

15 April 2009

ASX Release

Quarterly activities report and corporate review

Period ended 31 March 2009

Gippsland Offshore Petroleum acknowledges the current economic environment poses obstacles for frontier exploration companies such as ours. Large petroleum companies in these times are focusing on oil production or in fast tracking near term production wells.

This focus eliminates the need to take on new, frontier projects such as those held by Gippsland Offshore Petroleum.

In light of these challenges, this quarterly report includes a strategic review of all the Company's projects.

It has been the Company's focus over the quarter to look at ways to unlock shareholder value by progressing with the 'drill ready' wells in Kenya and Jamaica.

Finally, we are pleased to announce that A\$250,000 cash call has been made to Pancontinental Oil & Gas, as payment for exploration costs in L-6, Kenya. This payment is due on 26 April and will bolster our cash position.

Jamaica Project

Overview

Gippsland Offshore Petroleum is a 50% equity partner in the Jamaica Joint Venture (JJV) that has 5 exploration permits over 14,500km² of frontier exploration acreage offshore Jamaica over the majority of the Walton Basin (as seen in Fig 1).

Award of the project followed an open bid and the JJV signed contracts with the Petroleum Corporation of Jamaica (PCJ) in 2006. The technology agreement between Gippsland Offshore and BHP Billiton was a key factor for the Company to map the large area that covers many protected reefs and atolls. This technology is known as FALCON®, an airborne gravity gradiometer (AGG) system that is a non-invasive exploration tool. The presence of thick carbonate rocks in the geological section meant that historically, seismic quality was poor and measurements of other rock properties (such as density in the case of AGG) were important to help in the interpretation of the geological data.

The area was of great interest to the Company as it had been ignored for twenty years by the exploration community. However, of the 11 wells that had been drilled in and around the basin, 10 of them had oil shows proving a working hydrocarbon generating system. The presence of oil and gas seeps both onshore and offshore adds strength to this case. The last well was drilled in 1978 and the old seismic data was poor.

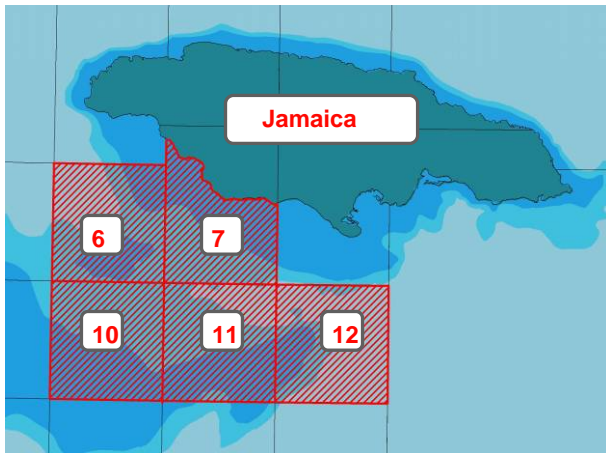


Fig 1 – JJV Exploration acreage offshore Jamaica

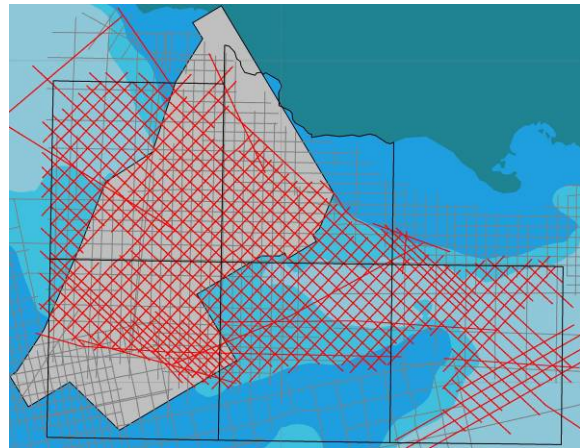


Fig 2 – Work program undertaken to date: grey area is the FALCON® area outline and the red lines are the newly acquired seismic lines

Exploration

The JJV signed 5 year exploration licences with the PCJ and has now completed the exploration commitments to the end of 2010. Over the initial two year period, the JJV has spent almost US\$13million on exploration over the blocks comprising 24,000 line kms of AGG data, 7,000kms of long offset 2D seismic (as per Fig 2), reprocessing 12,560kms of pre-existing seismic data and geological and geophysical studies to integrate and interpret these data. Although there is no well commitment until year 5 of the permits, the JJV would like to commence drilling as soon as feasible.

