

21 August 2007

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

Via electronic lodgement

Dear Sir/Madam

Farmout Agreement signed with Sunset Energy Limited

Livingstone Petroleum Limited's ("Livingstone") subsidiary, Solimar Energy LLC ("Solimar"), is pleased to announce that it has signed a Farmout Agreement with Sunset Energy Limited ("Sunset") involving Solimar's Maricopa and Deer Creek Projects which are located in the San Joaquin Basin in the southern part of California, USA.

Under the agreement, Solimar has agreed to offer to Sunset a 50% working interest in the Maricopa and Deer Creek Prospect Areas in exchange for Sunset agreeing to fund 100% of the cost to drill and complete 2 wells, one on each Prospect Area. The two wells are to be proposed and drilled within 12 months subject to rig availability and Sunset securing its finances. The estimated cost for drilling and completion of the two wells is US\$1,450,000. Solimar will be the Operator.

In addition, Sunset will pay Solimar US\$200,000 on the date of Sunset securing its finances. This payment is to partially cover back costs associated with the development of the two projects. In addition, Sunset will pay 50% of all other future costs and expenses, including leasing, surveying, permitting and seismic associated with these two Prospect Areas.

Livingstone's Chairman, Mr Frank Petruzzelli, said: "The Sunset Farmout Agreement is a very good deal for Livingstone shareholders as it assists us with funding the initial drilling on two prospects where we are Operator; it provides a new partner to share the capital costs and rewards; and it permits us to better balance Livingstone's overall prospect portfolio".

Overview of the Maricopa and Deer Creek Projects:

Maricopa (Post Farmout: Solimar - 50%; Operator)

- A low risk oil development project located adjacent to one of the largest onshore oil fields in North America (Midway Sunset).
- The project has three potential development/appraisal objectives with varying degrees of risk and upside potential.
- Established infrastructure expedites development and enhances economic returns.

Deer Creek (Post Farmout: Solimar - 50%; Operator)

- 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.

For and on behalf of the Board

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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