H	3,000,000	Employee Share Options (Tranche 8)	26.667%
Kent Ashley Anson	H	3,000,000	Employee Share Options (Tranche 11)	26.667%
Douglas Wayne Ellenor	H	100,000	Ordinary Shares	0.013%
Gregory Ross Hogan	H	22,070,000	Ordinary Shares	2.925%
Gregory Ross Hogan <sup>10</sup>	H	250,000	Employee Share Options (Tranche 1)	13.333%
Gregory Ross Hogan <sup>10</sup>	H	250,000	Employee Share Options (Tranche 3)	13.333%
Gregory Ross Hogan <sup>10</sup>	H	450,000	Employee Share Options (Tranche 6)	14.173%
Gregory Ross Hogan <sup>10</sup>	H	1,500,000	Employee Share Options (Tranche 8)	13.333%
Gregory Ross Hogan <sup>10</sup>	H	1,500,000	Employee Share Options (Tranche 11)	13.333%
Archibald Geoffrey Loudon <sup>10</sup>	H	173,000,000	Ordinary Shares	22.932%
Archibald Geoffrey Loudon <sup>10</sup>	H	375,000	Employee Share Options (Tranche 1)	20.000%
Archibald Geoffrey Loudon <sup>10</sup>	H	375,000	Employee Share Options (Tranche 3)	20.000%
Archibald Geoffrey Loudon <sup>10</sup>	H	675,000	Employee Share Options (Tranche 6)	21.26%
Archibald Geoffrey Loudon <sup>10</sup>	H	2,250,000	Employee Share Options (Tranche 8)	20.000%
Archibald Geoffrey Loudon <sup>10</sup>	H	2,250,000	Employee Share Options (Tranche 11)	20.000%
Charles Patrick Lutyens	H	250,000	Employee Share Options (Tranche 1)	13.333%
Charles Patrick Lutyens	H	250,000	Employee Share Options (Tranche 3)	13.333%
Charles Patrick Lutyens	H	450,000	Employee Share Options (Tranche 6)	14.173%
Charles Patrick Lutyens	H	1,500,000	Employee Share Options (Tranche 8)	13.333%
Charles Patrick Lutyens	H	1,500,000	Employee Share Options (Tranche 11)	13.333%

<sup>10</sup> Archibald Geoffrey Loudon and Gregory Ross Hogan are associates of one another.

Name	Holder ('H') or Controller ('C')	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities in class
Trevor William Taylor	H	9,091	Ordinary Shares	0.0012%
Trevor William Taylor	H	250,000	Employee Share Options (Tranche 1)	13.333%
Trevor William Taylor	H	250,000	Employee Share Options (Tranche 3)	13.333%
Trevor William Taylor	H	450,000	Employee Share Options (Tranche 6)	14.173%
Trevor William Taylor	H	1,500,000	Employee Share Options (Tranche 8)	13.333%
Trevor William Taylor	H	1,500,000	Employee Share Options (Tranche 11)	13.333%
<b>Senior Officer</b>				
Bruce Nicholson McGregor	H	1,250,000	Employee Share Options (Tranche 7)	45.455%
Bruce Nicholson McGregor	H	1,250,000	Employee Share Options (Tranche 9)	45.455%
Bruce Nicholson McGregor	H	1,250,000	Employee Share Options (Tranche 10)	45.455%
<b>Associates</b>				
Jade Oil & Gas Consulting Limited <sup>11</sup>	C	100,000	Ordinary Shares	0.013%
Jade Oil & Gas Consulting Limited <sup>11</sup>	H	250,000	Employee Share Options (Tranche 1)	13.333%
Jade Oil & Gas Consulting Limited <sup>11</sup>	H	250,000	Employee Share Options (Tranche 3)	13.333%
Jade Oil & Gas Consulting Limited <sup>11</sup>	H	450,000	Employee Share Options (Tranche 6)	14.173%
Jade Oil & Gas Consulting Limited <sup>11</sup>	H	1,500,000	Employee Share Options (Tranche 8)	13.333%
Jade Oil & Gas Consulting Limited <sup>11</sup>	H	1,500,000	Employee Share Options (Tranche 11)	13.333%
Shona Lovat Taylor <sup>12</sup>	H	10,000	Ordinary Shares	0.000%
Simon William Taylor <sup>13</sup>	H	10,000	Ordinary Shares	0.000%
Beakay Delta Trust (registered holder is Velvet Nominees Limited) <sup>14</sup>	C	120,000	Employee Share Options (Tranche 2)	54.545%
Beakay Delta Trust (registered holder is Velvet Nominees Limited) <sup>14</sup>	C	120,000	Employee Share Options (Tranche 4)	100.000%
Beakay Delta Trust (registered holder is Velvet Nominees Limited) <sup>14</sup>	C	280,000	Employee Share Options (Tranche 5)	100.000%
Tangent International Limited <sup>15</sup>	H	173,000,000	Ordinary Shares	22.932%

<sup>11</sup> The Jade Oil & Gas Consulting Limited is an associate of Douglas Wayne Ellenor.

<sup>12</sup> Shona Lovat Taylor is an associate of Trevor William Taylor.

<sup>13</sup> Simon William Taylor is an associate of Trevor William Taylor.

<sup>14</sup> The Beakay Delta Trust is an associate of Bruce Nicholson McGregor.

<sup>15</sup> Tangent International Limited is an associate of Archibald Geoffrey Loudon and Gregory Ross Hogan.

