

# NAVIGATOR



THE QUARTERLY NEWSLETTER OF  
BUCCANEER ENERGY LIMITED

## QUARTERLY REPORT MARCH 2012

BUCCANEER ENERGY LIMITED ("BUCCANEER" OR "THE COMPANY") IS PLEASED TO PRESENT ITS QUARTERLY REPORT FOR THE 3 MONTHS TO 31 MARCH 2012.

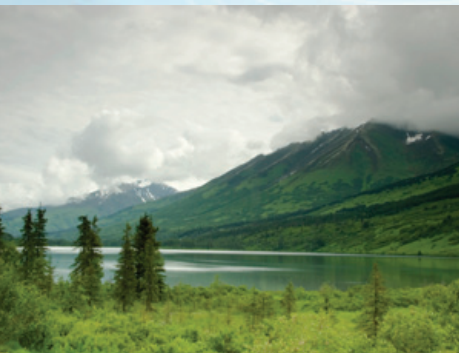
### THE HIGHLIGHTS OF THE QUARTER WERE AS FOLLOWS:

- First production revenue from Kenai Loop
- Completed 3D Seismic at Kenai Loop
- Executed agreement to buy Glacier #1 drilling rig from Marathon Oil Company
- Two key offshore drill permits granted
- Endeavour repairs and modifications progressed
- Raised up to \$8.0 million through issue of Convertible Securities
- Executed a Term Sheet to raise US\$20.0 million in project finance
- Executed agreement to acquire Cosmopolitan project from Pioneer Natural Resources
  - Proven Reserve base increased to 18.0 MMBOE<sup>1</sup>
  - Proven & Probable Reserve based increased to 31.2 MMBOE<sup>1</sup>
  - P50 Resource 60.4 MMBOE

<sup>1</sup>On the basis the cosmopolitan acquisition is completed.

### BUCCANEER ENERGY MISSION STATEMENT

Buccaneer Energy's wholly owned subsidiary Buccaneer Resources is based in Houston, Texas and is an upstream oil and gas company. It specialises in the development and expansion of behind-pipe proved and probable reserves and low-risk exploration plays with growth potential. Buccaneer's growth strategy is focused on the progressive expansion of oil and gas production and reserves by acquiring significant working interests in low-cost, low-risk development properties that possess significant undeveloped upside.





# ENDEAVOUR SPIRIT OF INDEPENDENCE

## KENAI LOOP PROJECT

The Company commenced production from its 100% owned Kenai Loop # 1 well on 14 January 2012 (US time). At the date of this report the well has been on continuous production for approximately ten weeks and is producing at 5.1 million cubic feet per day ("MMCFD") on a 5/64" choke. The performance of the well to this point has been excellent and the Company will seek to increase the choke size and therefore the production rate in the short term.

During the first quarter the Company has sold gas into both the ENSTAR winter daily auction and the ConocoPhillips gas sales contract. The average gas price achieved during that time was US\$6.76 MCF.

The Kenai Loop # 1 well was in production for approximately 65% of the first quarter, revenue from production during the first quarter is estimated to be US\$1.56 million<sup>1</sup>. Approximately US\$1.05 million was received for March 12 production after the end of the quarter.

During the quarter the Company sold gas to both ENSTAR, to meet its winter demand requirements, and to ConocoPhillips to feed its LNG facility located approximately 10 miles north-west of the Kenai Loop project. At the time of this report 100% of the gas being produced from the Kenai Loop # 1 project is being injected into ENSTAR's CINGSA gas storage facility located immediately to the south of Kenai Loop.

The Company's gas sales contract with ENSTAR entails the Company delivering a minimum of 5.0 MMCFD and a maximum of 15.0 MMCFD to ENSTAR on the commencement of the CINGSA facility, at an annual weighted average price of US\$6.24 / MCF.

<sup>1</sup> It is expected that royalties and operational expenses will be equivalent to 20% of gross revenue

### 3D SEISMIC ACQUISITION

The 3D seismic program that commenced in December 2011 was successfully completed during the quarter. Preliminary evaluation of the quality of the data is very positive and we are looking forward to the results of the 3D seismic processing now in progress. As an exploration expense, up to 65% of the costs associated with the seismic program will be covered by the ACES program through the State of Alaska.

The seismic covered a total of 23.4 square miles and includes the full 9,308 acre (14.5 square miles) lease position on the Company's 100% owned Kenai Loop project located onshore Cook Inlet, Alaska. The final coverage was slightly smaller than the planned 25 square mile program due to some wetland restricted areas but well within our design to properly image our targeted productive horizons.





The 3D seismic was designed to provide high resolution structural and stratigraphic imaging down to 20,000' below surface. This will allow for the further development of the Company's discovery and the assessment of exploratory oil and gas opportunities in the Tyonek and Hemlock formations below the producing formations in the Kenai Loop # 1 gas discovery well.

The Company used the Weems-Global Nodal GPS system which eliminated the need for seismic cables and allowed Buccaneer to record seismic data from over 2,000 plus geophones for each shot.

Data from the 3D seismic is currently being processed and is expected to be completed in the middle of May. On completion the data will be mapped and analysed for geophysical locations of prospective hydrocarbon anomalies. This data will then be integrated into the Company's geological models and used to determine the next well locations in the Kenai Loop area.

The access to modern 3D seismic will be a significant enhancement to the current available 2D seismic that was acquired in the 1970's.

### OF THE GLACIER # 1 RIG

The Company has executed a purchase agreement with Glacier Drilling Company, a wholly owned subsidiary of the Marathon Oil Company ("Marathon"), to acquire the Glacier Drilling Rig # 1 ("Glacier Rig").

The purchase price is US\$7.5 million and the acquisition is scheduled to settle on 7 June 2012 (US time) and will be funded from proceeds from the \$US20.0 million project finance facility that is currently being finalised.

The Glacier Rig is a Mesa 1000 carrier mounted land drilling rig. It was built in 2000 and can drill to depths of approximately 12,000'. The rig is unique in that it was designed and built with the input of the drillers that would operate the rig on the Kenai Peninsula, Alaska. Glacier Rig was designed to operate close to neighborhoods on Alaska's Kenai Peninsula. The small size is ideal for pad drilling, minimizing the drilling footprint and impact to its surroundings.

The Glacier Rig was used to drill both of the Company's Kenai Loop wells in 2011 and the Company considers its acquisition as an important development in its ability to develop its onshore projects. The Company expects that there will be high demand for the Glacier Rig from other lease operators in the area and has already taken enquiries in respect to leasing.



GLACIER # 1 RIG



## ACQUISITION OF COSMOPOLITAN PROJECT

In early February 2012 the Company executed a Purchase and Sale Agreement for the acquisition of the two main productive leases in the former Cosmopolitan Unit ("Cosmo") from Pioneer Natural Resources Alaska, Inc. ("Pioneer"). Cosmo is an undeveloped oil and gas field located in 50 feet of water in the Cook Inlet of Alaska and is in close proximity to the shoreline at Anchor Point on the Kenai Peninsula. Cosmo has regional proximity to Buccaneer's other Alaskan assets and will utilise the capabilities of the Endeavour rig during the northern hemisphere winter.

The acquisition is being jointly made with privately owned Fort Worth, Texas based BlueCrest Energy II, LP ("BlueCrest") with Buccaneer acquiring a 25% working interest and BlueCrest a 75% working interest, with Buccaneer to assume operatorship of the project.

The strong interest in the region, which contains the Cosmo project, is demonstrated by Apache Corporation acquiring leases surrounding and adjoining the leases near Cosmo during the last State lease sale conducted in June 2011.

