
LIVINGSTONE PETROLEUM LIMITED

ABN 42 112 256 649

NOTICE OF GENERAL MEETING

TIME: 12:00pm WST

DATE: 29 June 2007

PLACE: Ground Floor, 8 Colin St West Perth 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9324 1177.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Livingstone Petroleum Limited will be held at 12:00pm WST on 29 June 2007 at:

Ground Floor, 8 Colin St West Perth 6005

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) deliver the proxy form to the Company's registered office at 8 Colin Street, West Perth, Western Australia, 6005; or
- (b) by facsimile to the Company on facsimile number (61 8) 9324 2171; or
- (c) deliver the proxy form to the Company's share registry, Advanced Share Registry Services, 110 Stirling Highway, Nedlands, Western Australia, 6009,

so that it is received not later than 12:00pm WST on 27 June 2007. Proxy forms received later than this time will be invalid.

Your proxy form is enclosed after the Explanatory Statement.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Livingstone Petroleum Limited will be held at Ground Floor, 8 Colin St West Perth 6005 at 12:00pm (WST) on 29 June 2007.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 12:00pm (WST) on 27 June 2007.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

IT IS A REQUIREMENT OF THE BUSINESS OF THE MEETING THAT EACH OF THE RESOLUTIONS SET OUT BELOW ARE PASSED, OTHERWISE NONE OF THE RESOLUTIONS WILL HAVE ANY EFFECT.

AGENDA

1. RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE SOLIMAR ENERGY PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Listing Rules 7.1 and 11.1.2 and for all other purposes, approval is given for the Company to allot and issue 96,666,660 Shares to the shareholders of Solimar Energy Pty Ltd in consideration for the acquisition of all the issued capital of Solimar Energy Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

2. RESOLUTION 2 – ELECTION OF MR FRANK PETRUZZELLI

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of clause 7.2(c) of the Company’s Constitution and for all other purposes, Mr Frank Petruzzelli, having been nominated and given his consent to act, be elected as a director of the Company.”

3. RESOLUTION 3 – ELECTION OF MR MARK ELLIOTT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of clause 7.2(c) of the Company’s Constitution and for all other purposes, Mr Mark Elliott, having been nominated and given his consent to act, be elected as a director of the Company.”

4. **RESOLUTION 4 – ISSUE OF OPTIONS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Listing Rules 7.1 and 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 10,000,000 Options to nominees of Solimar Energy Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

5. **RESOLUTION 5 – CHANGE OF NAME**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to Solimar Energy Limited.”

DATED: 28 May 2007

BY ORDER OF THE BOARD



Brett Mitchell
Company Secretary

Voting Exclusion Note:

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

IT IS A REQUIREMENT OF THE BUSINESS OF THE MEETING THAT EACH OF THE RESOLUTIONS SET OUT BELOW ARE PASSED, OTHERWISE NONE OF THE RESOLUTIONS WILL HAVE ANY EFFECT.

1. ACQUISITION OF SOLIMAR ENERGY PTY LTD

1.1 Overview of the Acquisition

As announced by the Company to ASX on 10 May 2007, the Company has entered into an Implementation Agreement to acquire Solimar. A prospectus for the offer of Shares to Solimar Shareholders to acquire their Solimar Shares was lodged with ASX on 18 May 2007.

Solimar is a private Australian company with interests in several oil and gas projects in the State of California (United States). A brief description of the projects held by Solimar is set out in Section 1.2.