Name	Holder ('H') or Controller ('C')	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities in class
Campania Holding Inc. <sup>16</sup>	H	173,000,000	Ordinary Shares	22.932%
Runa Investments Limited (registered holder is JP Morgan Nominees Australia Limited (as custodian for CIBC World Markets as nominee for Runa Investments Limited)) <sup>17</sup>	C	41,000,000	Ordinary Shares	5.435%
<b>Other persons holding or controlling 5% or more of a class</b>				
David Alister John Manhire	H	16,450,000	Consideration Options (vested)	60.813%
Shirley Herridge, John V Dallison, and Michael A McPhail as trustees of the Jaine Options Trust	H	2,000,000	Consideration Options (vested)	7.394%
Michael John Ryan and Miriam Katherine Ryan as trustees of the Ryan Family Trust	H	2,000,000	Consideration Options (vested)	7.394%
John William Bay	H	500,000	Employee Share Options (Tranche 1)	26.667%
Bay Family Trust	C	500,000	Employee Share Options (Tranche 3)	26.667%
Kerry David Gordon	H	1,000,000	Employee Share Options (Tranche 7)	36.364%
Kerry David Gordon	H	1,000,000	Employee Share Options (Tranche 9)	36.364%
Kerry David Gordon	H	1,000,000	Employee Share Options (Tranche 10)	36.364%
Michael John Ryan	H	500,000	Employee Share Options (Tranche 7)	18.182%
Michael John Ryan	H	500,000	Employee Share Options (Tranche 9)	18.182%
Michael John Ryan	H	500,000	Employee Share Options (Tranche 10)	18.182%
SJ & CY O'Connor Family Trust	C	100,000	Employee Share Options (Tranche 2)	45.455%

<sup>16</sup> Campana Holding Inc. is an associate of Archibald Geoffrey Loudon and Gregory Ross Hogan.

<sup>17</sup> Runa Investments Limited is an associate of Archibald Geoffrey Loudon and Gregory Ross Hogan.

**Schedule 2 Equity securities issued to Directors or Senior Officers or their associates, and beneficial interests in equity securities obtained under any employee share scheme or other remuneration arrangement in the 2 year period ending on the date of this Statement**

(paragraphs 5.4a and 5.4b)

Name	Number	Designation	Consideration
Kent Ashley Anson	3,000,000	Employee Share Options (Tranche 8)	Nil
Kent Ashley Anson	3,000,000	Employee Share Options (Tranche 11)	Nil
Jade Oil & Gas Consulting Limited <sup>18</sup>	1,500,000	Employee Share Options (Tranche 8)	Nil
Jade Oil & Gas Consulting Limited <sup>18</sup>	1,500,000	Employee Share Options (Tranche 11)	Nil
Gregory Ross Hogan <sup>19</sup>	1,500,000	Employee Share Options (Tranche 8)	Nil
Gregory Ross Hogan <sup>19</sup>	1,500,000	Employee Share Options (Tranche 11)	Nil
Archibald Geoffrey Loudon <sup>19</sup>	2,250,000	Employee Share Options (Tranche 8)	Nil
Archibald Geoffrey Loudon <sup>19</sup>	2,250,000	Employee Share Options (Tranche 11)	Nil
Charles Patrick Lutyens	1,500,000	Employee Share Options (Tranche 8)	Nil
Charles Patrick Lutyens	1,500,000	Employee Share Options (Tranche 11)	Nil
Trevor William Taylor	1,500,000	Employee Share Options (Tranche 8)	Nil
Trevor William Taylor	1,500,000	Employee Share Options (Tranche 11)	Nil
Bruce Nicholson McGregor	1,250,000	Employee Share Options (Tranche 7)	Nil
Bruce Nicholson McGregor	1,250,000	Employee Share Options (Tranche 9)	Nil
Bruce Nicholson McGregor	1,250,000	Employee Share Options (Tranche 10)	Nil

<sup>18</sup> Jade Oil & Gas Consulting Limited is an associate of Douglas Wayne Ellenor.

<sup>19</sup> Gregory Ross Hogan and Archibald Geoffrey Loudon are associates of one another.

### Schedule 3 Trading in LME's equity securities

(paragraph 6)

Acquisitions by Directors, Senior Officers, their associates and Substantial Security Holders				
Name	Number of equity securities acquired	Designation of equity securities	Consideration per equity security	Date of transaction
Kent Ashley Anson	3,000,000	Employee Share Options (Tranche 11)	Nil	29 June 2012
Archibald Geoffrey Loudon <sup>20</sup>	2,250,000	Employee Share Options (Tranche 11)	Nil	29 June 2012
Archibald Geoffrey Loudon <sup>20</sup>	5,000,000	Convertible Note	AUD\$1.00	13 July 2012
Jade Oil & Gas Consulting Limited <sup>21</sup>	1,500,000	Employee Share Options (Tranche 11)	Nil	29 June 2012
Gregory Ross Hogan <sup>20</sup>	1,500,000	Employee Share Options (Tranche 11)	Nil	29 June 2012
Charles Patrick Lutyens	1,500,000	Employee Share Options (Tranche 11)	Nil	29 June 2012
Trevor William Taylor	1,500,000	Employee Share Options (Tranche 11)	Nil	29 June 2012

<sup>20</sup> Archibald Geoffrey Loudon and Gregory Ross Hogan are associates of one another.

<sup>21</sup> Jade Oil & Consultancy Limited is an associate of Douglas Wayne Ellenor.

## DIRECTORY

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### Postal Address

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### Independent Adviser

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New Zealand

### Share Registrar

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Australia

#### **New Zealand**

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### Solicitors

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# **INDEPENDENT ADVISER'S REPORT - KORDAMENTHA**

**FULL TAKEOVER OFFER FOR L&M ENERGY LIMITED**

NOVEMBER 2012