## RESERVE INCREASE

As part of its due diligence on Cosmo, Buccaneer and BlueCrest engaged respected consulting firm Ralph E Davis to conduct an independent reserve estimate on the project. The 2P Reserves of Cosmo increase Buccaneer's independently assessed Alaskan 2P Reserves from 17.5 million barrels of oil equivalent ("MMBOE") to 31.3 MMBOE, a significant increase of 79%.

## COSMO RESERVES ESTIMATES

	Proven (1P)	Proven + Probable (2P)	Proven + Probable + Possible (3P)
Gas - BCF	-	90.0	179.0
Oil - MMBO	31.0	44.0	70.0
Oil Equivalent MMBOE <sup>1</sup>	31.0	55.2	92.4
Net to Buccaneer 25.0% Working Interest	7.8	13.8	23.1

<sup>1</sup> Gas to Oil conversion using a Gas to Oil ratio of 8:1

These Reserves estimates for the Cosmo project are supported by drilling, production testing and 3D seismic.



## PRELIMINARY DEVELOPMENT PLANS

Development of the Cosmo project involves two separate plans:

- A shallow gas development (3,000 – 4,000 feet) to be drilled with a jack-up rig; and
- A deeper oil development (6,000 – 8,000 feet) that can be exploited using directionally drilled wells from the shoreline.

An offshore well using the Endeavour jack-up rig is planned for late 2012 that will further quantify both the oil and gas zones of the project.

Development of the Cosmo project will begin in the northern hemisphere winter of 2012 and continue through to 2014. The preliminary development plan includes drilling and producing oil wells from the existing onshore production site and drilling offshore water injection wells for reservoir pressure maintenance.

Separately, offshore gas wells will be drilled and tied back to the existing onshore site which will be connected to ENSTAR's recently completed gas transportation line.

## INCREASED JACK-UP RIG UTILISATION IMPROVES ECONOMICS

The acquisition will allow the use of the Endeavour jack-up rig to provide a more efficient development plan than was previously available to Pioneer. Without access to a jack-up rig, all wells, including water injection wells needed to be drilled as long reach directional wells from onshore. Further, the shallower gas reserves could only be reached by an offshore drilling program that will utilise the Endeavour. Utilisation of the Endeavour jack-up rig materially improves the economic parameters of the overall project.

The Cosmo project is located in the southern part of the Cook Inlet which is free of ice flows during winter. Cosmo will provide a winter operational location for the Endeavour jack-up rig to utilise the rig when ice flows in the northern part of the Cook Inlet preclude drilling during the November – March period.

This provides several years of winter drilling business and is expected to materially improve the profitability of the Company's offshore drilling division which was previously based on a 240 day drilling season.

The acquisition is due to settle in late June 2012, with commercial terms remaining confidential.



## OFFSHORE PERMITTING PROGRESSED

During the quarter two key permits were granted for oil and gas exploration operations at the Southern Cross and North West Cook Inlet Units, both of these are located offshore in the Cook Inlet, Alaska.

The Alaskan Department of Natural Resources (DNR), Division of Oil and Gas, has approved the Unit Plan of Operation, Cook Inlet – Exploratory Drilling Program, which approval authorises exploration activities in state waters within the Cook Inlet.

Additionally, pursuant to the Rivers and Harbours Act of 1899, the U.S. Army Corps of Engineers has issued the required "Section 10 Permit" authorising Buccaneer's use of a jack-up rig in the navigable waters of the Cook Inlet for the planned exploration activities. The Company's Marine mammal Monitoring and Mitigation Plan is incorporated in the Section 10 permit.

The Company's permitting plan was implemented approximately 18 months ago and is on schedule for completion prior to the arrival of the Endeavour – Spirit of Independence jack-up rig in the Cook Inlet.

Securing these required authorisations represents a significant milestone in planning for the Company's 2012 and 2013 offshore Cook Inlet exploration operations, which includes 2 wells at each of the Southern Cross and North West Cook Inlet Unit.

### ENDEAVOUR JACK-UP RIG

In mid December 2011 Kenai Offshore executed a Repair Contract with Keppel FELS Shipyard in Singapore for the repair and modification of the jack-up rig, Endeavour. That work will include:

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

The shipyard work that included the dry dock work upgrades to the accommodation quarters, blasting and painting of surfaces, winterising, and refurbishing of tanks and piping systems is now largely complete.



The dismantling and assessment of the drilling equipment has been completed. Refurbishment work to this drilling equipment is now being completed prior to re-installation and finalisation of the repair and modification program.

This work, when completed, will bring the Endeavour back to full operational capability and capable of drilling in Alaska.

KOV has chosen a heavy lift vessel operator and is currently in final contract negotiation and co-ordination of shipping schedules to transport the Endeavour to the Cook Inlet. Once this contract has been executed the Company will give a more definitive schedule in respect to the arrival of the Endeavour in the Cook Inlet.

### THE ENDEAVOUR JACK-UP RIG

The Endeavour is a Marathon LeTourneau 116-C jack-up rig. First constructed in 1982, it was upgraded in 2004 and has been cold stacked in Malaysia since 2009.

The Endeavour jack-up rig was selected following a rigorous 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:

- The ability to operate in water depths up to 300 feet;
- Constructed of -100 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 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
- 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.



ENDEAVOUR - SPIRIT OF INDEPENDENCE



# ENDEAVOUR SPIRIT OF INDEPENDENCE

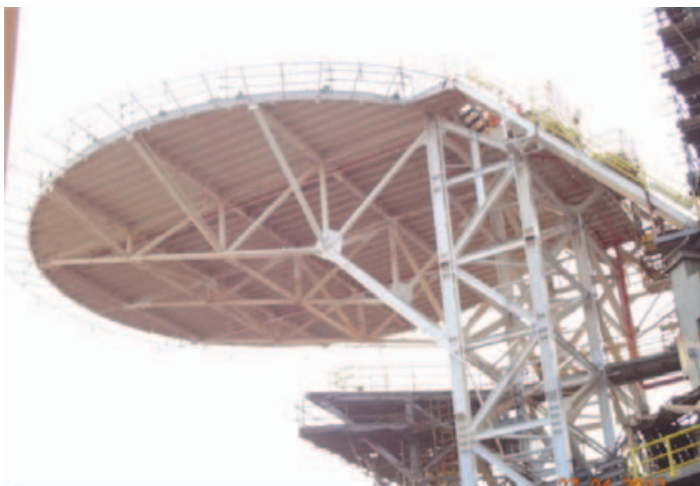
## SHIPYARD IMAGES



HELIDeck AS VIEWED FROM THE WHARF



LIVING QUARTER VIEWED FROM THE PIPES STORAGE DECK



CLOSED UP VIEW OF THE HELIDeck. SOME PARTS HAVE BEEN PAINTED BY KFELs



UNDERNEATH VIEW OF THE HELIDeck



CANTILEVER - DERRICK FLOOR



CANTILEVER SIDE



# ENDEAVOUR SPIRIT OF INDEPENDENCE

## SHIPYARD IMAGES



LEGS AFTER PAINTING- DE-STAGING IN PROGRESS



## RELATED AGREEMENTS

As part of the acquisition Buccaneer's wholly owned subsidiary Kenai Drilling, LLC ("Kenai Drilling") has executed a Bare Boat Charter Agreement with KOV. Kenai Drilling will market the Endeavour to third party operators, with day to day operations of the Endeavour being managed by Archer Drilling under contract.

The Bare Boat Charter commences when the Rig is delivered for operational service in the Cook Inlet, which is expected to be in the second quarter 2012, for a period of 5 years during which Kenai Drilling will pay bare boat charter fees to KOV.

Kenai Drilling's obligations under this charter agreement will be mitigated by the leasing of the Endeavour to third party operators, with whom discussions have already commenced.

