LAKES OIL N.L.

(A.C.N. 004 247 214)

Registered Office:
Level 11,
500 Collins Street,
Melbourne Vic.
3000

P.O. Box 300, Collins Street West,
Melbourne Vic. 8007
Telephone: (03) 9629 1566
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15 November 2004

The Manager - Companies,
Australian Stock Exchange Limited,
Stock Exchange Centre,
530 Collins Street,
MELBOURNE VIC. 3000

Dear Sir,

GIPPSLAND OFFSHORE PETROLEUM LTD (GOP)

Lakes Oil ("LKO") advises that it intends to farm out a part of its interest held in Vic/P40(V) and PEP 155 together with a major percent of the option held in Vic/P47 (*The Gilbert Blocks) to a new oil and gas exploration company focussing on offshore Gippsland Basin. Lakes will maintain a 26% interest (free carry) in the proposed Gilbert 1 Well.

Gippsland Offshore Petroleum Ltd

Initially Gippsland Offshore Petroleum will focus its interest on these 3 areas which have all been flown by the revolutionary Falcon® Airborne Gravity System and have resulted in several interesting "leads" being developed, together with seismically defined prospects already identified.

Gravity Capital Ltd, who flew the airborne gravity on Lakes' behalf, have earned an interest in all three permits. These interests now reside in Stellar Resources, which has resulted from Gravity Capital splitting its non diamond assets into a new company (Stellar).

Gippsland Offshore Petroleum Limited has today lodged a Prospectus with the ASX and ASIC for the issue of ordinary shares with accompanying options and in due course shareholders in both Lakes Oil and Stellar Resources will be offered a priority allocation to the issue. Any person wishing to acquire the ordinary shares and accompanying options will need to complete the application form that accompanies the prospectus. Please refer to the attached copy.

* **Participating interst subsequent to Drilling of Gilbert 1.**	
Gippsland Offshore Petroleum	51%
Lakes Oil	26%
Stellar Resources	3%
Moby Oil Gas Ltd	10%
Eagle Bay Resources Ltd	10%

Yours sincerely
LAKES OIL N.L.

ROBERT J. ANNELLS
Chairman

Gippsland Offshore Petroleum Limited

ACN 111 418 270

PROSPECTUS

For the issue of:
(a) 50 million ordinary fully paid shares at 20 cents each; and
(b) 25 million options at no cost exercisable at 20 cents each on or before 30 November 2006.

With a right to accept over- subscription of:
(a) a further 10 million ordinary fully paid shares at 20 cents each; and
(b) 5 million options at no cost exercisable at 20 cents each on or before 30 November 2006

CLOSING DATE FOR ACCEPTANCE OF THIS OFFER IS
15 December 2004

THIS IS A SPECULATIVE ISSUE

This is an important document, please read it carefully and in its entirety.
If you do not understand the contents of this prospectus you should consult your stockbroker, accountant, solicitor or other professional advisor.

CORPORATE DIRECTORY

Directors
Phillip Harman (Chairman)
Robert J Annells (Non Executive)
Nicholas Limb (Non Executive)

Company Secretary
Bill Michaelidis

Internet Addresses
Web site: www.gop.com.au

Registered Office
Level 7, Exchange Tower
530 Little Collins Street
Melbourne Vic 3000

Telephone: (03) 9909 7609
Facsimile: (03) 9909 7621

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Telephone: 1300 308 627

Principal Stock Exchange
Australian Stock Exchange Limited
ASX code for the shares: GOP
ASX code for the options: GOPO

Legal Advisers
Baker & McKenzie
Level 39, 525 Collins Street
Melbourne Victoria 3000

TIMETABLE OF IMPORTANT DATES

Closing Date (The directors reserve the right to close the issue early or to extend the closing date without prior notice)	**15 December 2004**
Shares are expected to be allotted	22 December 2004
Shareholder and optionholder statements expected to be issued (subject to ASX approval)	4 January 2004
Expected date of quotation of shares and options on ASX	10 January 2004

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Gippsland Offshore Petroleum Limited
ACN 111 418 270

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Exchange Tower
530 Little Collins Street
Melbourne, Vic. 3000
Tel: (03) 9909 7609
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www.gop.com.au

15 November 2004

Dear Investor

MESSAGE FROM THE CHAIRMAN

You are invited to participate in an issue of shares at 20 cents each. The shares have an attaching option at no additional cost (on the basis of one option for every two shares issued) to subscribe for further shares at 20 cents each expiring on 30 November 2006. Both the shares and options are intended to be listed on ASX. The purpose of this issue is to fund proposed activities and future opportunities as they arise, principally in the offshore area of Gippsland Basin.

The Gippsland Basin is a proven, world class petroleum producing province first discovered in the mid 1960's. Oil and gas production from the basin over the last 40 years has helped to insulate Australia from fluctuating global oil supplies and has led to the establishment of industries on the Eastern Seaboard dependent on gas from Bass Strait.

Environmental demands and new technologies have led to plans for increased gas fired power generation for Victoria and the Eastern Seaboard. Pipeline connections to Brisbane, Adelaide, Sydney, Melbourne and Tasmania place Gippsland Basin production in an excellent position to take advantage of this potential increase in demand for gas. Additionally, oil is currently selling at near record price levels.

The exploration potential of the Company's projects is detailed in the geological expert's report prepared by Prospect Evaluation Pty Ltd. The report concludes that there are several prospects and leads in the permit areas that have the potential to hold accumulations of oil and gas. One of these, the Gilbert Prospect, is ready for drilling and the "Ocean Patriot" rig has been optioned to drill this well in the first half of 2005.

Our plans also include drilling of two onshore stratigraphic wells in the Marlo area following the successful closing of this issue. Positive results in either of these two wells would demonstrate the onshore migration of hydrocarbons in this region thereby significantly upgrading the potential of this portion of the Basin.

In the event that we successfully raise additional capital through the oversubscription facility, the Company intends to aggressively investigate the potential to share in one or more of current opportunities being offered by other explorers in the Basin. Directors intend that six million dollars of shares in the Company, along with the attaching options, will be offered to shareholders of Lakes Oil NL and Stellar Resources Limited on a priority basis.

Oil and gas exploration is a high risk activity, however, the resurgence of activity in the Gippsland Basin by a number of existing and new explorers gives us great encouragement that new discoveries will be made and that our exploration program has a good chance of early success.

The closing date for this issue is **15 December 2004**. I look forward to welcoming you as a shareholder and hope that positive results will reward your confidence in the issue.

Yours sincerely

Phillip Harman
Chairman

2. TERMS OF ISSUE

Summary

This prospectus invites applications for a total of 50 million ordinary fully paid shares at 20 cents each ($10 million). Every two shares will be accompanied by one listed option at no additional cost, exercisable at 20 cents each, to acquire an ordinary fully paid share on or before 30 November 2006 (25 million options in total).

Over-subscription of up to a further 10 million shares with every two shares also being accompanied by one option (up to 5 million options in total) will be accepted (a total of $12 million would be raised if the over subscription is filled).

The minimum subscription for the issue is a total of 40 million shares and 20 million options (a total of $8 million). This offer is not underwritten. If applications do not total at least $8 million of shares, the Directors will not issue any shares under this prospectus and in such circumstances will refund all application monies in full without interest.

The amount payable on application is 20 cents in total for each share (inclusive of one listed option at no cost for every two shares issued). Options may be transferred at any time prior to their expiry independently of the shares to which they are attached. Details of the options are set out in section 10.

The Directors reserve the right to extend the closing date and to close the issue early, and intending applicants are encouraged to make early application under this prospectus.

Allocation Policy

The Board have the absolute discretion regarding the allocation of shares under this offer. The Directors intend that $6 million of allocations are set aside for priority for Australian and New Zealand shareholders of Lakes Oil NL and Stellar Resources Limited as at 5pm on the date of this prospectus who lodge applications under their special coloured application forms. All investors under this prospectus apply at the same issue price.

Capital Structure

The capital structure following the issue is expected to be as follows:

Shares	Assuming $10,000,000 capital is raised	Assuming $12,000,000 capital is raised ($2 million over subscriptions)	Assuming $8,000,000 capital is raised (minimum subscription)	Notes
Shares currently on issue held by Lakes Oil NL (10 shares issued at 20 cents each)	10	10	10	❶
Shares issued under this prospectus	50,000,000	60,000,000	40,000,000	❷
Total shares to be on issue	50,000,010	60,000,010	40,000,010	

❶ Lakes Oil NL is currently the sole shareholder in the Company holding 10 shares at 20 cents each.

❷ The table has been prepared on three alternate bases depending on the quantum of share capital raised.

Options	Assuming $10,000,000 capital is raised	Assuming $12,000,000 capital is raised ($2 million oversubscriptions)	Assuming $8,000,000 capital is raised (minimum subscription)	Notes
Listed options issued under this prospectus (on a 1:2 basis) exercisable at 20 cents expiring on 30 November 2006	25,000,000	30,000,000	20,000,000	❸
Unlisted options to be held by Lakes Oil NL and Rilo Explorations Pty Ltd as restricted securities for 2 years.	15,000,000	20,000,000	10,000,000	❹
Directors options held as restricted securities for 2 years	6,000,000	6,000,000	6,000,000	❺
Total options to be on issue	46,000,000	56,000,000	36,000,000	❻

❸ All of the options issued under the prospectus are exercisable at 20 cents per option and are exercisable at any time up to 30 November 2006 on the basis set out in section 10. These are to be listed and hence are capable of being sold on ASX.

❹ Lakes Oil NL holds 6,666,667 unlisted options to subscribe for ordinary shares at 20 cents each exercisable at any time up to 30 November 2009, and on exercise of each initial option, Lakes Oil NL will be entitled to a further option to subscribe for ordinary shares at an exercise price of 40 cents expiring two years from the date of issue of those options – see section 11 for details. The terms of the options currently held by Lakes Oil NL are otherwise on the basis set out in section 10. Rilo Explorations Pty Ltd (a subsidiary of Stellar Resources Limited) currently holds 3,333,333 options on like terms. There are 10 million such options presently on issue.

If the Company raises more than the minimum subscription of $8 million, then prior to listing it will issue further options to Lakes Oil NL and Rilo Explorations Pty Ltd on the same terms as the options they currently hold on a 2:1 proportionate basis, with the effect that the total number of options issued to investors under this prospectus will equal the aggregate of the number of options held by Lakes Oil NL and Rilo Explorations Pty Ltd, the number of options held by directors (see section 8) and the number of options proposed to be allocated under the Executive Share Option Plan (see section 11).

All the options which are issued to Lakes Oil NL and Rilo Explorations Pty Ltd and any shares and further options which are issued as a result of the exercise of these options are regarded by the ASX as "restricted securities" and will be escrowed for two years after the Company's shares become listed on ASX, and hence may not ordinarily be sold during this period under the ASX Listing Rules.

❺ Details of the director's options are set out in section 8. These will also be escrowed for two years.

❻ It is intended that a further 4 million options will be issued in due course to non director executives who may be appointed in due course under the Company's Executive Share Option Plan described in section 11 on such terms as the Directors determine in accordance with that plan which are not included in the table.

3. APPLICATIONS

The appropriate form should be completed in accordance with the instructions contained on it, with a minimum subscription amount of $2,000 (10,000 shares together with 5,000 options at no cost):

LAKES OIL SHAREHOLDERS

Lakes Oil NL shareholders should apply on their enclosed **blue personalised Application Form** at 20 cents per share and one option at no cost for every two shares.

STELLAR RESOURCES SHAREHOLDERS

Stellar Resources Limited shareholders should apply on their enclosed **yellow personalised Application Form** at 20 cents per share and one option at no cost for every two shares.

OTHER APPLICANTS

Persons who are not Lakes Oil NL shareholders or Stellar Resources Limited shareholders should make their application on the enclosed **white Application Form** at 20 cents per share and one option at no cost for every two shares.

You should carefully read this prospectus and instructions accompanying it before subscribing. A cheque for the total amount subscribed payable to **Gippsland Offshore Petroleum Limited** must accompany the form. The form and accompanying cheque should be sent to Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067. **You must allow for mail delivery delays and ensure that your application is received no later than 15 December 2004 (Melbourne time).**

If you have received a paper copy of this prospectus, please use the enclosed envelope (note that a stamp need not be affixed).

Shareholder and optionholder statements are expected to be issued not later than **4 January 2004** and the expected date of quotation of shares and options on the ASX is **10 January 2004** (although the actual date may vary from this). Application monies will be held in trust in a subscription account until the shares and options are issued. Unless the Corporations Act otherwise requires, the Company will be entitled to any interest earned on this account and if applications are not accepted then application monies will be refunded in full without interest.

Brokerage Fee

The Company will pay a brokerage fee to holders of financial services licences at the rate of 5% plus GST on the issue price of applications under this prospectus which carry their stamp or code.

4. FINANCIAL INFORMATION

Pro-forma statement of financial position

An estimated pro-forma statement of financial position as at the anticipated closing date of the offer is as follows:

Item	Assuming that $10,000,000 is raised❶	Assuming that $12,000,000 is raised❸	Assuming that $8,000,000 is raised❸
Assets:			
– Cash	$8,702,000	$10,586,500	$6,817,500
– Capitalised exploration expenditure❷	$415,000	$415,000	$415,000
– GST receivable❹	$82,750	$90,250	$75,250
Liabilities	Nil	Nil	Nil
Share Capital	$9,199,750	$11,091,750	$7,307,750

❶ This assumes that the following payments (exclusive of GST) are made out of the proceeds of issue:

Diamond Patriot drilling rig costs ❷	$165,000		
Completed work for Vic/P40(V) ❷	$250,000		
Capitalised expenditure (excl GST)		$415,000	
Brokers Fees		$500,000	
Legal Fees		$60,000	
Investigating Accountant's Fees		$5,000	
Geological Expert's Fees		$30,000	
ASX/ASIC Fees		$40,000	
Printing, distribution and registry costs		$130,000	
Total Payments (excl GST)			$1,180,000
GST			$118,000
Total Payments			$1,298,000

❷ A commitment fee of US$125,000 (A$165,000) to secure the Diamond Patriot drilling rig for the Gilbert Block, and costs for the acquisition of Falcon® airborne gravity and processing data in Vic/P40(V) ($250,000) have been paid in advance by Lakes Oil NL which are now to be repaid to it.

❸ This assumes that the same costs are incurred as per note 1, with variations to brokerage fees of $100,000, GST of $7,500 and ASX/ASIC fees of $5,000.

❹ The GST receivable is calculated having regard to some items attracting 0%, 75% and 100% input tax credits depending on the item, in accordance with legislative requirements.

Use of Funds

If the Company raises the minimum subscription of $8 million or any greater amount under this prospectus, it will have sufficient working capital to carry out its stated objectives. It is estimated that approximately $6 million will be used for the drilling of wells and to undertake seismic programs at sites which fall under exploration permits VIC P/47, VIC/P40V and PEP 155 in the Gippsland Basin during the period ending 31 December 2005. (See section 5 for further details.) The balance of funds raised will be used to exploit other oil related opportunities for expenditure in future periods and for working capital purposes.

The following budgeted expenditure (exclusive of GST) is on the basis that all of the payments listed on the previous page have in fact been paid and are not included below.

Budgeted Expenditure for the period ending 31 December 2005	
Exploration	$5,510,000
Administration (net of interest income)	$446,000
Capital Expenditure	$18,000
Total	$5,974,000

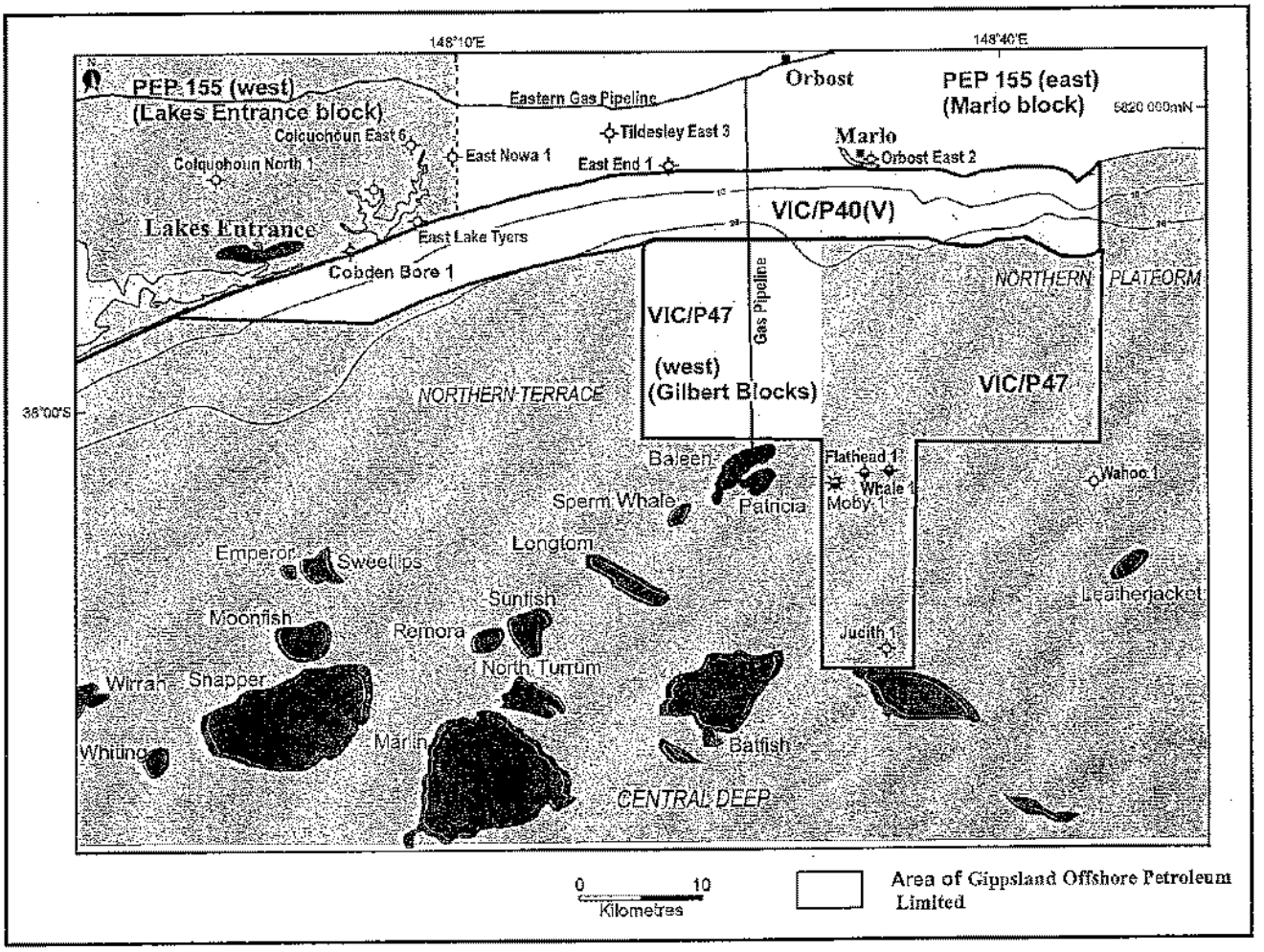

Figure 1 Gippsland Offshore Petroleum Limited permits

5. EXPLORATION PERMITS

The Company has been formed as an oil and gas exploration company, and will primarily be focussing on the Gippsland Basin, a world class hydrocarbon province.