Gippsland Offshore has been leading the geological and geophysical data interpretation and prospect mapping on behalf of the JJV. The JJV has established that the Walton Basin has potential to house multi million barrel oil and gas fields. The combination of the AGG and 2D seismic has been effective in producing a 3D geological model of the basin and fast-tracking the understanding of the structural framework of the basin. To date, seven prospects have been mapped (Fig 3 and Fig 4) with upside potential for greater than 2 billion barrels of recoverable oil.

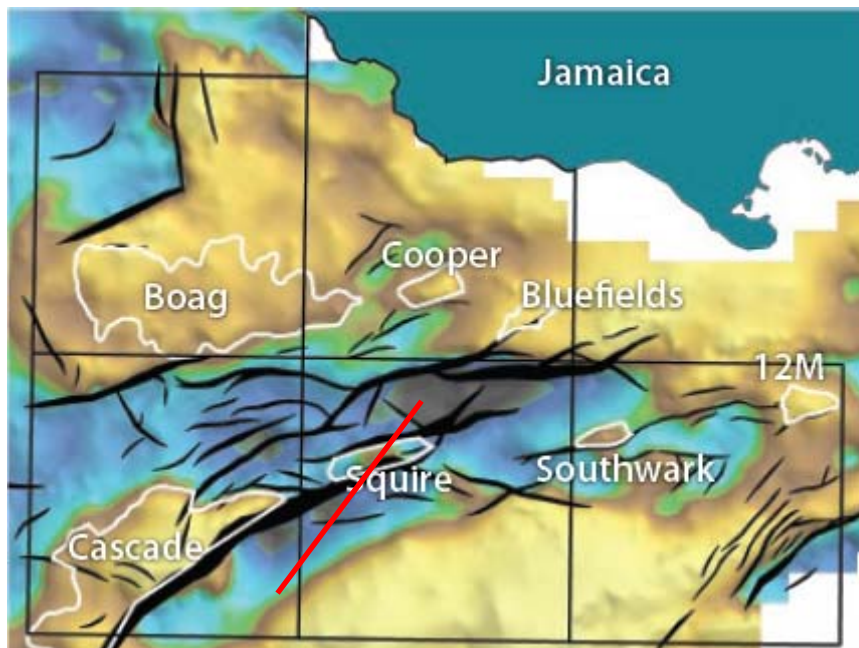


Fig 3 – Showing prospects mapped in the project and line of cross section in Fig 4

