



18 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,

Property Exchange Agreement with Orchard Petroleum Limited

Livingstone has reached an agreement with Orchard Petroleum Limited to separate their respective interests in the Forbes joint venture. Under this agreement:

- Livingstone will acquire 100% of the Buckeye and the Arbuckle projects (Livingstone formerly held 50% of these areas under the Forbes joint venture).
- Orchard will acquire 100% of the balance of the Forbes project areas, including the Lerner 1-12 well, the Lerner 2-12 well and the Edge 1-10 well.
- The South Buckeye well will continue to be held 50/50 between Orchard and Livingstone and Orchard will arrange flow testing of this well as soon as practicable.
- Orchard will transfer to Livingstone its 50% interest in the Block B lease at Southeast Lost Hills (San Joaquin basin), including Southeast Lost Hills wells 1-13, 2-13, 3-13 and 1-12 and uncompleted pipeline relating thereto. Livingstone will become operator of this project, with the other 50% held by Nuenco NL.
- Livingstone will pay Orchard US\$163,500 (principally reimbursement of pre-paid lease rentals on the Buckeye project) and US\$100,000 for Livingstone's 50% share of the South Buckeye well completion costs and Orchard releases Livingstone from approximately US\$600,000 in respect of past drilling expenses.

This Agreement enables Livingstone and Orchard to separately pursue the project areas of most interest to each of them. It increases Livingstone's interest in key projects of interest, namely Buckeye, Arbuckle and Southeast Lost Hills. Livingstone will become operator of all its projects and will be in a better position to farm-out projects should it desire to do so. The recently announced Solimar acquisition delivers to Livingstone an operating team in California which will take on these responsibilities.

As a result of this Agreement, combined with the Solimar acquisition, Livingstone will have a large portfolio of attractive prospects in both the Sacramento and the San Joaquin basins in California. A summary of Livingstone's current projects (following this Agreement but pre the Solimar acquisition) is set out below:

Buckeye Creek, Sacramento Basin (100%)

9,296 acres

Buckeye Creek is an exploration play with two objective horizons, Forbes and Guinda Formations. It is interpreted to be a large 4 way dip closure in the middle and lower Forbes section with a closure of approximately 2,000 acres. The Forbes is a Cretaceous submarine channel system. Several wells have been drilled on the structure and production has been established in the shallower upper Forbes section where the channelized reservoirs form stratigraphic traps over the structure. The shallow Forbes targets are characterized by amplitude anomalies on the 3D data that covers the structure. In the event of a discovery there there is the potential to drill up to 30 wells to exploit the shallow Forbes.

Only one well has penetrated the middle and lower Forbes but did not encounter hydrocarbons. This does not mean that the lower and middle Forbes is not productive as the reservoirs are discontinuous and it is expected that hydrocarbon traps would be highly segmented. The middle and lower Forbes Sand section has the potential to contain up to 50 Bcf of gas.

There is a higher risk/high reward target below the Forbes. The Cretaceous Guinda Sand section underneath the Forbes forms a large structural/stratigraphic trap. The Guinda Sands in this area are thought to be thick submarine fan sands and are believed to be much more laterally continuous than the Forbes. All the wells drilled on the structure stopped above the Guinda section. Although higher risk the Guinda play at Buckeye Creek has the potential to hold several hundred Bcf of gas.

Jack Hamar, San Joaquin Basin (50% of shallow rights)

2,650 acres

The Jack Hamar Project is located along the southern flank of the large Lost Hills Anticline. The Lost Hills structure is a hugely prolific feature that has already produced in excess of 400 million barrels of oil equivalent ("MMboe") to date to the north of the Jack Hamar play.

Jack Hamar is a combination structural stratigraphic trap. The reservoir targets are shallow Pliocene sands that pinch out around the flanks of the Lost Hills Anticline. Seismic amplitude anomalies are associated with the presence of hydrocarbons. This is a shallow play, with target depths of not greater than 4000 ft. Three shallow wells have been drilled on the northern end of the block. All three encountered hydrocarbon shows in the Pliocene section, however, testing results over the past years have been inconclusive and hence the commerciality of the shallow section is yet to be proven.

South Dunnigan, Sacramento Basin (80%)
4,700 acres

The South Dunnigan play is also a Forbes gas play in the Sacramento Basin. The Dunnigan structure is a surface anticline segmented by transverse faults. The South Dunnigan play is combination of Forbes sands draping over the southern end of the segmented fold. At this location, the Forbes sands are interpreted to be more in the basin floor setting and more laterally continuous, with the potential to form a large hydrocarbon accumulations.

Some Forbes production has been established to the north of the South Dunnigan play. A few wells have been drilled to the top of Forbes in South Dunnigan and significant hydrocarbon shows where encountered. To date no well has penetrated the entire section. There is the potential for over 100 Bcf of gas within the play.

This project area was leased up by Livingstone over the last nine months with the assistance of Nahabedian Exploration Group.

Arbuckle, Sacramento Basin (80%)
2,014 acres

Arbuckle is also a Forbes play in the Sacramento Basin. The Forbes in the Arbuckle area overlies a deep-seated structure. The Forbes sands are discontinuous and form individual combination structural and stratigraphic traps of 1-5 Bcf per well. The Arbuckle "Field" has produced approximately 80 Bcf of gas.

There is a 3D seismic dataset in the area, which will assist target generation. This data set was not available for prior targeting within the Arbuckle field. There are several undrilled amplitude anomalies that have been identified on this data set, with the potential to deliver 10 to 20 Bcf net to Livingstone.

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.