According to the Victorian Department of Primary Industries, this petroliferous basin hosts discovered oil reserves of 4 billion barrels and gas reserves of 10 TCF.

It is the Company's view that the Gippsland Basin has been under explored by world standards and recent exploratory drilling in previously poorly regarded areas of the basin has resulted in the discovery of hydrocarbons. Other significant information relating to the area includes:

- the fact that many offshore oil and gas fields are known to be spilling oil off the East Gippsland Coast;
- most gas fields have oil legs;
- many residual oil columns are present; and
- oil has reached the basin margin at Lakes Entrance.

The Gippsland Basin is now undergoing extensive hydrocarbon exploration in both the offshore and onshore sectors. Lakes Oil NL has recently conducted a successful search, with discovery of the onshore Wombat Gas Field in the Seaspray area of onshore exploration Permit 157. This discovery is historic in many ways in that gas was flowed for the first time onshore from the Emperor Subgroup of the Latrobe Group. Also, the largest drillstem test gas flows ever recorded onshore from the underlying Strzelecki Group were obtained from several intervals of this latter formation. More importantly, oil and condensate were also recovered from the Early Cretaceous Strzelecki Group.

In the offshore section, the consortium led by Bass Strait Oil Company Limited declared the discovery of the Moby Gas Field by the Moby 1 Well in October 2004. This discovery is in Permit Vic/P47 near the Gilbert Block in which an attractive seismically defined structural trap is located and will be drilled in due course. The Company will have a substantial interest (51%) in the proposed Gilbert 1 exploration well as a result of its contractual rights.

Exploration Philosophy

The Company's exploration program is driven by the recognition of the "East Gippsland Oil Play". This play invokes the firmly established "Gussow Principle" in which oil is progressively pushed to the basin margin by incoming later generated gas. It is well known that many of the offshore hydrocarbon fields are spilling oil as a consequence of this principle. Gas is less dense than oil or water and will accumulate on top of oil. Further, incoming gas will then push the oil lower in the structure until eventually the oil level is below the spill point, or the lowest point of closure and entrapment. The oil then escapes from the trap and due to the principle of flotation rises towards the basin margin until it is entrapped again or escapes at the surface. There are no known surface oil seeps in East Gippsland, hence the Company believes the oil may still be trapped.

Lakes Oil NL has pioneered the use of "state of the art" technology in the use of the Falcon® Airborne Gravity Gradiometer System. In addition to gravity, magnetics, radiometrics and elevation data are also recorded. The Falcon® system gravity data which uses classified U.S. Navy technology is of high resolution and sensitivity.

Interpretation of data from several Falcon® Surveys acquired in the offshore, nearshore and onshore sectors of the basin in East Gippsland have defined a structural framework in which oil spilt from offshore fields would be focussed towards the Marlo area. Very few deep wells have been drilled in East Gippsland. This interpretation correlates extremely well with the limited seismic data north of the Gilbert Block.

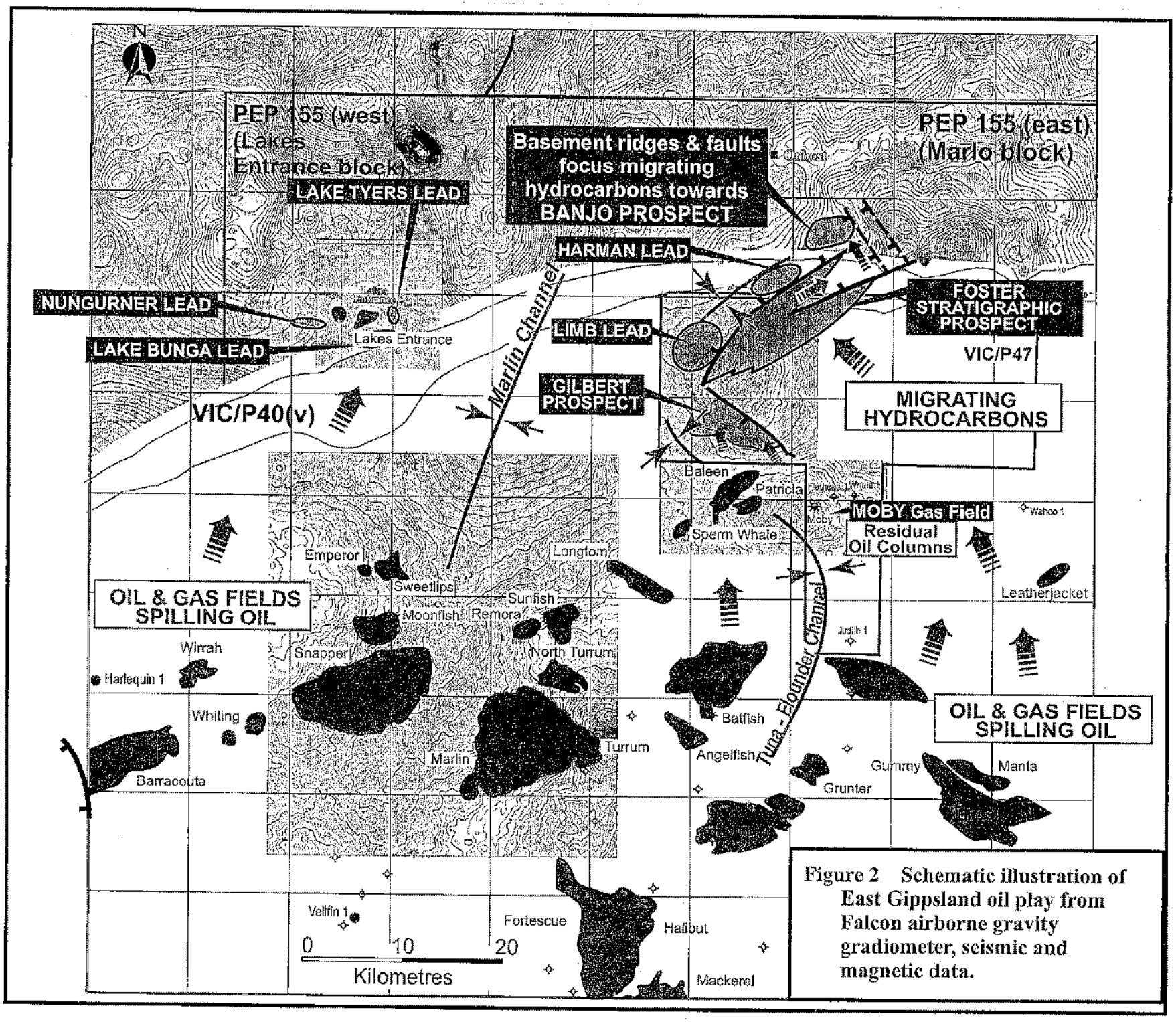

Figure 2 Schematic illustration of East Gippsland oil play from Falcon airborne gravity gradiometer, seismic and magnetic data.

A large fault bound potential hydrocarbon migration fairway to Marlo is present to the north of the Tuna oil and gas field and the Kipper Field which has lost 29m of its original oil leg. The oil pushed out of these and other fields has migrated through the Whale and Flathead Structures where residual oil columns are present. It would then be focussed by faults and the Marlin Channel towards Marlo. Oil will not cross to the low side of the fault or into the deepest part of the channel. Hence it must climb marginward, towards Marlo. This concept is shown schematically in Figure 2.

It is worth noting that in the area of Vic/P47, the Patricia-Baleen Gas Field is anomalous in that it does not have an oil leg, however, this field has hosted oil at some stage as a residual oil column is present. The oil spilt from Patricia-Baleen should be trapped in the next updip closure which could be Gilbert, hence the Company's enthusiasm for this prospect.

In addition to structural traps, extensive stratigraphic trapping geometry is also recognised in the offshore and near shore tenements.

Given the above, the exploration philosophy of the Company is to systematically explore along this defined hydrocarbon migration pathway. It is expected that two relatively shallow scout holes will be immediately drilled in the Marlo area to test if oil has reached the basin margin. We know it has at Lakes Entrance which is the focal point for oil spilt from fields west of the Marlin Channel. This focussing geometry is similar to that east of the channel. The results of the scout holes will fine tune the search. These holes will be followed up by the drilling of the offshore Gilbert Prospect in Vic/P47. This is an oil prospect which would be readily and cost effectively developed. However, should the trap host gas it is adjacent to the gas pipeline from Patricia-Baleen to the Eastern Gas Pipeline as shown in Figure 1. From there it could be sold into markets in New South Wales, Australia Capital Territory, Victoria, South Australia or even Queensland. Oil is readily saleable and easily transported. At the date of this prospectus, the price of crude oil is just below all time record highs.

A detailed discussion of the proposed exploration program to be conducted is contained in the Geological Expert's Report, section 6 of this prospectus.

Contractual Interests

The Company has interests in three permits which straddle the East Gippsland Coast and the Northern Platform of the Gippsland Basin in Victoria. These are known as VIC/P47 (Gilbert Block), VIC/P40V and PEP 155 (Marlo Block). The interests the Company holds in these have been obtained by way of contract, the details of which are summarised below. The following table outlines the Company's and other potential interests in each of the relevant tenements as at the date of this prospectus:

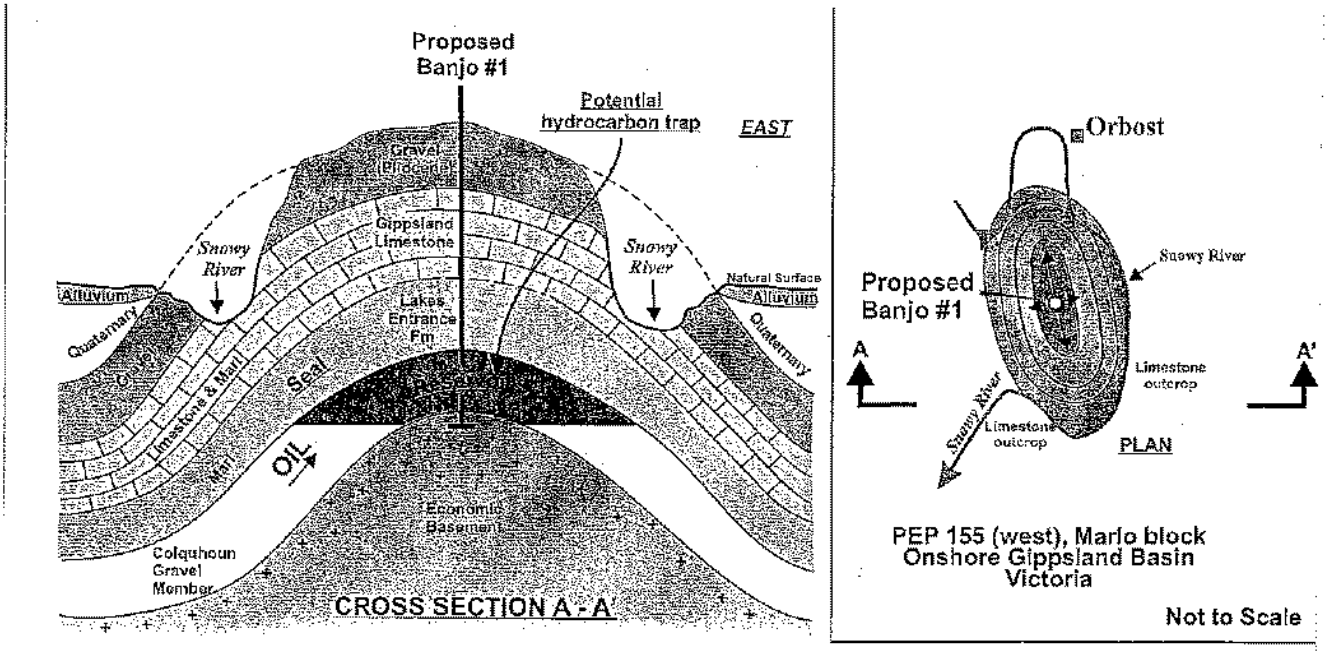

Figure 3 Schematic cross section & plan view of Banjo Prospect

Permit and Location	Contribution to drilling		Participating Interest Subsequent to Drilling	
VIC/P47 (Gilbert Block) – Offshore Gippsland, Victoria	**The Company** Eagle Bay Resources NL of costs of drilling Gilbert No 1 to the commencement of running of production testing casing, estimated cost of $5,500,000.	**95%** 5%	**The Company** Petro Tech Pty Ltd Rilo Explorations Pty Ltd Moby Oil & Gas Limited Eagle Bay Resources NL	**51%** 26% 3% 10% 10%
VIC/P40(V) – Nearshore Gippsland, Victoria	**The Company** of the first $500,000 of expenditure (inclusive of past expenditure).	**100%**	**The Company** Petro Tech Pty Ltd Rilo Explorations Pty Ltd	**51%** 39.2% 9.8%
PEP 155 (Marlo Block – Eastern portion) – Onshore Gippsland, Victoria	**The Company** of costs of drilling 2 stratigraphic core wells (capped cost $400,000).	**100%**	**The Company** Rilo Explorations Pty Ltd Petro Tech Pty Ltd	**51%** 3% 46%

VIC/P47 (Gilbert Block)

The Gilbert Block consists of four graticular blocks in the west of VIC/P47 of approximately 230 square kilometres (refer Figure 1). By arrangement with the holders of VIC/P47, the Company has agreed to farm into the Gilbert Block which is separate to the remaining area of VIC/P47.

This is located in the north of the Gippsland Basin over the Lake Wellington Fault system and the Northern or Lakes Entrance Platform. It is near the recently discovered Moby Gas Field and is adjacent to the Patricia-Baleen Gas Field. The Gilbert Block is transected by the gas pipeline from that field to the main Eastern Gas Pipeline with which it connects. This pipeline services to all markets in the eastern and southern states.

The seismically defined *Gilbert Prospect* is located within this block. It is a low side fault trap in which the Latrobe Group sands abut economic basement which is expected to be a lateral seal. The marl of the Lakes Entrance Formation is expected to seal the Gilbert prospect. A two way time map to the top of the Latrobe Group is included as Figure 9.

Further, a prospect and lead are also recognised within the block. The Limb Lead which is of a structural genesis requires additional seismic delineation. The stratigraphic Foster Prospect is located in the north of the block. This stratigraphic trap extends into the adjacent permit Vic/P40(V). The block needs additional seismic data acquisition to mature the lead to prospect status and to uncover others.

The Company has signed a Farm-in and Operating Agreement with Petro Tech Pty Ltd (a wholly owned subsidiary of Lakes Oil NL), Lakes Oil NL and Rilo Explorations Pty Ltd (a wholly owned subsidiary of Stellar Resources Limited), through which the Company has gained potential obligations and rights in the area known as the Gilbert Block contained in the VIC/P47 permit.

Under the Farm-in and Operating Agreement, the Company commits to 95% of drilling costs of Gilbert No. 1 estimated at $5,500,000 (with the other 5% of the costs being borne by Eagle Bay Resources NL). The drilling of Gilbert No 1 forms part of the works program under the permit. (See the table below for further details of the work program.) On completion of the drilling of Gilbert No 1, the Company will obtain a 51% participating interest in the Gilbert Block area. It is expected that drilling of the Gilbert Block area will commence in the first half of 2005.

The Farm-in and Operating Agreement is subsequent to a Farmin and Co-Ordination Agreement between Lakes Oil NL, Eagle Bay Resources NL (the 25% registered permit holder), Moby Oil & Gas Limited and Bass Strait Oil Company Limited (the 75% registered permit holder and operator) under which Lakes Oil NL has conditionally agreed to drill a well in the Gilbert Block. Prior to the end of year 6 as extended or varied (presently 27 February 2008), a retention lease or production licence can be applied for in accordance with legislative requirements, failing which all rights to the Gilbert Block will terminate. The Company's interests in the permit are conditional on drilling the Gilbert Prospect within 30 days of (or having in place an unconditional drilling contract by) the later of 31 December 2004 or the conclusion of the drilling of ZaneGrey 1 (presently expected to be late January 2005).

Year	Works in Gilbert Block	Estimated cost to the Company	Works for remaining area (excluding the Gilbert Block)
1. (expiring 27 February 2003)	Nil	Nil	3 dimensional seismic survey and other data review (completed)
2. (expiring 27 February 2004, extended to 27 February 2005)	Fly Falcon® and process data	Completed	Drill Moby (completed)
3. (expiring 27 February 2005)	Gilbert No. 1 drilling	$5,500,000	Nil
4. (expiring 27 February 2006)	200 kilometre 2 dimensional seismic	$500,000	Nil
5. (expiring 27 February 2007)	Nil	Nil	Drill well
6. (expiring 27 February 2008)	Geological and geophysical studies	$100,000	Geological and geophysical studies

VIC/P40(V)

This is a block of approximately 400 square kilometres in Victorian territorial waters abutting the coast line and extending offshore for 3 miles (refer Figure 1). It contains a portion of the previously mentioned Foster Prospect as well as the Harman Lead, a structural trap. Further seismic data acquisition is required to delineate this lead and to hopefully uncover others. The Foster Prospect has adequate seismic coverage to be drilled at short notice. This tenement is also situated on the Northern Platform of the basin. The location of these leads is shown in Figure 2.