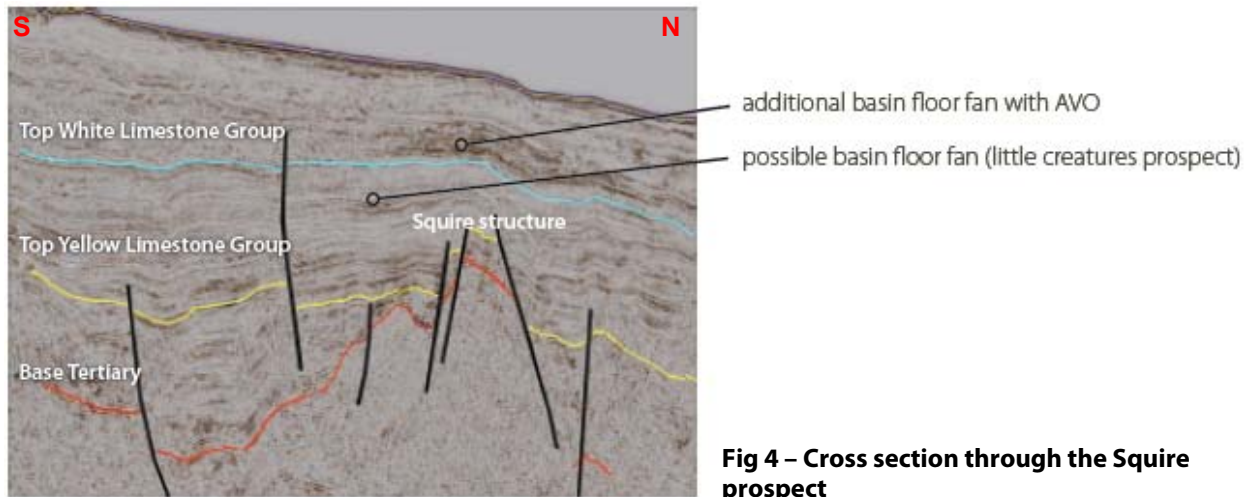


Fig 4 – Cross section through the Squire prospect

Farm-out progress

The JJV got underway in seeking a farm-in partner for progressing these prospects to drilling early in 2008 using the services of IndigoPool, a Schlumberger subsidiary that specialises in assisting companies complete farm-outs. The onset of the global financial crisis coinciding with the high oil prices of the second half of 2008 resulted in oil companies focusing on oil production and bringing near term production on stream as soon as possible. As a result, there was reluctance from companies to take on new, frontier projects and the advice from IndigoPool has been to take the project to market again mid 2009 when the stabilisation of the oil price will see companies starting to get on with business as usual.

Jamaica project fundamentals

The fundamentals of the Jamaica project are very strong:

- Five large, offshore blocks covering 90+% of the Walton Basin
- Working petroleum system proven by oil and gas shows and detected seeps
- Opportunity rich – Eocene to Jurassic multiple play concepts with many leads/prospects in each (e.g. basin floor fans, reefal build-ups, and horst blocks, tilted fault blocks, gentle folds of marine clastics and carbonates, and fluvio-deltaics)
- New 2D Seismic and AGG data covering the majority of the area
- Provenance and reservoir/seal study
- Cretaceous and Tertiary source rock studies and geochemical modeling
- Large potential: an inventory of leads - each holding several hundred million bbl in place
- Excellent fiscal terms and 15 year income tax concession period
- Significant future energy needs onshore Jamaica (bauxite / alumina / electricity) for both oil and gas
- Geographical advantage – close to the large North America gas market in the case of a very large gas discovery

Kenya

Overview

Gippsland Offshore Petroleum farmed into Block L-6 in the offshore Lamu Basin, Kenya (see Fig 5) in January 2007 after spending USD2M on a seismic and FALCON® program in the block. The Company now operates the block and has 60% equity.

The L-6 block is approximately 40% onshore and FALCON® was key to the Company entering the block. The cost of exploring in the transition zone between the on and offshore is often prohibitively expensive as multiple seismic crews need to be mobilised with specialist equipment for the various terrain or offshore conditions. This has meant the L-6 block has been relatively ignored for exploration in the past. The wells in the area have strong gas shows and the focus of exploration in the past has also been oil so gas plays have been ignored.

Exploration

As with the Jamaica project, within one month of signing into the block with the Ministry of Energy in Kenya, the Company had mobilised a seismic boat and the FALCON® aircraft. The 1,200kms of 2D seismic and 5,000kms of FALCON® were completed within 3 months (as shown in Fig 6).