The Company also executed the following:

- An Exclusive Use Agreement where Buccaneer is required to use the Rig exclusively; and
- A minimum four well guarantee where Buccaneer is required to drill four wells with the Rig by the end of 2014.

## PROJECT FINANCE FACILITY

In mid April 2012 the Company executed a Term Sheet for a US\$20.0 million project finance facility.

It is anticipated that the financing will proceed by way of a secured note issue by a subsidiary of the Company Buccaneer Alaska, LLC to be guaranteed by the Company and other subsidiaries. This type of funding allows for flexibility and limits dilution. It will also open the door to larger funding facilities in the future.

The Company expects to finalise the negotiation and execution of definitive documentation in the next 14 days. The funds raised from the project finance facility will be used for the following purposes:

- Acquisition of the Glacier # 1 Drilling Rig;
- Vendor payments;
- Transaction expenses; and
- General corporate purposes.





## ISSUE OF CONVERTIBLE SECURITIES

In early February 2012 the Company executed binding agreements to raise a minimum of \$7.6 million and a maximum of \$8.3 million in the form of Convertible Securities from two institutional investors.

The issue is being made under ASX Listing Rule 7.1 with the Convertible Securities being issued in two tranches. Convertible Security A was issued immediately and totalled \$4.5 million. In early May 2012 the Company has the option, but not the obligation, of drawing \$3.25 million - \$4.0 million from Convertible Security B. The Company received ratification of the issue of Convertible Security A and the approval to issue Convertible Security B at a shareholders meeting held on 24 April 2012.

The funds raised from the Convertible Securities will be used, in conjunction with the ACES bridge funding facility put in place in December 2011, to fund:

- Capital expenditures at the Company's Kenai Loop project in the Cook Inlet Alaska;
- Acquisition of a 25% interest in the Cosmopolitan project located offshore Cook Inlet, Alaska; and
- General working capital requirements.

# COOK INLET, ALASKA

During the quarter the Company has been actively progressing its existing Cook Inlet basin projects. The development of the Company's Alaskan leases remains the Company's top priority.



## ONSHORE OPERATIONS

### KENAI LOOP PROJECT

The Kenai Loop Project consists of 9,308 acres and is 100% owned by the Company and has an 82.0% Net Revenue Interest.

### KENAI LOOP RESERVES

Ralph E Davis completed an independent reserve assessment of the Kenai Loop project. Ralph E Davis is a respected consulting firm providing independent reservoir engineering, geological, technical and financial services to the domestic and international energy industry since 1924.

The Company requested that Ralph E Davis review these Reserves after the unsuccessful Kenai Loop # 3 well and they have advised the Company that there is no change to these Reserves.

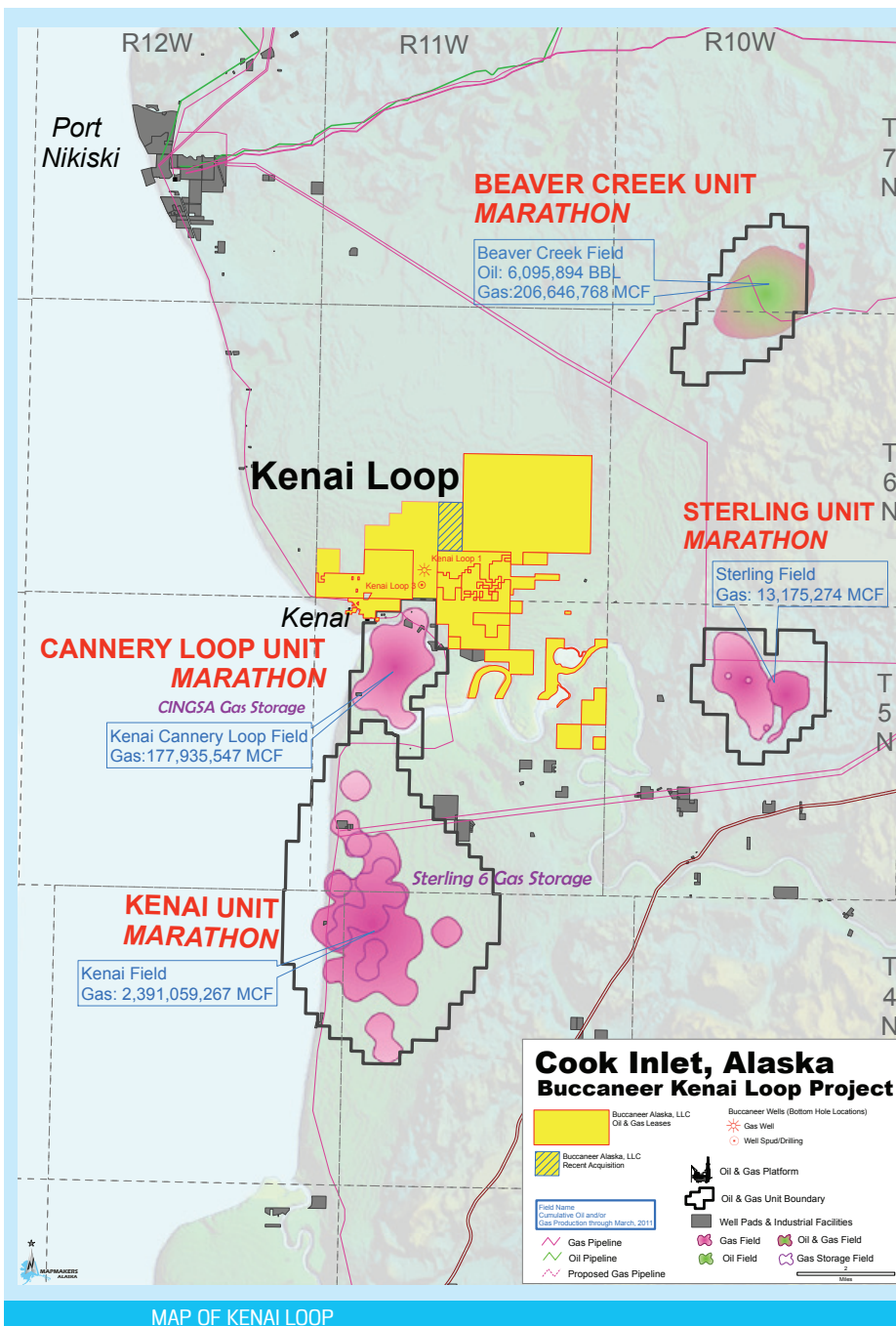
	Proven (1P)	Proven + Probable (2P)	Proven + Probable + Possible (3P)
	31.5	38.3	51.6
Oil Equivalent MMBOE <sup>1</sup>	3.9	4.8	6.5

<sup>1</sup> Gas to Oil conversion using a Gas to Oil ratio of 8:1





The Reserves were calculated using subsurface mapping, pressure and flow rates data attained from Kenai Loop # 1 well. The current Reserves include only two sand packages at 9,700 feet and 10,000 feet. An average drainage area of 340 acres was used to calculate the Reserves and the Company expects that a second well will be required to drain the entire 340 acres. The Company's mapping indicates the two sand packages have a total closure area of 1,600-2,000 acres.



## OFFSHORE RESERVE & RESOURCES

Netherland, Sewell & Associates (NSA), one of the leading US based engineering firms, completed a third party engineering report on the reserves for both North West Cook Inlet and Southern Cross Unit. NSA were chosen to complete this report as they are experienced in the Cook Inlet, having completed reserves estimations for a number of multi-national energy companies that have oil and gas operations offshore in the Cook Inlet of Alaska.

The combined Proven & Probable (2P) Reserve and P50 Resource for the Company's two offshore units totals 73.3 Million barrels of oil equivalent (MMBOE).

