

ASX RELEASE – 1 SEPTEMBER 2011

## ACQUISITION OF JACK-UP RIG – BINDING CONTRACT EXECUTED

### HIGHLIGHTS

- **Binding contracts executed to acquire GSF Adriatic XI offshore jack-up rig**
- **Complete acquisition by 25 October 2011**
- **Offshore drilling in Cook Inlet expected to commence in early 2012**

### GSF Adriatic XI Acquisition

Buccaneer Energy Limited (“**Buccaneer**” or “**the Company**”) is pleased to advise that its subsidiary Kenai Offshore Ventures, LLC (“**KOV**”) has executed a binding Purchase Agreement with Transocean Offshore Resources Limited, a subsidiary of Switzerland-based Transocean Limited, to acquire the GSF Adriatic XI offshore jack-up rig (“**Rig**”). The total purchase price is US\$68.5 million.

Settlement of the purchase is scheduled to take place between 30 September 2011 and 25 October 2011. Upon settlement, the Rig will immediately be transported to an Asian based shipyard to undergo modifications to enable operations in the Cook Inlet, Alaska. KOV is in the process of finalising modification and mobilisation budgets.

It is anticipated that the Rig will arrive in the Cook Inlet for the 2012 drilling season in April / May 2012.

Buccaneer anticipates contracting day to day operation of the Rig out to an established rig operator, additionally senior members of Buccaneer’s existing management team have direct jack-up rig operating experience.

### GSF Adriatic XI Jack-up Rig

The GSF Adriatic XI jack-up rig is a Marathon LeTourneau 116-C jack-up rig. It was first constructed in 1982. The Rig was upgraded in 2004.

The Rig has been “cold-stacked” in Malaysia since September 2009 due to a lack of drilling commitments. KOV and its advisors have already completed two inspections of the Rig whilst cold stacked and consider the Rig to be in good condition.

Shipyards work to be undertaken in the second half of 2011 and early 2012 to the Rig include:

- Bringing the Rig back into operation after being cold-stacked;
- Improvements to the accommodation quarters; and
- Modifications to “winterise” the Rig for Alaskan conditions.

The work will not include any significant structural work.

### **GSF Adriatic XI Capabilities**

The GSF Adriatic XI jack-up rig was selected through a global search process. Its existing capabilities make it suitable for most water depths that exist in the Cook Inlet and northern Alaskan waters.

These capabilities include:

- Operate in water depths up to 300 feet;
- Constructed of  $-10^{\circ}$  Celsius rated steel allowing it to work safely in the wide environmental envelope that exists in the Arctic including the Chukchi and Beaufort Sea which are located offshore the North Slope;
- Two (2) sets of blow out protectors (“**BOPs**”), both 10,000 and 15,000 PSI, giving it capacity to drill high pressure horizons that exist in the Cook Inlet;
- Cantilever beam extensions that enhance its ability to work over existing platforms in the Cook Inlet to undertake drilling and repair operations; and
- Four (4) cranes and a high variable deck load rating of 8,300 KLBS which enable it to operate with extra equipment and materials onboard should support services be limited.

### **Initial Work Program**

Buccaneer will have the first right of refusal with KOV to utilise the Rig until 31 December 2014 and Buccaneer will commit to drill a minimum of 4 wells in the Cook Inlet using the Rig.

The first well to be drilled by the Adriatic XI will be located on Buccaneer’s 100% owned Southern Cross project where Netherland, Sewell & Associates have estimated Proven & Probable (2P) Reserve of 12.7 MMBOE and additional P50 Resource of 14.7 MMBOE.

The Southern Cross project is in approximately 50 feet of water with no unusual technical hurdles to drill and develop. Southern Cross is within 5 miles of four significant oil and gas fields with a combined production of 1.1 Billion BO and over 550 BCF of gas.

Buccaneer’s initial test will offset several wells on its leasehold that tested oil and gas but were never produced. Buccaneer’s first well is approximately 300 feet from the Pan Am 17595 # 3 (circa 1960’s) which tested 230 feet oil and 1080 feet of mud cut oil from the Lower Tyonek and 165 feet of oil from the Hemlock.

It will also be structurally high to the Pan Am 17595 # 2 (circa 1960’s) which tested the Lower Hemlock and recovered gas to the surface followed by fluid from which 990 feet of clean oil was recovered. Other wells on the lease tested gas from the Upper Tyonek. Buccaneer’s well will be within the demonstrated hydrocarbon column for this area.

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## Financing

KOV anticipates that the total budget to acquire, modify and mobilise the Rig to the Cook Inlet will be approximately US\$86.5 million.

KOV expects the funding to be sourced from:

	<b>Amount – US\$M</b>
Kenai Offshore Ventures, LLC (“ <b>KOV</b> ”)	\$6.85 M
Alaska Industrial Development and Export Authority (“ <b>AIDEA</b> ”)	\$24.0 - \$30.0 M
Senior Debt Facility	\$50.0 - \$56.0 M

Buccaneer Energy owns a 50% direct interest in KOV with its 50% joint venture partner being Singaporean based Ezion Holdings Limited (“**Ezion**”) with each funding an equal 50% of the required US\$6.85 million deposit.