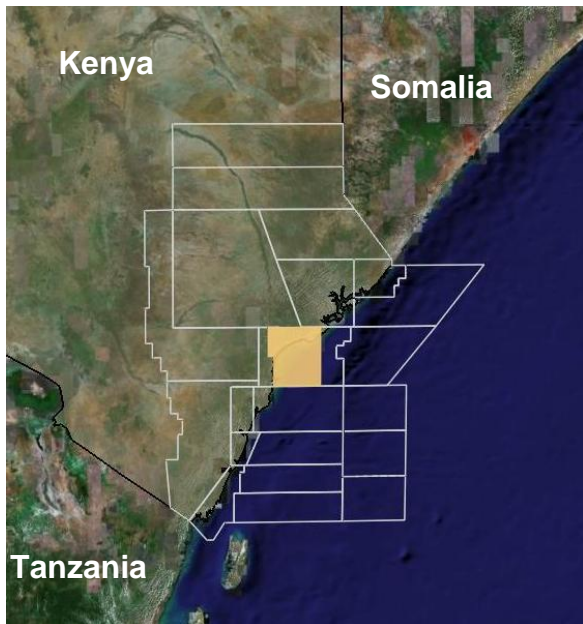


Fig 5 – Block L-6 location

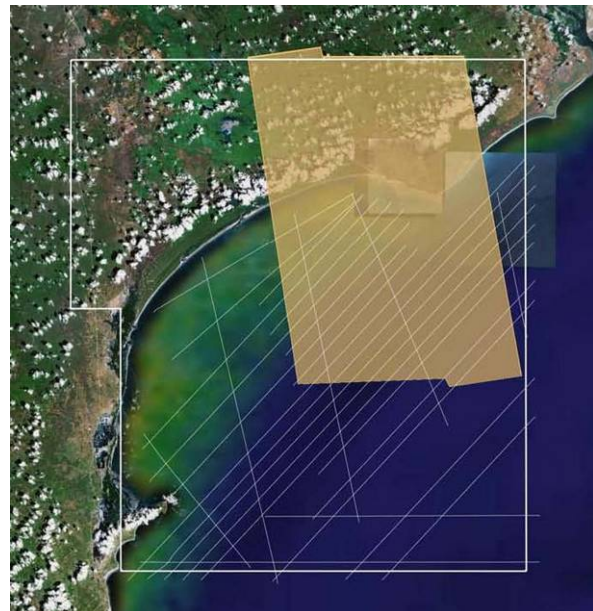


Fig 6 – Block 6 work program: shaded area os FALCON® area and white lines show the new seismic program

This fast tracking of the exploration was essential to have prospects mapped within eighteen months. The target was reached and the Company now has seven mapped prospects with both oil and gas prospectivity supported by seeps and DHI's (direct hydrocarbon indicators) on the seismic data. The FALCON® tool has proven an effective exploration method in this area, an image showing this data draped over the seismic at reservoir level is shown below (Fig 7).

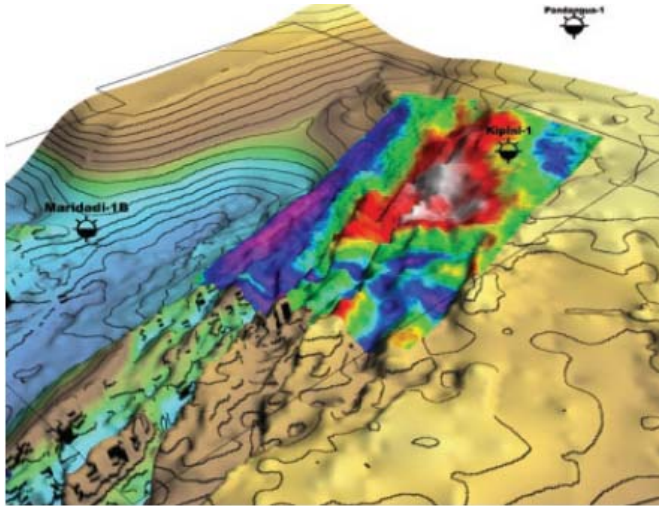


Fig 7 – AGG data draped on seismic horizon

The prospects mapped (as seen in Fig 8) have potential for recoverable reserves of 4TCF of gas and 1.7 billion bbls oil. The Company is now entering a new phase of the PSC in which two wells will be drilled in the block in the coming 4 years. The onshore Kudu prospect is to be tested first after some additional seismic to better define the extent of the prospect and optimum drill location.

