

25 July 2007

Manager Announcements  
Company Announcements Office  
Australian Stock Exchange Limited  
10<sup>th</sup> 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 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 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**

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.

## **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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LIVINGSTONE PETROLEUM LTD

ABN

42 112 256 649

Quarter ended ("current quarter")

30 JUNE 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors	94	559
1.2 Payments for (a) exploration and evaluation	(322)	(4,167)
(b) development	-	-
(c) production	(77)	(136)
(d) administration	(40)	(290)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	48
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Prepayments in the Joint Venture Trust Account*	-	-
<i>* This is trust monies held on behalf of Livingstone to be used for the Company's share of future joint venture expenditure at the reporting date.</i>		
<b>Net Operating Cash Flows</b>	<b>(345)</b>	<b>(3,986)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Cash acquired from Solimar Acquisition	4,781	4,781
<b>Net investing cash flows</b>	<b>4,781</b>	<b>4,781</b>
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>4,436</b>	<b>795</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	633
1.15	Costs of the issue	-	(163)
1.16	Proceeds from borrowings	343	655
1.17	Repayment of borrowings	-	(100)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		<b>343</b>	<b>1,025</b>
<b>Net increase (decrease) in cash held</b>			<b>1,820</b>
1.20	Cash at beginning of quarter/year to date	21	2,980
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,800</b>	<b>4,800</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(14)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and superannuation contribution totalling \$14,186 (excluding GST) were paid during the quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,000	655
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	340
4.2	Development	-
<b>Total</b>		<b>340</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	4,800	21
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		<b>4,800</b>	<b>21</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	<b>Forbes Joint Venture, California</b>	50%	0%
6.2	Interests in mining tenements acquired or increased	<b>Forbes Joint Venture, California</b>	50%	100%
		<b>Southeast Lost Hills Project, California</b>	0%	50%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Performance +securities</b> <i>Convert to ordinary securities on development of a commercial mining project</i>	<b>n/a</b>			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.				
7.3 <b>+Ordinary securities</b>	<b>162,666,661</b>	<b>145,666,660</b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	<b>96,666,660<sup>(2)</sup></b>		Offer made to the shareholders of Solimar Energy Pty Ltd ( <b>Solimar</b> ) to acquire all of their Solimar Shares on the basis of 20 Livingstone Petroleum Limited Shares for every 1 Solimar Share held	
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	<b>n/a</b>			
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<b>28,750,000</b> comprising:  17,500,000  1,250,000 <i>Incentive Options</i>  10,000,000  Options Convert on a 1:1 basis	<b>-</b>	<b>Exercise price</b>  30 cents  20 cents  25 cents	<b>Expiry date</b>  18 December 2009  18 December 2009  18 December 2009

+ See chapter 19 for defined terms.

7.8	Issued during quarter	<b>10,000,000<sup>(3)</sup></b>		25 cents	18 December 2009
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>	<b>n/a</b>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	<b>n/a</b>			

**Notes:** (1) The changes to Livingstone Petroleum Limited's (**Livingstone**) interests in tenements in the Forbes Joint Venture (Sacramento Basin, California) and at the Southeast Lost Hills Project (San Joaquin Basin, California) were announced to the ASX on 18 May 2007 in the form of a "Property Exchange Agreement with Orchard Petroleum Limited".

(2) The issue of the 96,666,660 New Ordinary Shares followed shareholder approval at Livingstone's General Meeting on Friday 29 June 2007, and a subsequent resolution by the Board of Livingstone to issue these new shares. This was announced to the ASX on 3 July 2007.

(3) These new unlisted options were issued to nominated parties following shareholder approval of the Solimar acquisition at Livingstone's General Meeting on Friday 29 June 2007, and subsequent resolution by the Board of Livingstone to issue these new options. This was announced to the ASX on 3 July 2007.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

**Chris Bowyer**

Company Secretary

Date: 27 July 2007

Print name:

---

+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.