### SOUTHERN CROSS UNIT

Buccaneer holds a 100.0% Working Interest in the Southern Cross Unit, the Net Revenue Interest is 80.0%. The Netherland, Sewell & Associates ("NSA") report attributed a Proved + Probable (2P) Reserves of 12.7 million barrels of oil equivalent ("MMBOE") and P50 Resources of 14.7 MMBOE.

#### HIGHLIGHTS

The Southern Cross Unit is in approximately 50' of water with no unusual technical hurdles to drill and develop reserves.

Buccaneer's initial test will offset several wells on its leasehold that tested oil and gas but that 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.

The Company has a 3D seismic survey license over the Southern Cross Unit.





Southern Cross is within 5 miles of four significant oil and gas fields with combined production of 1.08 Billion BO and over 550 BCF of gas.

- Trading Bay Field with production to date of 103 million BO, 73 BCF of gas and 360 thousand barrels of Natural Gas Liquids (NGL);
- McArthur River Field with production to date of 630 million BO, 261 BCF of gas and 9 million barrels of NGL;
- Middle Ground Shoal Field with production to date of 198 million BO and 93 BCF of gas; and.
- South Granite Point Field with production to date of 147 million BO and 131 BCF of gas.

## RESERVES

Prospect	Proven (1P)		Proven + Probable (2P)		Proven + Probable + Possible (3P)	
	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)
Tyonek	3.4	0.5	7.2	6.7	13.5	16.4
Hemlock	1.2	9.2	2.8	9.8	6.0	11.1
Total	4.6	9.7	10.0	16.5	19.5	27.4
MMBOE* <sup>1</sup> Gross to 100% Working Interest	6.3		12.7		24.1	

\* Million barrels of oil equivalent

<sup>1</sup> Natural Gas has been converted to oil using a Gas to Oil ratio of 6:1

Oil makes up approximately 78% of the 2P Reserves.

## RESOURCES

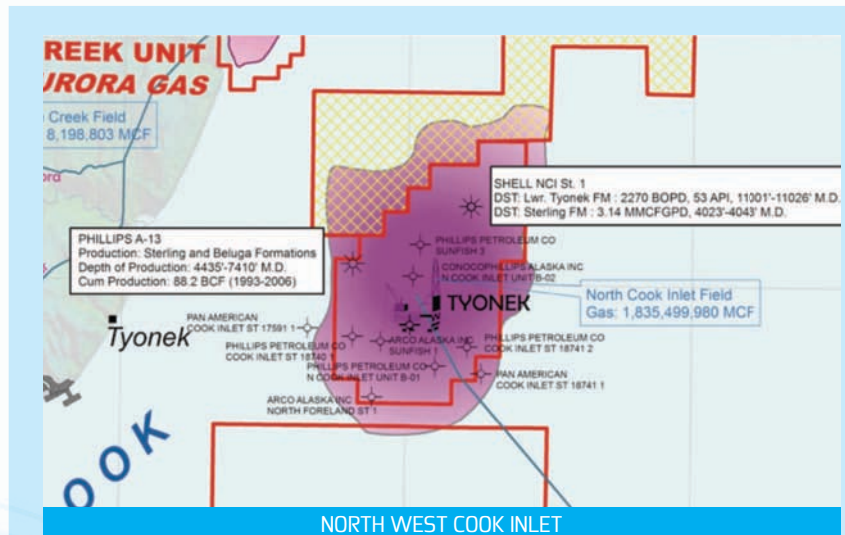
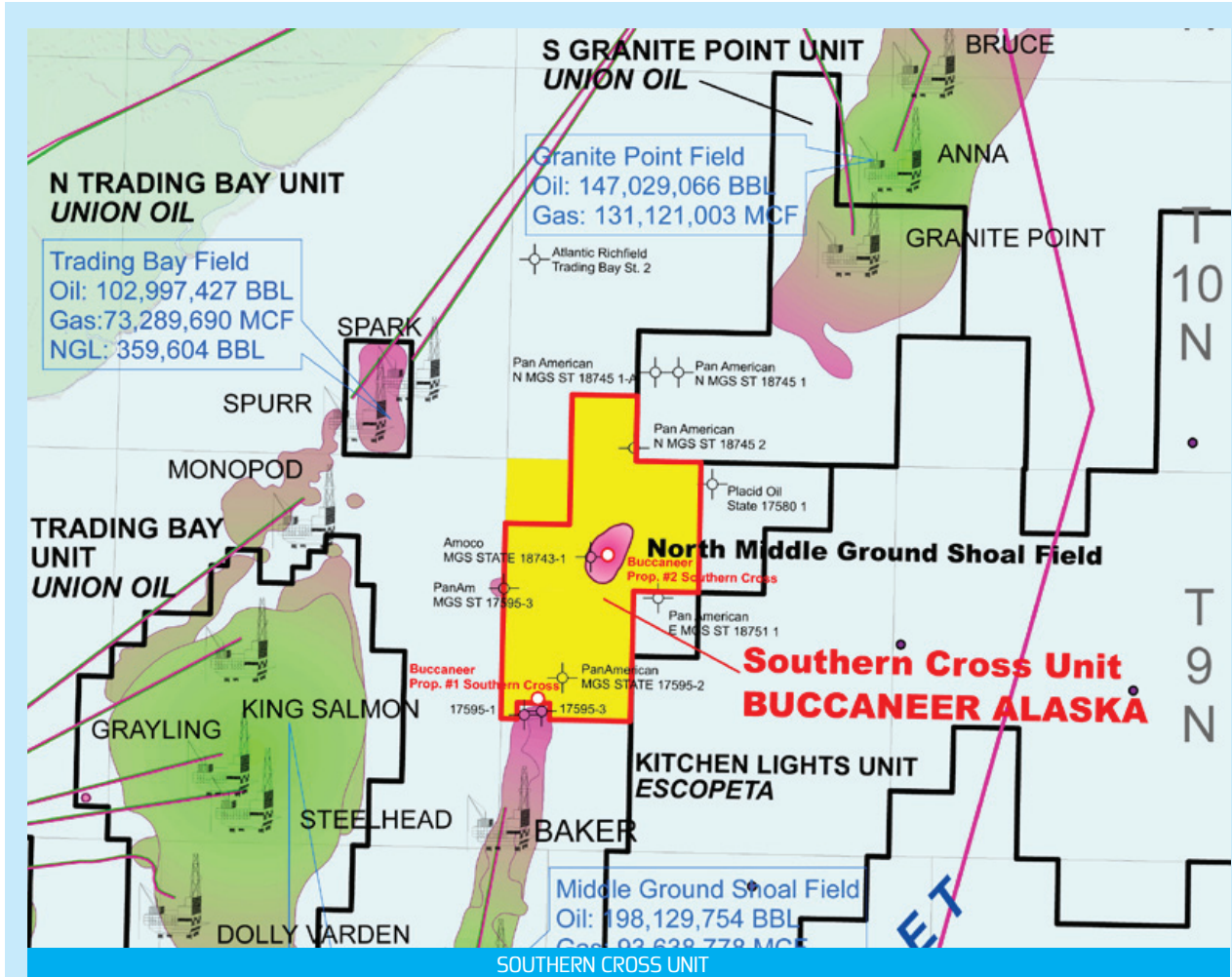
The following Prospective Resources reflect the Company's Working Interest in Southern Cross Unit. Buccaneer holds a 100.0% Working Interest in the project, the Net Revenue Interest is 80.0%:

Prospective Resource	Low Estimate (P90)		Best Estimate (P50)		High Estimate (P10)		Mean	
	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)
Tyonek	3.2	1.2	8.9	3.3	23.7	9.0	11.6	4.4
Hemlock	1.2	0.5	4.9	1.9	18.0	6.9	7.6	2.9
Total	4.4	1.7	13.8	5.2	41.7	15.9	19.2	7.3
MMBOE* <sup>1</sup> Gross to 100% Working Interest	4.7		14.7		44.3		20.4	

\* Million barrels of oil equivalent

<sup>1</sup> Natural Gas has been converted to oil using a Gas to Oil ratio of 6:1

Oil makes up approximately 94% of the P50 Resource. These resources will be produced through the same facilities constructed for the 3P reserve base detailed above, thus will have a lower incremental development cost.