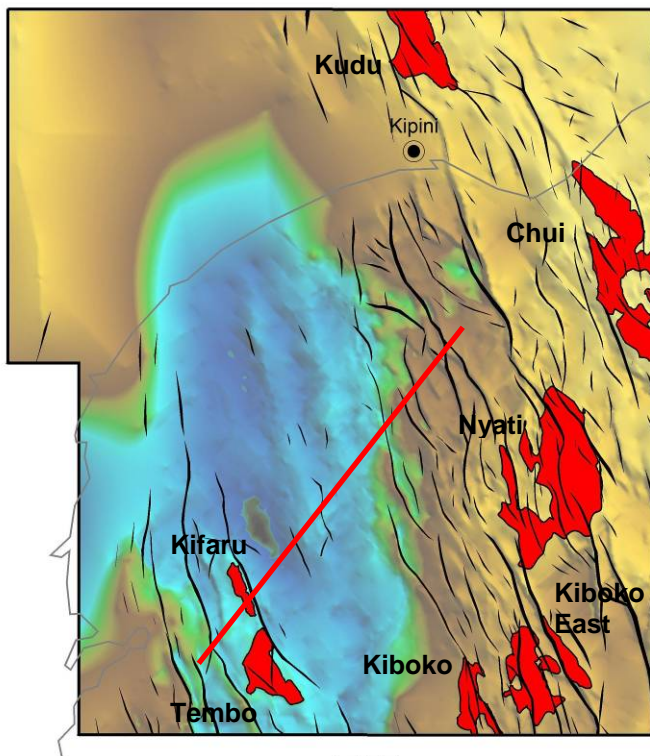


Fig 8 – Mapped prospects

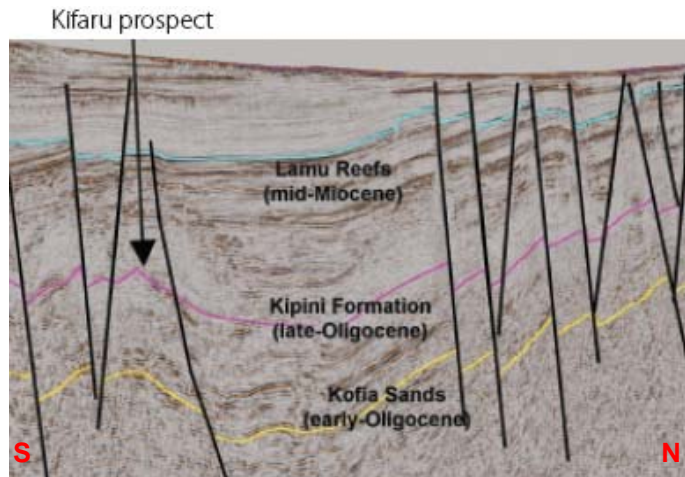


Fig 9 – Cross section through the basin

Farm-out progress

At the end of 2008, we were approached to bring in a partner to the L-6 project and we have been working during this quarter to complete a farm-out on the project. The potential partner will have expertise in gas development and will join us in the drilling phase of the project.

L-6 project fundamentals

- Good indications of hydrocarbons as 2 wells have flowed gas (Pate-1 and Pandangua-1) and numerous wells have gas shows
- A number prospects with potential greater than 2TCF gas and 200mmbbl oil
- Gas is most likely onshore and in the northern half of L-6
- Oil is possible in the south of L-6
- Prospect ranking favours onshore Kudu prospect – planning to test in the next 12-18 months
- Excellent onshore development terms (more favourable than onshore Australia)
- New, larger company entrants to Kenya in recent months – increased interest in the area
- Interest from potential partner companies in the area

France

Overview

In mid 2005, Gippsland Offshore and Sydney based Gas2Grid Limited (GGX) formed a study group to review the opportunities in the Aquitaine Basin in France given Exxon had retreated from oil and gas exploration in the country. There has been no active exploration in the basin since the mid-1980's even though there have been 13TCF of gas and 450mmbbls of oil discovered to date. Markets and infrastructure are well developed, and the commercialization of even small discoveries is unlikely to be problematic.

The withdrawal of Exxon left the opportunity to access prospective acreage between known producing fields. Coupled with this, the eastern flank of the basin is very poorly explored and offers considerable "upside" opportunity. We submitted a bid for exploration acreage in January 2006 and our application was formally granted May 2008.