The Company has gained obligations and rights in the area contained in the VIC/P40(V) permit through the execution of a Farm-in and Operating Agreement with Petro Tech Pty Ltd (the 100% registered permit holder), Lakes Oil NL (as operator) and Rilo Explorations Pty Ltd. Under the agreement, the Company has committed to 100% of the first $500,000 of expenditure of the works programme under the permit (see table below for the relevant works program). Once the Company has paid for and completed the first $500,000 of the works program, it will obtain a 51% participating interest in the area contained in the VIC/P40(V) permit. As stated in section 4, Lakes Oil NL has paid $250,000 for the first year of the works program, for which the Company will reimburse it.

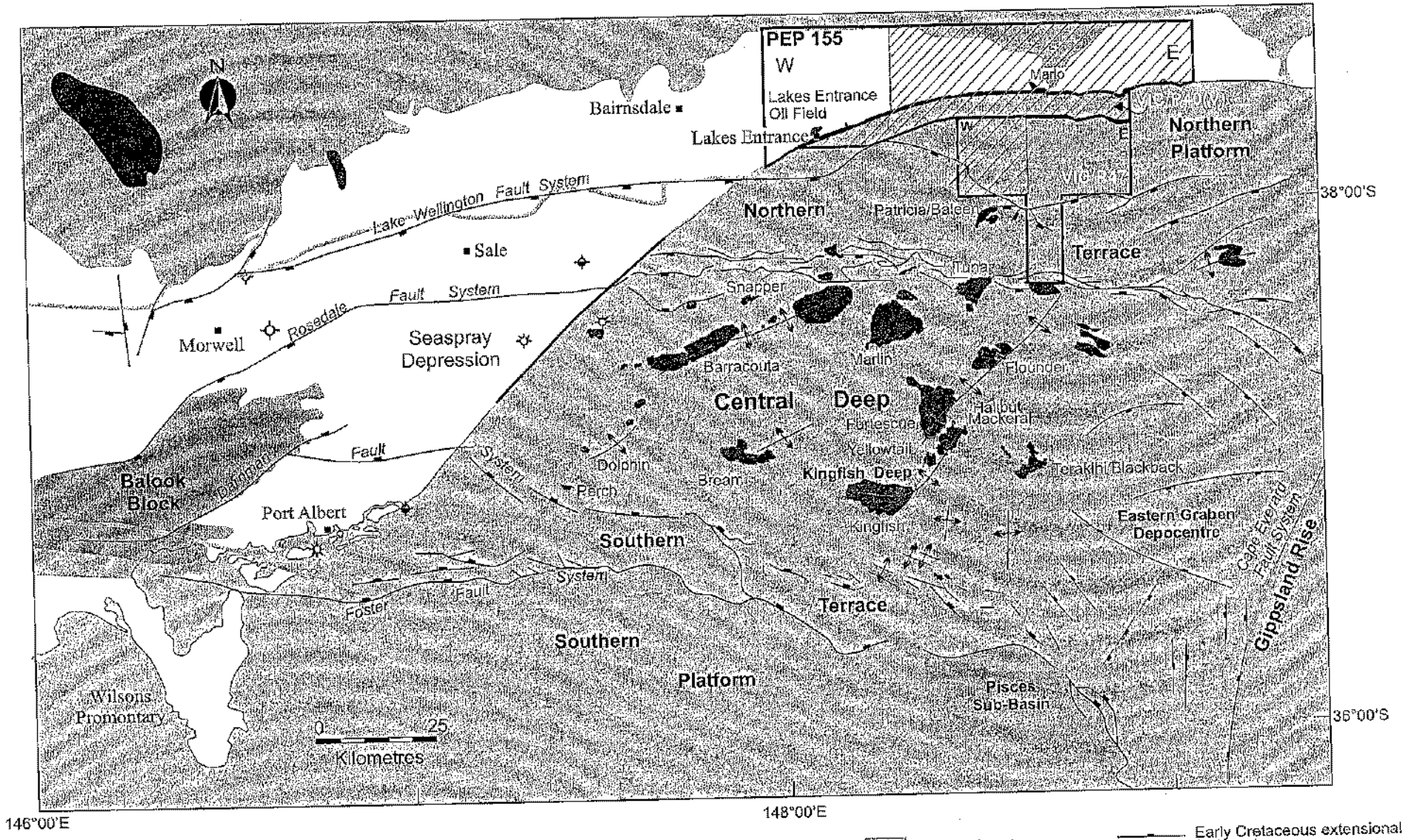

Figure 4 Location map of the Gippsland Basin, showing major structural elements, oil and gas fields and Gippsland Offshore Petroleum Limited Permits (modified from Fig. 15.5 Geology of Victoria, 2003)

Year	Works	Estimated cost
1. (expiring 19April 2005)	Fly "Falcon®" airborne scintillometer, terrain, gravity and magnetics (200 sq km minimum) and/or seismic. Integrate seismic with new gravity data, map prospect for drilling	$250,000 (completed)
2. (expiring 19 April 2006)	Acquisition and review of existing data	$100,000
3. (expiring 19 April 2007)	Reprocess some existing seismic data	$150,000
4. (expiring 19 April 2008)	Drill one well	$2,500,000
5. (expiring 19 April 2009)	Interpret and review drilling results	$150,000
6. (expiring 19 April 2010)	Seismic program	$200,000

PEP 155 (Marlo Block)

This block is located onshore on the Northern Platform in the Eastern part of the permit (covered by hatch marks in Figure 4) but near the basin margin being approximately 1000 square kilometres (refer to the yellow part of PEP155 in Figure 1). It is an analogue to the area around Lakes Entrance which hosts the undeveloped Lakes Entrance oil field which produced approximately 8000 barrells of low API gravity non waxy oil, during sporadic production from the 1920's to the early 1950's.

A prospect, Banjo has been identified on the Snowy River Flood Plain. The river can be seen to wind around the lead which appears to be uplifted. Outcropping Gippsland Limestone is present and is also shown on geological mapping conducted by the Geological Survey of Victoria. Air photo interpretation also supports the presence of a structure. 2 shallow scout holes are planned. The Banjo Prospect is the last trap on a migration pathway to the basin edge, and a schematic drawing of it is included in Figure 3.

The Company has gained obligations and rights in the Marlo Block area the subject of the PEP 155 permit, through the execution of a Farm-in and Operating Agreement with Petro Tech Pty Ltd (the 100% registered permit holder), Lakes Oil NL (as operator) and Rilo Explorations Pty Ltd. Under the agreement, the Company has committed to 100% of the costs of drilling two stratigraphic core wells at a capped cost of $400,000 (See table below). Once the Company has paid for and conducted these works to a capped expenditure of $400,000, it will obtain a 51% participating interest in the Marlo Block area. It is expected that drilling of the first well will commence in January 2005.

Year	Works	Estimated cost
1 (expiring 17 August 2001)	Acquire, process and interpret high resolution gravity data	Completed
2 (expiring 17 August 2002)	Acquire high resolution gravity data by aerial survey	Completed
3 (expiring 17 August 2003, extended to 16 February 2004)	Drill one well	Completed
4 (expiring 16 February 2005)	Drill one well	Completed
5 (expiring 16 February 2006)	Drill one well (There is an intention to drill an additional well which is not an obligation under the work program of under the permit)	$300,000 (The Company has an obligation to contribute to the drilling of the additional well up to its total commitment of $400,000)

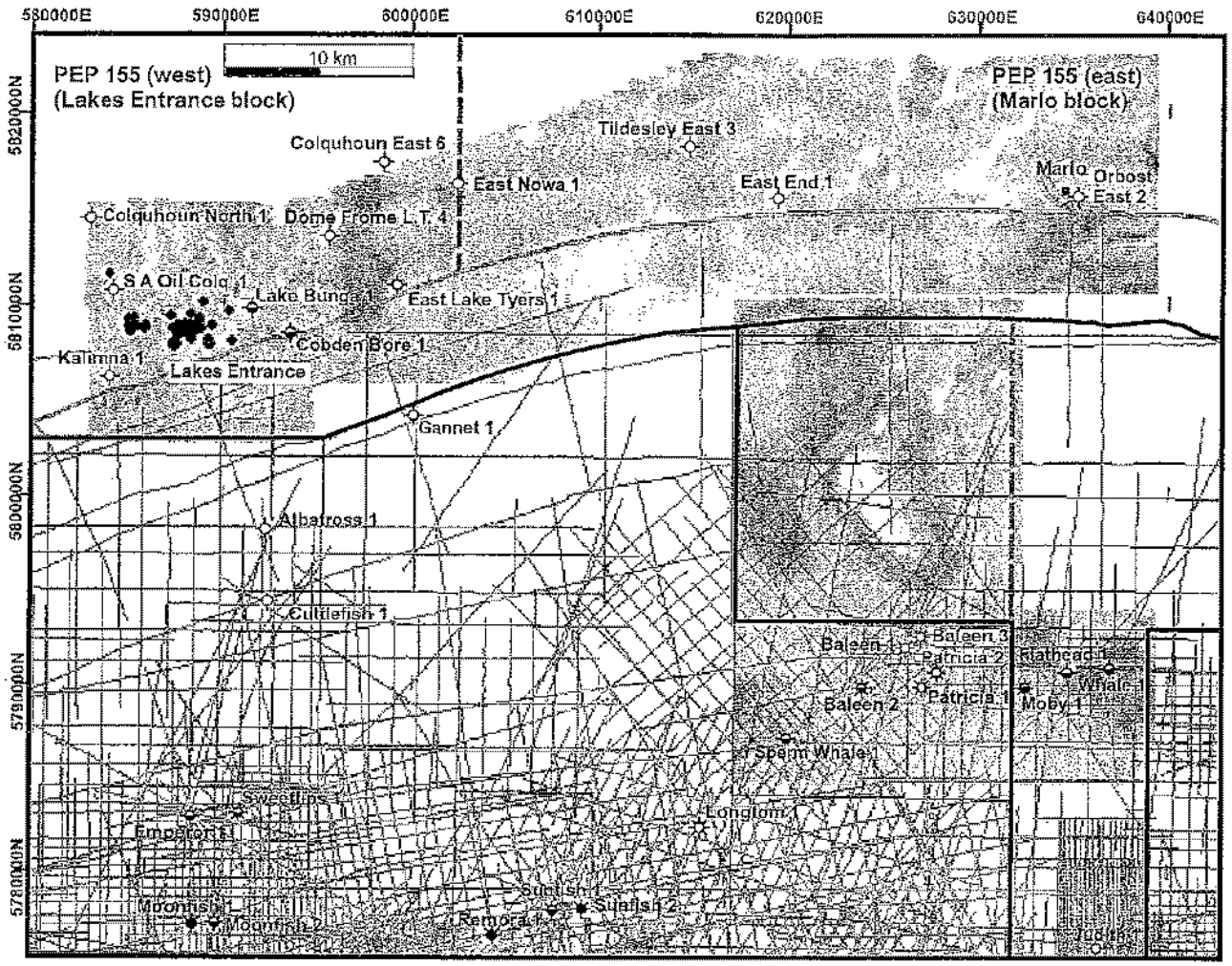

Figure 5 Locations of seismic, airborne gravity and aeromagnetic surveys, and well locations

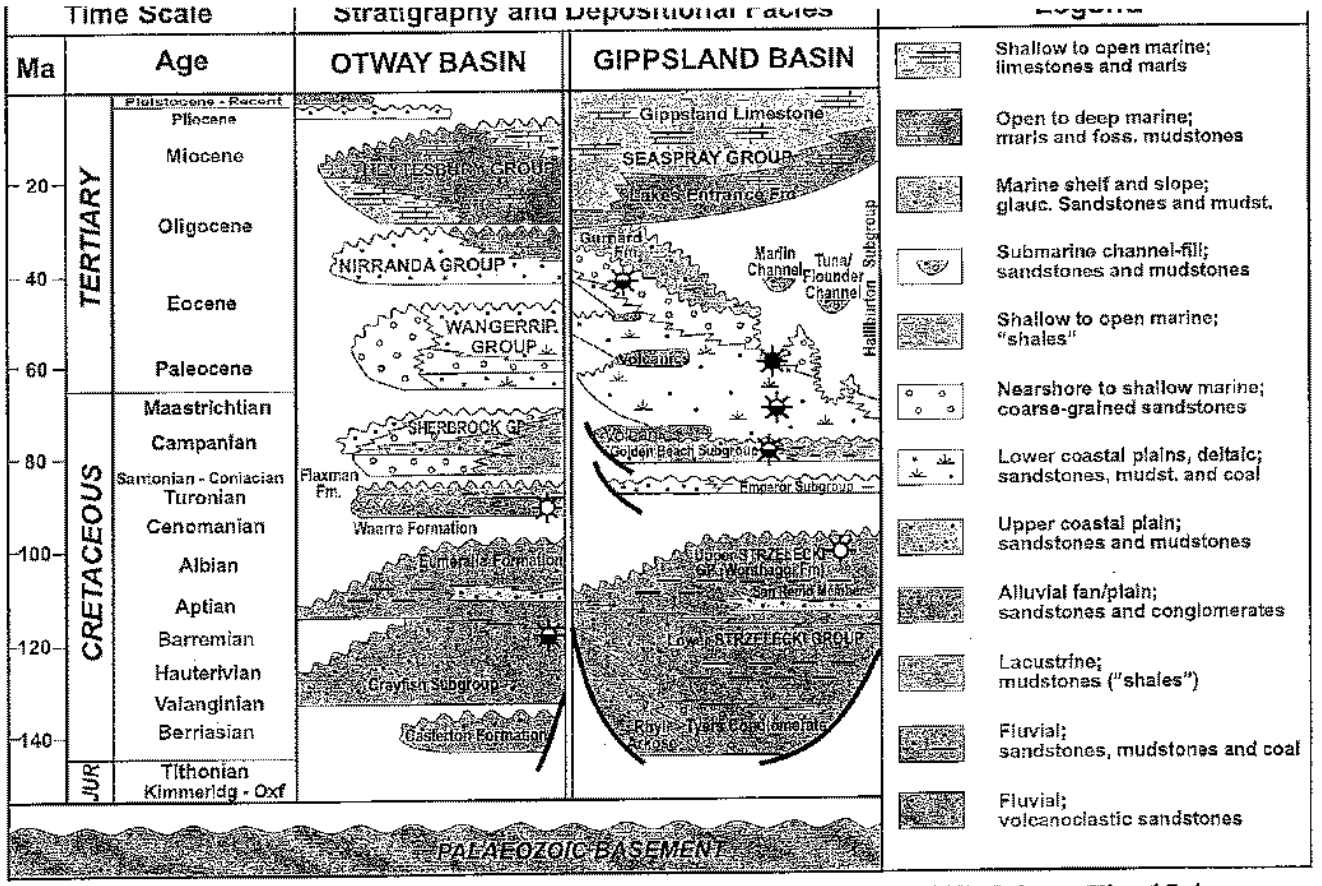

Figure 6 Stratigraphic units of the Gippsland & Otway Basins (modified from Fig. 15.4 Geology of Victoria 2003)

6. GEOLOGICAL EXPERT'S REPORT

Prospect Evaluation Pty Ltd

12th November, 2004

The Directors
Gippsland Offshore Petroleum Limited
Level 7, 530 Little Collins Street
Melbourne, Victoria 3000

Dear Sirs,

Evaluation of Petroleum Prospects in Vic/P47 (Gilbert block), Vic/P40(V) and PEP 155 (Marlo block), offshore and onshore Gippsland Basin, Victoria

This report has been prepared by Prospect Evaluation Pty Ltd for inclusion in a prospectus to be dated on or about 15th November, 2004 for an issue by Gippsland Offshore Petroleum Limited ("GOPL") of rights to subscribe to 50 million ordinary shares of $0.20 payable in full on application, with each two shares attaching one free option to subscribe for an ordinary share at $0.20 by 30th November 2006 (subject to a smaller minimum subscription as well as an ability to accept over subscriptions).

The report which follows this letter documents my examination of the potential for the discovery of oil or gas in three petroleum exploration tenements in which GOPL has an interest, and the likely petroleum reserves and risks associated with identified prospects in the tenements. A summary schedule of the interests of GOPL in the tenements and proposed work programs and expenditures for the tenements is included in this prospectus.

The examination of the petroleum potential of the GOPL prospects and tenements has been made on the basis of information supplied by the company as well as published information. I am satisfied that sufficient data were available to adequately examine the areas where prospects have been identified and to indicate where leads may be followed up in other areas. On the basis of the study I have concluded that the area of the GOPL tenements examined has the potential for the discovery of petroleum.

I have conducted a quantitative assessment of the prospects identified in the tenements, with a statistical study of the likely volume of oil or gas which might be present in each prospect, and the associated geological risk that no accumulation is present. I have also identified a number of leads in the tenements which may be matured into petroleum prospects with further exploration work.

It is my opinion that the proposed expenditure on exploration in the tenements by Gippsland Offshore Petroleum Limited as detailed in this prospectus is fully justified.

Yours faithfully,

V.P. St John

Dr V.P. St John B.Sc.(Hons), Ph.D., MAAPG, MPESA, MGSA, MASEG
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INDEPENDENT EVALUATION OF THE PETROLEUM PROSPECTIVITY OF EXPLORATION TENEMENTS PEP 155 (MARLO BLOCK), VIC/P40(V) AND VIC/P47 (GILBERT BLOCK) EASTERN GIPPSLAND BASIN, VICTORIA

INTRODUCTION

This study examines one specific area of petroleum exploration tenements in which Gippsland Offshore Petroleum Limited ("GOPL") has agreements to earn titleholdings. The tenements are shown in Figure 4, with the area of this evaluation confined to the western block of Vic/P47 ("Gilbert Block"), the Victorian coastal offshore tenement Vic/P40(V) and the eastern half of the onshore tenement PEP 155 ("Marlo Block") ("The East Gippsland Tenements"), as shown in more detail in Figure 1 of this prospectus. Details of the titleholdings and commitments of GOPL in the tenements are detailed in section 5 of this Prospectus. For geological terms, please see section 13 Glossary.