## NORTH WEST COOK INLET UNIT

The following Prospective Resources reflect the Company's Working Interest in North West Cook Inlet. Buccaneer holds an 87.5% - 100.0% Working Interest in the project, with an average 98.2% Working Interest and average Net Revenue Interest of 78.6%.

### NORTH WEST COOK INLET - NETHERLAND SEWELL RESOURCES

Prospect	Low Estimate		Best Estimate		High Estimate		Mean	
	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)
Beluga	0.0	48.9	0.0	172.5	0.0	339.0	0.0	186.3
Sunfish	3.1	3.0	7.8	7.4	14.6	13.8	8.4	8.0
Tyonek Channel	4.0	3.8	7.7	7.3	13.0	12.3	8.2	7.8
MMBOE* Gross to 100% Working Interest	16.4		46.7		88.5		50.3	
MMBOE* Net to Buccaneer Working Interest	16.1		45.9		86.9		49.4	

\* million barrels of oil equivalent

## NORTH WEST COOK INLET – HIGHLIGHTS

The North West Cook Inlet project is in approximately 100' water depth with no unusual technical hurdles to drill and develop.

- The lease adjoins ConocoPhillips North Cook Inlet field that is in production and has produced 1.8 trillion cubic feet (TCF) of gas.
- The Company's lease offsets an earlier well drilled in the western portion of the North Cook Inlet Field (ConocoPhillips) that produced 85 BCF of gas (Phillips # A-13), this well is less than 1 mile from the lease boundary.
- The majority of production from the North Cook Inlet field has come from the Sterling sands which are above 6,000' in depth. The slightly deeper Beluga Formation will also be gas bearing and should be mostly or totally un-drained in the north-western portion of the structure which makes up the Northwest Cook Inlet Prospect.
- The Prospect also presents a deeper oil opportunity. Field discovery wells tested oil in the Lower Tyonek and Hemlock Formations that have never been produced in the field and that would require a deeper, 14,000 foot exploratory test.
- Five wells drilled by Phillips, Shell, and Arco found the deeper oil sands. The Shell well is the most northerly of these tests, and it found and tested oil at the rate of 2,270 barrels of oil per day from these sands, and is approximately 1 mile from the Prospect. This deeper oil potential was never produced.

# ONSHORE EXPLORATION PROJECTS - ALASKA

## ALASKA

### WEST EAGLE PROSPECT

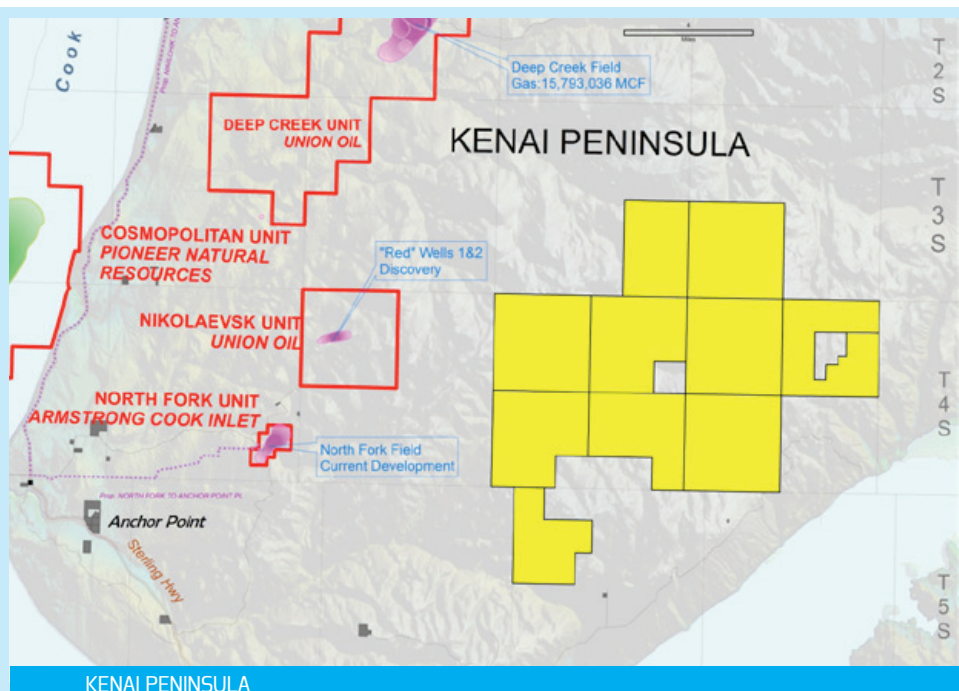
2D seismic has been purchased covering the prospect area and is currently being re-processed so as to better define drilling locations.

As part of its lease obligations the Company is required to spud the first well on the lease position by in the third quarter 2012.

The West Eagle Prospect includes 12 State Leases totalling more than 52,044 acres and is on the eastern limb of the Cook Inlet Basin. The Prospect is designed to test potential oil on trend or slightly down-dip to, possible, logged oil pay in wells drilled in the 1960's. In such a position, the sands should be thicker and better developed and on the migration pathway of any oil moving into the structure. The Company has a 100% working interest in these leases.

Gas is also expected in the shallower section. A 10,000' test will be required to test the Tyonek (5,000'; gas potential) through the Hemlock (9,800'; oil potential).

- The exploration potential is significant.
- Approximately 8 miles east of Union Oil's (Chevron) Nikolaevsk/North Fork Gas Unit and 10 miles southeast of the Deep Creek Gas Unit.
- The exploratory P10 gas reserves are approximately 330 BCF within the Tyonek Formation. The P50 reserves are 100 BCF. The exploratory P10 oil reserves are approximately 47 MMBO within the Hemlock Formation. The P50 reserves are 10 MMBO.







