



ASX RELEASE – 14 DECEMBER 2010

JACK-UP RIG ACQUISITION – FUNDING UPDATE

Buccaneer Energy Limited (“Buccaneer” or “the Company”) advises that due diligence investigations by the Alaskan Industrial and Development Export Authority (“AIDEA”) in respect to AIDEA making a direct equity participation with the Company’s wholly owned subsidiary Kenai Offshore Ventures, LLC (“Kenai Offshore”) continue to progress.

The Company has made a decision to expand the business plan of Kenai Offshore so as to allow for the possibility that the proposed jack-up rig could also be used as a primary drilling rig for anticipated drilling operations by multi-national companies in the Chukchi Sea, and/or Beaufort Sea located offshore the North Slope, Alaska (see attached map) or as a relief rig (which could become a requirement under new OCS regulations). This business plan alteration opens significant drilling opportunity to Kenai Offshore, but directly impacts the use of the Recovery Zone Facility Bonds (RZFBs).

A key term of RZFBs is that assets acquired from the proceeds of their issue can only be used within a recovery zone, in this case the Kenai Borough. Expansion of the business base for the rig into the Chukchi Sea and/or Beaufort Sea, or making it available for use for relief operations would result in the rig operating outside the recovery zone. These operations outside the recovery zone preclude the use of RZFBs.

To allow time to incorporate this new requirement into Kenai Offshore’s business plan and consequently the report being prepared by the independent consultant, the AIDEA board are now expected to meet in mid January 2011 to consider and vote on the proposed investment.

The AIDEA board continues to be interested in bringing a jack-up rig to Cook Inlet, which interest includes AIDEA’s possible participation in the acquisition.

The Company is working with its advisors, including Key Banc Capital Markets, in respect to structuring the Senior Debt portion of the acquisition funding to replace the RZFBs with alternative bond or other investment vehicles. The tax exempt advantage of the RZFBs is not a major consideration in the investment decision with the difference in costs associated with using non tax exempt debt not being material.



For further information please contact Dean Gallegos on 0416 220 007 or 02 9233 2520, alternatively visit the Company's website at www.buccenergy.com.

Yours faithfully
BUCCANEER ENERGY LIMITED

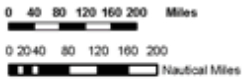
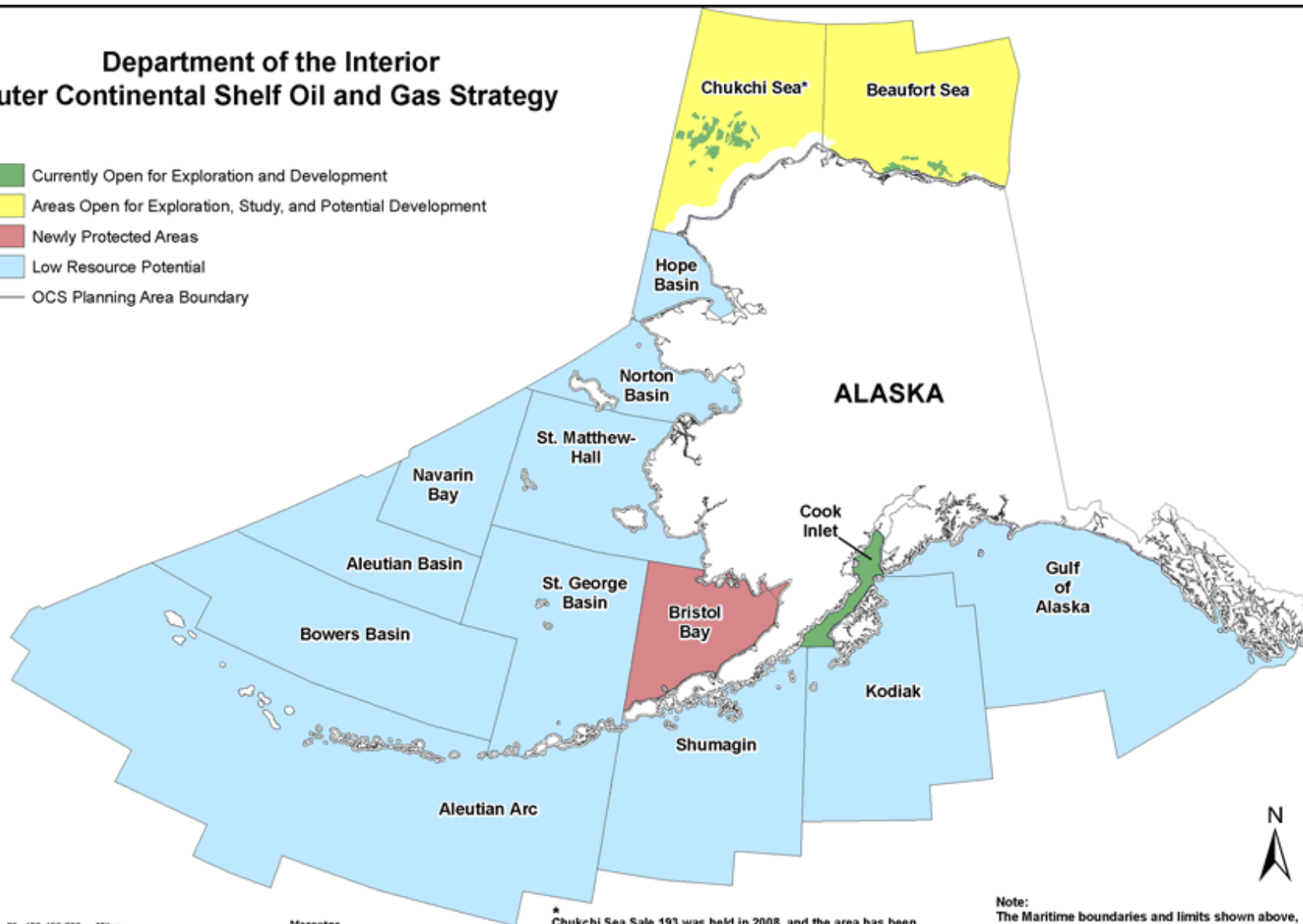
A handwritten signature in black ink, appearing to read 'D Gallegos', with a small dot at the end.

Mr Dean Gallegos
Director



Department of the Interior Outer Continental Shelf Oil and Gas Strategy

- Currently Open for Exploration and Development
- Areas Open for Exploration, Study, and Potential Development
- Newly Protected Areas
- Low Resource Potential
- OCS Planning Area Boundary



Mercator
North American Datum 1983

* Chukchi Sea Sale 193 was held in 2008, and the area has been designated for study in the next 5-year EIS, but there are no further Chukchi sales on the current 5-year schedule.

Note:
The Maritime boundaries and limits shown above, as well as the division between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.

