



10 May 2007

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

via electronic lodgement

Dear Sir/Madam,

LIVINGSTONE TO ACQUIRE SOLIMAR ENERGY

Livingstone is pleased to announce that it has entered into an agreement to acquire Solimar Energy Pty Ltd ("Solimar"), a private oil & gas company with interests in several oil and gas projects in the State of California. Solimar has assembled an attractive portfolio of petroleum assets which offers a variety of exploration targets from low risk exploitation plays to high impact exploration opportunities. These projects all offer immediate drilling potential and drilling has just commenced within one of the project areas, thereby providing Livingstone shareholders with immediate exploration exposure.

This acquisition will also inject approximately A\$6.0 million cash into Livingstone, thus eliminating the need for any near-term capital raising by Livingstone. As a consequence of the acquisition Livingstone will also gain Operator status in California and the services of an experienced team.

The Solimar acquisition is consistent with Livingstone's strategy of focussing on onshore California which the company believes is highly prospective and compliments Livingstone's existing Californian petroleum assets. The acquisition will positively impact the risk-reward equation for its shareholders by introducing more projects with more upside than its current portfolio. Not only will Livingstone benefit from increased exploration exposure, but also will have greater project diversity. Management views this acquisition as a major move forward in transforming Livingstone into a significant Californian oil & gas player. Livingstone is also in the process of reviewing its current project portfolio.

SOLIMAR ACQUISITION TERMS

Livingstone and Solimar have signed an Implementation Agreement under which Livingstone agrees to offer each Solimar shareholder 20 Livingstone shares for every Solimar share held. Accordingly, the total offer will be 96,666,660 Livingstone shares to acquire 4,833,333 Solimar shares representing 100% of the issued capital Solimar Energy Pty Ltd.

The agreement is conditional on:

- a) Approval of Livingstone shareholders; and
- b) Livingstone becoming entitled to acquire 100% of the issued capital Solimar as a result of all Solimar shareholders accepting Livingstone's offer.

Livingstone expects to complete the offer to Solimar shareholders within ten days and will make a separate announcement on satisfying this condition. If this condition is satisfied, and subsequently Livingstone shareholders do not approve the acquisition, then a break fee of A\$750,000 is payable by Livingstone to Solimar. This break fee was required by Solimar as the Ventura well is currently being drilled by Solimar and Livingstone will receive the benefit of this well without being unconditionally bound to the acquisition.

Following successful completion of the acquisition, two principals of Solimar will join the board of Livingstone and Livingstone will issue to nominees of Solimar 10 million options to subscribe for shares in Livingstone exercisable at 25c each on or before 18 December 2009.

Solimar has approximately A\$6 million in cash in addition to its prospective portfolio of Californian oil and gas projects, details of which are described below.

SOLIMAR PROSPECT HIGHLIGHTS

Ventura South Flank (16.50%)

- Located adjacent to the Ventura Avenue field – one of the largest onshore oil fields in North America.
- Resolution of land ownership issues have opened up highly prospective acreage that has been under explored to date.
- First well is a follow-up to a 1935 well that was previously abandoned due to antiquated operations and technology. This well had major "showings" of oil and gas.
- Significant prize in the order of 46 million barrels of recoverable reserves potential.

Aqueduct Fan (10%)

- Acreage position adjacent to a potentially large onshore oil discovery.
- High impact exploration prospect with over 200 million barrels of recoverable reserves potential.

Maricopa (100%)

- A low risk oil development project within one of the largest onshore oil fields in the world (Midway Sunset).
- The project has three potential development/appraisal objectives with varying degrees of risk and upside potential.
- Abundant established infrastructure which expedites development and enhances economic returns.

Deer Creek (100%)

- Located in close proximity to two existing analog fields with targeted structures at relatively shallow depths (4,000 ft).
- Reserve estimates are 3–6 million barrels recoverable.

VENTURA SOUTH FLANK PROSPECT (16.50%, PAYING 22%)

The Ventura Avenue Field in Ventura County, California was originally discovered in 1919 and has since produced more than 900 million barrels of crude oil from over 800 successful wells. The Ventura Avenue Field

boasts the highest concentration of oil per acre foot of any oil field in the world. Typical wells in the field have produced over 1 million barrels of oil with initial production rates of 400 to 500 barrels per day.

Despite the undoubted prospectivity, complicated land ownership has hindered exploration activity until now. The project area covers approximately 1,900 acres located one mile south of the producing Ventura Avenue Field (100 km north of Los Angeles). Solimar has negotiated a 16.50% working interest.

The location of the prospect is geologically similar, yet separated from the Ventura Avenue Field by the east-west trending Ventura Fault. The Ventura Fault may provide a trapping mechanism for hydrocarbons. The related reservoir is believed to share many of the same characteristics as the reservoir present in the Ventura Avenue Field, making the prospect a high potential exploration opportunity. A recent reinterpretation of 2D seismic data appears to extend the earlier reservoir limits, due mainly to a favourable redefinition of the faulting structures, thus providing evidence of the necessary trapping mechanism for oil and gas reserves.

Testing of the objective will require a 12,000 ft well as a follow up to a well drilled in 1935, which had been overlooked for nearly seventy years until a recent technical review. A combination of antiquated drilling and completion practices, lack of modern equipment and technology, inadequate financing, and lack of operational expertise at this depth is believed to have led to the failure of this earlier well. Following several failed completion attempts, it was abandoned in 1940 as attention shifted north to the overwhelming success at the Ventura Avenue Field.

An engineering and geological review suggests that approximately 807 ft of potential net pay existed in the 1935 well. Analog wells producing from similar geological intervals in neighbouring fields indicate initial production rates of between 470 and 3,700 barrels/day with a risk-adjusted expected initial production rate of 625 barrels/day.