The material terms of the Implementation Agreement are as follows:

- (a) the Company agrees to make Offers to all Solimar Shareholders to acquire 100% of their Solimar Shares. These Offers have now been made and all Solimar Shareholders have accepted or are bound to accept such Offers;
- (b) the consideration payable under each Offer by the Company to Solimar Shareholders for the acquisition of their Solimar Shares is 20 Shares for every one (1) Solimar Share held. Accordingly, the Company is offering 96,666,660 Shares to acquire 4,833,333 Solimar Shares representing 100% of the issued capital of Solimar;
- (c) the Company will take all actions necessary to cause the appointment of Mr Frank Petruzzelli and Mr Mark Elliott as directors of the Company;
- (d) the Company will seek Shareholder approval to change its name to Solimar Energy Limited;
- (e) separately, and following the successful completion of the acquisition of Solimar, the Company will issue 10,000,000 Options to specified nominees of Solimar. The Options will be exercisable at 25 cents each, on or before 18 December 2009;
- (f) the Implementation Agreement is conditional upon the consent and approval of Shareholders being obtained to the performance of the transactions contemplated by the Implementation Agreement (being the matters the subject of each Resolution contained in this Notice) in accordance with the requirements of the Corporations Act and the ASX Listing Rules;
- (g) if the condition set out in (f) above is not satisfied, the Company is required to pay to Solimar the sum of \$750,000; and

- (h) the Implementation Agreement otherwise contains terms and conditions, including representations and warranties pertaining to the Company and Solimar, which are typical for an agreement of this nature.

1.2 Solimar Projects

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 resource 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 resource 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).
- Recoverable resource estimates are 3–6 million barrels.

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 resources.

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, if the acquisition of Solimar by Livingstone is implemented, 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. There is no guarantee that this well will be successful.

Based on the current geologic interpretation for the prospect, the potential recoverable resource is 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 an estimated recoverable oil resource 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 estimated resources 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°-16° 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 resources 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. Resource estimates for the Deer Creek Prospect are 3–6 million barrels of recoverable oil.

In preparing the geological information regarding Solimar's projects for this Notice of Meeting the Company has relied on information made available to it by Solimar and prepared by persons with sufficient professional experience and competence within the petroleum industry. It is to be emphasised that exploration for oil and gas is inherently risky.

1.3 Pro-forma Statement of Financial Position

Set out below, for the purposes of illustration only, is a pro-forma statement of financial position of the Company as at 31 December 2006 (based on the assumptions set out below).

	Notes	Reviewed at 31 December 2006 \$	Pro-forma at 31 December 2006 \$
Current Assets			
Cash at bank	1	78,558	5,348,250
Receivables		39,538	39,538
Total Current Assets		118,096	5,387,788
Non Current Assets			
Property, plant and equipment		290,536	290,536
Exploration and development expenditure	2	10,507,973	14,626,418
Total Non Current Assets		10,798,509	14,916,954
Total Assets		10,916,605	20,304,742
Current Liabilities			
Trade and other payables		329,276	359,276
Provisions	3	604,335	321,341
Total Current Liabilities		933,611	680,617
Non Current Liabilities			
Provisions		99,894	99,894
Total Non Current Liabilities		99,894	99,894
Total Liabilities		1,033,505	780,511
NET ASSETS		9,883,100	19,524,231
Equity			
Contributed Equity	4	12,940,613	22,581,744
Reserves		(110,166)	(110,166)
Accumulated Losses		(2,947,347)	(2,947,347)
TOTAL EQUITY		9,883,100	19,524,231

Notes to the Pro-forma Statement of Financial Position

The reviewed pro-forma statement of financial position has been prepared to reflect

the financial position of the Company as if the following transactions had occurred at 31 December 2006:

- (a) completion of acquisition of all issued capital in Solimar; and
- (b) completion of the Property Exchange Agreement as announced by the Company on 18 May 2007.