GEOLOGICAL AND GEOPHYSICAL CONTROL

The southern half of the GOPL Vic/P47 (Gilbert Block) ("Vic/P47") is covered by a composite grid, at 2-4 Km line spacing, of 2-D seismic with vintages ranging from 1963 to 1992. Several lines extend northwards through the northern half of this block and across Vic/P40(V), establishing control at 10 Km intervals. Airborne gravity gradiometer and magnetic surveys have been carried out over Vic/P40(V) and the southern part of PEP 155 from Lakes Entrance to Marlo and over Vic/P47, extending to the south and southeast outside the block to cover the Sperm Whale and Patricia-Baleen oil and gas discoveries and the Flathead-1 and Whale-1 wells. Surface gravity mapping onshore has been undertaken by the Geological Survey of Victoria. The individual gravity surveys have been combined for Lakes Oil N.L. by Flagstaff GeoConsultants (2004) and made available to GOPL. There are no offshore wells within the tenements but seismic and stratigraphic control is provided by nearby wells outside the tenements; namely, Albatross-1, Gannet-1, Sperm Whale-1, Patricia-1, Baleen-1, Flathead-1 and Whale-1. Onshore, in PEP 155, there are numerous exploration wells and water bores in the Lakes Entrance area. To the east, in the area assessed here, the most relevant wells are Tildesley East-3, East End-1 and the Marlo bore 086875 (Orbost East-2). Surface geological maps produced by the Geological Survey of Victoria are available over the entire onshore area. Locations of seismic, airborne gravity and aeromagnetic surveys, and well locations, are shown in Figure 5.

GIPPSLAND BASIN OVERVIEW

The Gippsland Basin is the site of Australia's first oil discovery, at Lake Bunga-1 in 1924, leading to onshore production of some 8000 barrels from the Lakes Entrance oilfield up to its suspension in 1951. Subsequent offshore exploration in the 1960's led to the basin's establishment as Australia's most prolific oil producing area. Some 5 billion barrels of discovered oil and petroleum liquids and 13 trillion cubic feet of gas have marked the basin as a world class petroleum province (Malek, R & Mehin, K. Petroleum Resources in Victoria 1996/97 Overview. PESA News, April /May 1998).

Basin development and stratigraphy

In the Early Cretaceous the rifting which preceded the breakup of Australia and Antarctica resulted in a number of extensional basins developing along the southeastern margin of Australia, most notably the Otway, Bass and Gippsland Basins. The lowermost Cretaceous sediments in these rifts are basement-derived alluvial fan sequences succeeded by volcanoclastic non-marine sandstones which grade upwards into lower-energy sandstones, mudstones and coals. In the Otway Basin this coal-bearing sequence is the Eumeralla Formation which is correlated in the Gippsland Basin to the Upper Strzelecki Group.

From the beginning of the Late Cretaceous each basin developed differently as the Australian and Antarctic continents separated from the west, with the Gippsland Basin remaining as an east-west oriented "failed rift" basin between the continental blocks of eastern Victoria and Tasmania.

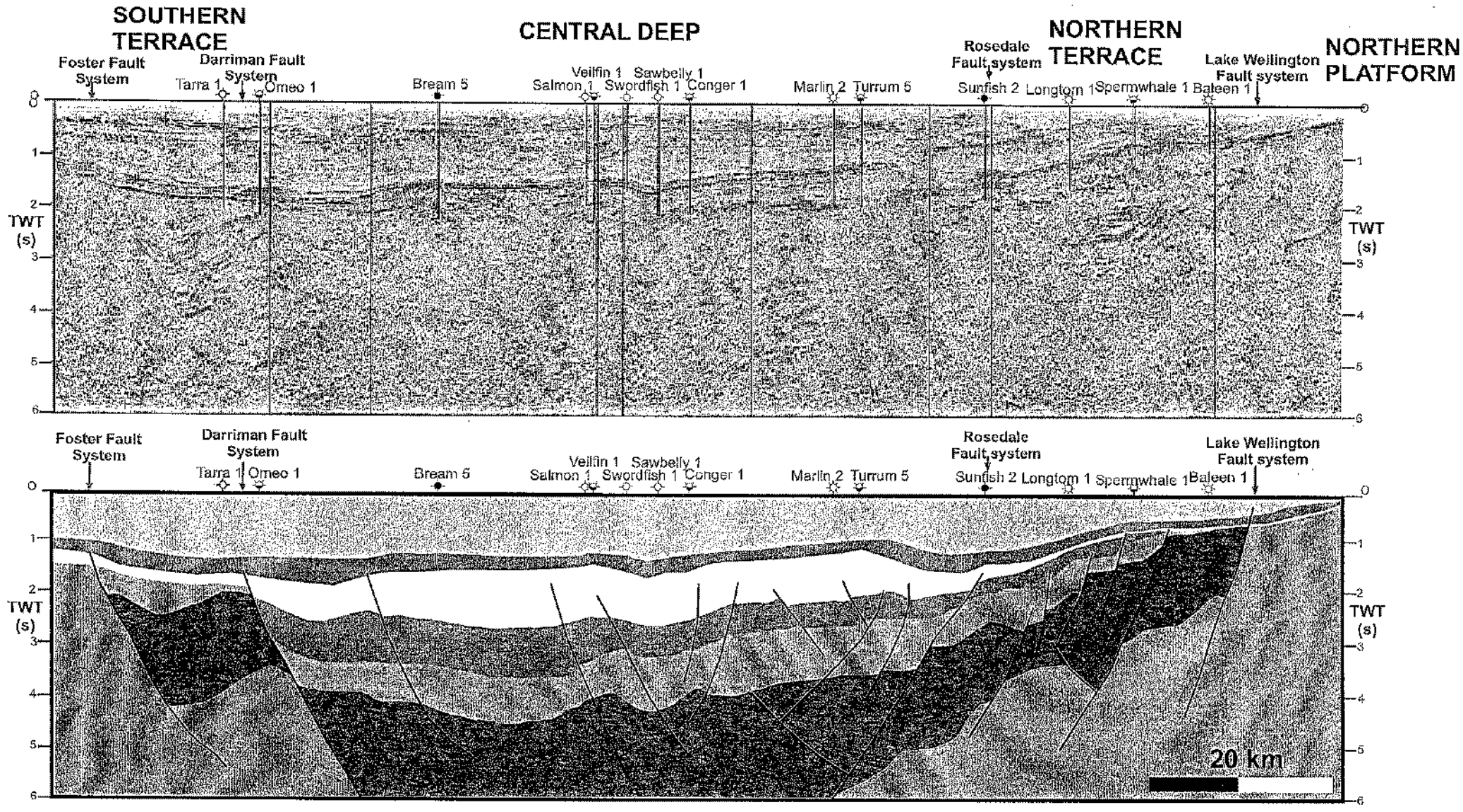

Figure 7 Gippsland Basin seismic dip section (modified from Petroleum Atlas of Victoria, 2001)

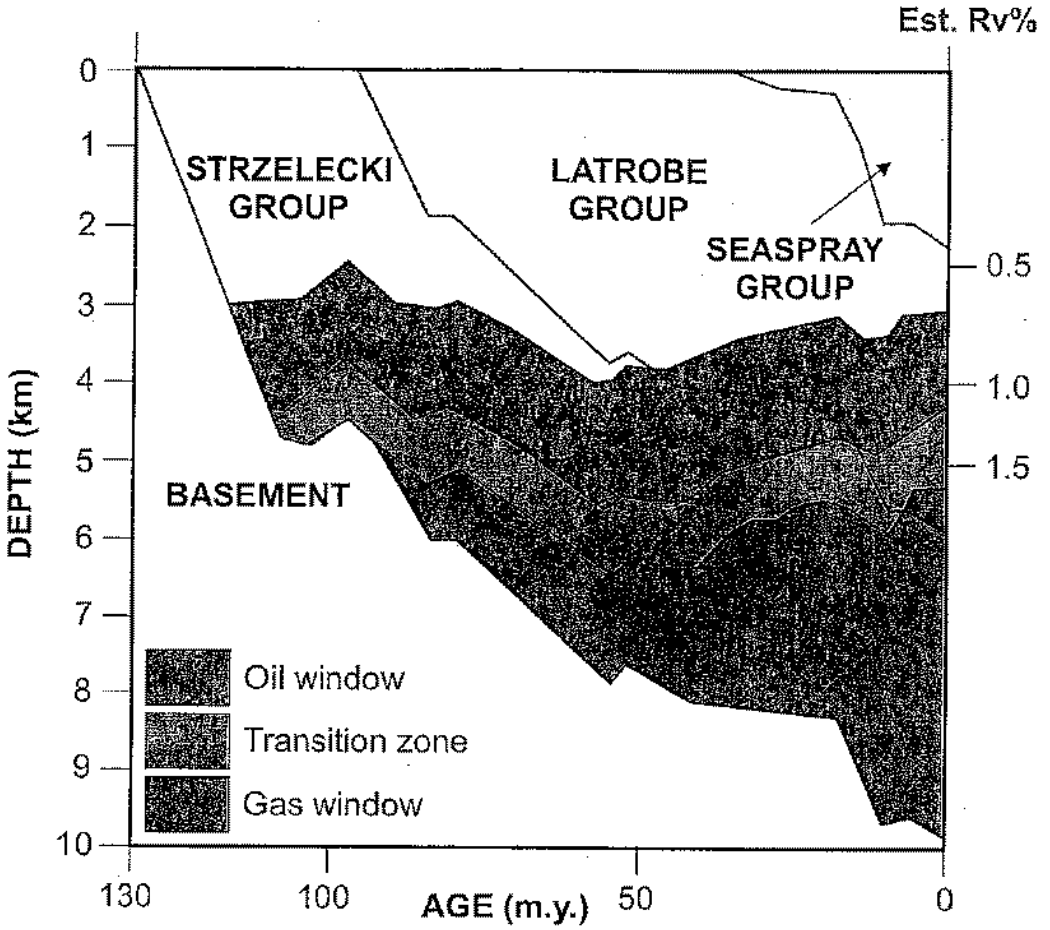

Figure 8 Maturation history Gippsland Basin (modified from Geology of Victoria; Geological Society of Australia 1988)

With continued slow subsidence sedimentation continued in this basin in an environment which, with some interruptions, gradually changed from onshore lakes at the beginning of the Late Cretaceous to marine shelf and slope in the Eocene to Oligocene. The sequence deposited in this period is the Latrobe Group, and ranges upwards from the lacustrine mudstones and alluvial sandstones of the Emperor Subgroup, through the upper coastal plain sandstones and mudstones, with some coals, of the Golden Beach Subgroup to the lower coastal plain and deltaic sandstones, mudstones and coals of the Halibut and Cobia Subgroups. From the opening of the Tasman Sea east of the Gippsland Basin in the Campanian, near top Cretaceous, leading to deposition of marine shales in the eastern Golden Beach Subgroup, the marine influence gradually extended westerly, with intermittent sea level variations.

At the top of the Latrobe Group, from Paleocene through the Eocene, a transgressive beach and nearshore deposit, the "coarse clastics", is widespread across the basin, and this is overlain discontinuously by the Eocene to Oligocene Gurnard Formation of marine shelf glauconitic sandstones and mudstones. With open marine conditions established across the basin the Oligocene to Early Miocene Lakes Entrance Formation of marls and mudstones was deposited over a generally unconformable surface of the top Latrobe Group and this is overlain by the shallow to open marine Gippsland Limestone. These units constitute the Seaspray Group. In the onshore area a coarse clastic unit of Oligocene age, the Colquhoun Gravels, underlies the Seaspray Group. The stratigraphic units of the Gippsland and Otway basins are summarized in Figure 6.

Basin structuring

The gross east-west architecture of the Gippsland Basin is a result of the Cretaceous extensional rifting phase, followed by thermal subsidence. The main bounding fault systems (Figure 4) are the Rosedale and Lake Wellington fault systems to the north and the Darriman and Foster fault systems to the south. The cross section (Figure 7), based on well and seismic information, shows that all units are thickest in the Central Deep (Figure 4), with the lower Latrobe subgroups faulted out within the Northern Terrace, with a thick Strzelecki section continuing north to the Lake Wellington fault system. A thinned section of top Latrobe continues northwards across the Lake Wellington fault system where it pinches out against basement within the Northern Platform. The Lakes Entrance Formation extends across the Northern Platform towards the coast, and is present onshore within basement embayments. The Gippsland Limestone overlaps the Lakes Entrance to extend further onshore. During the Tertiary a dextral east-west wrench regime developed across the southeast Australian margins, most intensely in the Middle Miocene, and this was responsible for compressional structuring, within and marginal to the Gippsland Basin, along northeast-southwest axes. This compression is expressed as major anticlinal trends and associated reverse faulting, across the basin (Figure 4).

Petroleum System Elements

Source

Identified petroleum source rocks exist in the Strzelecki Group and the Golden Beach, Emperor and Halibut subgroups of the Latrobe Group. The Strzelecki has been considered primarily a gas source, but the Upper Strzelecki time and facies equivalent in the Otway Basin, the Eumeralla Formation, contains both gas and oil sources. Oil (40.9 deg API) generated from the Killara Coal sequence of the Eumeralla Formation was recovered from the intra-Eumeralla Heathfield Sandstone at Windermere-1 in the Otway Basin. In the Gippsland Basin the Lakes Oil N.L. well Wombat-1 in PEP 157 recovered gas and light oil (47 deg API) from the Upper Strzelecki Group and Wombat-2 flowed gas with a condensate ratio of 3 bbl/mmcf from the same sequence. The Golden Beach Subgroup is currently considered the principal source of oil and gas in the offshore Gippsland fields (Bernecker et al in *Geology of Victoria*, Geological Society of Australia, 2003). Figure 8 shows a plot of source rock maturity vs time in the Gippsland Basin, which indicates that the entire Strzelecki Group has been long within the gas window in the central deep, as has the lower Latrobe. However, within the Northern Terrace both the Strzelecki and the Golden Beach (where present) are likely to be within the oil and gas generation windows.

Reservoir

The main reservoir in the Gippsland Basin is the top Latrobe "coarse clastics", hosting 95% of the oil and 80% of the gas. Porosities average 22% but in shallower areas closer to the basin margin are up to 30%. Permeabilities are often over 1 darcy. Intra-Latrobe reservoirs of upper and lower coastal plain sands are the next most important, with 16-18% average porosities and permeabilities up to 1 darcy. The Golden Beach Subgroup contains alluvial sands which have porosities of 8-14% but low (10mD) permeabilities, and which host about 15% of discovered, but so far undeveloped, gas. The glauconitic siltstones and sandstones of the Gurnard Formation form the reservoir for the Patricia-Baleen gasfield and the recent Moby-1 gas discovery on the northern platform. They have porosities up to 30%, with permeabilities up to 150md, but elsewhere grading to zero. In the onshore Lakes Entrance area oil is reservoired in a glauconitic reservoir, the Cunninghame Greensand Member, at the base of the Lakes Entrance Formation. This appears to be an equivalent of the upper part of the Gurnard Formation, and the underlying Colquhoun Gravels may well be the onshore correlate of the top Latrobe coarse clastics. The Lakes Oil N.L. Wombat-1 and Wombat-2 wells have also identified reservoir sands within the Upper Strzelecki Group. Permeabilities are generally low, but hydrocarbons, and water, have been produced, and testing is currently underway to establish sustainable flowrates.

Seal

Intraformational seals exist within the Golden Beach and Halibut subgroups, and the Upper Strzelecki, but the main regional seal is the highly effective Lakes Entrance Formation, of marine marls grading upwards into biogenic carbonates and oozes. The Lakes Entrance Formation seal ensures a valid trapping mechanism for all anticlinal closures at top Latrobe level, for upthrown fault closures where the throw is less than the seal thickness, for downthrown closures where throw at top Latrobe is greater than the reservoir thickness, and for stratigraphic traps where top Latrobe onlaps basement or Strzelecki.

Migration and trapping

Early oil generation in the Central Deep would have predated the Oligocene Lakes Entrance seal, and, where not trapped by intraformational seals in the Latrobe or Strzelecki, would have migrated to surface. Following the deposition of the Lakes Entrance later generated oil migrated to and along the top Latrobe reservoir to be trapped in existing highs above and around the Central Deep. The NE-SW anticlinal flexures of the Middle Miocene further concentrated oil in these traps. As the basin deepened further and sources generated more gas the original oil was displaced from many of these traps and migrated updip towards the basin margins, accumulating in generally smaller traps. Oil recovered onshore at Lakes Entrance establishes that the migration path continues across the Northern Platform in any permeable reservoir at the base seal level. Finally, it is obvious that across this basin source rocks from the Strzelecki on the Northern or Southern Terraces to the Latrobe in the Central Deep have entered oil or gas generation windows relatively recently and hydrocarbon migration may well still be occurring.

PETROLEUM PROSPECTIVITY OF THE EAST GIPPSLAND TENEMENTS

Presence of Petroleum System Elements

The tenements reviewed here extend from the northern part of the Northern Terrace, across the Lake Wellington Fault Zone and the Northern Platform to the northern margin of the Gippsland Basin (Figures 1& 4). The Strzelecki Group is present south of the Lake Wellington Fault zone in Vic/P47 but is absent over the Northern Platform to the north of that fault zone. The Latrobe Group, represented by the top Latrobe siliclastics and the Gurnard Formation, extends across the Northern Platform to its basement pinchout (onlap) along an irregular line which is not yet completely defined. The pinchout is defined by seismic within Vic/P47 and in the onshore tenement PEP 155 the distribution of the Latrobe or its landward equivalents, the Colquhoun Gravels and the Cunninghame Greensand, is constrained by a number of wells, particularly in the area of the Lakes Entrance oilfield. The actual pinchout is not accurately mapped within PEP 155 or Vic/P40(V).

