BEACH PETROLEUM

12 August 2005

Ref: #178/05

The Manager, Companies
Australian Stock Exchange Ltd
Companies Announcement Office
Electronic Lodgement System

Dear Sir,

ANNOUNCEMENT TO ASX

BEACH PETROLEUM LIMITED
EXERCISES ITS PRE-EMPTIVE RIGHTS

The Directors of Beach Petroleum Limited ("Beach" or the "Company") are pleased to announce that the Company has exercised its pre-emptive right to acquire a further 12.5% interest in VIC/RLs 6, 9 &10, which contain the Basker, Manta and Gummy oil and gas fields ("BMG") from Anzon Australia Limited. The terms associated with the acquisition of the 12.5% interest are:

1. An immediate cash payment of A$30 million.
2. Second cash payment of A$9 million on or before 10 January 2006.
3. Bonus payment for oil production during the first three years of the oil development with terms defined such that depending on the prevailing oil price the total bonus payment could be between zero and A$6.0 million over the three year period. (Bonus payments will become due if oil prices exceed US$50, 45 and 45 in the three initial years of production to a maximum of US$2.50 per barrel, attributable to the 12.5% interest.)
4. An optional premium for the gas development of 2.5% of the first A$100 million of capital expenditure spent after the decision is made to develop the Manta and Gummy fields for gas production.

Accordingly, the BMG Joint Venture will now have the following ownership structure:

Anzon Australia Limited (Operator)	62.5%
Beach Petroleum Limited	37.5%

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Under the terms of its previous farmin arrangement with Anzon, Beach retains a right to acquire a further 12.5% in the BMG Joint Venture.

Basker-2 is expected to spud in the next 48 hours, with drilling and completion of the well anticipated to take approximately one month. The Joint Venture then intends to connect the well for Extended Production Testing (EPT) through the *Crystal Ocean* FPSO (Floating Production, Storage and Offtake vessel) with oil to be transferred to the 650,000 barrel capacity *Basker Spirit* tanker for storage and subsequent sale. Full regulatory approval for the EPT has now been received.

Yours faithfully,

Reg Nelson
Managing Director, FAusIMM