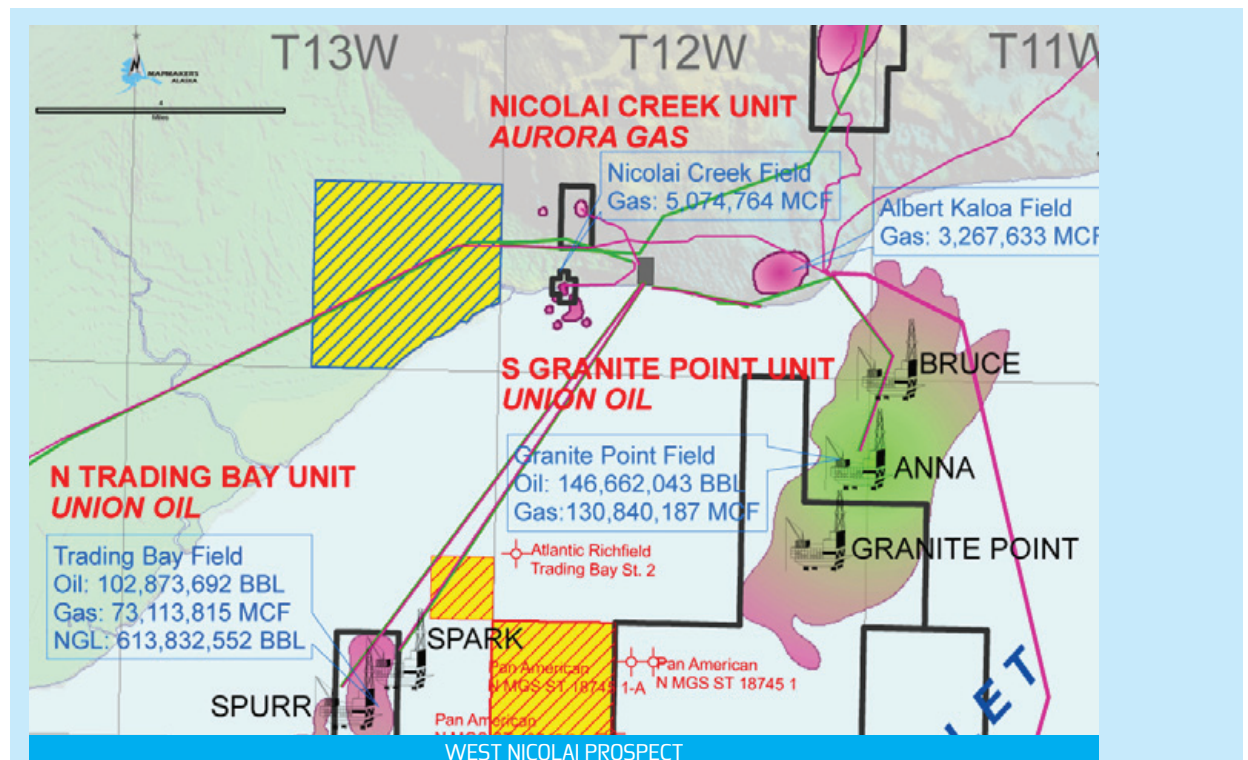
## WEST NICOLAI PROSPECT

A 3-D seismic program for the West Nicolai Prospect was defined during the quarter, and the program is targeted to be shot late this year.

West Nicolai is an onshore lease on the west side of Cook Inlet. Buccaneer has a Working Interest of 100%. The assessed P10 reserves are 25 BCF of gas. The P50 reserves are 14 BCF.

The Prospect includes one State Lease with 5,653 acres and is on the western edge of the Cook Inlet Basin. The 2D seismic data was used to map the lead which has the same productive intervals at depths of 1000 to 3000 feet as the Nicolai Creek Field about two miles to the east.

- Low-cost, high impact onshore gas project
- Analogous to the >10 BCF Nicolai Creek Gas field with multiple stacked pays
- Low development cost – nearly US\$5.0 million per well for drilling and completion. Gas pipeline connection and processing facilities less than 2 miles at Nicolai Creek Gas Field
- Roads and infrastructure close-by
- Other leads on trend to the north.
- Oil lead to the southeast



# LOWER 48 OPERATIONS

## TEXAS OFFSHORE

### POMPANO PROJECT

#### BUCCANEER – 65% WORKING INTEREST

The Pompano Field is located approximately 90 miles southwest of Houston and 30 miles east of Port O'Connor, Texas. It is located 7 miles off the coast in the Gulf of Mexico in approximately 55' of water.

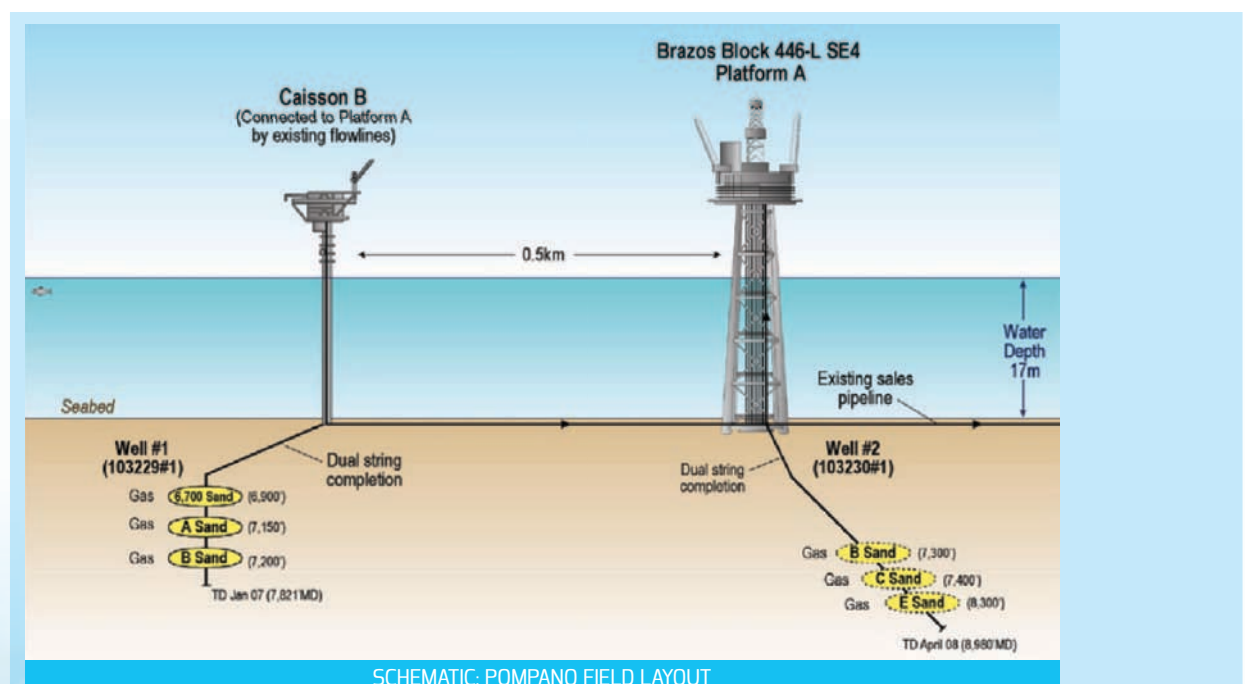
The Pompano project has existing production facilities on place including the following:

- An existing 4-pile production platform with 25 million cubic feet per day of gas production handling capacity and a satellite structure connected by flowlines to the production platform, from which new wells can be drilled, completed and connected to rapidly initiate production and sales; and
- An existing gas gathering pipeline providing immediate access for gas production to the sales market.

These facilities have an independent assessed replacement value of approximately US\$15 million.

### PRODUCTION OPERATIONS

The Company's wells in this field are currently shut in and under evaluation for other intervention or sidetracking operations for additional remaining gas reserves booked for the productive reservoirs in the field. Expenses have been brought to minimum until the best operational plan is determined and natural gas prices in the region warrant further capital expenditure.







## TEXAS ONSHORE

### LEE COUNTY PROJECT

#### BUCCANEER – 52.5% WORKING INTEREST

The Lee County project is located approximately 120 miles northwest of Houston, Texas. The Company holds a 52.5% working interest in Lee County project located in central Texas, USA. The Lee County project holds excellent potential for obtaining significant recoverable amounts of oil and gas, the main target reservoirs are the Austin Chalk, Eagle Ford Shale, Buda, Edwards and Sligo Formations.

The Company has become aware of lease acquisitions adjacent to the Company's Lee County project. The target of these acquisitions is the Eagle Ford Shale which is in the oil zone of the Eagle Ford Shale play.

The Company has drilled 3 wells at Lee County with all 3 wells penetrating the entire Austin Chalk section and two wells have penetrated the entire Eagle Ford Shale section. In all cases the Austin Chalk is oil bearing and the two wells testing the Eagle Ford shale appear to have high oil saturation. To date the Company has chosen to complete wells as Austin Chalk wells.

The Company has completed a small scale (< 1 sq mile) test 3-D seismic over the Alexander lease block. The primary purpose of this test 3D was to determine the cost effectiveness and data quality of 3D in this area. The data have been processed and interpreted with positive results demonstrating relatively low acquisition and processing costs and good data quality. A 3-D covering the entire leasehold will better define both Eagle Ford Shale and Austin Chalk drilling opportunities.