1. Cash at bank	\$
The movement in cash is as follows:	
Closing cash balance at 31 December 2006	78,558
Proceeds through acquisition of Solimar	5,295,227
Less expenses of the Offer	(25,535)
	5,348,250
2. Exploration and Development Expenditure	
The movement in EE&D is as follows:	
Closing balance at 31 December 2006	10,507,973
Increase in exploration expenditure through Solimar acquisition	4,118,445
	14,626,418
3. Provisions	
The movement in provisions for liabilities is as follows:	
Closing Balance at 31 December 2006	604,335
Elimination of provision for Forbes Project exploration costs accrued at 31 December 2006, as detailed in the Property Exchange Agreement	(604,335)
Provision for South Buckeye well testing AFE and Forbes Project lease costs	321,341
	321,341
4. Contributed equity	
Contributed equity at 31 December 2006	12,940,613
Issue of 96,666,660 Shares to Solimar Shareholders at 10 cents each	9,666,666
Less expenses of the Offer	(25,535)
	22,581,744

Additional notes:

Following the asset restructure of the Forbes Project joint venture under the Property Exchange Agreement, the Company's carrying value of EE&D of \$10,507,973 as at 31 December 2006 will be reviewed as part of the full year audit process.

Solimar is currently drilling the Ventura Well, for which it has paid \$920,908 against the AFE to date and thus increased EE&D by the same amount in the pro-forma statement.

1.4 Capital Structure

The capital structure of the Company following implementation of all of the Resolutions contained in this Notice is set out below.

Shares	Number
Current Shares on issue	66,000,001
Shares to be issued as consideration for acquisition of Solimar	96,666,660
Total Shares	162,666,661
Options	
Options on issue:	
Options exercisable at 30 cents each on or before 18 December 2009	17,500,000
Options exercisable at 20 cents each on or before 18 December 2009	1,250,000
Options to be issued to nominees of Solimar:	
Options exercisable at 25 cents each on or before 18 December 2009	10,000,000
Total Options	28,750,000

2. RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE SOLIMAR

2.1 General

Resolution 1 seeks Shareholder approval for the issue of 96,666,660 Shares to Solimar Shareholders in consideration for the acquisition of Solimar pursuant to the Implementation Agreement (as summarised in section 1.1 of the Explanatory Statement).

A list of Solimar Shareholders, including their respective shareholding in Solimar and their entitlement to receive Shares under the Implementation Agreement, is set out in Schedule 1.

Shareholder approval is required under Listing Rules 7.1 and 11.1.2.

2.2 Offer to Mr Petruzzelli and Mr Elliott

In the event that Resolutions 2 and 3 are passed by Shareholders, Mr Petruzzelli and Mr Elliott (**Proposed Directors**) will be appointed directors of the Company. The Proposed Directors, through entities in which they control, are Solimar Shareholders and are therefore entitled to participate in the offer of Shares pursuant to Resolution 1.

The Directors have determined that Shareholder approval is not required under Listing Rule 10.11 for the offer of Shares to the Proposed Directors due to the application of Exception 6 in Listing Rule 10.12 as the Proposed Directors will only become related parties by reason of the transaction which is the reason for the issue of the Shares.

In addition, the Directors have determined that Shareholder approval is not required under Chapter 2E of the Corporations Act as it is the view of the Directors that the arm's length terms exception under Section 210 of the Corporations Act applies to the offer of Shares to the Proposed Directors as the equivalent offer is made to all Solimar Shareholders.

2.3 Listing Rule 7.1

Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issued capital of that company in any 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue the Shares to Solimar Shareholders during the period of 3 months after the General Meeting (or a longer

period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The following information is provided in relation to the issue of Shares pursuant to Resolution 1 in accordance with Listing Rule 7.3:

- (a) the maximum number of securities to be issued is 96,666,660 Shares;
- (b) the allottees of the Shares issued pursuant to Resolution 1 will be Solimar Shareholders as set out in Schedule 1;
- (c) the Shares will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). It is intended that allotment of the Shares will occur on one date;
- (d) the Company will not be raising any funds from the issue of the Shares as they are being issued in consideration for the acquisition of all of the Solimar Shares;
- (e) the deemed issue price of the Shares is 10 cents each; and
- (f) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares.

2.4 Listing Rule 11.1.2

The acquisition of Solimar, if approved by Shareholders at the General Meeting, will have a significant impact on the scale of activities undertaken by the Company, and accordingly, at ASX's request, must be approved by Shareholders under Listing Rule 11.1.2, and the Notice of Meeting must comply with any requirements of ASX.

