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BLUE BOOK SERIES

Exploration Review

Quarterly

October 2006

Commodity price volatility rising but fundamentals remain sound

Aegis Measured by Performance

Contents

This is an extract from the October 2006 Quarterly Exploration Review

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Livingstone Petroleum Limited
ASX Code: LPL

Status:

LIVINGSTONE PETROLEUM LIMITED

Core Commodities	**Gas, Oil**
Price (as at 25-Sep-06)	$0.32
Market Cap	$15.7M
Cash (as at 30 Jun 06)	$3.0M
Cash / Share	$0.06
Shares Traded (pa)	$8.8M
Top Shareholders	
Citicorp Nominees	15.4%
ANZ Nominees	8.4%
Saps Overseas	7.5%

Summary activity for the current quarter		**Quantity**	**Budget**
Exploration Well			
Appraisal Well			
Seismic Surveys			
Other	Drilling and test work		$0.3M
Total			**$0.3M**

Forbes Project (50% interest)

Location	California, USA
Commodity	Gas
Style of Structure	Stratigraphic

The Forbes Project is located in the Sacramento basin, California. The project Commodity Gas involves relatively shallow, low-risk drilling in a recognised production area. The Style of Structure Stratigraphic historical success rate in Forbes sandstone is 70%. The project is a joint venture between Livingstone (50%) and Orchard Petroleum Ltd (50% and operator), with a holding of approximately 13,186 acres, most of which is covered by 200 leads expected to be generated. There is substantial gas gathering and transportation infrastructure area.

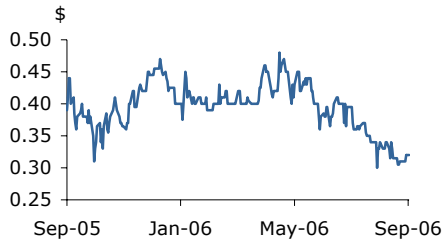
The Larner 2-12 and Edge 1-10 wells drilled in late 2005 recorded discoveries in the Forbes formation. The Edge well also intersected gas in the secondary Guinda formation, adding an additional target to a large part of the project area. As the Forbes formations are of relatively shallow depth, this in conjunction with the historically high exploration success prices delivers robust economics to the project.

The Company intends to commence the next phase of drilling on the Forbes Project in early October 2006.

Aegis Equities Comments

- **Projects:** Exploration drilling at the Forbes project recorded two discoveries from two wells, a good start to the exploration program. The first, Larner 2-12, recorded an initial flow rate of 2.8MMCFPD from a 46ft gas pay zone. The second, Edge 1-10, remains to be production tested. Existing pipeline infrastructure located near to the Forbes project has allowed the first discovery to be brought into production already. Eleven high probability targets have been identified in the area.
- **Potential:** The Forbes project is located in the Sacramento basin, a region with a long history of oil and gas production. A large area of the project has been mapped using 3D seismic techniques. The early drilling success suggests mapping and assessment work has been carried out well. Numerous prospective targets have been identified and the priority targets amongst these have already been selected. Another six wells are planned for the next six to nine months.
- **Overall:** LPL listed in September 2005 following an issue of 30M shares at A$0.20 each. At the end of the June Quarter, LPL had A$3.0M in cash following a share issue. Revenue generated by the new wells provides useful cashflow, while the recent capital raising will allow LPL to meet its 50% share of the joint venture costs. With its early success and aggressive drilling plans LPL is in a good position to chase organic growth. The JV operator is confident additional discoveries will be made soon.

Share price performance



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