#### ALEXANDER #1 WELL

The Alexander #1 horizontal sidetrack was completed as a pumping oil producer in late September averaging about 60 BOPD and 170 BWPD the first few days after completion. Thereafter, oil production declined and water production increased to about 215 BWPD.

Testing of the water showed that the water being produced from the well was water used as drilling fluid during the sidetrack drilling operation, not Austin Chalk water. We are continuing to pump out the drilling water in the hopes that oil production will increase once all of the drill water lost in the well is pumped out.

#### VICK # A2 WELL

The Vick A #2 well continues to pump about 15 barrels of oil per month and 450 barrels of water per month holding a sizeable lease block.

The Company is determining the parameters for shooting a 3-D seismic survey over the entire lease block, in order to obtain high quality data to better interpret and select other drilling targets and well locations that could increase oil production from the Company's lease block, or support other alternatives for the leasehold interest.

## CORPORATE

### CASH

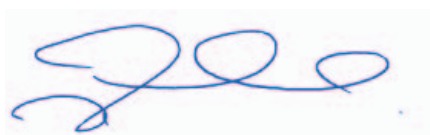
At the end of the quarter the Company had US\$2.7 million in available cash reserves.

### ACES BRIDGE FUNDING

At the date of this report the Company had US\$5.4 million drawn under its revolving credit facility with Centaurus Capital, LP. This will be repaid by rebates due to be paid to the Company by the State of Alaska over the next 6 months.

Yours faithfully

BUCCANEER ENERGY LIMITED



Dean Gallegos  
Director

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Buccaneer Energy that its expectations, estimates and forecast outcomes will be achieved.

Information pertaining to Lee County project contained in this report were compiled by Gary Rinehart, BS in Geology from University of Oklahoma and who has had more than 35 years experience in petroleum geology. Mr Rinehart has consented to the inclusion in this report of the technical matters and information herein in the form and context in which it appears.

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.



## ALASKAN CLEAR & EQUITABLE SHARE (ACES)

In 2007 the Alaskan Government introduced the ACES program to incentivise new entrants to explore within Alaska. This program takes the form of a rebate of between 45 - 65% of direct exploration costs and up to 55% on development costs. This is a significant incentive and substantially reduces the commercial discovery threshold.

On the 19 April 2010 the Alaskan Legislature approved a significant amendment to Alaska's ACES program. The Governor signed this legislation into law on May 10, 2010.

Most significantly, the statutory amendments enacted with this legislation will establish a tax credit of up to US\$25 million for new wells drilled into the pre-Tertiary strata of the Cook Inlet with a jack-up drilling rig.

### THE NEW INCENTIVE PROVIDES FOR THE FOLLOWING:

- If Buccaneer drills the first well in the Cook Inlet using a jack-up rig, it will be eligible to claim up to US\$25 million of all drilling costs (including rig mobilisation costs). If it drills the second well, the claim will be US\$22.5 million, and if it drills the third well, it is entitled to claim US\$20 million. A company is eligible for only one of these incentives and is required to repay one-half (50%) the incentive equally over 10 years but only if hydrocarbons are successfully produced.
- On any subsequent well in the Cook Inlet, Buccaneer will still be eligible for a rebate of 65% of all drilling costs and 45% of all other development costs.
- Buccaneer has a substantive acreage position in the Cook Inlet and is positioned to move forward with exploration drilling plans later this year.

The above incentives apply irrespective of the success of any well or development program.



# ALASKA – OIL & GAS OVERVIEW

Alaska's offshore waters and onshore prospects hold the potential to fuel the state's economy for decades and to play a key role in ensuring America has the energy it needs until alternative sources become available on a large scale

## FACTS & ECONOMIC IMPACT

- Alaska's oil and gas industry has produced more than 16 billion barrels of oil and 6 trillion cubic feet of natural gas, accounting for an average of 20 percent of the entire nation's domestic production (1980 - 2000). Currently, Alaska accounts for approximately 13.4% of U.S. production.
- The oil industry continues to be the largest source of unrestricted revenue to the state, accounting for 93 percent, or \$11.2 billion, of all unrestricted state revenue in fiscal year 2008. Unrestricted general fund revenues from the oil and gas industry in fiscal year 2009 is expected to reach \$5.5 billion, 87 percent of the anticipated unrestricted revenue.
- The oil and gas industry accounts for more than 41,744 jobs, which is 9.4 percent of all employment in the state and 11.2 percent of all wages at \$2.4 billion.
- A new analysis by the University of Alaska Anchorage showed the oil industry supports as many as 110,000 jobs in Alaska (one-third of the state's workforce), including funding for three-quarters of state government jobs.
- The Alaska Permanent Fund, worth \$30 billion in spring 2009, was created in 1976 to set aside a portion of oil revenues for future generations. The fund has paid out more than \$13 billion in dividends to Alaskans.
- The oil and gas industry has invested over \$50 billion in North Slope and Cook Inlet infrastructure since the 1950s.

## PRODUCTION AND PROCESSING

- Alaska ranks second behind Texas in daily oil production.
- There are seven producing oil and gas fields on the Kenai Peninsula and offshore Cook Inlet. This area has produced a cumulative total of over 1.3 billion barrels of oil and 7.3 trillion cubic feet of natural gas.
- Alaska has four refineries that produce gasoline, diesel and jet fuel for Alaska markets. Refineries are located in Nikiski, Valdez and near Fairbanks.
- A gas liquefaction plant at Nikiski, the only one of its type in North America, supplies liquefied natural gas (LNG) to Japan each month.
- LNG exports to Japan accounted for about a third of total Cook Inlet gas production. Total industrial use of Cook Inlet gas, including LNG exports, fertilizer manufacture and oil field operations, has remained constant at about 75 percent of total consumption since 1990. In recent years, Cook Inlet natural gas production has been steadily declining with current production at approximately 190 BCF per year.



## APPENDIX 5B

# MINING EXPLORATION ENTITY QUARTERLY REPORT

Buccaneer Energy Limited ABN: 63 125 670 733

Quarter ended ("current quarter") 31 March 2012

# FINANCIAL REPORT

## Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from Product Sales and related debtors	\$411	\$446
1.2 Payments for		
(a) Exploration and Evaluation	-\$663	-\$2,011
(b) Development	-\$5,801	-\$14,844
(c) Production	-\$865	-\$1,204
(d) Administration	-\$1,825	-\$5,571
1.3 Dividends received		
1.4 Interest and other items of similar nature received	\$2	\$90
1.5 Interest and other costs of finance paid	-\$18	-\$72
1.6 Income taxes paid		
1.7 Other		
(a) Net Hedge Payments	\$0	\$6
(b) GST Refunds	\$34	\$173
<b>Net operating cash flows</b>	<b>-\$8,725</b>	<b>-\$22,987</b>
<b>Cash Flows relating to investing activities</b>		
1.8 Payments for purchases of:		
(a) Prospects	-\$237	-\$385
(b) equity investments (Jack-Up Rig)	-\$415	-\$1,455
(c) Other fixed assets	-\$3	-\$3,213
1.9 Proceeds from sale of:		
(a) Prospects	\$0	\$0
(b) Equity investments	\$0	\$223
(c) Other fixed assets	\$0	\$0
1.10 Loans to other entities	\$0	-\$30
1.11 Loans repaid by other entities	\$0	\$80
1.12 Security Deposit Refund	-\$25	-\$24
<b>Net investing cash flows</b>	<b>-\$680</b>	<b>-\$4,804</b>
1.13 Total operating and investing cashflows (carried forward)	<b>-\$9,405</b>	<b>-\$27,791</b>

+ See Chapter 19 for defined terms

## APPENDIX 5B

### MINING EXPLORATION ENTITY QUARTERLY REPORT

Buccaneer Energy Limited ABN: 63 125 670 733  
Quarter ended ("current quarter") 31 March 2011