3. RESOLUTIONS 2 & 3 – ELECTION OF DIRECTORS

3.1 General

The Constitution requires that new directors be appointed by resolution of Shareholders passed at general meeting. Accordingly, pursuant to clause 7.2(c) of the Constitution, Resolutions 2 and 3 seek the election of Mr Petruzzelli and Mr Elliott as directors of the Company.

In the event that Resolutions 2 and 3 are passed, the Board shall appoint Mr Petruzzelli as chairman of the Company and Mr Elliott as non-executive director of the Company.

A profile of Mr Petruzzelli and Mr Elliott is provided below.

Frank Petruzzelli

Mr Petruzzelli is an accountant specialising in taxation and business services and is a principal of MDB & Co Accountants Pty Ltd. He was a founding director of Orchard Petroleum Limited, a company whose primary involvement involves oil and gas exploration in California, USA. Orchard Petroleum was recently acquired by Eskdale Petroleum for \$160 million. Mr Petruzzelli is also a director of Golden Gate Petroleum Limited, which also specialises in oil and gas exploration, concentrating on oil and gas lease tenements in Padre Island, Texas, USA.

Mark Elliott

Mr Elliott has over 27 years experience in owning and running private companies in Australia and in the USA. He has extensive experience in the resources sector through investments in companies involved in that sector. He is a director of several private companies which predominantly relate to his private family businesses that cover building and construction, stone restoration, manufacturing of stone products and property investments. Mr Elliott has not held any directorships in publicly listed companies to date.

3.2 Change to composition of Board

If Messrs Petruzzelli and Elliott are elected as directors of the Company, it is proposed that current director Mr Jim Malone will retire from office. Mr Petruzzelli will act as Chairman, with Mr Elliott joining existing Directors Mr Craig Burton and Mr Michael Fry as non-executive directors.

4. RESOLUTION 4 – ISSUE OF OPTIONS

4.1 General

Resolution 4 seeks Shareholder approval for the issue of 10,000,000 Options to specified nominees of Solimar pursuant to the Implementation Agreement (as summarised in section 1.1 of the Explanatory Statement).

Shareholder approval is required under Listing Rules 7.1, 10.11 and Section 208 of the Corporations Act.

4.1 Offer to Mr Petruzzelli and Mr Elliott

In the event that Resolutions 2 and 3 are passed by Shareholders, Mr Petruzzelli and Mr Elliott (**Proposed Directors**) will be appointed directors of the Company. The allottees of Options to be issued pursuant to Resolution 4 include an entity associated with Mr Petruzzelli (Your Care Pty Ltd) and an entity associated by Mr Elliott (Westrail Pty Ltd). Shareholder approval is therefore required under Section 208 of the Corporations Act and Listing Rule 10.11.

4.2 Listing Rules 7.1 and 10.11

A summary of Listing Rule 7.1 is provided in section 2.3 of the Explanatory Statement.

Listing Rule 10.11 requires a company to seek shareholder approval for the issue of securities to a related party. In these circumstances, a proposed director is a related party of the Company.

The effect of Resolution 4 will be to allow the Directors to issue the Options during the period of 3 months (or 1 month in the case of the options to be issued to the entities associated with Mr Petruzzelli and Mr Elliott) after the General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The following information is provided in relation to the issue of Options pursuant to Resolution 4 in accordance with Listing Rules 7.3 and 10.13:

- (a) the maximum number of securities to be issued is 10,000,000 Options;
- (b) the allottees of the Options issued pursuant to Resolution 4 will be:

Allottee	Number of Options
Farsighted Pty Ltd	2,375,000
Your Care Pty Ltd	2,375,000
MC Fleet Services Pty Ltd	2,375,000
Bob Rosenthal	2,375,000
Westrail Pty Ltd	500,000

- (c) the Options will be issued no later than three (3) months after the date of the General Meeting, or no later than one (1) month after the General Meeting in the case of the Options to be issued to Your Care Pty Ltd and Westrail Pty Ltd (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). It is intended that allotment of the Options will occur on one date;
- (d) the Options will be issued for nil cash consideration pursuant to the terms of the Implementation Agreement;
- (e) the Options are exercisable at \$0.25 each on or before 18 December 2009; and
- (f) the Options will be issued on the terms set out in Schedule 2.

