

**ACQUISITION OF INTEREST IN COSMOPOLITAN PROJECT**

In early February 2012 Buccaneer Energy Limited (“Buccaneer” or “the Company”) advised that it was acquiring an interest in the Cosmopolitan Project (“Cosmo”). Cosmo is being jointly acquired with privately owned Fort Worth, Texas based BlueCrest Energy II, LP (“BlueCrest”) acquiring a 75% working interest, with Buccaneer acquiring a 25.0% working interest and assuming operatorship of the project.

Since that time the seller, Pioneer Natural Resources Alaska, Inc. (“Pioneer”), has granted two extensions to the settlement date of the transaction, both of which have been requested by BlueCrest

While Buccaneer is fully funded to settle on its 25.0% working interest in Cosmo, BlueCrest has requested an extension until the 14 August 2012 (US time) so as to put financing in place to settle the remaining 75.0% working interest. This request has been granted by Pioneer and a written agreement was executed overnight.

Buccaneer has been working with third parties who have expressed an interest in the Cosmo transaction and who have substantial financial capabilities. These parties have confirmed that they would like to proceed and fund the acquisition of the remaining 75.0% working interest if BlueCrest are unable to proceed to settlement.

**Background**

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 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.

**Cosmo Reserves Estimates**

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.

	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.

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.

Yours faithfully

**BUCCANEER ENERGY LIMITED**



**Mr Dean Gallegos**  
**Director**

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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).

#### 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.

#### 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:*

- *Developing the 100 % owned Kenai Loop onshore gas project with independently assessed 4.8 MMBOE<sup>1</sup> in 2P Reserves;*
- *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"). This joint venture has acquired the jack-up rig "Endeavour" which is capable of drilling in all areas of the Cook Inlet, the Beaufort Sea and the Chukchi Sea. Mobilisation of the Endeavour into the Cook Inlet is expected in 3Q 2012.*

*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>) and the Company constructed both the pipeline and facilities at Kenai Loop, the well started production and selling gas in early January 2012. The Company plans to drill Kenai Loop #4 in 3Q 2012. 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 has an additional pipeline of 'drill-ready' gas prospects. Lee County is an onshore oil project, currently producing a small amount of oil.*

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