

13 October 2006



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

via electronic lodgement

Dear Sir/Madam,

New Forbes Drilling Program Scheduled to Start

Livingstone is pleased to announce that a new drilling program at the Forbes Project is expected to begin the week of 23rd October.

A rig has been contracted and will initially drill the South Buckeye 1-18 well which is expected to take approximately 15 days to reach a total depth of 9,400 feet. Immediately following the drilling of the South Buckeye prospect, the rig will be moved to the Heavenly 2-28 well. The Heavenly prospect is also expected to take approximately 15 days to reach a total depth of 9,400 feet. The site works and permitting for both wells have been completed in readiness for the commencement of drilling.

The South Buckeye 1-18 and Heavenly 2-28 wells are targeting possible gas bearing stratigraphic traps in the Forbes formation, a prolific gas reservoir in the region, and the prospects are analogous to the gas discoveries made at Livingstone's producing wells Lerner 1-12 and 2-12 wells. The South Buckeye and Heavenly prospects are respectively 14 and 7 kilometres southwest of the Lerner wells.

Once the South Buckeye and Heavenly prospects are drilled, Orchard and Livingstone will evaluate the results and schedule the next phase of the drilling program. An additional 2 follow-on targets at Buckeye and Heavenly have been identified and permitted for drilling if the initial wells are successful. In addition, prospects at Armstrong and Alpine Meadows have been identified and permitted as part of the planned six-well drilling program.

The Joint Venture's technical team have developed numerous prospects for the Forbes Project, including a "Top 20 Prospects" list based on 3-D seismic interpretation. Many of these prospects have potential follow-on targets should the initial prospect be a successful discovery. Besides the Forbes formation, the Joint Venture has identified significant prospects in the shallower Starkey/Winters formations around 4,000 feet and deeper Guinda formation below 9,000 feet.

Participants in South Buckeye 1-18 and Heavenly 2-28 wells are:

Orchard Petroleum, Inc. (Operator)	50%
Livingstone Energy, Inc.	50%

Background

Livingstone holds a 50% interest in the Forbes Project exploring for natural gas in the prolific Sacramento Basin of California. This area has produced gas from the Forbes formation since 1934 with cumulative production to date of 600 billion cubic feet of gas. The Forbes Project already has 2 producing fields within the project area at Larner 1-12 and Larner 2-12.

The Forbes gas-bearing traps can be identified with a fairly high degree of confidence from their reflection character on the 3D seismic surveys which are present on the Forbes Project area, assisted by the application of modern amplitude versus offset (AVO) techniques. Since the listing of Livingstone on ASX, the Joint Venture has drilled two exploration wells with both being discoveries. Orchard Petroleum Limited, the Operator, has accessed and interpreted three existing 3D seismic surveys of the area.

As detailed in the Independent Geologist's Report in the Company's prospectus dated 11 August 2005, Orchard has defined 25 leads in the Forbes Project. Orchard has matured 11 drillable prospects from this inventory by the application of seismic attribute techniques; compilation of the Forbes and host rock physical properties; and modelling Forbes lithologies and hydrocarbon responses on the 3D seismic data. The latter modelling studies will be constantly refined by Orchard by comparing modelled seismic responses to observed data as additional drilling results are obtained.

Eight of these prospects have the Forbes sandstone as their primary objective but some also have the Guinda, Winter and Starkey sandstones as secondary objectives. Three of the prospects have Starkey sands as their primary objective.

The success of the two initial wells (the Larner 2-12 and the Edge 1-10) drilled on the Forbes Project supports the Joint Venture's exploration model and the application of seismic amplitude techniques. In both of these wells, natural gas was encountered, as predicted, in the Forbes and Guinda formations. Following these encouraging exploration results, the Joint Venture plans to drill additional exploration wells in the Forbes and shallower Starkey/Winter sands, with less frequent deeper tests in the Guinda formation.

The prospect sizes vary according to which objective formation is considered the primary target, however in general the sizes vary from 1 - 5 billion cubic feet. Some of the deeper targets in the Guinda formation are tens of billion cubic feet.

Summary of Leading Prospects

A successful well at South Buckeye or Heavenly will substantially upgrade additional offset prospects located near these targets. In addition, there are a further four advanced target areas as summarised below:

Armstrong

Armstrong has two intervals in the Forbes formation as its main objectives. Offset on all sides by over 8 billion cubic feet of high quality Forbes gas production, this well will test deeper intervals in the same overall stratigraphic section. If successful, two additional leads have been defined along the trend and could add to potential gas reserves in this area. In addition, the deeper Guinda formation is being evaluated for gas potential within this prospect area.

Alpine Meadows

Alpine Meadows will be drilled to test the shallower Starkey formation sands which have proven high quality gas production of several billion cubic feet within the area. This well will be drilled in an area of 3D seismic with strong amplitudes. Several additional similar leads have been delineated and could also be drilled in this area if the first well is successful.

Squaw Valley

Squaw Valley will test an interval in the Forbes formation that produced almost 3 billion cubic feet of high quality (>900 BTU) natural gas from nearby wells. This well will be drilled in an area of 3D seismic with strong amplitudes. If successful, it would upgrade two additional offset prospects. Additional shallower potential in the Starkey sands can be tested in the first and subsequent offset prospects.

Mt Baldy

Mt Baldy is also an exploration test of the Forbes formation where the objective interval produced high quality (>900 BTU) gas in a nearby well. This well will be drilled in an area of 3D seismic with strong amplitudes. If this well is successful, it would upgrade two additional similar leads for drilling.

Craig Burton
Executive Director

The geological information included in this announcement is based on information provided by Mr Robert Rosenthal, a geologist employed as a technical consultant to the Company. Mr Rosenthal has practiced as a geologist in the petroleum industry for over 25 years. Mr Rosenthal has consented to the inclusion of the geological information in this announcement in the form and context in which it appears.

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