The area is centred on the small town of St Griede to the northeast of the regional centre of Pau within the Mirande Sub-basin (see Fig 10). The use of Gippsland Offshore's technology in integrating the airborne gravity gradiometer (AGG) data with seismic will play an important role in exploration of the block. As the system is airborne, we will make minimal disturbance to the ground in our initial geological mapping and prospect identification phase. This involves reprocessing of the existing seismic data, integration with the

AGG and existing well data. The use of AGG in “near field” exploration to extrapolate knowledge from producing fields to neighbouring prospects we view as an important application of AGG, particularly in areas where ground access could be a problem.



Fig 10 – Location of permit

The St Griède block sits west of the oil and gas fields of Laq (9TCF gas, 31mmbbls oil), Meillon (2.3TCF gas), Vic Bilh (32mmbbls oil, 40bcf gas) and Pecorade (21mmbbls oil, 38bcf gas) as shown on Fig 11. Our exploration of the 1,300km² block will consist of new airborne gravity gradiometer data acquisition, seismic reprocessing and studies for the first three years and the drilling of two wells in the remaining two years. The joint venture will spend AUD6.5M in this five year period. The area has good seismic coverage and numerous wells as seen in Fig 12.

In our typical style, we will look to fast track the mapping of our drillable prospects with a view to bringing the wells forward in the program. Indeed this model for near-field exploration, when fully implemented, will open up many more opportunities in similar areas where acquiring new seismic data is difficult. We look forward to commencing our data acquisition program in the latter half of 2009.

St Griède permit area showing proximity to producing fields

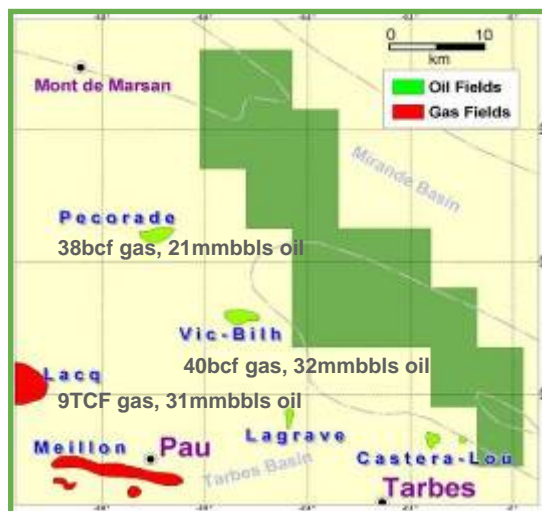
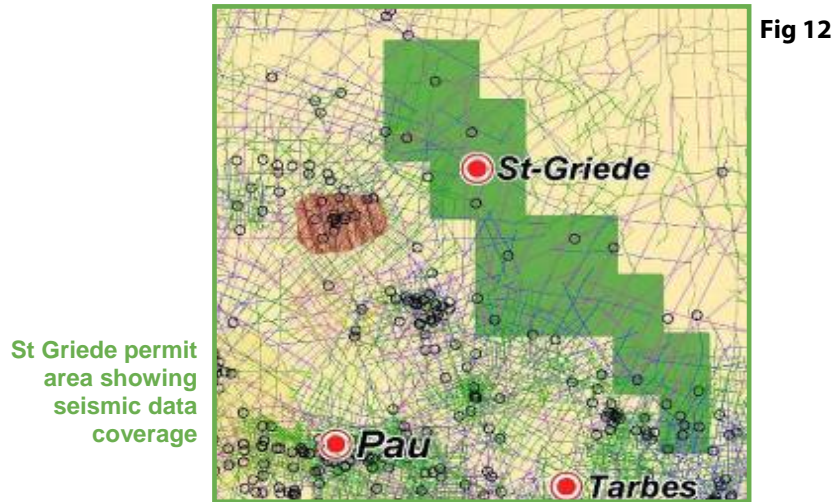