4.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purposes of this meeting, a "related party" includes a proposed director of the Company. Accordingly, the proposed grant of Options to entities controlled by the Proposed Directors, as detailed in section 4.1 of this Explanatory Statement, involves the provision of a financial benefit to related parties of the Company for the purposes of the Corporations Act.

Where no exception is applicable (as is the case in these circumstances), Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months after the approval is obtained.

In accordance with the requirements of Sections 217 to 227 of the Corporations Act, the following information is provided to allow Shareholders to assess the proposed grant of Options under Resolution 4:

- (a) the related parties to whom the financial benefit will be given are outlined below (**Related Parties**):

Related Party Entity	Proposed Director	Nature of relationship of Proposed Director to Related Party Entity
Your Care Pty Ltd	Mr Frank Petruzzelli	Sole Director and 100% shareholder and beneficial owner
Westrail Pty Ltd	Mr Mark Elliott	Director and 50% shareholder and beneficial owner

- (b) the maximum number of Options to be granted to the Related Parties (being the nature of the financial benefit being provided) under Resolution 4 is 2,875,000 as follows:

Related Party	Number of Options
Your Care Pty Ltd	2,375,000
Westrail Pty Ltd	500,000

- (c) the Options will be granted for nil cash consideration and otherwise on the terms outlined in Schedule 2;
- (d) the Proposed Directors and the Related Parties presently receive no emoluments from the Company. In the event Resolutions 2 and 3 are passed by Shareholders, the Proposed Directors will be entitled to receive Director's fees in accordance with the Company's Constitution of:

Proposed Director	Director's Fees
Mr Frank Petruzzelli	\$50,000
Mr Mark Elliott	\$25,000

- (e) The Proposed Directors currently have interests in the following securities in the Company:

Proposed Director	Shares
Mr Frank Petruzzelli	325,000
Mr Mark Elliott	450,000

In the event that the acquisition of Solimar is approved by the Company's Shareholders pursuant to Resolution 1, the Proposed Directors will also obtain a relevant interest in the following number of Shares to be issued in consideration for the acquisition of the Solimar Shares presently held by entities associated with the Proposed Directors:

Proposed Director	Shares
Mr Frank Petruzzelli	8,333,320
Mr Mark Elliott	9,500,000

- (f) if Shareholders approve the issue of Options to the Related Parties under Resolution 4 and in the event that all Options are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 1.77% (based on the number of Shares currently on issue plus Shares issued pursuant to Resolution 1 and assuming no other options to acquire Shares in the Company are exercised);
- (g) the market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at the time any of the Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company. In the 12 months before the date of this Notice, the highest, lowest and last trading price of Shares on ASX are as set out below:

Highest	28 cents on 21 May 2007
Lowest	11 cents on 18 April 2007
Last	24 cents on 28 May 2007

- (h) the ASIC in reviewing documents lodged under Section 218 of the Corporations Act relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the options proposed to be granted. The value of the Options and the pricing methodology is set out in Section 4.4 below;
- (i) the Directors recommend that Shareholders vote in favour of Resolution 4 as they are of the view that the issue of Options to the Related Parties is an appropriate form of remuneration to provide the Proposed Directors (Related Parties) with an incentive to maximise returns to Shareholders in their capacity as directors of the Company. The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

4.4 Valuation of Options

The Options have been valued by BDO Kendalls Corporate Finance (WA) Pty Ltd on behalf of the Company using both the Black & Scholes and Binomial valuation of share options pricing models, based upon the terms stated in Schedule 2 of this Explanatory Statement and the following assumptions:

- (a) the Options have a 2.5791 year life from the valuation date (see below);
- (b) a price per Share of \$0.26 (being the underlying Share spot price based on the closing market price of the Shares on 21 May 2007);
- (c) a common volatility factor of 75.00% (standard deviation of returns annualised);
- (d) an interest rate of 6.23% (being the risk free interest rate on government bonds with a similar maturity as the Options);
- (e) the valuations ascribed to the Options may not necessarily represent the market price of the Options at the date of the valuation; and
- (f) the valuation date for the Options is 22 May 2007.