#### Consolidated statement of cash flows continued

	Current Quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating and investing cashflows (carried forward)	-\$9,405	-\$27,791
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	\$4,500	\$18,080
1.15 Proceeds from sale of forfeited shares	\$0	\$0
1.16 Proceeds from borrowings/ACES Rebates	\$4,748	\$14,506
1.17 Repayment of borrowings	-\$2,694	-\$4,013
1.18 Dividends paid	\$0	\$0
1.19 Other – Share issue costs	-\$126	-\$1,002
<b>Net financing cash flows</b>	<b>\$6,428</b>	<b>\$27,571</b>
<b>Net increase (decrease) in cash held</b>	<b>-\$2,977</b>	<b>-\$220</b>
1.20 Cash at beginning of quarter/year to date	\$5,656	\$3,255
1.21 Exchange rate adjustments to item 1.20	-\$132	-\$488
1.22 Cash at end of quarter	\$2,547	\$2,547

#### Payments to directors of the entity and associates of the directors

#### Payments to related entities of the entity and associates of the related parties

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	\$264
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil
1.25 Explanation necessary for understanding the transactions	

#### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in which the reporting entity has an interest



## APPENDIX 5B

### MINING EXPLORATION ENTITY QUARTERLY REPORT

Buccaneer Energy Limited ABN: 63 125 670 733  
Quarter ended ("current quarter") 31 March 2011

#### Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities – Centaurus Capital, LP	\$50,000	\$9,900
3.2 Credit standby arrangements	Nil	Nil

#### Estimated cash outflows for next quarter

4.1 Exploration and evaluation *		-\$4,750
4.2 Development *		-\$4,629
4.3 Production (Net Inflow)		\$2,250
4.4 Administration		-\$1,250
* Net of draw down from ACES bridging revolver		
<b>Total (Net Inflow)</b>		<b>-\$8,379</b>

#### Reconciliation of Cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	\$2,547	\$2,547
5.2 Deposits at call	\$0	\$0
5.3 Bank overdraft	\$0	\$0
<b>Total: Cash at end of quarter (item 1.22)</b>	<b>\$2,547</b>	<b>\$2,547</b>

#### Changes in interests of mining tenements

	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-
6.2 Interests in mining tenements acquired or increased	-	-

## APPENDIX 5B

### MINING EXPLORATION ENTITY QUARTERLY REPORT

Buccaneer Energy Limited ABN: 63 125 670 733

Quarter ended ("current quarter") 31 March 2011

#### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates

	Total number	Number quoted	Issue price per security (cents) (see note 3)	Amount paid up per security (cents) (see note 3)
7.1 Preference Shares +	Nil			
7.2 Changes during the quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buybacks, redemptions				
7.3 + Ordinary Securities	925,634,576	925,634,576		
7.4 Changes during the quarter	40,746,432	40,746,432	\$0.054	\$0.054
(a) Increases through issues				
(b) Decreases through returns of capital, buybacks, redemptions				
7.5 + Convertible Debt Securities	Nil			
- Performance Shares				
7.6 Changes during the quarter	Nil			
(a) Increases through issues				
(b) Decreases through returns of capital, buybacks, redemptions				
7.7 Options			<i>Exercise Price</i>	<i>Expiry Date</i>
Options – Listed	177,731,313	177,731,313	\$0.10	30-Nov-12
Options – Macquarie Bank Limited	15,443,077	Nil	\$0.11	02-Feb-13
Options – SpringTree Special Opportunities, LP	12,000,000	Nil	\$0.1325	22-Feb-13
Options – Helmsec Global Capital	9,700,000	Nil	\$0.10	15-Jul-16
Options – DESOP	47,550,000	Nil	\$0.10	30-Jun-13
Options – DESOP	7,500,000	Nil	\$0.11	30-Jun-16
Listed	177,731,313			
Unlisted	92,193,077			
7.8 Exercised during quarter	Nil	Nil	Nil	Nil
7.9 Issued during quarter	Nil	Nil		
7.10 Expired during quarter (Lapsed)	Nil	Nil		
7.11 Debentures	Nil			
7.12 Unsecured Notes	\$2,882,500	Nil		



# COMPLIANCE STATEMENT

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.

Signed: Dean L Gallegos



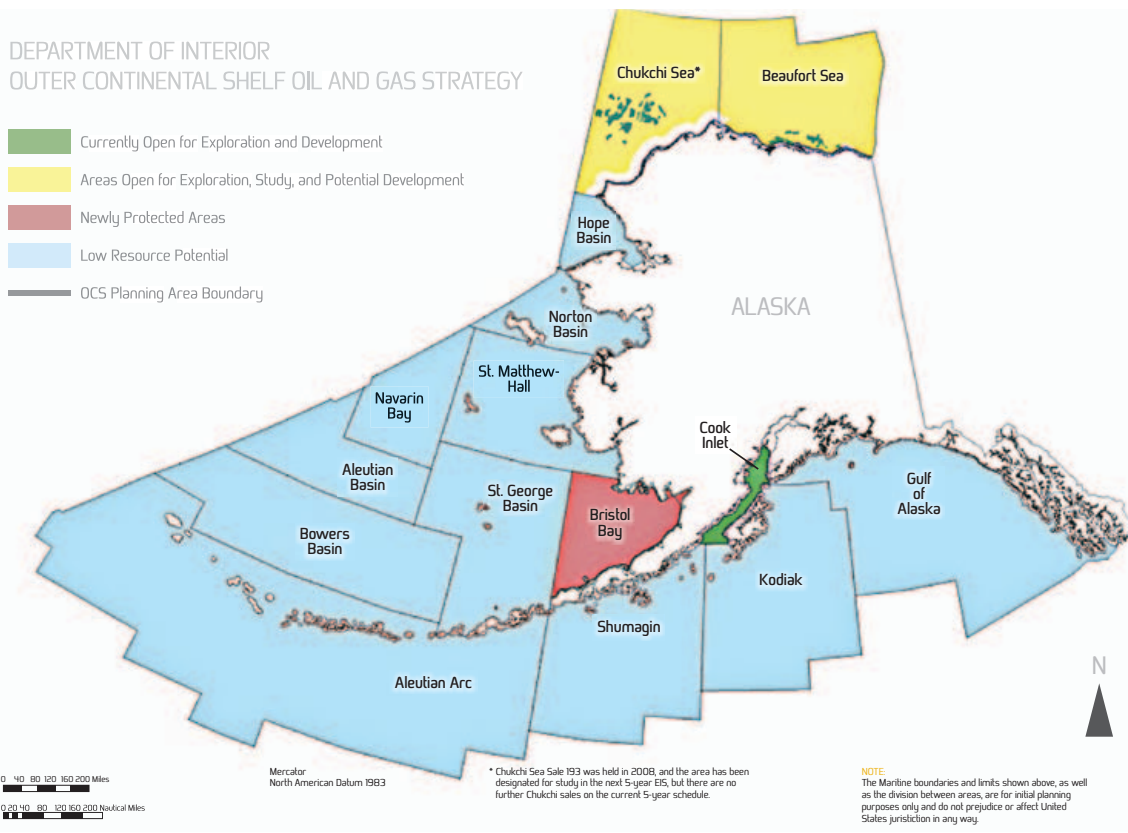
Date: 30 April 2012

## NOTES

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid shares.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

DEPARTMENT OF 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



MAP OF ALASKA



# BUCCANEER ENERGY CORPORATE DIRECTORY

## DIRECTORS

Alan Broome, AM – Chairman  
Curtis Burton – Managing Director  
Dean Gallegos – Director  
Frank Culberson - Director

## COMPANY SECRETARY

Bruce Burrell

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