Drilling of this prospect commenced on April 30, 2007 and as such Livingstone shareholders will have immediate exposure to this high impact well. The well is expected to cost over US\$3.5 million to drill and complete, including allowances for possible directional work. If successful, two additional wells would be drilled and temporary production facilities put in place to initiate production. This would be considered the first phase of the project. Solimar will have a 16.50% working interest across the entire acreage position.

Based on the current geologic interpretation for the prospect, the potential recoverable reserves are estimated to be approximately 46 million barrels.

AQUADUCT FAN PROSPECT (10%)

This opportunity lies in acreage adjacent to a potential oil discovery at North Yowlumne. The prospect test well, North Yowlumne 1-26 targeted a postulated sea floor fan deposit at the foot of the Upper Miocene Stevens channel sand which is prolifically productive in the immediately adjacent Yowlumne oil field to the south. The North Yowlumne 1-26 well discovered oil (32° and 36° API) in traps with a strong stratigraphic element of closure.

32 degree API oil with minor associated gas has been tested from the lower two zones (Zone 1, 12,680 feet to 13,020 feet and Zone 2, 12,700 feet to 12,840 feet). 36 degree API oil with minor associated gas has been tested from Zone 3 between 12,490 feet and 12,690 feet which was the main reservoir originally targeted by the well. The test results indicate that this zone has better reservoir characteristics than the lower zones and is likely to have a different (higher) pressure regime. A flow rate has yet to be confirmed but the fluids recovered are primarily oil with lesser amounts of introduced testing fluids.

Reviews suggest that the initial exploration well may not have been drilled in the best part of the reservoir system and that the well may have been damaged during the intervening period.

The potential in this unexplored area is substantial with estimated recoverable oil reserve potential of 200 million barrels.

MARICOPA PROJECT (100%)

Solimar currently has a 100% interest a 40 acre lease located two miles east of the town of Maricopa within the southeast end of Midway-Sunset Oil Field. The Midway Sunset field is one of the largest onshore oil fields in the world with reserves in excess of 3 billion barrels. The lease already contains 5 wells completed as producers with close to 1 million barrels being produced from the lease and some 2.2 million barrels from immediate adjoining leases since 1930. There are no current producing wells on the lease but it is surrounded by numerous currently producing wells.

The joint venture has identified several well locations on the lease. The wells will be drilled on what is believed to be the undeveloped portion of the lease between existing wells in the east of the permit. In addition, a horizontal well may be drilled in the west of the lease which has had no previous drilling activity. Depending on the success of the horizontal well these recoverable volumes could be much higher as some wells in the immediate area have produced close to 500,000 barrels each.

Solimar believes there is additional potential in a shallower oil zone known as the Tulare Formation. Within and adjacent to this lease, an identified 400 foot thick sand near the top of the Tulare formation is believed to be a heavy oil or tar sand. High oil prices and improved technology could now make this viable as a steam-flood operation. This zone has not been produced and the first well to be drilled will evaluate its potential.

The deeper section may also contain the Monterey Formation which is oil bearing across the basin and is now subject to commercial exploitation as a non-conventional oil play. This Miocene Monterey could be prospective targets in the future.

The first well is expected to be drilled late 2007. In the event of success there is abundant adjoining infrastructure to facilitate early production and cash flow.

DEER CREEK (100%)

Solimar currently has a 100% interest in the Deer Creek Prospect, located on the eastern side of the oil and gas rich San Joaquin Basin. An existing active oil field 12 miles to the southeast and along structural trend is a direct analog for the trap style and objective reservoirs at Deer Creek. Another active oil field located 8 miles to the northeast of Deer Creek is productive in stratigraphic formations slightly younger than the objective reservoirs at Deer Creek. This portion of the San Joaquin is relatively under-explored as compared to the basin as a whole, yet a discovery at Deer Creek would simply constitute the extension of a known productive trend of analogous oil fields.

Analog fields along trend with the Deer Creek Prospect are characterized by traps that are strongly influenced by stratigraphic pinch-out against basement. The oil field's trap to the southeast and the Deer Creek Prospect proposed trap consist of stratigraphic pinch-out of Eocene/Lower Miocene sands deposited within shallow basement erosional features. Of the down-dip offset wells that define the Deer Creek structure and target reservoir interval, at least 5 of these wells have oil shows in the objective sandstones.

The drilling depth for Deer Creek is approximately 4,000 ft. Based on the down-dip oil shows, oil gravity in the Deer Creek trap is expected to be 14^o–16^o API, similar to the near by analog fields. The trap size potential at the current level of interpretation is estimated at 1,200 acres. Per-well reserves will vary depending on several factors, including well type (vertical vs. horizontal) and possible enhanced-recovery techniques (steam cycle, steam flood, etc.).

Drilling costs are expected to be in the order of US\$650,000 on a dry hole basis, with an additional US\$300,000 required for completion and pump acquisition costs. A discovery at Deer Creek would lead to an appraisal drilling program with significantly lower drilling and completion costs. Reserve estimates for the Deer Creek Prospect are 3–6 million barrels of recoverable oil.

For and on behalf of the Board

The geological information included in this announcement is based on information provided by Mr Robert Rosenthal a consulting geologist to the petroleum industry with over 25 years relevant industry experience. Mr Rosenthal has consented to the inclusion of the geological information in this announcement in the form and context in which it appears.

For further information please contact:

LIVINGSTONE PETROLEUM LTD

Registered Office:

Ground Floor, 8 Colin Street, West Perth 6005

Telephone: +61 8 9324 1177 Facsimile: +61 8 9324 2171

www.livpet.com.au

Email: info@livpet.com.au

ASX Code: LPL