Based on the above, the Options have been valued at 13.2 cents each under both the Black & Scholes and Binomial valuation of share option pricing models.

Accordingly, the value of the benefit being given by the Company to the Related Parties is:

Related Party	Number of Options	Value of Benefit
Your Care Pty Ltd	2,375,000	\$313,500
Westrail Pty Ltd	500,000	\$66,000

5. RESOLUTION 5 – CHANGE OF NAME

5.1 General

Following the acquisition of Solimar and change in scale of the Company, the Directors consider that it is appropriate to change the name of the Company to “Solimar Energy Limited”.

Shareholder approval by special resolution is required pursuant to Section 157(1) of the Corporations Act to give effect to a change of the Company's name.

SCHEDULE 1 – SOLIMAR SHAREHOLDERS

Solimar Shareholder	Number of Shares held in Solimar	Entitlement to receive Shares in the Company
Shellbury Pty Ltd as trustee for the Walton Superannuation Fund	100,000	2,000,000
Nowald (Wellington PDE) Pty Ltd	125,000	2,500,000
Carday Holdings Pty Ltd	175,000	3,500,000
Viewfield Pty Ltd as trustee for the David Spiegel Superannuation Fund	25,000	500,000
Westrail Pty Ltd	105,000	2,100,000
Intro Pty Ltd	170,000	3,400,000
Wizzdene Pty Ltd	200,000	4,000,000
Comadis Pty Ltd as trustee for the Camadis Pty Ltd Staff Super Fund	50,000	1,000,000
APR Nominees	152,500	3,050,000
3 Frogs in a Pond Pty Ltd	100,000	2,000,000
Tony Vinci	25,000	500,000
Raffaele Pietrolungo	75,000	1,500,000
Syndicated Ventures Pty Ltd	50,000	1,00,0000
Robert Di Sippio	25,000	500,000
Lesdon Investments Pty Ltd	100,000	2,000,000
Towertun Pty Ltd	25,000	50,0000
TCEE Pty Ltd	30,000	600,000
Dalfam Pty Ltd	50,000	1,000,000
Fal-car Investments Pty Ltd	50,000	1,000,000
Livage Pty Ltd	50,000	1,000,000
Anthony Zucco as trustee for the ATJS Family Trust	50,000	1,000,000
Mark Freeman	107,500	2,150,000
Hiles Pty Ltd <GLC Superannuation Fund>	125,000	2,500,000

Cocoon Developments Pty Ltd	100,000	2,000,000
Revkel Executive Superannuation Fund	25,000	50,000
Finance Associates Pty Ltd	50,000	1,000,000
Dalianis Investments Pty Ltd	50,000	1,000,000
CTE Investments Pty Ltd	25,000	500,000
Ryan Moynagh/Stuart Smith/Adrian Loh	242,500	4,850,000
Sue White	25,000	500,000
Phil Hocking	25,000	500,000
Greatside Holdings Pty Ltd	60,000	1,200,000
Byrne Holdings Pty Ltd	60,000	1,200,000
Fopar Nominees Pty Ltd	30,000	600,000
Hawkness Pty Ltd	25,000	500,000
Mr Geoffrey Michael Van Lear	22,500	450,000
Grangefield Pty Ltd as trustee for the Mags Trust	20,000	400,000
Sabreline Pty Ltd <JPR Investment Acc>	20,000	400,000
Group Seventy Three Super Fund Pty Ltd	25,000	500,000
Group Seventy Three Pty Ltd	100,000	2,000,000
Pareto Nominees Pty Ltd <The Damelle A/C>	30,000	600,000
Blueknight Corporation Pty Ltd	37,500	750,000
Raymond Jepp	137,500	2,750,000
Antarie Pty Ltd	12,500	250,000
Farsighted Limited	398,959	7,979,180
Your Care Pty Ltd	423,958	8,479,160
MC Fleet Services Pty Ltd	473,958	9,479,160
Bob Rosenthal	448,958	8,979,160
Total	4,833,333	96,666,660