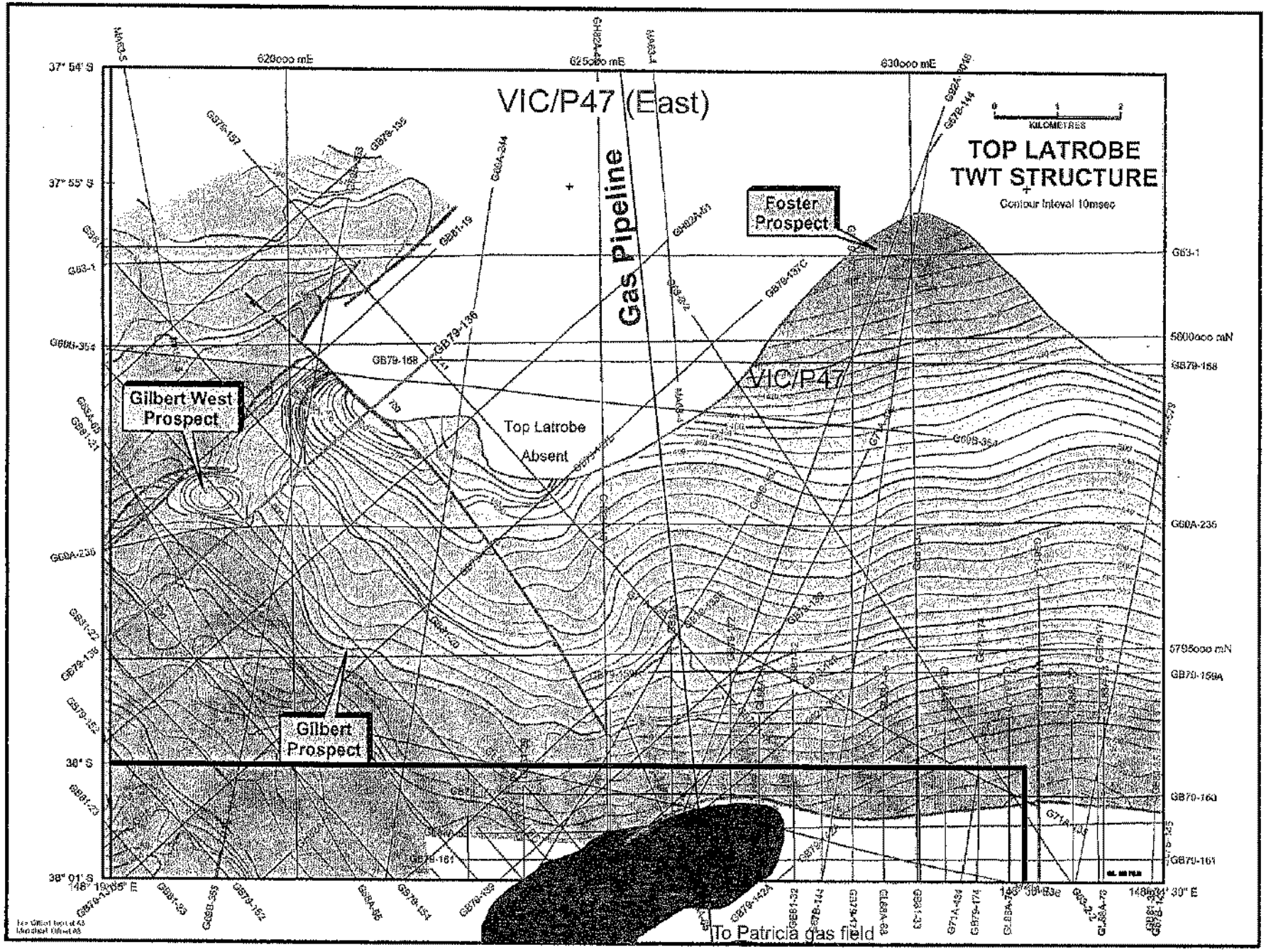

Figure 9 Seismic TWT contours on top Latrobe surface, VIC/P47.

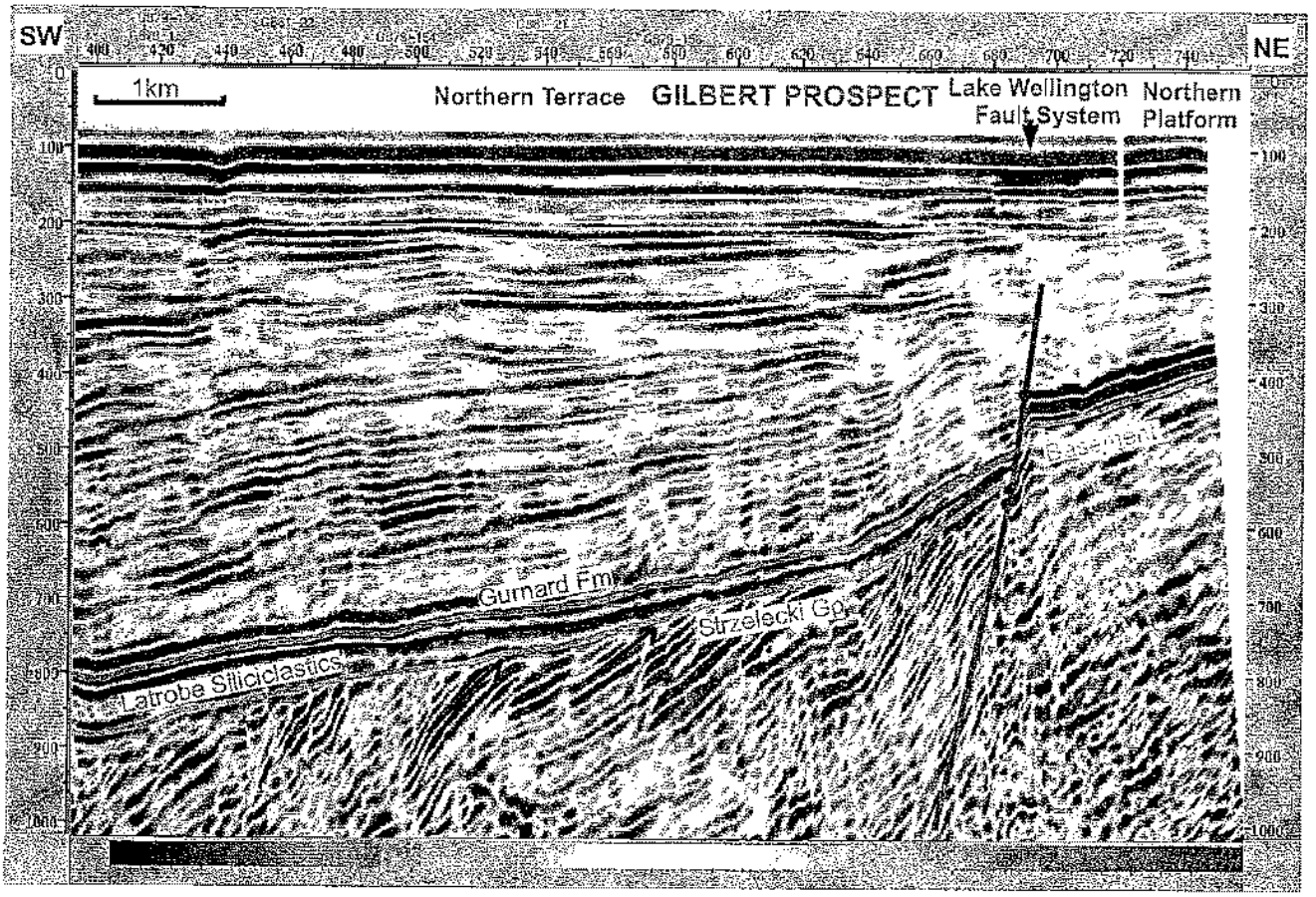

Figure 10 Seismic line GB79-136 over the Gilbert Prospect

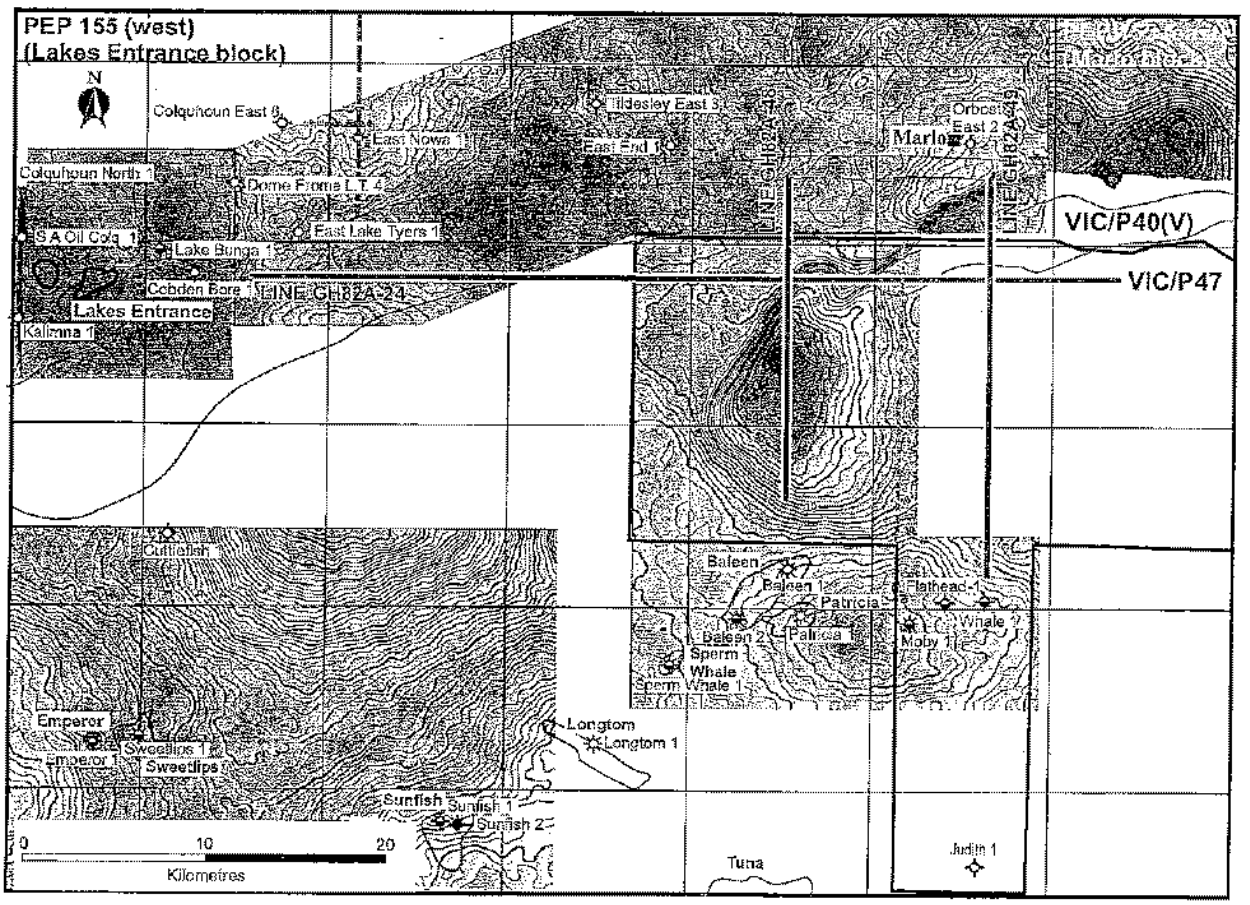

Figure 11 Airborne gravity reduced to vertical residual anomalies and stitched to residual anomalies onshore

Referring to the discussion on petroleum system elements in the Gippsland Basin (above) there is no doubt that petroleum has been generated within source rocks in the Central Deep south of the GOPL tenements and in the Northern Terrace areas within and south of Vic/P47 and Vic/P40(V). Likewise, the Lakes Entrance oilfield establishes that oil has migrated across the Northern Platform which lies within all the tenements. The migration path will be determined locally by the contours of the reservoir as the hydrocarbons will always move upwards along the steepest gradient at the base of the seal. The top Latrobe reservoir, or its equivalent, also exists within all tenements. The regional sealing Lakes Entrance Formation of marine mudstones and marls grades to a mudstone and claystone facies shorewards, while the overlying Gippsland Limestone contains deeper water marl facies as well as limestones both onshore and offshore. This seal is present in all tenements, thinning towards Palaeozoic basement outcrop in the north of PEP 155. Within these tenements a valid petroleum trap will be formed where the top Latrobe reservoir is present in any four-way structural closure or a combination of structural closure and updip stratigraphic seal, and the trap lies within a hydrocarbon migration path.

Mapping and Evaluation of Prospects and Leads

Prospects

Within Vic/P47 Lakes Oil N.L. has mapped the top Latrobe seismic horizon over the area of reasonably dense seismic coverage (Figure 9), and has made this available to GOPL. Three prospects have been defined.

The Gilbert Prospect is an anticlinal nose plunging southwest and cut by a northwest-southeast trending normal fault downthrown to the southwest. The fault juxtaposes the downthrown top Latrobe reservoir against basement on the upthrown side. As can be seen on seismic line

GB79-136 (Figure 10) the Strzelecki Group is present on the downthrown side of the fault, which is a segment of the Lake Wellington Fault System. As Figure 9 shows, the Latrobe section is absent on part of the upthrown block. The crucial factor in sealing this downthrown trap occurs where the top Latrobe reservoir exists on the upthrown side of the fault, and the throw on the fault must exceed the reservoir thickness to preclude cross-fault leakage. On any individual seismic line this appears to be the case, and the overlying Lakes Entrance seal should create an effective trap. There are two possibilities for the sourcing of an accumulation of hydrocarbons in the Gilbert Prospect. The underlying Strzelecki is likely to be within the oil maturity window, and hydrocarbons generated in the Central Deep have probably migrated across the Northern Terrace.

Displacement of oil from accumulations downdip of Gilbert by later gas charging is likely to have occurred. The Sperm Whale-1 well (Figure 5) has a 20 metre gas column overlying a 10 metre oil column. The recently released report on the Baleen-2 well, 5 Km to the south of Gilbert, documents residual oil saturations below its gas-water contact, and the large Tuna field, 15 Km south, has an oil leg underlying its gas column. The similarly located Kipper field has a 328 m gas column underlain by a 14m oil leg and a 29m residual oil column. The Gilbert structure is on the migration path of displaced oil from any of these fields.

The minimum vertical closure of the Gilbert Prospect is 10-20 msec (12-25 metres) and the maximum areal closure at the 650 msec TWT contour is 15.9 sq.Km. This closure encompasses a second culmination, Gilbert West, which is a subsidiary upthrown block with a 4-way dip closure of about 0.7 sq.Km. The areal closure of the Gilbert prospect at the 640 msec TWT contour, which excludes the Gilbert West culmination, is 13.05 sq.Km. A Monte Carlo simulation has been performed to estimate the range of possible reserves should oil or gas be present in the structure. With conservatively estimated reservoir parameters possible oil-in-place ranges from 59 mmbbl at the 90% confidence level to 198 mmbbl at the 10% confidence level, with a median of 141 mmbbl. Possible recoverable oil estimates range from 23 mmbbl at the 90% confidence level to 80 mmbbl at the 10% confidence level, with a median of 56 mmbbl. If the accumulation is solely gas the analogous range of recoverable reserves is 17 to 63 BCF, with a median of 43 BCF. An assessment of risk, that hydrocarbons have accumulated at all, has been made, with the largest risk being assigned to the integrity of the trap, since there is a possibility of the reservoir being juxtaposed in part across the fault. The overall risk of 1 in 3.8 is low for exploration wells, and is well within the acceptable level for a possible oil accumulation of this size in an area close to the coast and infrastructure. It is

considered that there is a 60/40 chance of oil rather than gas in the structure.

The Gilbert West Prospect (Figure 9) may be charged with hydrocarbons as part of an overall Gilbert accumulation, but it is also an independent closure which would retain its integrity in the event that the upthrown fault seal of the main Gilbert closure were to prove ineffective. The structure has a vertical closure of 40 msec TWT, or around 50 m., which at this location could be totally within the top Latrobe reservoir. A Monte Carlo simulation of possible reserves indicates a possible accumulation of 6.7 to 11.7 mmbbl oil-in-place (90% to 10% confidence level) with a median of 8.9 mmbbl, and a corresponding range of recoverable reserves of 3 to 5.2 mmbbl with a median of 4 mmbbl. With a simple trapping mechanism a low risk of 1 in 2.6 is assessed for the Gilbert West Prospect, with an oil/gas probability of 70/30. While an accumulation of this size is small for an offshore prospect, production of oil from such a concentrated pool could be achieved through one or two wells with relatively simple production facilities.

The Foster Prospect (Figure 9) is a seismically mapped onlap of the top Latrobe onto basement. The trap is formed by the morphology of the pinchout edge, which here occupies an embayment between two en-echelon basement highs from which the Latrobe is missing through erosion or non-deposition. The overlying Lakes Entrance Formation overlaps the Latrobe edge and forms a seal on basement, resulting in both top seal and lateral seal to the top Latrobe reservoir. There is no underlying Strzelecki here, but hydrocarbons generated in the Central Deep or Northern Terrace and not otherwise trapped would migrate updip along the base of the Lakes Entrance Formation, and along any sealed pinchout edge, preferentially displacing water from any sealed high pocket. In the case of the Foster Prospect both the Flathead-1 and Whale-1 wells, some 10 Km downdip to the south, intersected residual oil columns some 30 m. thick in the Latrobe and Strzelecki Groups. The recently drilled Moby-1 well, in the same area, reported oil fluorescence as well as a 32 metre gas column. Additionally, any oil displaced from the Patricia-Baleen fields and not trapped in the Gilbert structure would continue to migrate along the pinchout to the Foster Prospect.

The reservoir, by the definition of a pinchout play, is likely to average less in thickness in the Foster Prospect than the Gilbert Prospect, and in this evaluation cases are assumed for resevoir thicknesses from 5 to 12 m., with a median of 10 metres. The closed area of this prospect, at the most likely closing contour of 430 msec TWT, is 8.9 sq.Km., with a possible maximum closure of 10 sq.Km at the 440 msec contour. A Monte Carlo simulation of a possible hydrocarbon accumulation in this structure gives a median oil-in-place of 81mmbbl, ranging from 56 mmbbl at the 90% confidence level to 105 mmbbl at the 10% confidence level. The corresponding estimates for recoverable oil give a median of 33 mmbbl, with a range of 22 to 43 mmbbl. For an alternative gas case the median recoverable estimate is 16 BCF of gas, with a range of 11 to 22 BCF. It is considered that there is a 70/30 chance of oil rather than gas in the structure. In assigning a risk to this prospect it is necessary to take into consideration the uncertainty of accurately defining the pinchout on seismic lines of the resolution available and the possibility that a thin and discontinuous leakage path through weathered basement may exist at base seal level. With all uncertainties considered a risk of 1 in 5.2 is assessed for the Foster Prospect. By petroleum exploration standards this risk is still relatively low and the size of the possible accumulation in this location and with current oil prices would support a drilling decision. The risk could be further lowered by a more detailed seismic survey.