Fig 11



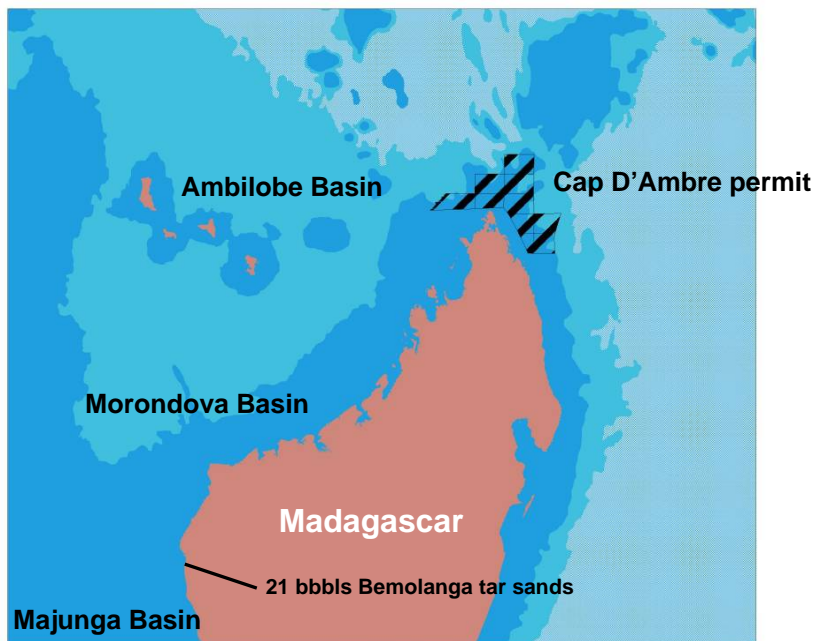
Madagascar

Overview

Gippsland Offshore and its joint venture partners applied for the Cap D'Ambre offshore exploration permit from the Government of Madagascar in December 2006. The Office for National Mining and Strategic Industries (OMNIS) have since offered the Production Sharing Contract for the Cap D'Ambre area to the joint venture.

Offshore Madagascar is part of the under-explored East African margin that is generating considerable interest in the oil exploration sector following recent discoveries in the region.

Since 2004, Madagascar petroleum exploration levels have increased with OMNIS having signed PSC's with ExxonMobil, Vanco Energy, Sterling Energy, Vuna Energy, Aminex and Tullow. Gippsland Offshore's expertise in the use of airborne technologies played an important role in winning the exploration acreage as it will be crucial to geologically mapping these large, frontier areas before acquiring seismic data.



The Cap D'Ambre bid area encloses 16,000km² as seen in Fig 13. This large area was planned to be explored over an 8 year period with drill or drop well obligations in the final phase of exploration.

In line with our strategy to fast track the exploration and targeting process, the JV plans to commence both the airborne geophysical and seismic data acquisition as soon as practical after the signing of the PSC.

To date, there is an estimated 20 billion barrels of oil in the yet undeveloped tar sands and heavy oil accumulations on the island's west coast. With only 10 exploration wells having been drilled in the offshore basins, the area is truly underexplored. Early mapping of the two areas indicates excellent opportunity for oil and gas accumulations in the two areas.

At the end of 2008, Madagascar underwent an attempted coup to overthrow the then President. Over the past quarter, the President has been replaced after many troubles in country and the PSC negotiations that were ongoing in 2008 have been suspended. The outcome at this stage is unknown. Gippsland Offshore remains committed to the exploration project in Madagascar but will get a clearer picture of the status of the project in the coming months.

BHP Billiton FALCON® agreement

Gippsland Offshore and BHP Billiton shared a landmark agreement in which Gippsland Offshore had rights to use the BHP Billiton FALCON® airborne gravity gradiometry technology (AGG) on a global basis for oil and gas exploration over a 3 year period. The agreement expired in March leaving Gippsland Offshore free to use their in-house data integration and interpretation tools developed for the AGG technology unencumbered.

The AGG technology was key to successful bids in Jamaica, Kenya and most recently in France and Madagascar for Gippsland Offshore. Since 2006 when the agreement was signed, there are now two other commercially available AGG systems in addition to FALCON®.

Management review

Given the low market valuation of our company and the diminishing cash position, the management of Gippsland Offshore is currently carrying out a strategic review to decide how to move forward in the current economic climate. Costs have been kept under tight control during the last quarter and at the same time, we have been pursuing a farm-in partner for both the Jamaica and Kenya projects. It is not surprising that the appetite to invest in frontier exploration by larger companies is low. The recent high price of oil has meant that increasing and improving production and bringing developments on quickly has been the natural focus of these companies and more recently a global revaluation of projects is being undertaken with a renewed oil price. It has hence been a tough environment for getting investment via the traditional farm-out route in exploration plays.