The Joint Ownership Agreement (“**JOA**”) with AIDEA was executed with AIDEA on the 2 June 2011. Under the JOA, AIDEA will invest US\$24.0 - US\$30.0 million in the form of Preferred Interest in KOV subject to a series of conditions precedents (“**CPs**”) being met.

In addition, KOV has separately received a credit approved term sheet from an Asian based international bank to provide a Senior Debt Facility of between US\$50 – US\$56 million. Final loan documentation is now in the process of being finalised.

KOV anticipates satisfaction of all CP’s for both the Senior Debt Facility and AIDEA by late September 2011. The total amount of finance being sourced under the Senior Debt facility and AIDEA will not exceed in aggregate US\$80.0 million. Further details of the financing terms will be announced upon the completion of the acquisition.

## Pathway to unlocking value in offshore Alaska

Jun 11	✓	Senior Debt Facility Term Sheet
Jun 11	✓	Joint Ownership Agreement with AIDEA
Aug 11	✓	Binding contracts executed for acquisition of Adriatic XI Rig
Sep 11	○	<i>Satisfying Conditions Precedents</i>
Oct 11	○	<i>Acquisition settlement and Rig delivery</i>
Oct 11	○	<i>Shipyard modifications commences</i>
Mar 12	○	<i>Mobilisation to Cook Inlet</i>
Apr/ May 12	○	<i>Drilling commences at Southern Cross Project Cook Inlet Alaska</i>



## Commentary

Director of Buccaneer Energy, Dean Gallegos said:

*"This is another major milestone for Buccaneer.*

*In order to drill the first well at its 100% owned Southern Cross Project in April/May 2012 a jack-up rig was required. Since no suitable rig was available forming KOV and sourcing the funding has been a priority for the Company. Netherland, Sewell & Associates has estimated 73.3 MMBOE in combined 2P Reserves and P50 Resources to the Company's two offshore Cook Inlet projects.*

*The acquisition of the Adriatic XI jack up rig begins the process of unlocking the substantial value in the Company's offshore Alaskan projects."*

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**

### Competent Person Statement

Information contained in this report pertaining to the Alaskan projects was reviewed by Dr. Vijay Bangia, PhD in Petroleum Engineering from the University of Tulsa, who has over 30 years experience including employment by Shell Oil Company, Union Texas Petroleum, Burlington Resources and Renaissance Alaska. Dr. Bangia has approved the inclusion in this report of the technical matters and information herein in the form and context in which it appears.

*For further information please contact Dean Gallegos, Executive Director on 0416 220 007 or 02 9233 2520. Alternatively visit the Company's website at [www.buccenergy.com](http://www.buccenergy.com).*

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### **GSF Adriatic XI**

#### **About Buccaneer**

*Buccaneer Energy Limited is an Australian listed company focused on developing its 100% owned oil & gas assets in Alaska. The Company's flagship projects are a series of onshore and offshore developmental and exploration prospects in Alaska's Cook Inlet.*

*Buccaneer Energy has a 3 pronged cash flow strategy for Alaska:*

- *Developing the 100 % owned Kenai Loop onshore gas project with independently assessed 4.8 MMBOE<sup>1</sup> in 2P Reserves;*
- *Acquiring and operating an Offshore jack-up rig for use by third parties in the Cook Inlet; and*
- *Developing its 100% owned offshore Cook Inlet projects that have independently assessed 73.3 MMBOE in 2P Reserves / P50 Resources using the acquired jack-up rig.*

*Buccaneer Energy has a 50/50 joint venture with Singaporean based Ezion, a leader in the development, ownership and chartering of strategic offshore assets and the Alaskan Industrial Development and Export Authority ("AIDEA") to acquire a jack-up rig capable of drilling in the Cook Inlet. Mobilisation of the jack-up rig into the Cook Inlet is expected in 4Q 2011. The Alaskan Government is supportive of oil and gas in the Cook Inlet. There are a number of fiscal incentive programs for exploration and development in the Cook Inlet.*

*Buccaneer Energy has drilled the onshore Kenai Loop #1 well. The well was tested to have a flow rate of 6 – 8 mmcf/d (750 - 1,000 BOEPD<sup>1</sup>). The field is expected to be in production in late 4Q 2011. The Company is currently drilling the second well at Kenai Loop. Full development of the onshore Kenai Loop field could exceed 10 producing wells.*

*Buccaneer Energy also has major working interests in two producing projects in Texas, USA. Pompano is an offshore gas project located in the Gulf of Mexico, drilled by the Company in 2008 and producing ~1 mmcf/d and has an additional pipeline of 'drill-ready' gas prospects. Lee County is an onshore oil project, currently producing oil.*

<sup>1</sup> Using an Oil to Gas conversion ratio of 8:1