SCHEDULE 2 – TERMS OF OPTIONS

Each Option issued pursuant to Resolution 4 will entitle the holder to subscribe for one fully paid ordinary Share on the following terms:

- (a) the Option may be exercisable at any time prior to 5:00pm WST on 18 December 2009 (**Expiry Date**). Options not exercised on or before the expiry date will automatically lapse;
- (b) the exercise price of each Option will be \$0.25 each;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to LPL's share registry and received by it any time prior to 5:00pm WST on the Expiry Date;
- (d) upon the exercise of a Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. LPL will apply to ASX to have the Shares granted Official Quotation. The Options will not be listed on ASX;
- (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- (f) any Notice of Exercise received by LPL's share registry on or prior to the expiry date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;
- (g) there will be no participating entitlement inherent in the Options to participate in the new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holder of Options will be notified by LPL in accordance with the requirements of the ASX Listing Rules;
- (h) in the event LPL proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (i) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of LPL prior to the expiry date, all rights of an Option holder are to be changed in a manner consistent with the ASX Listing Rules; and
- (j) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

GLOSSARY

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules or **Listing Rules** means the listing rules of ASX.

Board means the board of directors of the Company.

Company or **Livingstone Petroleum** or **LPL** means Livingstone Petroleum Limited (ABN 42 112 256 649).

Constitution means the Constitution of the Company, as amended from time to time.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Implementation Agreement means the agreement entered into by the Company and Solimar, summarised in section 1.1 of the Explanatory Statement.

Notice means the notice of meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share on the terms and conditions set out in Schedule 2.

Resolution means a resolution contained in the Notice.

Settlement Date means the date which is not later than 14 days after the date upon which Shareholder approval of Resolution 1 is obtained

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Solimar means Solimar Energy Pty Ltd (ABN 51 115 231 377).

Solimar Shareholders means the holders of Solimar Shares.

Solimar Shares means the fully paid shares in the capital of Solimar.

WST means Western Standard Time.

\$ means Australian dollars.

PROXY FORM

**APPOINTMENT OF PROXY
LIVINGSTONE PETROLEUM LIMITED
ABN 42 112 256 649**

I/We

being a Member of Livingstone Petroleum Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 12:00pm WST on 29 June 2007 at Ground Floor, 8 Colin St West Perth 6005 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Issue of Shares to acquire Solimar Energy Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Mr Frank Petruzzelli	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Mark Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Change of name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

In relation to the Resolutions, if the Chairman is to be your proxy and if you do **not** wish to direct your proxy how to vote, please place a mark in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the Resolutions and your votes will not be counted in completing the required majority if a poll is called on the Resolutions. The Chairman will vote in favour of all of the Resolutions if no directions are given.

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO THE RESOLUTIONS. YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this _____ day of _____ 2007

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

LIVINGSTONE PETROLEUM LIMITED
ABN 42 112 256 649

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - two directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed:
 - (a) deliver the proxy form to the Company's registered office at 8 Colin Street, West Perth, Western Australia, 6005; or
 - (b) by facsimile to the Company on facsimile number (61 8) 9324 2171; or
 - (c) deliver the proxy form to the Company's share registry, Advanced Share Registry Services, 110 Stirling Highway, Nedlands, Western Australia, 6009,

so that it is received not later than 12:00pm WST on 27 June 2007.

Proxy forms received later than this time will be invalid.