Carrying a calculated geological risk of about 12% of success, our Jamaica project is considered frontier with most large companies presently not looking at opportunities with risks below 10% (or one in ten chance). Hence, we are borderline at the risk level. But on the flip side, we have a very large EMV (Estimated Monetary Value : after AMOG Consulting Economics Report), due to the large potential size of the pools of oil and gas in our mapped prospects. The prospects are drill ready and we continue to seek a partner to join the drilling with us.

Our Kenya project is also very exciting with large targets being mapped that in total have the potential to hold 3TCF of recoverable gas. The calculated geological chance of success is 20% for this project and as

the targets are onshore and in shallow water, the calculated EMV (after AMOG Consulting Economics Report) is almost US\$500 million. The development terms in our Kenyan PSC are some of the best in the world and more favourable than onshore oil and gas development in Australia. After being approached at the end of 2008, we have been following up with potential partners for this project and the process is continuing.

Both of these projects have been fast tracked in their exploration process to reach prospect mapping stage within two years and largely on budget which is very efficient by frontier project terms and particularly in the volatile cost environment in which we have been operating. The Company's ability to achieve this is a credit to our exploration team, our good contacts and relationships with our contractors and Government partners and the use of innovative technologies such as the FALCON® airborne gravity gradiometer system under licence from BHP Billiton.

Both projects are "drill ready" and Gippsland Offshore is reviewing the best way to see these projects drilled and value unlocked as soon as possible.

Over the last quarter the Company has been continuing to look for new opportunities and in addition, are awaiting payment from Pancontinental Oil & Gas of exploration costs for the L6 project of A\$250,000 which will bolster our cash position.

For further details please contact:

Gippsland Offshore Petroleum Limited:

Cathy Norman
Managing Director
Tel: 03 9909 7609

E-mail: cath.norman@gop.com.au
or visit our Website at: www.gop.com.au

Media:

Ian Howarth
Farrington National
Tel: 03 9223 2465
Mobile: 0407 822 319

E-mail: ian.howarth@farrington.com.au

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

GIPPSLAND OFFSHORE PETROLEUM LIMITED

ABN

51 111 418 270

Quarter ended ("current quarter")

31 MARCH 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(326)	(1,309)
(b) development	-	-
(c) production	-	-
(d) administration	(235)	(902)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	27	104
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Drilling Advances	-	-
Net Operating Cash Flows	(534)	(2,107)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) investments	-	-
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other:		
-		
Net investing cash flows	-	(3)
1.13 Total operating and investing cash flows (carried forward)	(534)	(2,110)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(534)	(2,110)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – cost of issue	-	(1)
	Net financing cash flows	-	(1)
	Net increase (decrease) in cash held	(534)	(2,111)
1.20	Cash at beginning of quarter/year to date	1,207	2,784
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	673	673

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	100
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees \$80k, rent/office support paid to MDL \$20k

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

--

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

--

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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
Total	300

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	38	72
5.2 Deposits at call	635	1,135
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	673	1,207

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		

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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	144,982,380	144,982,380		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise Price</i>	<i>Expiry date</i>
<i>Lakes Oil/Rilo</i>	20,000,000	–	20 cents	30/11/2009
<i>Director</i>	6,000,000	–	20 cents	30/11/2009
<i>Executive</i>	1,250,000	–	20 cents	23/05/2010
<i>Executive</i>	250,000	–	20 cents	09/03/2011
<i>Executive</i>	1,000,000	–	15 cents	16/03/2011
<i>Executive</i>	300,000	–	20 cents	07/05/2012
<i>Director</i>	5,000,000	–	40 cents	03/12/2012
<i>Executive</i>	150,000	–	20 cents	20/05/2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



..... Date: 10 April 2009

(Company Secretary)

Print name: Bill Michaelidis

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.

== == == == ==