



31 October 2006

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

*via electronic lodgement*

Dear Sir/Madam,

### **Quarterly Activity Report for the period ended 30 September 2006**

Livingstone holds a 50% interest in the Forbes Project exploring for natural gas in the Sacramento Basin of California. This area has produced gas from the Forbes formation since 1934 with cumulative production to date of 600 billion cubic feet of gas. The Forbes Project already has 2 producing wells within the project area, Larner 1-12 and Larner 2-12 and commenced its new exploration drilling program on 24 October 2006 with the spudding of the South Buckeye 1-18 well.

In addition to production from the two successful Larner wells during the quarter, the Forbes Joint Venture has developed numerous prospects for the new drilling program with many having potential follow-on targets should the initial prospect be a successful discovery. Besides targets in the primary Forbes formation, the Joint Venture has identified significant prospects in the shallower Starkey/Winters formations around 4,000 feet and deeper Guinda formation below 9,000 feet.

Livingstone also completed a \$3,600,000 capital raising during the quarter in order to fund ongoing exploration programs on the Forbes Project.

#### **Drilling South Buckeye and Heavenly Wells**

The Kenai # 3 rig began drilling the South Buckeye 1-18 well on 24 October 2006 with drilling expected to take approximately 15 days to reach the total well depth of 9,400 feet. Immediately following drilling of the South Buckeye prospect, the rig will be moved to the Heavenly 2-28 well, which is also expected to take approximately 15 days to reach a total depth of 9,400 feet

The South Buckeye 1-18 well and the Heavenly 2-28 well are both targeting gas bearing stratigraphic traps in the Forbes formation, a prolific gas reservoir in the Sacramento Basin region, and the prospects are analogous to the gas discoveries made at the Larner 1-12 and 2-12 wells. An additional 2 follow-on targets for both the Buckeye and Heavenly prospects have been identified and permitted for drilling if the initial wells are successful. The South Buckeye and Heavenly prospects are respectively 14 and 7 kilometres southwest of the producing Larner wells.

#### **Forbes Exploration Strategy**

The Joint Venture's technical team have defined a total of 25 leads on the Forbes Project. A total of 11 high priority drillable prospects have been matured from this inventory by the application of seismic attribute techniques; compilation of the Forbes and host rock physical properties; and modelling Forbes lithologies and hydrocarbon responses on the 3D seismic data. The latter modelling studies will be constantly refined by comparing modelled seismic responses to observed data as additional drilling results are obtained.

Eight of these prospects have the Forbes sandstone as their primary objective but some also have the Guinda, Winter and Starkey sandstones as secondary objectives. Three of the prospects have Starkey sands as their primary objective.

The success of the two initial wells (the Lerner 2-12 and the Edge 1-10) drilled on the Forbes Project since Livingstone's involvement supports the Joint Venture's exploration model and the application of seismic amplitude techniques. In both of these wells, natural gas was encountered, as predicted, in the Forbes and Guinda formations. Following these encouraging exploration results, the Joint Venture plans to drill additional exploration wells in the Forbes and shallower Starkey/Winter sands, with less frequent deeper tests in the Guinda formation. Many of these prospects have potential follow-on targets should the initial prospect be a successful discovery.

The prospect sizes vary according to which objective formation is considered the primary target, however in general the sizes vary from 1 - 5 billion cubic feet. Some of the deeper targets in the Guinda formation are tens of billion cubic feet.

### **New Drilling Program**

Following drilling of the South Buckeye and Heavenly prospects, the Joint Venture partners will evaluate the results and schedule the next phase of the drilling program. Prospects at Armstrong and Alpine Meadows have been identified and permitted as part of the planned drilling program.

A successful well at South Buckeye or Heavenly will substantially upgrade the additional offset prospects located near these targets. In addition, there are a further four advanced exploration target areas that are summarised below:

### **Armstrong**

Armstrong has two intervals in the Forbes formation as its main objectives. Offset on all sides by over 8 billion cubic feet of high quality Forbes gas production, this well will test deeper intervals in the same overall stratigraphic section. If successful, two additional leads have been defined along the trend and could add to potential gas reserves in this area. In addition, the deeper Guinda formation is being evaluated for gas potential within this prospect area.

### **Alpine Meadows**

Alpine Meadows will be drilled to test the shallower Starkey formation sands which have proven high quality gas production of several billion cubic feet within the area. This well will be drilled in an area of 3D seismic with strong amplitudes. Several additional similar leads have been delineated and could also be drilled in this area if the first well is successful.

### **Squaw Valley**

Squaw Valley will test an interval in the Forbes formation that produced almost 3 billion cubic feet of high quality (>900 BTU) natural gas from nearby wells. This well will be drilled in an area of 3D seismic with strong amplitudes. If successful, it would upgrade two additional offset prospects. Additional shallower potential in the Starkey sands can be tested in the first and subsequent offset prospects.

### **Mt Baldy**

Mt Baldy is also an exploration test of the Forbes formation where the objective interval produced high quality (>900 BTU) gas in a nearby well. This well will be drilled in an area of 3D seismic with strong amplitudes. If this well is successful, it would upgrade two additional similar leads for drilling.

For further information please contact the Company Secretary Mr Brett Mitchell on +61 8 9324 1177.

For further information please contact:  
**LIVINGSTONE PETROLEUM LTD**  
Registered Office:  
Ground Floor, 8 Colin Street, West Perth 6005  
Telephone: +61 8 9324 1177 Facsimile: +61 8 9324 2171  
[www.livpet.com.au](http://www.livpet.com.au)  
Email: [info@livpet.com.au](mailto:info@livpet.com.au)  
ASX Code: LPL

# 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 SEPTEMBER 2006

### 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	140	140
1.2 Payments for (a) exploration and evaluation	(783)	(783)
(b) development	-	-
(c) production	(35)	(35)
(d) administration	(91)	(91)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	37
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>(732)</b>	<b>(732)</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 in subsidiary	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>(732)</b>	<b>(732)</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	633
1.15	Costs of the issue	(163)	(163)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(100)	(100)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		<b>370</b>	<b>370</b>
<b>Net increase (decrease) in cash held</b>		<b>(362)</b>	<b>(362)</b>
1.20	Cash at beginning of quarter/year to date	2,980	2,980
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,618</b>	<b>2,618</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	(6)
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 totalling \$6,199 (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	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	(2,200)
4.2 Development	-
<b>Total</b>	<b>(2,200)</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	2,618	2,980
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>2,618</b>	<b>2,980</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	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ 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>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.				
7.3 <b>+Ordinary securities</b>	<b>66,000,001</b>	<b>49,000,000</b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	<b>10,000,000</b>	<b>10,000,000</b>	<b>36 cents</b>	<b>36 cents</b>
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<b>18,750,000</b> 17,500,000 1,250,000 <i>Incentive Options</i> Convert on a 1:1 basis	-	<i>Exercise price</i> 30 cents 20 cents	<i>Expiry date</i> 18 December 2009 18 December 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
------	---	--	--

## 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.

**Brett Mitchell**

Company Secretary

Date: 31 October 2006

Print name:

## 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.

== == == == ==

---

+ See chapter 19 for defined terms.