Leads

As discussed above, petroleum has migrated across the Northern Platform and is likely to have accumulated in any valid trap where the top Latrobe reservoir is sealed. Within the area of the tenements outside detailed seismic coverage it has not been possible to define all the elements of any individual petroleum trap. The existing regional gravity, magnetic, seismic and well data do, however, indicate the likely locus of petroleum trapping mechanisms. Figure 11 is a composite map of three Lakes Oil N.L. airborne gravity gradient surveys, reduced to vertical gavity and combined with the land isostatically corrected gravity map of the Victorian Geological Survey.

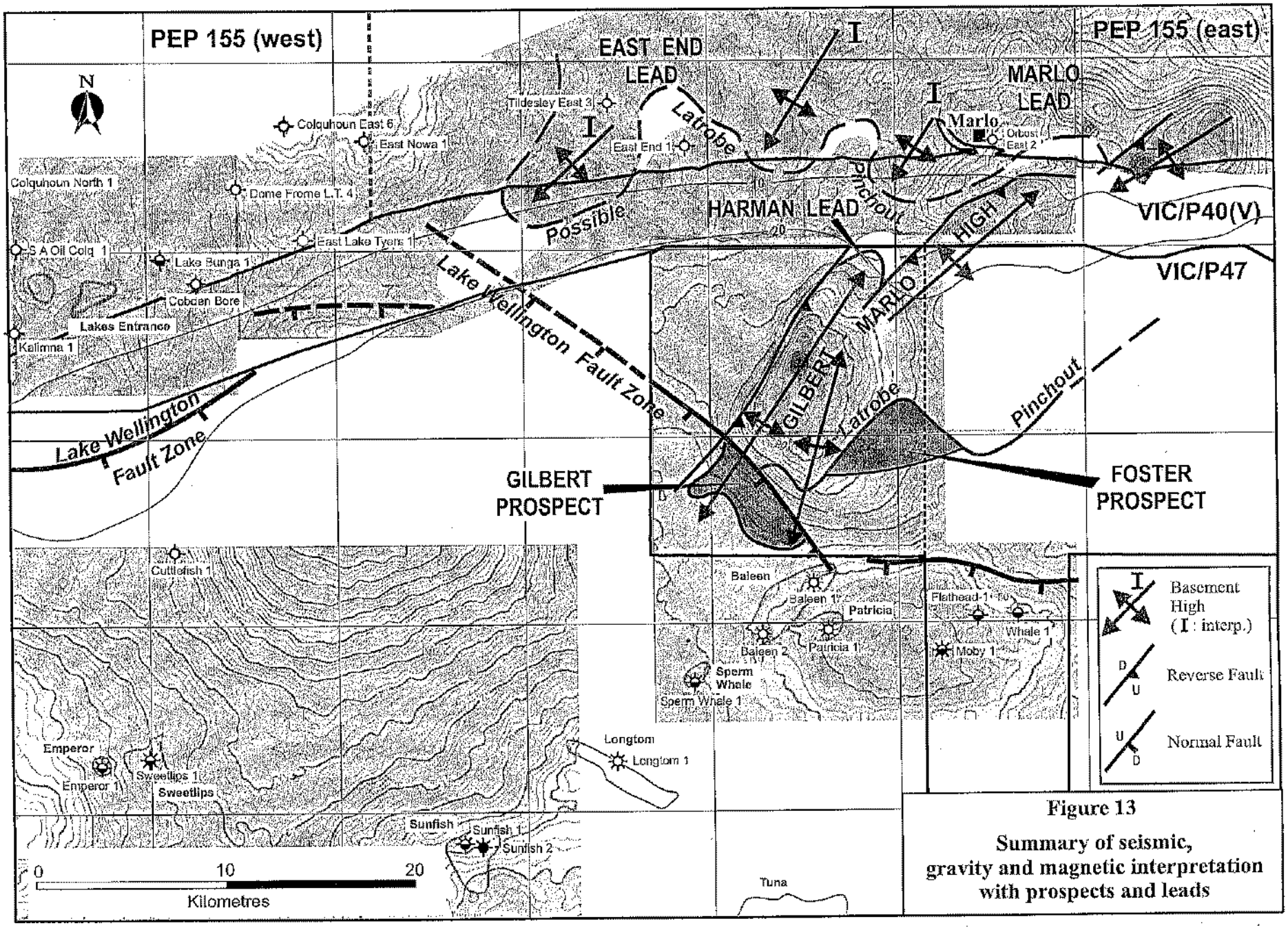

Figure 13

Summary of seismic, gravity and magnetic interpretation with prospects and leads

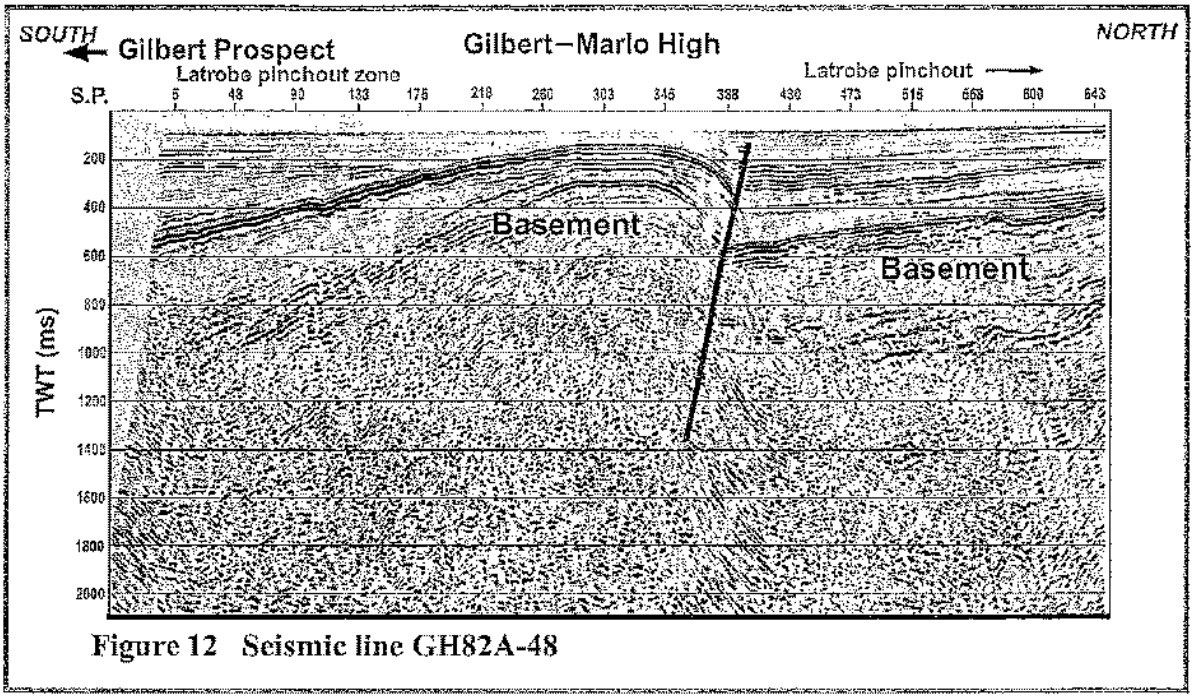

Figure 12 Seismic line GH82A-48

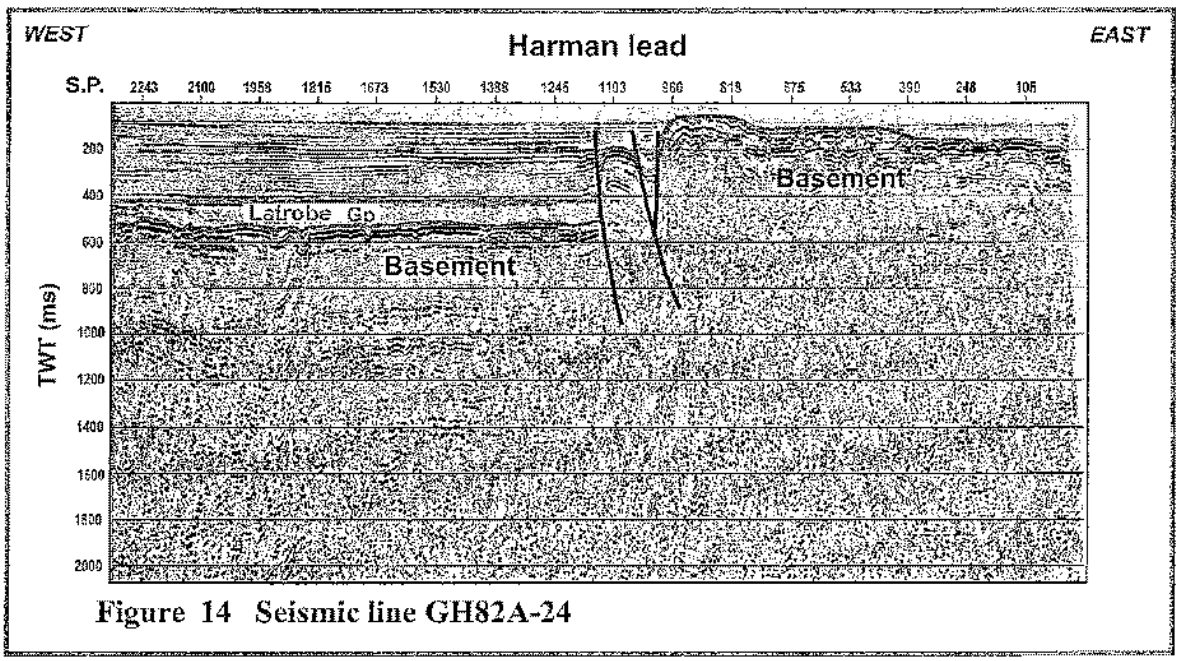

Figure 14 Seismic line GH82A-24

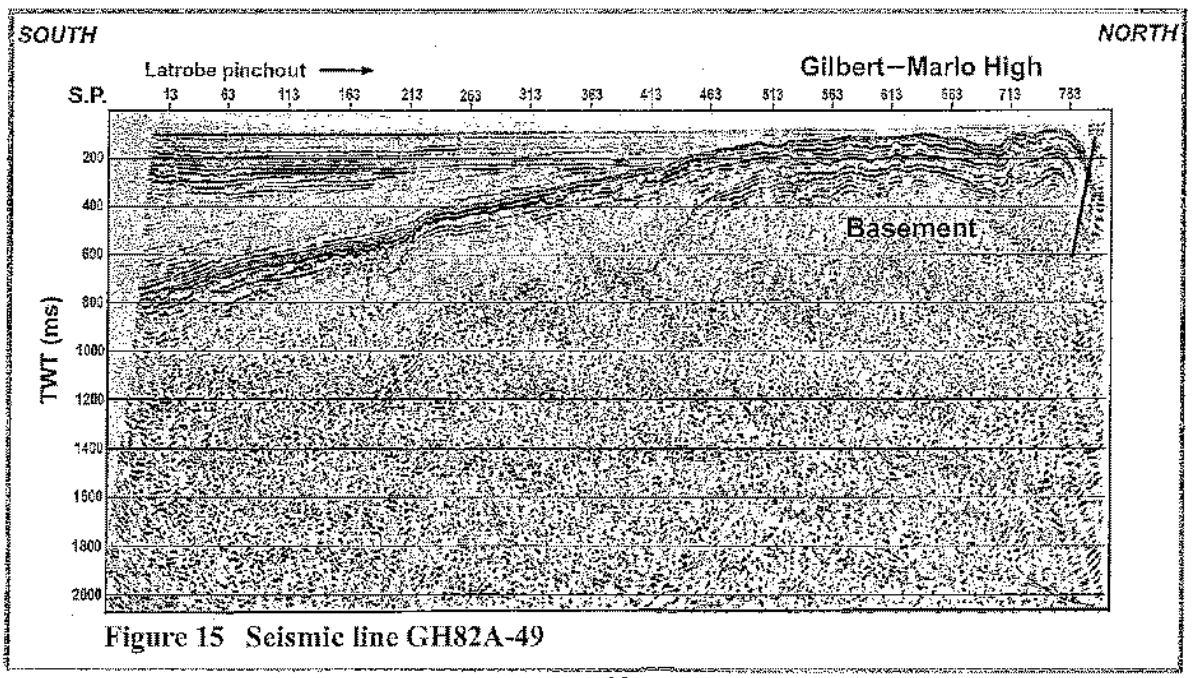

Figure 15 Seismic line GH82A-49

The Gilbert-Marlo high

The most prominent feature in the GOPL tenements is a strong southwesterly trending gravity gradient extending from the coastal area of PEP 155 east of Marlo in three en-echelon segments through Vic/P40(V) and Vic/P47. The gradients form the northwestern boundary of a composite gravity high which onshore coincides with the outcrop of Palaeozoic granites at Cape Conran, east of Marlo. Several broadly-spaced offshore seismic lines cross these gravity gradients and show them to coincide with high-angle, probably reverse, faults bounding a composite southwesterly trending basement high.

The seismic line 82A-48 (Figure 12), whose location is shown on Figure 11, indicates the nature of the basement high and the faulting and defines the elements of leads where trapping mechanisms may exist. Figure 13 summarizes the interpretation in this area of the seismic, magnetic and gravity data. The basement high with its bounding compressional faulting is an example of the Oligocene-Miocene northeast-southwest anticlinal features which are the locus of most of the Gippsland Basin petroleum traps.

The Gilbert Prospect is the downfaulted southern nose of this southwest-plunging anticline and the fault mapped as the northwestern boundary of Gilbert is one of the bounding faults of the basement high. It appears that there is also a bifurcation of this high, the second limb trending in a more southerly direction through the Patricia-Baleen area. The Latrobe Group reservoir thins and eventually pinches out on the southeastern flank of the basement anticline and the Foster Prospect is located in this position. Lakes Oil N.L. has mapped the top Latrobe in the downfaulted half-graben to the northwest of the high as shown in the east-west seismic line 82A-24 (Figure 14) and the seismic mapping shows the graben to shallow to the northeast.

The associated gravity low establishes the correlation of basement topography with gravity in this area, notably along any east-west traverse. In the north-south direction a large base-crustal horizontal gravity gradient of more than 1 milligal/Km, negative to the north, is likely to affect even these short wavelength anomalies, which along the graben axis have a total range of some 6 milligals over 20 Km.

As a result gravity minima are shifted northwards relative to their causative basement lows. With this taken into account both gravity and seismic are consistent with downfaulted composite half-graben bounding the Gilbert-Marlo high with the top Latrobe overlying basement and shallowing progressively northwards. The seismic mapping indicates top Latrobe shallowing from approximately 650 msec TWT at the Lake Wellington Fault west of the Gilbert structure to around 350 msec TWT (around 375 m.) where the gravity low crosses the coast in the Marlo area. Seismic line 82A-49 (Figure 15) establishes downfaulted basement just offshore in the Marlo area but there is no seismic horizon correlation into this section of the line and the top Latrobe cannot be picked with any confidence, although it may well be present.

In Vic/P47 a possible trap, the **Harman Lead**, is indicated on Line 82A-24 (Figure 14) in the zone between the two en-echelon fault-bounded highs, centred on SP1103, and as shown in Figure 13. On this line the Latrobe is absent from that zone. However the gravity indicates the southwesterly of the two highs plunges to the northeast as the northeasterly high becomes dominant, and on this plunging nose the Latrobe will pinchout to the south, producing a combination anticlinal pinchout. The migration path to this trap is problematical, but the seismic mapping to the south indicates the top Latrobe is dragged up against the fault, which would channel any hydrocarbons from the westward spill point of Gilbert along the fault to this lead. Seismic mapping would be required to mature this lead, which has the potential for a trap of 2-4 sq.Km and several million bbl of oil.

Northern Margin leads

From the seismically constrained gravity interpretation of the Gilbert-Marlo high it is possible, with some well constraints, to extend the interpretation of the gravity by analogy. Figure 13 shows a series of basement anticlinal highs along the coastal and nearshore basin margin between Marlo and Lakes Entrance. These are all of much smaller amplitude than the Gilbert –Marlo high, but it is likely that these basement highs also affect the geometry of the Latrobe pinchout. At Marlo a water bore, Orbost East-2, drilled in 1970, intersected Palaeozoic basement directly overlain by Gippsland Limestone at 278 m. below surface. The location of this bore is on the northwestern flank of the gravity low associated with the half-graben mapped immediately offshore. It is possible that the top Latrobe/Colquhoun reservoir exists deeper in the graben to the southeast, but still onshore. The

Colquhoun gravels overlie basement at East End-1, 20 Km to the west, and also at East Lake Tyers-1 and East Nowa-1, a further 20 Km towards Lakes Entrance, but are absent at Tildesley East-3, 5 Km NW of East End-1. Based on this sparse information a possible Latrobe/Colquhoun pinchout geometry is sketched in Figure 13. A strong southwest trending gravity high west of East End-1 is postulated to be a basement high such that Latrobe pinchout occurs onto the high both west of East End-1 and east of East Nowa-1 and East Lake Tyers-1.

A magnetic interpretation by Encom Technology Pty Ltd for Lakes Oil N.L. supports the existence of a basement high in this area. With the Lakes Entrance and Gippsland Limestone overlapping the pinchout, traps could be present in any embayment. Stratigraphic boreholes would be necessary to further define pinchout locations, with the **East End** and **Marlo** areas representing the strongest leads onshore. In a report for Lakes Oil N.L. by Pitt Research Pty Ltd it was noted that a zone of Uranium and Thorium radiometric anomalies was present along an ENE-striking topographic lineament aligned with the northern boundary of Lakes Curlip and Corringle, north of Marlo. Similar anomalies in the Sale area had been interpreted as due to hydrocarbon microseepage with groundwater, and the correlation of petroleum microseepage with high Uranium but low Potassium radiometric anomalies is a well documented phenomenon. The Marlo anomalies are northwest of the Orbost East-2 bore, and therefore beyond the inferred pinchout, but data are sparse and firm conclusions cannot be drawn.

