

25 July 2007

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

Via electronic lodgement

Dear Sir/Madam

JUNE 2007 QUARTERLY ACTIVITIES REPORT

CORPORATE DEVELOPMENTS

(1) Acquisition of Solimar Energy

On 10 May 2007, Livingstone Petroleum Limited ("Livingstone") announced that it had entered into an agreement to acquire Solimar Energy Pty Ltd ("Solimar"), a private oil & gas company with interests in several oil and gas prospects in the State of California. This agreement was subsequently approved by shareholders at a General Meeting on 29 June 2007.

Solimar had assembled an attractive portfolio of petroleum assets which offers a variety of exploration targets from low risk exploration plays to high impact exploration opportunities.

This acquisition also injected approximately A\$4.8 million cash into Livingstone at year end.

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.

The highlights of Solimar's prospects involve:

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 oil and gas shows during drilling.
- Significant prize in the order of over 40 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.
- 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.

(2) Property Exchange Agreement with Orchard Petroleum Limited

On 18 May 2007, Livingstone announced that it had reached an agreement with Orchard Petroleum Limited ("Orchard") 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 Larner 1-12 well, the Larner 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 (SELH) 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 and Arbuckle plus adds Southeast Lost Hills as a new project. Livingstone is also in a better position to farm-out these projects, if desired.

(3) Change of Company Name

The resolution to change the company name to "Solimar Energy Limited" was approved at the General Meeting which was held on 29 June 2007.

(4) Election of New Directors and Appointment of General Manager

Mr Frank Petruzzelli and Mr Mark Elliott were elected as new directors of Livingstone Petroleum Limited at the General Meeting which was held on 29 June 2007. On 18 May 2007, Livingstone announced to the ASX the appointment of Andrew Gould as General Manager Corporate Development.

DRILLING AND DEVELOPMENT PROGRAM

Ventura South Flank Well

The Ventura South Flank well commenced drilling in early May 2007 and reached a depth of 11,000 feet. Electric logs were run and it was determined that the well had not intersected the primary fault trap. A decision was made to sidetrack the well.

The Ventura South Flank sidetrack well reached a target depth of 9,910 feet and electric logs were run. No commercial hydrocarbons were discovered in the sidetrack well. As a consequence, the South Flank Joint Venture has decided to suspend the well and allow for a full technical review before proceeding with additional drilling at this location. The Joint Venture is still keen to explore the South Flank Project area but it is clear from recent drilling that the structural configuration of the prognosed oil and gas accumulation is more complex and will require additional technical work before any more drilling takes place.

The Ventura South Flank well is located in Ventura County, California, approximately one mile south of the Ventura Avenue field which has produced over 900 million barrels of oil. This well is a follow up to a well which was drilled in 1935.

Forbes Exploration Program

The Forbes Joint Venture did not undertake any exploration activity in the June 2007 Quarter.

CALENDAR 2007 ACTIVITIES PROGRAM

Farm out opportunities are being investigated with some of the prospects associated with the **Forbes Gas joint venture**.

Environmental approvals in relation to the protection of plants and animals are being processed as part of work on the **Maricopa project**.

Leasing work continues at the **Deer Creek project**. Additional geological work has also been done over the prospect and it is expected that 2D seismic on the area will be acquired.

Further work is required on the **Southeast Lost Hills (SELH) Project** before a decision is made to commence the testing program on the SELH 1-13, 2-13, 3-13 and 1-12 wells.