



31 January 2006

Manager Announcements  
Company Announcements Office  
Australian Stock Exchange Limited  
10th Floor, 20 Bond Street  
SYDNEY NSW 2000

*via electronic lodgement*

Dear Sir/Madam,

## **Quarterly Activity Report for the Period Ended 31 December 2005**

### **Highlights**

- Successful gas discoveries by both wells drilled during the quarter, Larner 2-12 and Edge 1-10.
- These discoveries vindicate the Forbes JV technical assessments of prospective gas targets.
- Flow testing at Larner 2-12 records initial production flow rate of 2.8 million cubic feet per day and a gas pay zone of 46 feet. Flow testing at Edge 1-10 scheduled for early February.
- Larner 2-12 to commence production within weeks.
- A 6 well Forbes program planned to commence next quarter.
- Another 100-200 prospective Forbes targets identified.

### **Gas Discoveries at Larner 2-12 and Edge 1-10**

Livingstone is extremely pleased with the success of the initial 2 well drilling program at the Forbes project following the acquisition of its 50% interest in June 2005. This has been the first exploration drilling program since Orchard Petroleum Ltd (ASX:OPL) became operator of the Forbes project and the gas discoveries at both Larner 2-12 and Edge 1-10 goes a long way in supporting the new technical assessments of the prospects and the ability to identify new potential gas targets.

Larner 2-12 encountered a significant gas show when it reached the primary Forbes gas sand target at approximately 8,150 feet. The recently completed flow testing at Larner 2-12 confirmed the initial production flow rate of 2.8 million cubic feet per day with dry gas flowing over an extended period and a gas pay zone of 46 feet. These results have exceeded the expectations of the Forbes project partners.

Edge 1-10 was the second well in the drilling program and successfully encountered gas in the primary target zone at approximately 6,300 feet. Electric logging of the well indicated multiple gas intervals totalling 15 to 20 feet of net pay in the Forbes gas sands target zone. This discovery is considered typical for a successful Forbes style well. Testing of Edge 1-10 is scheduled to commence in early February.

### **Immediate Commercial Implications of Larner 2-12 Discovery**

The Larner 2-12 gas discovery has significant commercial implications for Livingstone. Based on a net gas price of US\$7 per mcf and the initial flow rate 2.8 mcf per day, the initial net cashflow to Livingstone will be approximately US\$200,000 (A\$265,000) per month.

As there is access available to existing pipeline infrastructure at minimal capital cost, the Larner 2-12 well is expected to be in production within weeks.

### **Exploration Strategy at Forbes**

The successful discoveries at Larner 2-12 and Edge 1-10 gives the current exploration strategy at Forbes a large confidence boost in preparation for the upcoming drilling program. These successful discoveries go a long way in supporting the new technical assessments of the prospects and the ability to identify new potential gas targets. Priority targets have already been selected from the Forbes inventory for the upcoming drilling program, with site surveys conducted and leases completed.

The Forbes project has a large acreage position which is covered by 3D seismic. This acreage has an extensive list of prospects and leads. The expected high drilling success rate at Forbes should ensure many more successful wells are drilled that will continue to add to the current production base in the area.

**Craig Burton**  
Executive Director

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ASX Code: LPL

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LIVINGSTONE PETROLEUM LTD

ABN

42 112 256 649

Quarter ended ("current quarter")

31 DECEMBER 2005

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors	92	92
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,999)	(2,019)
1.3 Dividends received	(56)	(171)
1.4 Interest and other items of a similar nature received	18	36
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Prepayments to Joint Venture Trust Account*	(1,622)	(1,622)
<i>* This is trust monies held on behalf of Livingstone to be used for the Company's share of future joint venture expenditure</i>		
<b>Net Operating Cash Flows</b>	<b>(3,567)</b>	<b>(3,684)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments		
1.9 Proceeds from sale of: (a)prospects (b)equity investments		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Cash acquired in subsidiary		
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>(3,567)</b>	<b>(3,684)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	3,150
1.15	Costs of the issue	(89)	(262)
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>		<b>(89)</b>	<b>2,888</b>
<b>Net increase (decrease) in cash held</b>		<b>(3,656)</b>	<b>(796)</b>
1.20	Cash at beginning of quarter/year to date	4,584	1,708
1.21	Exchange rate adjustments to item 1.20	-	16
1.22	<b>Cash at end of quarter</b>	<b>928</b>	<b>928</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(8)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors fees totalling \$8,333 (excluding GST) were paid during the quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	(250)
4.2 Development	(100)
<b>Total</b>	<b>(350)</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	106	784
5.2 Deposits at call	822	3,800
5.3 Bank overdraft	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>928</b>	<b>4,584</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Performance + securities</b> <i>Convert to ordinary securities on development of a commercial mining project</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.				
7.3 <b>+Ordinary securities</b>	<b>52,000,001</b>	<b>30,000,000</b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<b>18,750,000</b> 17,500,000 1,250,000 <i>Incentive Options</i> Convert on a 1:1 basis	-	<i>Exercise price</i> 30 cents 20 cents	<i>Expiry date</i> 18 December 2009 18 December 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

**Brett Mitchell**

Company Secretary

Date: 31 January 2006

Print name:

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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