Lake Wellington Fault Zone lead

The Lake Wellington Fault zone has an overall east-west orientation (Figure 4), but in detail is composed of discontinuous segments of both faulting and flexuring. The northwest-southeast trending segment which cuts across the Gilbert-Marlo high to form the Gilbert Prospect is associated with a gravity gradient, down to the southwest, which extends northwest (across a gap in gravity coverage) and across the basement high which appears to extend offshore from west of East End-1 (Figure 13). A Gilbert-type lead, of downthrown Latrobe against a basement high, could be present in this location which is within Vic/P40(V). At the offshore well Gannet-1, to the southwest, top Latrobe overlying Strzelecki established that the Lake Wellington Fault zone was to the north of that location. Further seismic would be required, within Vic/P40(V), to mature a prospect of this nature.

Conclusion

Within the GOPL tenements examined here the potential exists for the accumulation of oil or gas in sealed traps at the top Latrobe reservoir level, and in quantities which are likely to be commercial in this area. Three independent prospects have been mapped by seismic in Vic/P47 and a study of possible reserves and risks indicates that a drilling program is justified. Leads which require further seismic or stratigraphic drilling to mature prospects are identified in all the tenements. Three Latrobe pinchout leads are indicated in the onshore PEP 155 and pinchout leads and a possible downfaulted top Latrobe lead are identified in Vic/P40(V).

Professional experience of Dr V.P.St John of Prospect Evaluation Pty Ltd

Paul St John graduated with a B.Sc.Hons in Geology from the University of W.A. and a Ph.D. from the University of Tasmania in 1967 with a thesis on The Gravity Field in New Guinea. He subsequently worked in geophysical and managerial positions with British Petroleum in Australia & PNG, in UK with responsibilities for Europe & Africa, and in Peru and Malaysia.

In 1982 he established a consultancy, Prospect Evaluation Pty Ltd, in Melbourne and founded Southeastern Oil & Gas Pty Ltd, leading to the public floating in 1987 of Austin Oil N.L. with exploration interests in the Eromanga, Surat, Adavale, Georgina, Gippsland, Papuan and Aitape basins. Since 1992 he has maintained his consultancy with emphasis on Australian basins, and has undertaken numerous projects in both Gippsland and Otway basins. On behalf of the government corporation, GFE Resources, in 1993-4, he evaluated the commerciality of the Patricia/Baleen fields in the Gippsland Basin, leading to a retention lease grant, and evaluated the hydrocarbon potential of the Northern Platform including part of the area studied here. He has undertaken numerous evaluation and field projects since then, in the Otway, Gippsland and Cooper-Eromanga basins. He is a member of the Petroleum Exploration Society of Australia, the American Association of Petroleum Geologists, the Australian Society of Exploration Geophysicists and the Geological Society of Australia, and holds a Fellowship in History & Philosophy of Science at the University of Melbourne.

7. RISK FACTORS

Due to the inherently uncertain nature of oil and gas exploration, an investment made under this prospectus should be considered speculative. Investors should realise that the value of their investment may fluctuate and that a dividend is not expected to be declared by the Company in the absence of exploration success. Whilst the Company attempts to minimise the following risk factors, the majority of them are beyond its control:

(a) Oil and gas exploration activity, especially offshore drilling, by its nature is risky. Where exploration is successful, drilling operations can be affected by break downs, adverse weather conditions, site and geographical conditions, operational risks, industrial disputes, government regulations, environmental issues and unanticipated costs. Exploration may be unsuccessful. Exploration may prove to be more costly than expected or the proposed timing of exploration may not be achieved, thus potentially putting strains on the Company's financial position. The calculation of any possible volume of hydrocarbons in a prospect may be proved incorrect by future exploration/production, mapping and/or drilling. Contractual disputes with operators and contractors can arise from time to time.

(b) Shareholders should consider the impacts of supply and demand for commodities (especially oil and gas), fluctuations in the prices of those commodities, exchange rates, Australia's inflation rates, taxation laws and interest rates. All of these factors have a bearing on operating costs, potential revenue and share prices. In particular, the price of oil is currently at historic highs, but if the price falls significantly this could affect the financial viability of any reserves discovered.

(c) As the Company is an exploration company, the market's perception of the value of its shares can alter significantly from time to time which can cause fluctuations in price. Fluctuations may also occur as a result of factors influencing the price of shares in exploration companies or share prices generally, as well as drilling activities by other parties in the same general region.

(d) In relation to the exploration permits detailed in section 5, issues can arise from time to time with respect to abandonment costs, consequential clean up costs and environmental concerns. The Company could become subject to liability if, for example, there is environmental pollution and consequential clean up costs at a later point in time. It is not possible to quantify any such contingent liability. Whilst no guarantee can be given, the Company is not aware of any advices which would suggest that there is any particular exposure in relation to any of its present interests.

(e) Whilst no guarantee can be given as to the absence of environmental difficulties, the Company is not aware of any particular concern with respect to its planned exploration activities in relation to its existing permits.

(f) The impact of actions by governments within and outside Australia may affect the Company's operations including matters such as necessary approvals, land access, sovereign risk, taxation and royalties which are payable on the proceeds of the sale of any successful exploration. Further, the approval of contractual arrangements in relation to exploration permits as well as the renewal of exploration permits are each a matter of governmental discretion and no guarantee can be given in this regard. The summary of oil and gas interests in section 5 is expressly subject to this qualification.

(g) The Company is unaware of any native title rights which may materially adversely effect its exploration of any of its permits, with the exception of the following:

(i) the Gunai/Kurnai People have registered a claim on the Register of Native Title Claims over some 40,000 square kilometres in Eastern Victoria, including over the areas of all three permits described in this prospectus. The claim is still to be determined. Registration would entitle the claimant to certain procedural rights

under the *Native Title Act* including the right to negotiate;

(ii) the Yeerung/Kurnai People have made a written claim with respect to VIC/P40(V) but this has not been registered on the Register of Native Title Claims. The absence of registration may still result in a determination of native title, however, it does not provide procedural rights under the *Native Title Act* or the right to negotiate; and

(iii) the Bidwell Clan has lodged an application for registration on the Register of Native Title Claims over a large area. The application has not been accepted for registration and the claim continues to be active.

In relation to these, no guarantee can be given as to the absence of native title rights nor is it possible to quantify the impact (if any) which they may have on the Company's operations.

(h) The Company's future capital requirements will depend on numerous factors including the level of exploration and operating success. If the Company requires additional funding, there is no guarantee that the Company will be able to secure further funding or that the terms will not be dilutive to investors.

(i) There can be no assurance that the Company will achieve production as this will depend on a wide range of factors.

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors. The above factors, and others not specifically referred to above, may in the future materially affect the performance of the Company and the value of the shares.

8. DIRECTORS AND EXPERTS

Directors Details

The directors are:

Phillip Harman BSc (Hons), MAusIMM (Chairman and Non-Executive Director)

Mr. Harman is the managing director of Gravity Diamonds Limited, a listed diamond explorer with interests in Australia and the Democratic Republic of Congo. Mr. Harman is a professional geophysicist who spent more than thirty years working for BHP Billiton in minerals exploration in a broad number of roles both technical and managerial, both in Australia and overseas. Mr. Harman was material in bringing BHP Billiton's proprietary Falcon® airborne gravity gradiometer technology to Gravity Capital Limited in 2001 which was the precursor to Gravity Diamonds Limited.

Robert J Annells, CPA, ASIA (Non-Executive Director)

Mr Annells is the chairman of Lakes Oil NL and Petro Tech Pty Ltd and he is also chairman of ASX listed mining company Minotaur Resources Limited. He is a former member of the ASX and has over forty years experience in the securities industry and is a qualified accountant. His experience includes provision of corporate and investment advice to the business and resource industries.

Nicholas Limb, BSc (Hons), MAusIMM, ASIA (Non-Executive Director)

Mr Limb is chairman of Mineral Deposits Limited, a listed mineral sands entity with developing interests overseas, and a non-executive director of Cockatoo Ridge Wines Limited, a South Australia based wine company. He is also an executive director of Gravity Diamonds Limited. Mr Limb is a professional geophysicist and also has extensive experience as a stockbroker and merchant banker. At the date of this prospectus, Mr Limb is a director of each of Stellar Resources Limited and Rilo Explorations Pty Ltd.

Directors' Interests

The directors each hold 2,000,000 unlisted options (6,000,000 in total), which are subject to ASX escrow requirements as restricted securities for a 2 year period. These options are identical in terms to those issued under this prospectus set out in section 10 with the exception of:

- Clause 1 where "30 November 2006" is replaced with "30 November 2009"; and
- Clause 10 where "subject to any escrow requirements under the ASX Listing Rules" is inserted at the end of that clause.

The directors are each entitled to remuneration of $50,000 per annum commencing from the date of this prospectus. The maximum aggregate directors' remuneration that may be paid without shareholder approval being obtained is $250,000 per annum.

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company. This entitles each director to access board papers, be indemnified from liability, and to have the Company take out directors and officers insurance to the extent the Company is able to obtain it. Each director may obtain independent professional advice at the Company's expense in accordance with the guidelines adopted by the Board from time to time of if the chairman has given his prior approval. Each such deed applies to the extent permitted by law and is on a conventional basis.

Mr Annells is associated with Lakes Oil NL and Petro Tech Pty Ltd whose interests are referred to throughout this prospects.

Mr Limb is associated with Mineral Deposits Limited, Stellar Resources Limited and Rilo Explorations Pty Ltd whose interests are referred to throughout this prospectus.

Experts' Interests and Consents

Prospect Evaluation Pty Ltd is the author of the geological report set out in section 6 of this prospectus and is entitled to receive a fee estimated at $30,000 (exclusive of GST) for its preparation. Prospect Evaluation Pty Ltd has been involved only in the preparation of its report and has given and not withdrawn its written consent to the issue of this prospectus with this report in the form and context in which it is included, but is not responsible for any other part of the prospectus and has not authorised or caused the issue of any other part of this prospectus.

Pitcher Partners has prepared the Investigating Accountant's Report set out in section 9 of this prospectus and is entitled to receive a fee estimated at $5,000 (exclusive of GST) for its preparation. Pitcher Partners has been involved only in the preparation of its report and has given and not withdrawn its written consent to the issue of this prospectus with this report in the form and context in which it is included, but is not responsible for any other part of the prospectus and has not authorised or caused the issue of any other part of this prospectus.

Computershare Investor Services Pty Limited has given and, as at the date of this prospectus, has not withdrawn its written consent to be named as Share Registry in the form and context in which it is named, but is not responsible for any other part of the prospectus and has not authorised or caused the issue of any other part of this prospectus.

Baker & McKenzie has acted as legal adviser in relation to the preparation of this prospectus and is entitled to receive a fee estimated at $60,000 (exclusive of GST). Baker & McKenzie has given and has not withdrawn its consent to be named in this prospectus as the legal adviser to the Company. Other than the reference to its name, Baker & McKenzie is not responsible for any other part of the prospectus and has not authorised or caused the issue of any part of this prospectus.

9. INVESTIGATING ACCOUNTANT'S REPORT

PITCHER PARTNERS

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A C MAY
S SCHOMBERG
M P NORTHEAST
P A JOSE
M J HARRISON

T A JONAS
G P CAITLIN
G E SIASKI
A R FITZPATRICK
I D STEWART
R KYOSHI
R CUMMINGS
D A THOMSON
M J LANGHAMMER
J BRAZZALE
V A ARNETT
S DAVIS
A P YEO
P M CONEY

AN INDEPENDENT MEMBER OF BAKER TILLY
INTERNATIONAL - OFFICES THROUGHOUT THE WORLD

15 November 2004

The Directors
Gippsland Offshore Petroleum Limited
Level 7
530 Little Collins Street
MELBOURNE VIC 3000

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

This report has been prepared at the request of the directors of Gippsland Offshore Petroleum Limited ("the Company") for inclusion in a Prospectus to be dated on or about 15 November 2004 offering 50,000,000 fully paid ordinary shares at $0.20 each and 25,000,000 options to acquire ordinary shares exercisable at $0.20 per ordinary share ("the Prospectus"). Over subscriptions of a further 10,000,000 shares with every two shares also being accompanied by one option will be accepted. The minimum subscription is 40,000,000 shares and 20,000,000 options. This issue has not been underwritten.

Expressions defined in the Prospectus have the same meaning in this report.

This report considers the pro-forma Statement of Financial Position in section 4 of the Prospectus at completion of the proposed capital raising immediately after the initial allocation of shares and options.

Background

The Company was incorporated on 18 October 2004 with 10 ordinary shares at $0.20 each fully paid and has not traded or issued shares since incorporation. The shares are held by Lakes Oil NL. Lakes Oil NL also holds 6,666,667 options to subscribe for ordinary shares at $0.20 per ordinary share exercisable at any time up to 30 November 2009 and on exercise of each initial option Lakes Oil NL will be entitled to a further option to subscribe for ordinary shares at an exercise price of $0.40 expiring two years from the date of issue of those options. Rilo Explorations Pty Ltd, a subsidiary of Stellar Resources Limited, holds 3,333,333 options on the same terms. Should the Company raise more than the minimum subscription amount further options will be issued to Lakes Oil NL and Rilo Explorations Pty Ltd on a pro-rata basis on like terms such that their combined holding of options together with the 6,000,000 options held by directors and the number of options proposed to be allocated under the Executive Share Option Plan equals the number of options issued to investors subscribing for shares under the Prospectus.

Pitcher Partners provided a consent to its appointment as auditors of the Company on 9 November 2004.

The first balance date of the Company will be for the period since incorporation to 30 June 2005.

The Company intends to invest the net proceeds of the Prospectus offering primarily for the drilling of wells and to undertake seismic programs at sites which fall under exploration permits Vic P47, Vic/P40V and PEP155 in the Gippsland Basin, with the balance of funds to be used to explore other oil related opportunities as set out in section 4 (Use of Funds) and section 5 of the Prospectus.

Scope of Our Report

This report deals with the prospective financial information as set out in section 4 of the Prospectus.

The pro-forma Statement of Financial Position has been prepared to illustrate the financial position of the Company on completion of the issue and have been prepared on the basis of the assumptions, accounting policies and notes as set out in section 4 of the Prospectus (Pro-forma Statement of Financial Position).

The directors the Company are responsible for the preparation and presentation of the pro-forma Statement of Financial Position including the assumptions, accounting policies and notes on which it is based.

The directors have not included in the Prospectus any forecast of the earnings of the Company.

Review of Financial Information

We have conducted our review of the pro-forma Statement of Financial Position in accordance with Auditing Standards AUS902 "Review of Financial Reports" and AUS804 "The Audit of Prospective Financial Information". Our procedures consisted primarily of enquiry and comparison and such other analytical procedures we, in our professional judgement, considered necessary so as to adequately evaluate whether the assumptions and estimated expenses appear reasonable in the circumstances.

These review procedures were substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly do not express an audit opinion.

Statement on Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

(a) the pro-forma Statement of Financial Position has not been properly prepared on the basis of the proposed transactions;

(b) the proposed transactions do not form a reasonable basis for the pro-forma Statement of Financial Position; and

(c) the assumptions, accounting policies, notes and estimated expenses of the offer made by directors, do not provide a reasonable basis for the preparation of the pro-forma Statement of Financial Position.

Working Capital

As required by ASX Listing Rule 1.3.3 we advise that upon achieving the minimum subscription in our opinion, the Company will have enough working capital to carry out its stated objectives.

Subsequent Events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Yours faithfully
PITCHER PARTNERS

M W PRINGLE

Partner

10. OPTIONS TERMS AND CONDITIONS

The terms and conditions of the options issued under this prospectus are as follows (which will accompany each optionholder statement):

1. The options are exercisable at a price of **20 cents** each at any time up to **30 November 2006**. Each option entitles the holder to subscribe for 1 ordinary share in the Company.

2. Notwithstanding paragraph 1, if a takeover bid within the meaning of the Corporations Act is made for the shares in the Company and the bidder becomes entitled to compulsorily acquire all of the shares, any options not exercised by the end of the bid period shall lapse.

3. The holder may exercise any part of the options only without prejudice to the holder's ability to subsequently exercise any remaining options.

4. All shares issued upon exercise of the options will rank equally in all respects with the then issued shares, and the Company will, within 7 days, apply for official quotation by the ASX of all shares issued upon the exercise of the options.

5. There are no participating rights or entitlements conferred on the options and the holder will not be entitled to participate with respect to the options in new issues offered to shareholders during their currency without exercising the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the relevant record date will be at least 7 business days after the relevant issue is announced and the holder is notified at that time. This will give the holder the opportunity to exercise the options prior to the date for determining entitlements and to participate in any such issue as a shareholder.

6. In the event of any reorganisation of capital of the Company prior to the expiry date for exercise of the options, the number of options which the holder is entitled or the exercise price of the options or both shall be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of reorganisation.

7. The number of options held will appear on an optionholder statement which will be accompanied by a Notice of Exercise of Options that is to be completed when exercising options as follows:

Notice of Exercise of Options

To the Directors of Gippsland Offshore Petroleum Limited (the "Company"),

I, ...

of .....

being the registered holder of options in the capital of the Company hereby exercise ..... such options to subscribe for ordinary shares and enclose application monies payable of 20 cents per option exercised.

I authorise you to register me as the holder of the shares to be allotted to me and agree to accept such shares subject to the constitution of the Company.

Dated the day of 200

Signed by)

the holder of the options) .....

8. The options are exercised by completing the Notice of Exercise of Options form (similar to the one above) and forwarding it to the Company with the exercise monies payable to the Company. The Company shall within 7 days after the receipt of such Notice, allot shares in respect of the options exercised and dispatch a shareholder statement to the holder.

9. The Company will advise holders at least 20 business days before the impending expiry of their options and will advise the due date for payment, the amount of money payable on exercise, the consequences of non-payment and such other details as the ASX Listing Rules then prescribe, so as to enable holders to determine whether or not to exercise their options.

10. The options are transferable.

11. ADDITIONAL INFORMATION

Staffing and Administration

The Company was only incorporated on 18 October 2004. The Company presently operates with one employee only as secretary on a part time basis, although it is contemplated to engage a chief operating officer and technical consultant in due course. The Company has agreed with Mineral Deposits Limited to pay it a fixed fee of $75,000 plus GST for the period ending 31 December 2005 for providing administration and office services.

Executive Share Option Plan

The Company has an Executive Share Option Plan whereby the directors may issue options to an executive of the Company who is not a director. It is intended that 4 million options will be issued in due course under the plan in such terms as the directors determine in accordance with the plan.

The exercise price for the options is to be the price determined by the board of directors in their discretion having regard to the ASX Listing Rules. This price will be set at an appropriate level to incentivise the executives in relation to future performance. Options will have a maximum five-year term as determined by the board in its discretion.

The options will lapse upon the earlier of their expiry, 60 days after the executive ceases to be an employee for reasons other than death, or 12 months from the date on which the executive ceases to be an employee in the death of the executive.

All shares issued upon the exercise of the options will rank equally with the Company's ordinary shares and the Company will apply for quotation on the ASX of all shares issued on exercise. The options will not provide rights to participate in new issues of shares unless the holder has exercised that option.

In the event of any reorganisation of the issue capital of the Company, the terms of the options will change in the manner consistent with the ASX Listing Rules.

Options may not be issued under the plan if the total of the shares which would be issued if any outstanding options under the plan were exercised plus the total number of shares issued to employees in the previous five years under any employee share or option scheme (disregarding any offer or invitation made by way of excluding offer or invitation) exceeds 5% of the total number of ordinary shares on issue in the Company at that time.

As this is a new plan, no persons have received options under it. There is no loan contemplated in relation to the plan.

Lakes Oil/Rilo Explorations Options

The Lakes Oil NL and Rilo Explorations Pty Ltd options are identical in terms to those issued under this prospectus set out in section 10 with the exception of:

- Clause 1 where "30 November 2006" is replaced with "30 November 2009";
- Clause 10 where "subject to any escrow requirements under the ASX Listing Rules" is inserted at the end of that clause (as the options are subject to ASX escrow requirements as restricted securities for a 2 year period); and
- A new clause 11 is inserted as follows:

  11. If any options are exercised, each share issued on exercise will be accompanied by a further option entitling the holder to subscribe for 1 ordinary share in the Company exercisable at **40 cents** each at any time up to **2 years from their date of issue**, but

otherwise are issued on the same terms as these options (excluding this sentence), with any necessary consequential changes to the option terms being made.

Shares to be issued

Shares will be allotted on the register maintained by Computershare Investor Services Pty Limited. A decision to subscribe should only be made on the material contained in this prospectus.

The Company will make an application not later than 3 business days after the issue of this prospectus to the ASX for the options and shares offered under this prospectus to be granted official quotation. If this permission is not granted before the expiry of time permitted under the Corporations Act, then the Company will promptly refund all prospectus application monies without interest.

ASIC/ASX details

This Prospectus is dated 15 November 2004 and a copy of this prospectus was lodged with the Australian Securities and Investments Commission (ASIC) and the ASX on that date. Neither ASIC or the ASX takes responsibility for the contents of this Prospectus. No new shares or options will be allotted or issued on the basis of this prospectus later than 13 months after the date of issue of this prospectus.

Electronic Prospectus

This prospectus will be made available until the closing date of this offer by being posted on the Company's website at www.gop.com.au. This prospectus is only available on line to persons in Australia and does not constitute an offer or invitation to any person in any jurisdiction other than in Australia. The distribution of this prospectus in jurisdictions outside Australia may be restricted by law and persons who download this prospectus or come into possession of this prospectus should seek advice on and should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Persons who have access to the electronic version of this prospectus should ensure that they download and read the entire prospectus. A paper copy of this prospectus is available free of charge to any person by telephoning Computershare Investor Services Pty Limited prior to the closing date of this offer.

Shareholders' Rights

A shareholding in the Company is held subject to its Constitution. This has been approved by the ASX as being consistent with its Listing Rules and is similar to those of other public listed companies. Shares to be issued under this prospectus will rank equally with the existing ordinary shares. The Constitution may be inspected at the registered office.

In particular, shareholders will be entitled to receive notice of and to attend and vote at the general meetings where they have one vote on a show of hands and one vote per fully paid share on a poll. Subject to the Constitution, the Corporations Act and the ASX Listing Rules, the shares are freely transferable. Subject to the rights of persons entitled to shares with special rights to dividends (if any), dividends are payable to shareholders in proportion to the amounts paid up on the shares held by them respectively. In a winding up the liquidator may, with the sanction of a special resolution, divide amongst the shareholders the assets of the Company and may determine how the division shall be carried out as between the shareholders.

Corporate Governance

The Board seeks, where appropriate, to adopt without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The following briefly outlines the main corporate governance practices of the Company.

Role of the Board and Management

The primary responsibility of the Board is to protect and advance the interest of shareholders. To fulfil this role, the Board has overall responsibility for the Corporate Governance of the Company including matters such as strategic direction, setting of management goals and monitoring management performance against the set goals.

Board Composition

The Board presently consists of three non-executive directors. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of separate board committees, such as audit, remuneration and nomination committees. Accordingly, all matters that may be capable of delegation to committees will be dealt with by the full Board.

Ethical and Responsible Decision-making

It is the policy of the Company for directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, public servants and the general communities in which it operates.

Share Trading Policy

The directors must not trade in the Company's shares in the periods immediately prior to the issue of quarterly announcements, whilst any drilling is underway or at any other time whilst in possession of price sensitive information.

Integrity of Financial Reporting

It is intended that there be an established requirement that any chief executive officer (or equivalent) and chief financial officer (or equivalent) appointed will state in writing to the Board that to the best of their knowledge the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Continuous disclosure to ASX

The Board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approval of any proposed ASX announcement prior to release. The Secretary is responsible for liaising with ASX. It is the policy of the Company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

Risk Management

The Board is responsible for overseeing of the Group's risk management and control framework. The Company intends to implement a policy framework in order that the Company's risks are identified as much as practicable.

Performance

The Board is responsible for the appointment of a managing director or chief operating officer and will conduct an annual review of his/her performance and any other key executives of the Company.

Remuneration

The Board, within the pre-approved shareholder guidelines, determines fees payable to individual non-executive directors. The remuneration levels of any executive director will be determined by the Chairman after taking into consideration those that apply to similar positions in comparable companies in Australia and Directors' possible participation in any equity-based remuneration scheme. The Chairman uses industry-wide data gathered by independent remuneration experts annually as his point of reference. Options or shares issued to Directors pursuant to any equity-based remuneration scheme require approval by shareholders prior to their issue. Options or shares issued to senior executives who are not directors will be issued by resolution of the Board.

Interests of stakeholders

The Company's core objective is the effective management of its resources with a view to identifying, developing and operating sound projects that create wealth for shareholders.

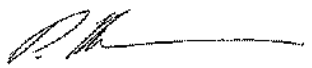
12. DIRECTORS' STATEMENT

The directors state that after making due enquiry in relation to the interval between 18 October 2004, being the date the Company was incorporated, and the lodgement date of this prospectus, they have not become aware of:

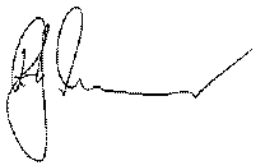
(a) any circumstances other than those referred to in this prospectus which in their opinion have materially affected or will materially affect the trading or profitability of the Company, its value or the value of its assets; or

(b) any contingent liability of the Company other than those referred to in this prospectus or those which have arisen through the normal course of business.

This statement in this prospectus of which it forms part has been duly signed by the directors (or by their duly appointed agents) whose names appear below:



Phillip Harman



Robert J Annells

Nicholas Limb

13. GLOSSARY

Alluvial fan - A cone-shaped deposit of alluvium made by a stream where it runs out onto a level plain or meets a slower stream

Anticline/anticlinal structure - A geological structure in which strata are folded so as to form an arch or dome

API/API gravity - Term for the density of oil

B - Billion (10^9)

Barrel (bbl) - the unit of volume measurement used for petroleum and its products. 1 Barrel = 42 U.S.Gallons = 35 Imperial Gallons (approx.) = 159 litres (approx.)

Basin - A depression of large size in which sediments have been accumulated

BCF - Billion cubic feet = 28.317 million cubic metres

Clastics - Fragments of weathered and eroded rocks

Claystone - A sedimentary rock composed predominantly of particles less than silt size usually comprising clay minerals

Closure - The height of the apex above the lowest closing contour of a structure. Also, a closed structure and four-way dip closure

Condensate - Hydrocarbons (predominantly pentane and heavier compounds) which spontaneously separate out from natural gas at the wellhead and condense to a liquid.

Cretaceous - A geological time period approximately 141 to 65 million years ago

Deltaic - Normally related to a delta plain or alluvial deposit at the mouth of a river caused by deposition of material

Deposition - The laying down of potential rock forming material, ie sediments

Down-dip - Downwards in-depth along strata

Exploration well - A well drilled to determine whether hydrocarbons are present in a particular structure

Facies/lithofacies - The rock record of any sedimentary environment, including both physical and organic characters

Falcon ® - A trade mark registered to BHP Billiton Innovation Pty Ltd.

Falcon ® Systems - An airborne gravity gradiometer (AGG) that measures minute changes in the earth's gravity.

Fault - A fracture in the Earth's crust along which the rocks on one side are displaced relative to those on the other

Fault-dependent closure - Closure which is dependent upon the bounding fault plane providing an impervious seal to vertical and lateral migration

Fault Trap - A hydrocarbon trap which relies on the termination of a reservoir against a seal brought about by fault displacement

Field - A geographical area under which an oil or gas reservoir lies

Fluorescence - Glowing, usually under ultraviolet light, usually indicative of oil shows

Formation - A unit in stratigraphy defining a succession of rocks of the same gross lithology

Gas column - The occurrence of gas in poor space within rock that is in a continuous phase

Glauconite - A silicate mineral occurring in marine origin sedimentary rocks

Gravity surveys - Surveys carried out using gravity instrumentation to detect variations in the gravitational acceleration over an area: used as a geophysical tool to detect possible mineral or hydrocarbon accumulations

Hydrocarbons - Naturally occurring organic compounds containing only the elements hydrogen and carbon; may exist as solids, liquids or gases

Horizon - A term used in seismic interpretation to identify the signal reflected from a particular layer of rock

Intraformational - existing within a geological formation, for example a single shale bed in an alternating sequence of sands and shales may be an intraformational seal

Lacustrine - sediments deposited in a lake environment

Lead - Inferred geologic feature or structural pattern requiring further investigation

Limestone - A rock composed of calcium carbonate

M (m) - thousand

Mature (source) - The condition, caused by pressure, temperature and time, in which organic matter in a potential source rock will be converted to hydrocarbons

mD - milliDarcies, a measurement of permeability. A milliDarcy is one one-thousandth of one Darcy which is a standard unit of permeability

Migration - The movement of hydrocarbons from regions of higher to lower pressure

MMBBL (mmbbl) - Millions of barrels

Mudstones - A term now applied to shales including clay, silt, siltstone, claystone and argillite. Part of a general classification of the three common forms of sedimentary rocks into mudstones, sandstones and limestones

Palaeozoic - The geological time period approximately 600 to 230 million years ago

Permeability - A measure of the capacity of rock or stratum to allow water or other fluids such as oil to pass through it

Petroleum system - The set of geological conditions which give rise to petroleum accumulations

Prospect - A feature thought to be sufficiently defined to warrant the drilling of a well either without the necessity of further investigation or following more detailed seismic surveys

Radiometric anomalies - A localised pattern of gamma-ray radiation which differs substantially from the geological background of the area under study. The anomaly may be observed in the responses of any of three elements, Potassium (K), Uranium (U) and Thorium (Th), or in the Total Count measured by a gamma-ray spectrometer.

Recoverable oil - An estimated measure of the total amount of oil which could be brought to the surface from a given reservoir; this is usually less than 50% of the estimated oil in place and commonly in the 20% to 40% range

Reserves - Reserves are those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. Reserves are categorised into two principle classifications, proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability

Reservoir - Pervious and porous rocks (usually sandstone, limestone or dolomite) capable of containing significant quantities of hydrocarbons

Residual Oil - That oil remaining in a structure after the then oil in place has migrated out of the structure: of no commercial value

Risk - An expression of certainty or uncertainty often relating to the presence of principal geological factors controlling oil accumulations

Sandstone - A sedimentary rock composed predominantly of sand sized grains, usually quartz

Seal - An impermeable rock (usually claystone or shale) that prevents the passage of hydrocarbons

Sediment - Solid material, whether mineral or organic, which has been moved from its position of origin and redeposited

Shale - A claystone exhibiting a finely laminated structure

Silt/siltstone - Rock intermediate in texture and grain size between sandstone and claystone

Source rocks - Rocks (usually shales, claystone or coal) that have generated or are in the process of generating significant quantities of hydrocarbons

Spill point/Structural spill point - The lowest closing contour in a trap below which hydrocarbons are no longer retained

Stratigraphy - The study of stratified rocks, especially their age, correlation and character

Structure - Deformed sedimentary rocks, where the resultant bed configuration is such as to form a trap for migrating hydrocarbons

T - Trillion (10^{12})

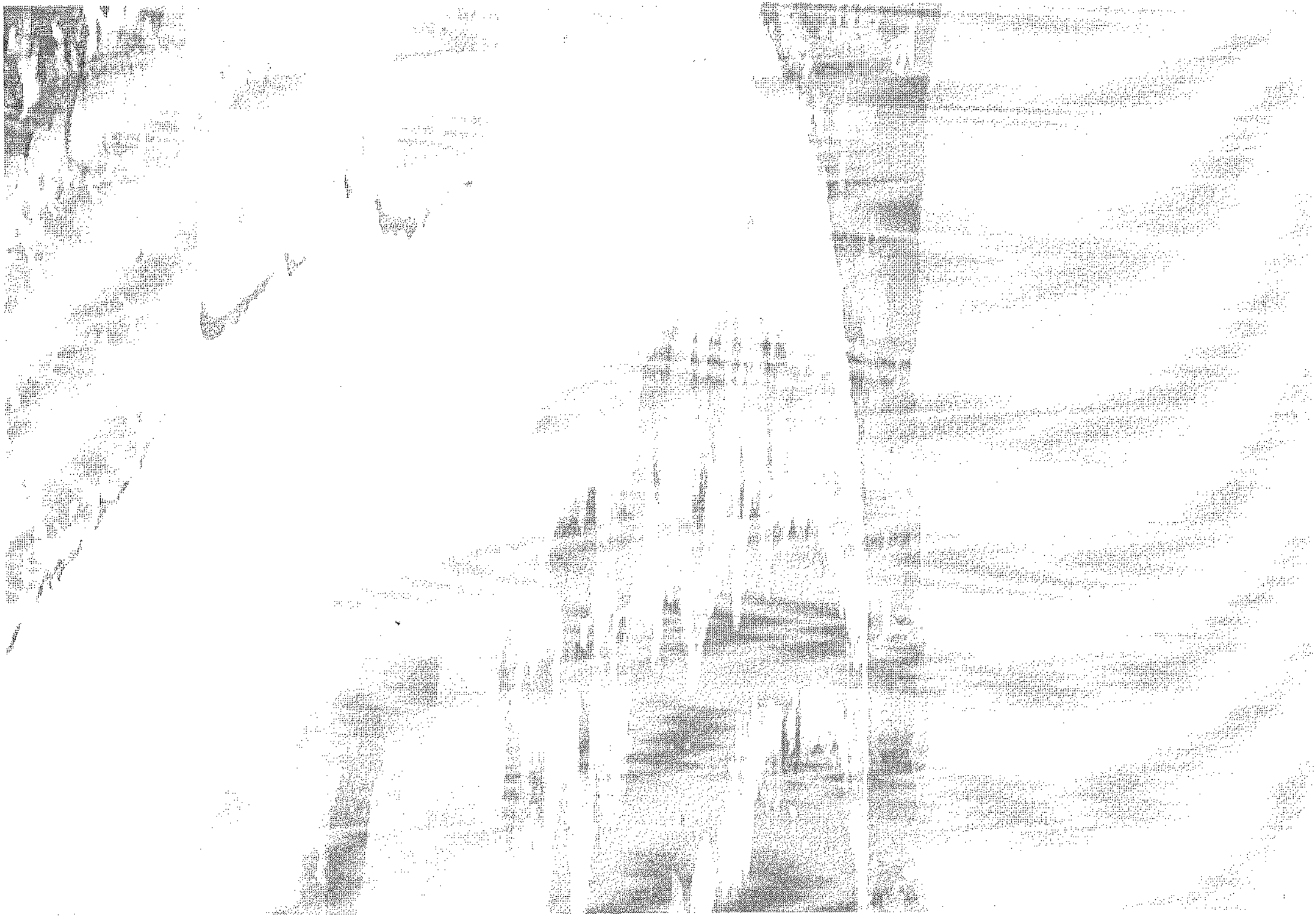
TCF - Trillion cubic feet

Trap - A body of reservoir rock, vertically or laterally sealed, the attitude of which allows it to retain the hydrocarbons that have migrated into it

Tectonic - Descriptive of all movements of the Earth's crust caused by directed pressures, and the results of these movements

Trend - A strike direction of a geological feature

TWT - Two way time



Gippsland Offshore Petroleum Limited

ACN 111 418 270

OFFER CLOSES 15 DECEMBER 2004

Registry Use Only

Broker Code

Adviser Code

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

A I/we apply for

Minimum required

Number of Shares in Gippsland Offshore Petroleum Limited. You must apply for a minimum of 10,000 Shares at $0.20 per Share. There is no maximum limit. (Every 2 Shares will be accompanied by 1 Option at no cost, exercisable at 20 cents each on or before 30 November 2006).

B I/we lodge full Application Money at 20 cents per share

A$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - include State and Postcode

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

E Enter your contact details

Contact Name | Telephone Number - Business Hours / After Hours

( )

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to "Gippsland Offshore Petroleum Limited"

G

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

How to complete this form

A Shares and Options Applied for

Enter the number of Shares and Options you wish to apply for. The application must be for a minimum of 10,000 Shares. Every 2 Shares will be accompanied by 1 Option at no cost, exercisable at 20 cents each on or before 30 November 2006.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share (20 cents).

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHESS

Gippsland Offshore Petroleum Limited (the Company) will apply to the ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESS, the company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares and Options allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares and Options allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to "Gippsland Offshore Petroleum Limited" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares and Options in Gippsland Offshore Petroleum Limited is upon and subject to the terms of the prospectus and the Constitution of Gippsland Offshore Petroleum Limited, agrees to take any number of Shares and Options that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Melbourne office of Computershare Investor Services Pty Limited by no later than 5pm Melbourne time on 15 December 2004. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 8060

OR

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 308 627.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares and Options. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund