BUCCANEER ENERGY

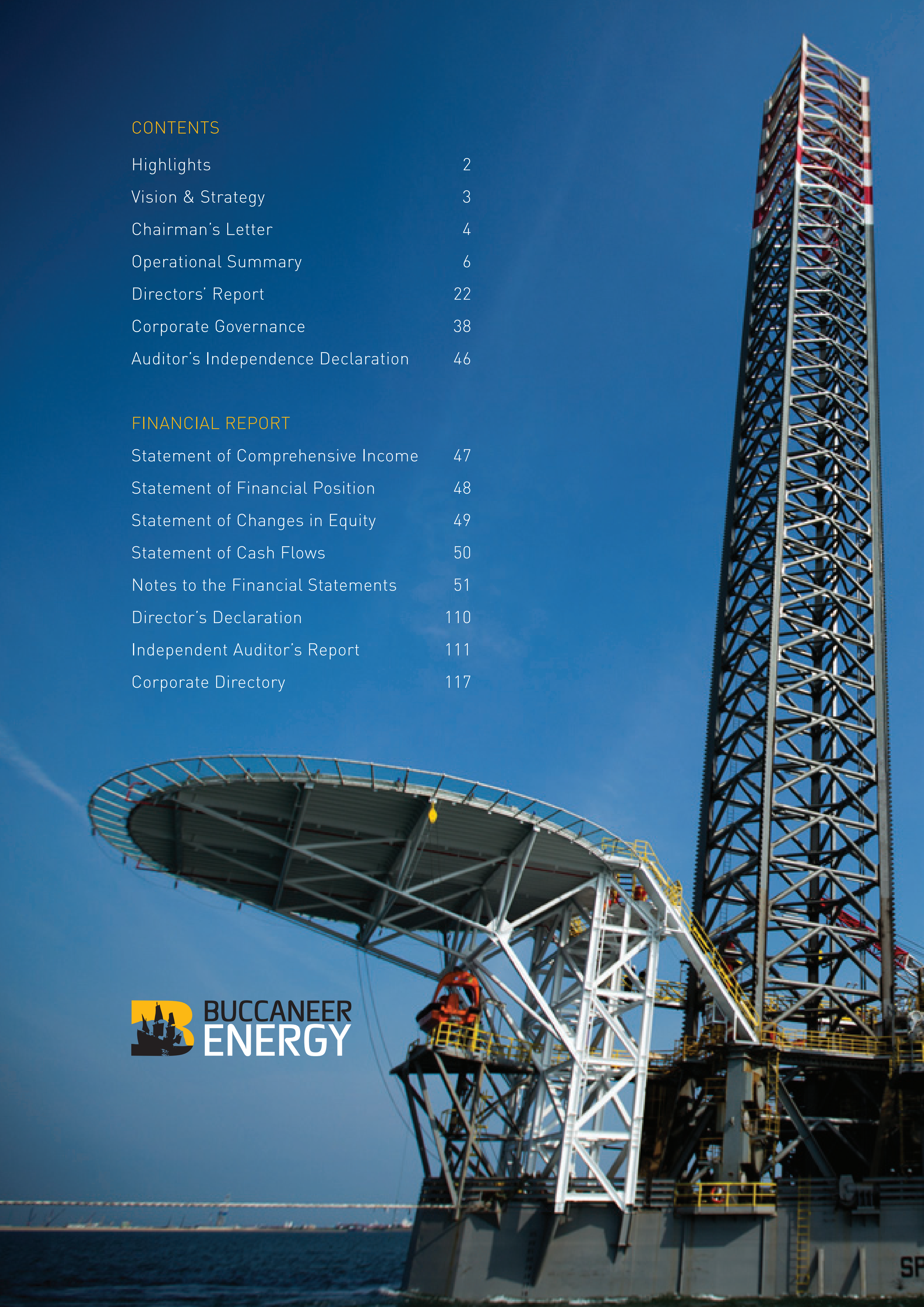
ABN 63 125 670 733

2012 ANNUAL REPORT

LEADING THE OIL & GAS REVITALISATION OF THE COOK INLET, ALASKA

CONTENTS

FINANCIAL REPORT



BUCCANEER ENERGY

BUCCANEER ENERGY LIMITED IS AN AUSTRALIAN LISTED COMPANY FOCUSED ON DEVELOPING ITS 100% OWNED OIL AND 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.

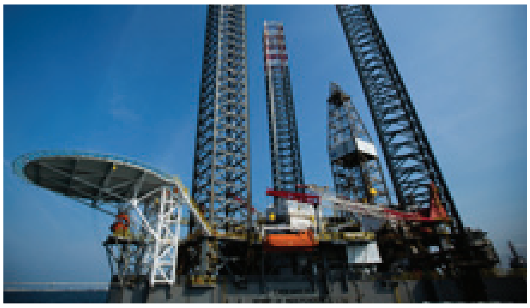
HIGHLIGHTS

GAS SALES CONTRACTS EXECUTED

Executed a gas sales contract with ENSTAR allows for the Company deliver 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.

ENDEAVOUR JACK-UP RIG ACQUIRED

A highly-capable Jack-Up rig, the Endeavour is the key to unlocking Buccaneer's offshore Cook Inlet assets. Endeavour was acquired for US$68.5 Million and placed into Keppel Fels shipyard for modifications and repairs. Buccaneer entered into a five year bare boat charter agreement where it can use the rig exclusively or lease out to third parties.



ENDEAVOUR JACK-UP RIG MOBILISED TO COOK INLET, ALASKA

Shipyard modifications and repair phase successfully completed and Endeavour successfully mobilised to Cook Inlet to commence drilling operations.

ACES BRIDGING FUNDING AGREEMENT EXECUTED

Financial incentives offered by the Alaskan Government are in the form of cash rebates that follow only after initial expenditure. The ACES bridging funding facility ensures Buccaneer is prudently managing its cash flow.

GLACIER ONSHORE DRILLING RIG SECURED

In an extremely tight rig market, Buccaneer has executed an agreement for the exclusive access to the Glacier rig for three years with the option to buy. The agreement gives Buccaneer control of its onshore drilling schedule.

FIRST PRODUCTION FROM KENAI LOOP

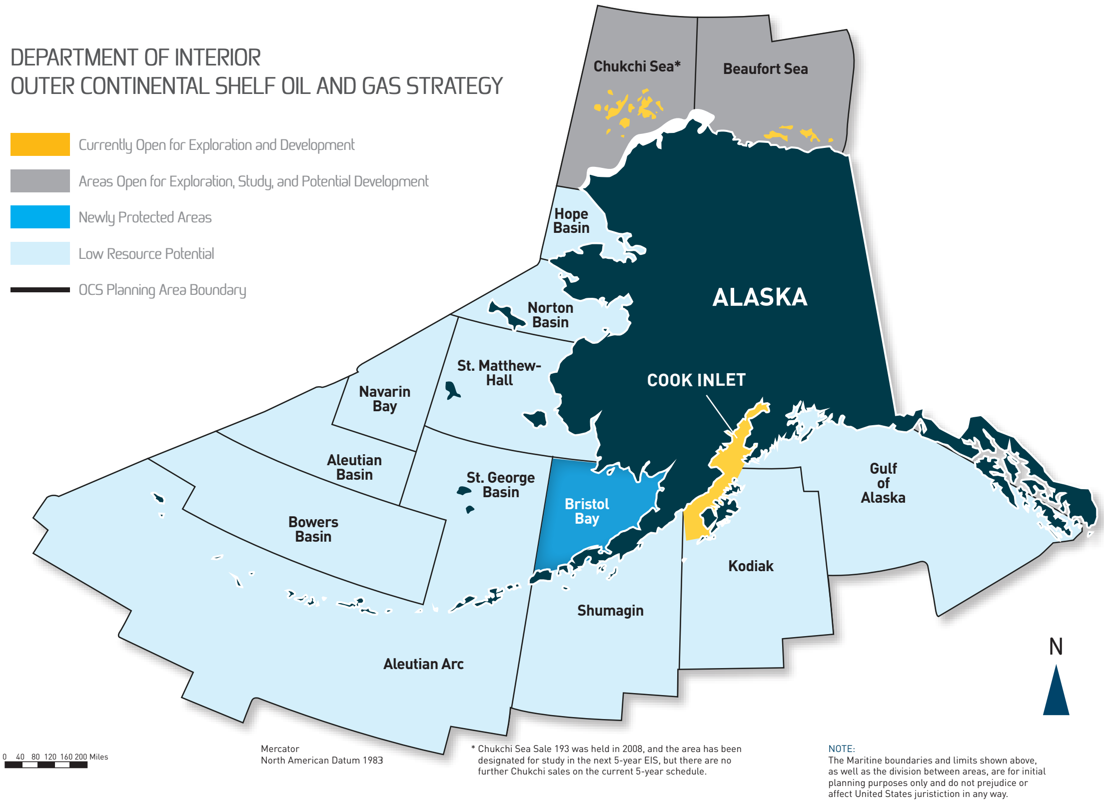
Production from the Kenai Loop #1 well commenced in January 2012. The Kenai Loop project is producing 5 million cubic feet per day and being sold to ENSTAR's the largest local gas utility.

ACQUIRED 13.8 MMBOE COSMOPOLITAN PROJECT

Announced in February 2012, Buccaneer acquired a 25% working interest in the Cook Inlet offshore Cosmopolitan project. This project boosted Buccaneer's 2P Reserves by 79% and provides additional utilisation of the Endeavour rig.

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.



MAP OF ALASKA

VISION & STRATEGY

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.

The Company has a three-pronged strategy:

1. Developing the 100 % owned Kenai Loop onshore gas project with independently assessed 6.4 MMBOE in 2P Reserves;
2. Operating a Offshore Jack Up rig for use by third parties in the Cook Inlet; and
3. Developing its 100% owned offshore Cook Inlet projects that have independently assessed 73.3 MMBOE in 2P Reserves / P50 Resources using the Endeavour 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 was completed in late August 2012.

The Alaskan Government is supportive of oil and gas exploration in the Cook Inlet. There are a number of fiscal incentive programs for exploration and development in the Cook Inlet.

CHAIRMAN'S LETTER

Dear Shareholder,

The past few years have been about setting the solid foundations on which to build the Company's future. We now have the keys to unlock the Proven Reserves in our Cook Inlet projects and the strategy in place to build into sustainable growth. Buccaneer is now in a strong position to transition beyond being an exploration focused company, to one which is developing its own assets to generate production and cash flow using both onshore and offshore rigs controlled by the Company.

OUR GROWTH STRATEGY

Throughout this transition our business strategy has remained consistent. We have focused on actively progressing our existing Cook Inlet, Alaskan projects. With both the Endeavour offshore Jack-Up rig and Glacier onshore rig, we are able to control the pace of development at our 100 per cent owned projects that hold significant Proven Reserves.

Onshore, we have achieved first production at Kenai Loop, providing solid cash flow to the business with the potential for expansion to yield additional volumes of production. At our offshore projects, we are now in a position to be able to tap into the significant Proven Reserves with the mobilisation of the Endeavour rig to the Cook Inlet.

PRUDENT CAPITAL MANAGEMENT

During the 2012 Financial Year, we undertook several capital management initiatives to ensure we had the funding to develop our Alaskan projects, utilising a combination of debt and equity.

In April 2012, the Company executed a US$20 million project finance facility to allow further development of our assets ahead of putting into place a longer dated financing alternative. Additionally, we also secured a US$30.0 million bridging funding to 'bridge the gap' between our capital outlay for exploration and when we receive the ACES program rebates from the Alaskan state government ACES program.

The ACES program is probably the most unique of its kind in the world. The Alaskan state government provides an incentive by rebating, in cash, up to 65% of exploration costs associated with drilling either onshore or offshore. Additionally they rebate up to 45% of development costs. Buccaneer has been the recipient of both of these rebates and has received approximately US$13.0 million in rebates over the last 12 months.

Post 30 June 2012, we secured a solid cornerstone investor and raised an additional $13.5 million through a Placement and Share Purchase Plan (SPP). The strong response from investors and a substantially oversubscribed SPP, demonstrates the confidence of our shareholders in our growth strategy.

As we now strongly progress our Cook Inlet projects forward, I would like to thank our Buccaneer team who have worked tirelessly to bring the Company to this point. With a program of high impact drilling and development activity ahead, I look forward to the coming year and further bringing our growth strategy to fruition.

Yours sincerely,

Alan Broome, A.M
Chairman

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 & 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.

OPERATIONAL SUMMARY

PRODUCTION

The Company commenced production from its 100% owned Kenai Loop # 1 well on the 14th of January 2012. After an initial start-up phase when equipment commissioning issues were rectified the well has been on continuous production since late February 2012 at a rate of 5.0 million cubic feet per day ("MMCFD") on a 5/64" choke, this equates to 833 barrels of oil equivalent per day ("BOEPD") using a gas to oil ratio of 6:1.

There has been no decline in production rate in this time and the performance of the well up to this point has been excellent. The Company will seek to increase the production rate after the completion of the next Kenai Loop well.

The only shut-in time the well has experienced was in early June when ENSTAR performed planned pipeline maintenance. The Company took the opportunity to install additional equipment and perform pressure build-up tests on the Kenai Loop # 1 well.

KENAI LOOP #1 WELL HEAD

KENAI LOOP #1 & KENAI LOOP 3 WELL HEAD HUTS

RESERVES GROWTH

As at 30 June 2012, Buccaneer had an independently assessed 2P Reserves base of 19.1 MMBOE.

Settled following the close of the 2012 Financial Year, Buccaneer acquired the Cosmopolitan project located in the southern Cook Inlet of Alaska. The acquisition complemented Buccaneer's existing portfolio of Cook Inlet assets and increased its 2P Reserves base by 79 per cent, bringing the Company's independently assessed Alaska 2P Reserves to 32.9 MMBOE.

Strong Portfolio of Assets (as at 28 September 2012)

	Acres	Working interest	Net Royalty Interest	1P Reserves (mmboe)	2P Reserves (mmboe)	3P Reserves (mmboe)	P50 Reserves (mmboe)
Onshore Alaska							
Kenai Loop[1]	9,308	100.00%	78-80%	5.3	6.4	8.6	
West Eagle	52,044	100.00%	79.25%				
West Nicolai	5,653	100.00%	83.75%				
Offshore Alaska							
Southern Cross Unit[1]	6,932	100.00%	79.25%	6.3	12.7	24.1	14.7
North West Cook Inlet[2]	8,568	98.20%	77.66%				45.9
Cosmopolitan[1]	3,144	25.00%	17.81%	7.8	13.8	23.1	23.1
Total	**85,649**			**19.4**	**32.9**	**47.2**	**60.6**

[1] Gas to oil conversion using a gas to oil ratio of 6:1.

[2] Reserves and resources net to Buccaneer working interest.

[3] Acerage is net to Buccaneer working interest.

OPERATIONAL SUMMARY

ONSHORE COOK INLET, ALASKA

During the 2012 Financial Year, Buccaneer achieved significant milestones at its onshore Cook Inlet acreage. The Company reached first production at its Kenai Loop project and commercialised this production with two gas sales contracts with ENSTAR and ConocoPhillips.

In May 2012, Buccaneer facilitated an agreement that provides the Company the exclusive lease of the Glacier #1 rig enabling Buccaneer to control its costs and timing of development drilling. The Glacier rig was used to drill the Company's two previous wells at Kenai Loop in 2011.

For the 2013 Financial Year, Buccaneer has a program of high activity development at its Cook Inlet projects, utilising the Glacier rig to develop its onshore assets. The Company is currently drilling a third Kenai Loop well, Kenai Loop #4 to expand its existing gas production at the project.

STRATEGIC ASSET ACQUISITION – Glacier Drilling Rig Acquisition

In May 2012, Buccaneer facilitated an agreement to secure exclusive leasing rights for the Glacier Drilling Rig #1 for a period of three years, with the option to purchase the rig after six months.

The financial advantageous agreement includes a lease rate negotiated at a discount to the rates charged when Buccaneer utilised the rig to drill its two previous wells at Kenai Loop. The agreement provides cost benefits for Buccaneer and ensures access in a very tight onshore rig market. The Company expects the Glacier rig to be a profit centre in the 2013 Financial Year.

Under the agreement, Buccaneer also has the option to purchase the Glacier rig at any time after the first six months for $7.3 million. If Buccaneer elects to purchase the Glacier rig, a portion of the lease payments paid to that time will be credited towards the purchase price.

THE GLACIER RIG IS A MESA 1000 CARRIER MOUNTED LAND DRILLING RIG, BUILT IN 2000. ABLE TO DRILL TO DEPTHS OF APPROXIMATELY 12,000 FEET, 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 IN ALASKA.

THE RIG WAS DESIGNED TO OPERATE CLOSE TO POPULATED COMMUNITIES SUCH AT KENAI, WITH ITS RELATIVELY SMALL SIZE BEING IDEAL FOR PAD DRILLING, MINIMISING THE DRILLING FOOTPRINT AND IMPACT TO ITS SURROUNDINGS.

COMMERCIALISING ONSHORE PROJECTS – Gas Sales Contracts Executed

During the 2012 Financial Year, Buccaneer executed a gas sales agreement with the largest Alaskan energy utility, ENSTAR. ENSTAR supplies 100 per cent of residential and 90 per cent of commercial gas in Alaska. Under the agreement, Buccaneer can deliver up to 15 MMCFD (2500 BOEPD) with an annual net weighted price of $6.24 per MCF

Gas storage injection commenced in April 2012 with ENSTAR injecting 100% of the gas it receives from Buccaneer into the Cook Inlet Natural Gas Storage ("CINGSA") facility. At this point in time, ENSTAR is injecting less than a third of its 150 MMCFD capacity into the CINGSA facility.

Buccaneer also has a gas sales contract with ConocoPhillips to supply natural gas to its LNG facility on the Kenai Peninsula. Under the contract, Buccaneer is not obligated to sell any gas to ConocoPhillips, but has the ability to sell up to 2.5 BCF if production is not purchased by ENSTAR. The gas sales agreement with ConocoPhillips provides flexibility and surety of cash flow from production. ConocoPhillips' LNG Facility is equipped to handle 225 MMCFD of gas, however is only processing approximately 25% of this capacity, with significant Cook Inlet gas discoveries needed to feed the LNG facility.

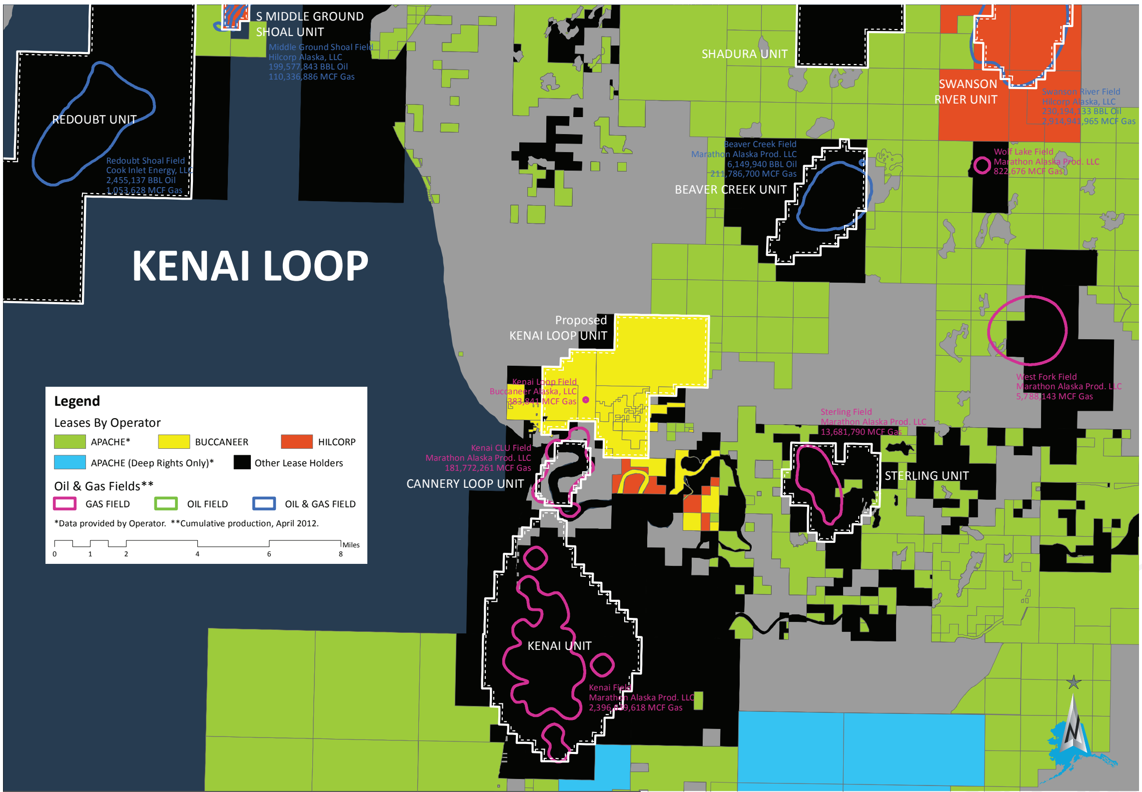
Having these two gas sales agreements secured and in place, prior to first production from Kenai Loop ensured the commerciality of its Kenai Loop project.

GLACIER RIG 1 ON LOCATION DRILLING KENAI LOOP #4

KENAI LOOP PROJECT

The Kenai Loop project is immediately north and adjoins the lease boundary of the Cannery Loop field that has produced 180 BCF (30 MMBOE) and approximately 3 miles north of the Kenai Unit that has produced 2.4 TCF (400 MMBOE). The Cannery Loop and Kenai Unit were owned and operated by Marathon Oil Company and both share many of the same sand packages which have been encountered and are being produced in the Company's 100% owned Kenai Loop project.

The Company has built two drilling pads at the Kenai Loop project with each capable of having 6 wells drilled from them. The Kenai Loop # 1 was drilled from Drilling Pad # 1 as is the recently spud Kenai Loop # 4 well.



MAP OF KENAI LOOP

Buccaneer commenced first production from its Kenai Loop #1 well in January 2012. After initial equipment commissioning the Kenai Loop #1 has now been in continuous production since late February and has been producing at a constant rate of 5.0 MMCFD on a 5/64" choke, there has been no production rate declines during that time. High formation pressures experienced provide evidence for the potential to increase the rate of production from the project.

Kenai Loop in summary	
Acreage	9,308
Working interest	100%
Net royalty interest	78-80%
FY2012 Production (BOE)	110,883

Prior to the commencement of production Ralph E Davis Associates, Inc., a Houston based independent engineering firm estimated the Proved Developed Producing ("PDP") reserves of the Kenai Loop # 1 well as 12.1 BCF (2.1 MMBOE). These PDP Reserves had a Net Present Value of US$45.0 million using a gas price of $6.24 / mcf and a production rate of 5.0 MMCFD.

In addition Ralph E Davis Associates estimated Proved Undeveloped ("PUD") reserves of 19.3 BCF (3.2 MMBOE) with an additional NPV of US$65.0 million to the Company.

OPERATIONAL SUMMARY

The result of the pressure build-up tests conducted on Kenai Loop #1 well in early June 2012 were positive and validate the PDP reserves attributed to the well by Ralph E Davis. Furthermore, Company now has an option to deliver into a low pressure (300 psi) system further increasing the proved developed reserves.

The Company has completed a preliminary evaluation of the 23.4 square mile 3D seismic over the entire Kenai Loop project area. The initial evaluation effort has focused on the producing 9,700' and 10,000' sands (Tyonek formation) around the existing Kenai Loop # 1 well.

Ralph E Davis Associates, Inc., when estimating the Proven (1P) Reserves of 31.5 BCF and Proven and Probable (2P) Reserves of 38.3 BCF to the Kenai Loop project, attributed an aerial extent of 340 acres around the Kenai Loop # 1 well. The 3D seismic preliminary results indicates up to 840 acres around the Kenai Loop # 1 well bore in each of the producing 9,700' and 10,000' sands in the Tyonek formations.

Additionally, the Company has identified 11 new seismic hydrocarbon anomalies from stacked pays in the shallow Sterling and deeper Tyonek formations.

The Company has had three separate data processing companies (different software packages) to enhance the overall interpretation of the 3D seismic survey and to reduce risk. Fluid substitution and thickness modelling of the Tyonek zones that were logged and tested in the first Kenai Loop well drilled in 2011 has also been applied to the 3D interpretation to high-grade the drilling opportunities.

The Company will risk assess each of these anomalies including a third party peer review prior to finalising a future drilling program.

The fault previously thought to have separated the Kenai Loop # 1 and Kenai Loop # 3 well but which could not be identified on the 1970's 2D seismic used to locate that well, is now clearly visible on the new 3D seismic and has been confirmed as the reason the Kenai Loop # 3 well drilled in late 2011 was unsuccessful.

The 3D seismic survey covered a total of 23.4 square miles and included the full lease position on the Company's 100% owned Kenai Loop project located onshore Cook Inlet, Alaska. The Company has submitted a Unit application to the State of Alaska Department of Natural Resources to retain the majority of the leasehold

FY 2013 Forward Work Program

Buccaneer spud the next well in its drilling program, Kenai Loop #4 well on 12 September 2012. Utilising the Glacier rig, the Kenai Loop #4 well is planned to drill to 13,000' which is deeper than the Kenai Loop #1 well (10,660'). Kenai Loop # 4 is anticipated to take up to 35 - 40 days to drill, with an additional 10 days for testing.

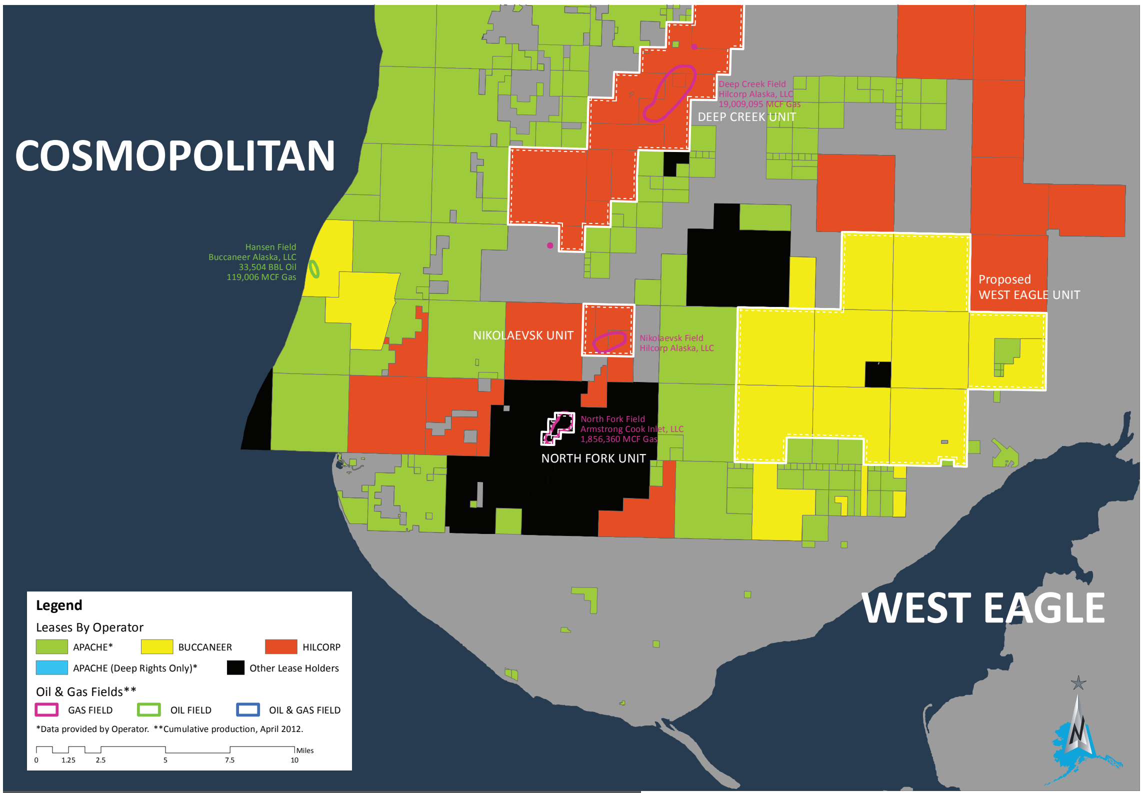
The Company also intends to drill another additional well at Kenai Loop on completion of Kenai Loop # 4 well.

KENAI LOOP RESERVES

	Proven (1P)	Proven + Probable (2P)	Proven + Probable + Possible (3P)
	31.5	38.3	51.6
Oil Equivalent MMBOE[1]	5.3	6.4	8.6

[1] Gas to oil conversion using a gas to oil ratio of 6:1.

WEST EAGLE PROJECT



KENAI PENINSULA

Located on the southern Kenai Peninsula, the West Eagle project is Buccaneer's largest acreage position at over 50,000 acres.

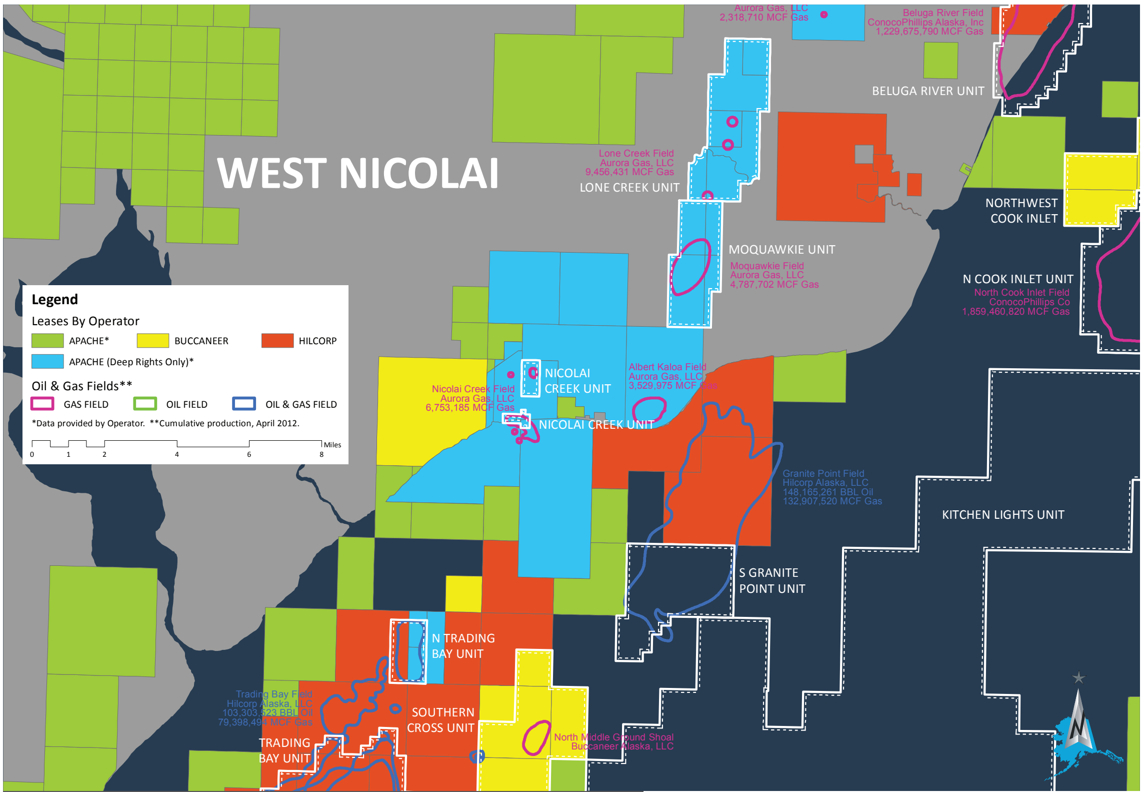
Coupled with the recent reprocessing of 230 miles of 2D seismic, Buccaneer has undertaken a substantial body of technical appraisal work that shows the presence of a potential large hydrocarbon accumulation. At West Eagle, the Company is targeting both oil and gas.

West Eagle in summary	
Acreage	52,044
Working interest	100%
Net royalty interest	79.25%

FY 2013 Forward Work Program

Buccaneer intends to undertake further interpretation of seismic data and complete well design before drilling a well late in the first quarter or early in the second quarter 2013. The proposed West Eagle Unit includes 9 State Leases on the eastern limb of the Cook Inlet Basin. Post 30 June 2012, Buccaneer has applied to the Alaskan Department of Natural Resources to unitise the project ahead of drilling.

WEST NICOLAI PROSPECT



WEST NICOLAI PROSPECT

Located on the western edge of the Cook Inlet Basin, the prospect covers one State Lease. Close to roads and nearby infrastructure, this low development cost project has the potential to be a relatively high-impact onshore gas project.

West Nicolai in summary	
Acreage	5,653
Working interest	100%
Net royalty interest	83.75%

FY 2013 Forward Work Program

Buccaneer intends to undertake a 3D seismic program to generate further leads and targets at the West Nicolai prospect.

OFFSHORE COOK INLET, ALASKA

With the mobilisation of the Endeavour Jack-Up rig, the 2012 Financial Year marked a period of transition for Buccaneer. With significant Proven Reserves at its offshore projects, the Endeavour is the key that will enable the Company to unlock the Cook Inlet for low-risk development.

Further the capabilities of the specially selected Endeavour rig allow drilling to be undertaken over a longer duration throughout the year, providing greater utilisation of the rig.

For the 2013 Financial Year, Buccaneer has a high activity program in place for the development of its offshore permits including the Southern Cross Unit, North West Cook Inlet Unit and Cosmopolitan project.

STRATEGIC ASSET ACQUISITION – Endeavour, Spirit of Independence Jack-Up Rig Acquisition

The recent delivery of the Endeavour Jack-Up rig to the Cook Inlet has completed the first phase of a business plan that began almost two years ago.

Acquisition of the Endeavour rig was funded through a joint venture company Kenai Offshore Ventures, LLC, comprising Buccaneer, the Singapore-listed Ezion Holdings and the Alaskan Industrial Development and Export Authority ("AIDEA").

Ezion specialises in the development, ownership and chartering of strategic offshore assets and the provision of offshore marine logistics and support services. AIDEA is a public corporation of the State of Alaska, created in 1967 in the interests of promoting the health, security, and general welfare of the people of the State.

Following the selection and acquisition of the Endeavour rig (then Adriatic XI), necessary modifications and repairs were performed at the Keppel's Singapore shipyard – a process managed by Buccaneer's internal management team.

AIDEA has invested a total of US$23.6 million into the joint venture, in the form of preferred equity.

HELI DECK AS VIEWED FROM THE WHARF

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

OPERATIONAL SUMMARY

The Endeavour is a Marathon LeTourneau 116-C Jack-Up rig. First constructed in 1982, it was upgraded in 2004 and was selected following a rigorous global search process.

The Endeavour's capabilities include:

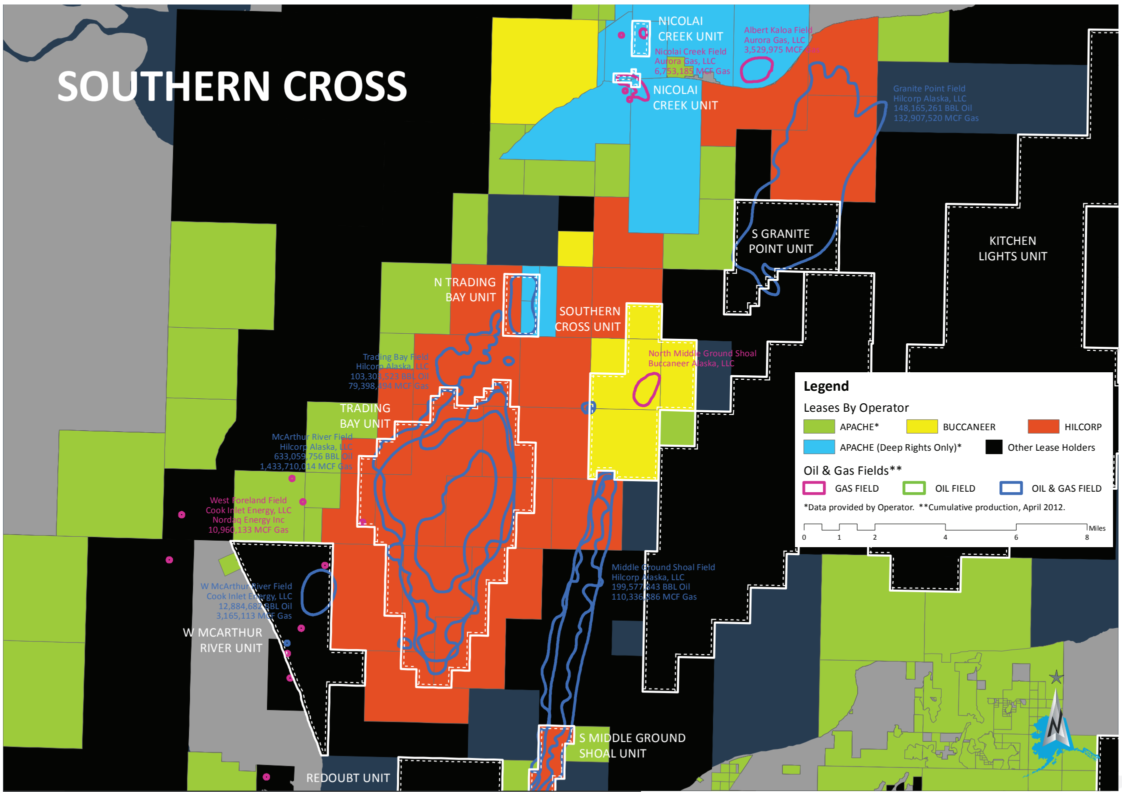
- Operation in water depths up to 300 feet
- -10 degrees Celsius rated steel for the wide environmental envelope that exists in the Arctic
- Multiple sets of BOPs and well control equipment with a maximum pressure rating of 15,000 PSI, giving the rig capacity to drill high pressure horizons that can 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
- 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.

During 2012 several expressions of interest to use the Endeavour rig as a standby rig for major operators in the region, presented a unique opportunity to achieve improved utilisation.
In order to realise this improved utilisation, additional improvements were made to ensure suitability.


MOVING TOWARDS HEAVY LIFT VESSEL

SOUTHERN CROSS UNIT

Located in an average 50 feet of water, the Southern Cross Unit is within five miles of four significant oil and gas fields with combined production of 1.08 billion barrels of oil and over 550 BCF of gas.



SOUTHERN CROSS UNIT

Buccaneer's initial test well 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.

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
- Granite Point Field with production to date of 147 million BO and 131 BCF of gas.

OPERATIONAL SUMMARY

FY 2013 Forward Work Program

Buccaneer intends to spud its first test well at the Southern Cross Unit in the June 2013 quarter. This well will test multiple pay sands in the hydrocarbon column for this area and offset several wells in Southern Cross Unit that tested oil and gas but that were never produced.

Southern Cross Unit in summary	
Acreage	6,932
Working interest	100%
Net royalty interest	79.25%

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*[1] Gross to 100% Working Interest	**6.3**		**12.7**		**24.1**	

*Million barrels of oil equivalent

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 79.25%:

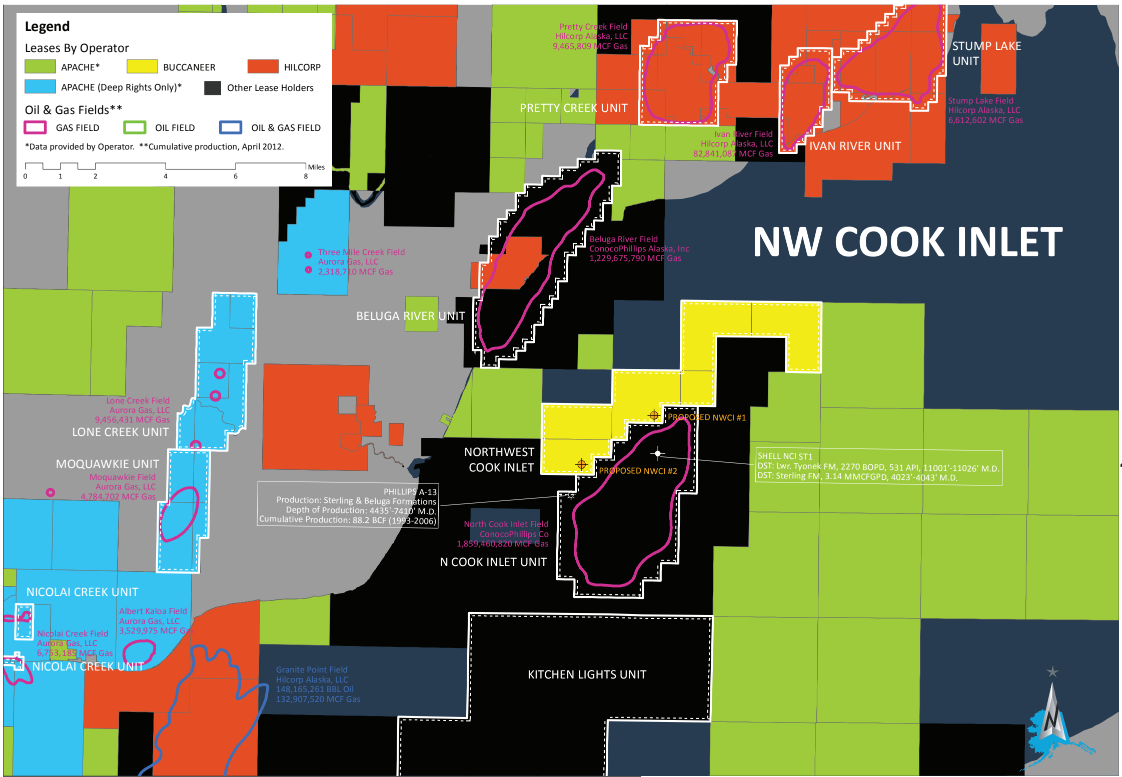
Prospective Resource	Low Estimate (P90)		Best Estimate (P50)		High Estimate (P10)		Mean	
	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)	Oil (MMBL)	Gas (BCF)
Tyonek	3.2	1.2	8.9	3.3	23.7	9.0	11.6	4.4
Hemlock	1.2	0.5	4.9	1.9	18.0	6.9	7.6	2.9
Total	4.4	1.7	13.8	5.2	41.7	15.9	19.2	7.3
MMBOE*[1]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

*Million barrels of oil equivalent

Netherland Sewell certified Reserves. Natural Gas has been converted using a gas to oil ratio of 6:1.

NORTH WEST COOK INLET UNIT

Situated in the upper reaches of the Cook Inlet, this leasehold adjoins ConocoPhillips North Cook Inlet field that has produced 1.85 trillion cubic feet of gas (308 MMBOE). The project is in approximately 100 feet of water with no unusual technical hurdles to drill and develop.



NORTH WEST COOK INLET

The North West Cook Inlet presents potential both in the shallower gas sands as well as a deeper oil opportunity.

Additional highlights of the project include:

- 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 the 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.
- 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.
- Granite Point Field with production to date of 147 million BO and 131 BCF of gas.

OPERATIONAL SUMMARY

FY 2013 Forward Work Program

Buccaneer intends to utilise the Endeavour Jack-Up rig to spud its first well in the North West Cook Inlet Unit in the December 2012 quarter.

North West Cook Inlet in summary	
Acreage	8,568
Working interest	98.2%
Net royalty interest	77.7%

RESOURCES

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)
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	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**	

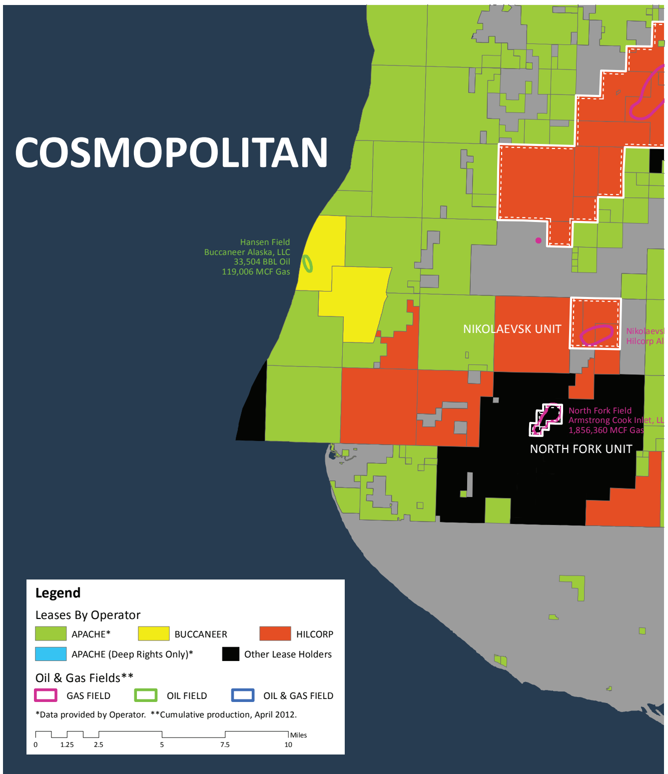
*Million barrels of oil equivalent

COSMOPOLITAN PROJECT

An undeveloped oil and gas field, the Cosmopolitan project is located in 50 feet of water, in close proximity to the shoreline of the Kenai Peninsula. Strong interest in the region where the project is located, has been demonstrated by Apache Corporation acquiring surrounding leases.

Acquired in FY 2012, Cosmopolitan holds the potential for shallow gas and deeper oil development.

Utilisation of the Endeavour Jack-Up rig will allow a more efficient development plan than was available to the previous operator of the field and provides Buccaneer materially improved project economics.



COSMOPOLITAN PROJECT

FY 2013 Forward Work Program

Buccaneer, as operator of the project, has two separate work programs for the development of the Cosmopolitan project: a shallow gas development (3,000 – 4,000 feet) to be drilled with the Endeavour Jack-Up rig; and a deeper oil development (6,000 – 8,000 feet) that can be exploited using directionally drilled wells from the shoreline.

Cosmopolitan in summary	
Acreage	3,144
Working interest	25%
Net royalty interest	17.8%

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.

COSMOPOLITAN RESERVES ESTIMATES

Prospect	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[1]	31.0	55.2	92.4
Net Buccanner 25.0% Working Interest	7.8	13.8	23.1

*Gas to Oil conversion using a Gas to Oil ratio of 6:1

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

Ralph E Davis certified Reserves. Gas to oil conversion using a gas to oil ratio of 6:1.

OFFSHORE LOWER 48, TEXAS

POMPANO & SWORDFISH

Located in the Gulf of Mexico, the Pompano field lies seven miles offshore and also includes the Swordfish prospect as it adjoins the Pompano leases and has similar target formations. The project has existing production facilities in place. All wells in this field are currently shut in and under evaluation for intervention or sidetracking operations to access the additional remaining gas Reserves in the field.

Swordfish in summary	
Acreage	1,440
Working interest	86.67%
Net royalty interest	61.53%

The Brazos Block 446 leases were being held beyond their initial Primary Term which expired in 2008 by two wells that were drilled prior to the lease expiry that year and produced through April 2012, though only marginally since August of 2011. The leases automatically expired 60 days after cessation of production (June, 2012). However the Company still retains a 65% interest in the two wells and the "A" Production Platform which can be utilised as a production platform for the adjoining Swordfish prospect by the execution of a surface use agreement with the State of Texas.

Expenses have been actively reduced to a minimum until the best operational plan is determined and natural gas prices in the region warrant further capital expenditure. There are a number of drill ready prospects at Swordfish.

ONSHORE LOWER 48, TEXAS

LEE COUNTY PROJECT

Located in central Texas, approximately 120 miles northwest of Houston, 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.

Pompano in summary	
Acreage	1,712
Working interest	52.5%
Net royalty interest	38.6%

Buccaneer has drilled three wells at Lee County with all three penetrating the entire Austin Chalk section, and two penetrating the entire Eagle Ford Shale formation. Development options are being assessed through either farm-out or a sale of the Company's working interest. Given the size and scope of the Company's Alaskan operations the development of Lee County has become less of a priority but the Company still sees good development upside in the project.

ALASKA – A COMPELLING AND UNIQUE GAS MARKET

COOK INLET IS AN UNDEREXPLORED BASIN

Buccaneer's Alaskan focus is on the underexplored Cook Inlet located in the south of the State. The US Geological Survey reported in 2011 that the Cook Inlet region still had an estimated 600 million barrels of oil and approximately 19 trillion cubic feet of gas yet to be discovered.

> *"2.8 BILLION BOE HAVE BEEN PRODUCED SINCE 1960 BUT THE US GEOLOGICAL SERVICE ESTIMATES 3.2 BILLION BOE REMAIN."*

Without any significant oil discoveries since 1991 and no major gas discoveries since 1979, Buccaneer's assets with existing proven Reserves and Resources are well-positioned to capitalise on this highly prospective Basin.

GAS MARKET DEMAND

Alaska has a gas market that is separate and unconnected from 'the Lower 48' gas market in the US.

While the Lower 48 gas market has significantly weakened with gas oversupply, the Alaskan market has a severe shortage of gas.

This is exemplified in ConocoPhillips' LNG facility in Alaska. It is currently only processing approximately 50 million cubic feet a day of gas, despite a capacity to deal with over four times that amount. As demand for gas outstrips supply, Alaskan utilities have warned of 'brownouts' where energy supply is deliberately restricted due to severe undersupply.

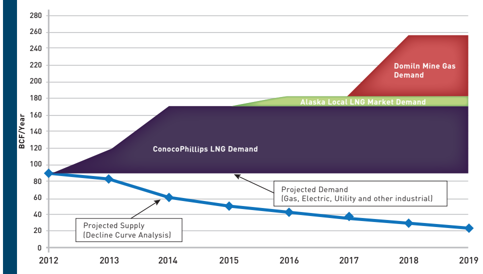
> *"SOUTH CENTRAL ALASKA IS A PREMIUM GAS MARKET, SEPARATE AND DISTINCT FROM THE LOWER 48 STATES"*

These gas supply shortages coupled with increasing demand have turned Alaska in a premium gas market – gas prices in Alaska are up to 300 per cent greater than in the Lower 48. In addition, gas supply contracts are negotiated directly between gas producers and end users, giving energy producers greater bargaining power in gas supply agreements.

FAVOURABLE FISCAL INCENTIVES

Given the severe gas shortages expected, the Alaskan Government has responded by establishing a strong incentive environment for oil and gas explorers and producers. An advantageous taxation regime reduces severance tax for oil to less than one per cent and there are no production taxes in the Cook Inlet until 2022.

TOTAL SOUTH CENTRAL ALASKA SUPPLY & DEMAND POSITION



LNG Process, LNG Alaska,
Donlin Creek LLC; Environmental Impact Assesment, and Buccaneer Alaska Analysis

- ConocoPhillips LNG facility ~50 MMCFD versus 225 MMCFD capacity
- Significant gas discoveries needed to feed LNG facility
- Gas market to remain tight in foreseeable future

To further incentivise exploration by new entrants within Alaska, the State Government introduced the Alaskan Clear and Equitable Shares (ACES) Program in 2007. The ACES program provides cash rebates to companies undertaking exploration and development, significantly reducing the commercial discovery threshold for Buccaneer.

> *“WITH SEVERE LOCAL GAS SHORTAGES, THE ALASKAN GOVERNMENT OFFERS CASH REBATES FOR EXPLORATION, IRRESPECTIVE OF SUCCESS.”*

The ACES program returns up to 65 per cent of seismic and exploration drilling costs and up to 45 per cent of facilities-related capital expenditure, such as on platforms, flow-lines and pipelines. These cash rebates are not repayable and are not contingent on success. In the last 12 months Buccaneer has received US$12.5 million back under ACES.

In addition and with specific correlation to Buccaneer’s operational activity, amendments to the ACES program have established a tax credit for exploration in the Cook Inlet with a Jack-Up rig.

With the acquisition of the Endeavour jack-up rig and exploration activity planned in FY 2013, Buccaneer is perfectly placed to take advantage of this legislation. These special cash rebates, directly related to the use of the Jack-Up rig, provides a tax credit of up to US$25 million for new wells drilled into the pre-Tertiary strata of the Cook Inlet. These cash rebates are 50 per cent repayable over 10 years from the commencement of production.

CLEAR PATH TO COMMERCIALISATION

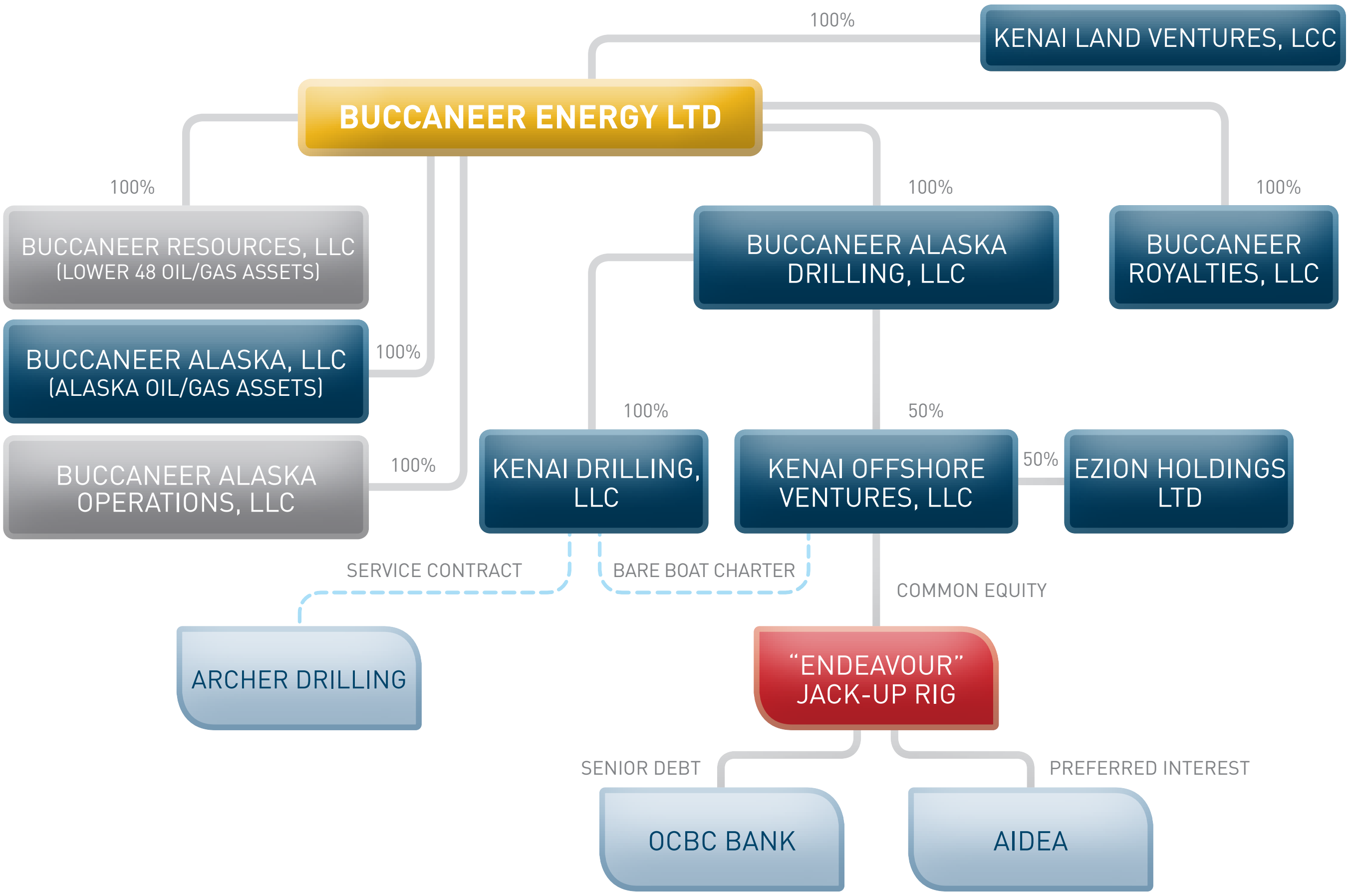
The Cook Inlet has a history oil and gas exploration since 1960 and as a result has a strong existing network of infrastructure, facilities and pipelines. Buccaneer’s portfolio of assets are located in close proximity to that network.

Energy utilities and oil and gas majors have established existing facilities such as ConocoPhillips’ LNG Facility which is operating at 25 per cent capacity, the only one of its type in North America, exports LNG to Japan. Following the retreat from nuclear power generation in Japan, the country is becoming an increasingly attractive market for gas. This situation offers gas producers in Alaska the opportunity to sell into the local Alaskan market as well as the growing Japanese LNG market.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

GROUP CORPORATE STRUCTURE



DIRECTORS' REPORT

Your directors present their report on Buccaneer Energy Limited ('Company') and its controlled entities (together called the 'Group' or the 'consolidated entity') for the financial year ended 30 June 2012.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Mr Alan J. Broome	Non-Executive Director – Chairman
Mr Curtis D. Burton	Managing Director
Mr Dean L. Gallegos	Finance Director
Mr S. Frank Culberson	Non-Executive Director

Directors have been in office since the date of their appointment as detailed above to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

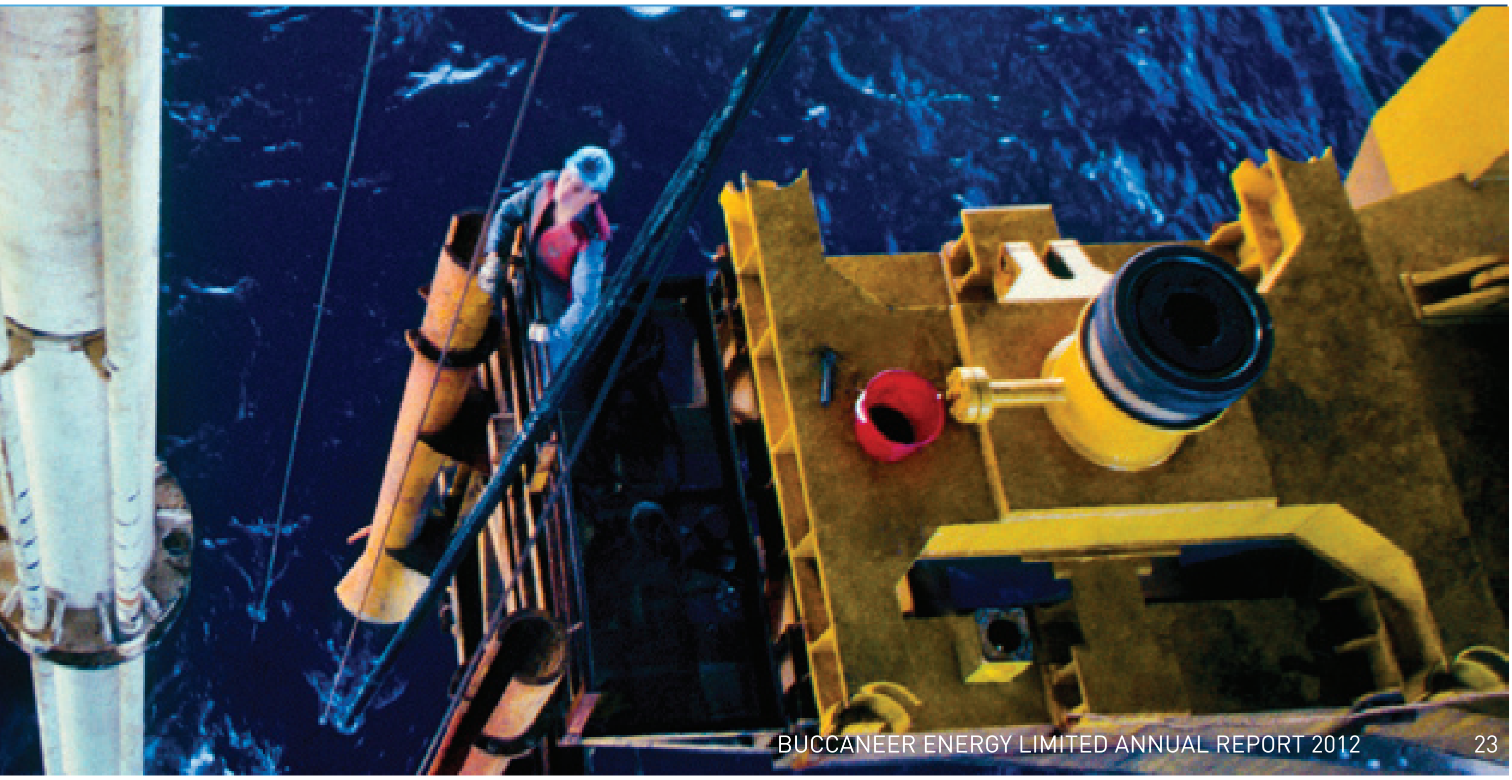
Bruce David Burrell

Mr Burrell has over 32 years' experience in the public company environment and has served as a director and company secretary of ASX listed companies during that period. He is a fellow of CPA Australia and holds a Master of Business Administration.

Principal activities

The principal activities of the consolidated entity during the year were the acquisition, exploration, drilling and production of oil and gas.

There were no significant changes in the nature of activities of the consolidated entity that occurred during the year.



Operating result

The Group recorded an after tax loss of $16,309,223 (2011: ($14,079,740)) for the financial year.
The Earnings before interest, tax, depreciation, amortisation and exploration write-offs ("EBITDAX") was a loss of $6,510,399 (2011: ($3,161,957)).

Debt

At the date of this report the Group had the following loan facilities with New York based Richmond Hill Investment Co., LP:

- A US$20.0 million project finance facility ("the Facility") drawn to US$15.0 million. This Facility expires on 16 January 2013; and
- A US$30.0 million revolving credit facility with Richmond Hill to fund receivables under the State of Alaska, ACES exploration and development incentive program ("ACES Facility") drawn to US$12.3. This ACES Facility expires on 31 December 2013.

The Group has a US$1.495 million Letter of Credit ("LOC") with Macquarie Bank Limited to satisfy its bonding obligations for the Pompano Production Facilities. The LOC is cash covered by deposits held by Macquarie Bank Limited to an amount of US$1.5 million as at the date of this report.

Review of operation

Information on the operations and financial position of the Group is set out at the beginning of these financial statements.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Contributed equity increased by $17,942,067 (from $54,033,210 to $71,975,277) as the result of the issue of shares under the convertible notes issued and converted during the year and various other share placements. Details of the changes in contributed equity are disclosed in note 24 to the financial statements.

The development of the Group's Alaskan leases remains the Group's top priority, the last 12 months the Group has been actively progressing its existing Cook Inlet basin projects and reviewing new leasing opportunities.

Matters subsequent to the end of the financial year

1. On 18 July 2012 the Group announced it has executed binding agreements for the issue of 292,682,927 fully paid ordinary shares at an issue price of 4.1 cents to raise a total of $12.0 million; $6,186,244 was subject to the shareholder approval that was granted on the 10 September 2012.
2. In addition to the $12.0 million capital raising, the Group announced it will implement a share purchase plan (SPP) to eligible shareholders capped at $1,500,000 at an issue price of 4.1 cents; as of 13 September 2012 the Group announced that the SPP was oversubscribed and a scale back was required under the terms and conditions of the SPP.
3. On 24 July, the Group issued 141,798,925 shares to raise $5,813,756.
4. On 31 July 2012, the Group announced that the Endeavour Jack-Up has been mobilised to Alaska. It arrived on 24 August 2012 and will be subject to final work and regulatory inspections before being towed to its first drilling location at the Group's North West Cook Inlet project.
5. On 16 August 2012, the Group announced it has completed the Group acquisition of interest in the Cosmopolitan project, subject to the Group Lender, Richmond Hill Investment Co., LP providing its written consents of the Group assuming the role of Operator to the project. Consent was given on 28 August 2012 and therefore the closing documents and funds were exchanged with owners of the project. Eexcution of joint operating agreement between BCC & Blue Crest.
6. On 13 September and to the date of this report the Group announced that it has commenced drilling of the group Kenai Loop # 4 well.

No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Likely developments, prospects and business strategies

The consolidated entity will continue its strategy to focus on the progressive expansion of oil and gas production and reserves by acquiring interests in low-cost, low-risk development properties that possess significant undeveloped upside with access to existing infrastructure.

The consolidated entity anticipates drilling a number of its projects over the next 12 months with the intention of increasing and diversifying its current production base. The consolidated entity is also undertaking a project acquisition strategy through the acquisition of properties at various US State and Federal auctions with the view to growing the pipeline of development projects that it controls and will operate.

Specific details of likely developments in the operations of the Group, prospects and business strategies and their expected results in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

INFORMATION ON DIRECTORS

Mr Alan Broome AM

I.Eng.; F.AusIMM; FAICD; MIMMM (London); MInstD (NZ)

Chairman, Non-Exective Director

Alan Broome is a metallurgist with over 20 years' experience in the secondary metals industry and 20 years' experience in the mining industry.
He had an extensive background in metal casting and steel production before joining the mining industry as managing director of a major Australian coal industry owned group.

Alan has extensive knowledge of the mining industry accumulated through involvement with mining technology companies, government agencies and major international mining companies in promoting Australian mining and developing global trade.

He is a director and chair of a number of Australian mining technology companies including Micromine Pty Ltd., Inbye Mining Services Ltd.; WorkPac Group Ltd, and MI Power Pty Ltd.; the chair of the Australian mining technology export group, Austmine; previous chair of the Australian Government Action Agenda promoting mining technology; and deputy chair of the world's largest Internet-based mining procurement company, Quadrem.

In New Zealand, he is chairman of CRL Energy Limited, and a director of the state-owned coal mining company Solid Energy Limited.

He also sits on the Minerals Sector Advisory Council of the CSIRO; the "Minerals Down Under" National Flagship advisory committee of the CSIRO; the Mining Advisory Committee of Austrade; and is a director of the New Zealand Coal Association.

He was previously the CEO and deputy chairman of the Federal Government's Heavy Engineering and Infrastructure Action Agenda initiative.

He is retained as an adviser to a number of Australian and international mining, mining services and engineering companies, and associated organisations.

In 1999 he was awarded the Westpac/Institute of Export award for mining and in 2000, the Order of Australia (AM) for services to mining. In 2005, Alan was awarded the AusIMM President's Award for contributions to the development of the Australian mining supply sector.

Other directorships of listed companies in the three years ending 30 June 2012:

Mr Broome is currently not a director of any other ASX listed company. In the last three years has also served on the board of Endocoal Limited (resigned 24 July 2012) and Jupiter Mines Limited and Nimrodel Resources Limited (resigned 2 August 2011).

Special responsibilities:

Chairman of the board.

Interests in shares and options:

Ordinary shares:	597,895
Listed options:	100,000
Unlisted options:	2,500,000

Mr Curtis D. Burton

Managing Director

Recognised by the oil and gas industry as primary "mover" of the industry into the deepwater frontier, Curtis Burton was a founder of DeepSTAR, Texaco's cooperative deepwater technology-development vehicle. He successfully directed this project for five years.

Prior responsibilities including serving as founder/ president/CEU for Azura Energy Systems;

President of Grant Prideco's Marine Division and of Total Offshore Production Systems. He is also recognised as an innovator in the application of new concepts and technologies in the oil and gas industry.

These have included innovative floating system designs for North Sea operators and the implementation of one of the world's largest sub-sea production control systems in the 1980s. His leadership has been characterised by willingness to seek out innovative solutions for "unsolvable problems" and ability to assess the "big picture". In depth international experience includes living and working in the United Kingdom, Norway and Brazil. He has also completed international projects in West Africa, Japan and Europe and has extensive project experience in the deepwater Gulf of Mexico.

Special responsibilities:
Managing Director & Chief Executive Officer.

Interests in shares and options:

Ordinary shares:	13,438,375
Unlisted options:	9,000,000

Mr Dean L. Gallegos

Finance Director

Dean Gallegos brings management, marketing and capital-formation experience to Buccaneer from an Australian perspective. He identified and sought out the Buccaneer management team in Houston and identified them as the core of an operation that would be attractive to Australian investors and form the basis of a successful company listed on the ASX.

He has over 17 years' experience in the Australian capital market place with direct experience in managing ASX listed companies. He has particular expertise in raising debt and equity capital, planning and supervision of exploration budgets, shareholder relations, corporate governance and compliance under regulatory framework.

Special responsibilities:
Finance Director.

Dean is also responsible for advising the board on all corporate and strategic matters relating to the Company including those in respect to funding the Company and regulatory matters (Corporations Act and ASX Listing Rules) in Australia. He is responsible to the board for implementing an effective corporate and shareholders communication strategy and is the Company's primary point of contact to the investment community in Australia.

Interests in shares and options:

Ordinary shares:	12,607,898
Listed options:	9,000,000

Mr S. Frank Culberson

M.B.A., P.E.

Non-executive Director

S. Frank Culberson, is President & CEO of Rimkus Consulting Group, a 400-person forensic consulting and engineering firm, headquartered in Houston.

Mr Culberson became President and Chief Executive Officer of Rimkus Consulting Group, Inc., in 1987. He was previously managing director and chief executive officer of Pace Consultants, Inc., where he had worked since 1966 in a succession of positions including president of Rocky Mountain division, vice president of engineering, and managing partner. He began his career with Shell Oil Company in 1969 as a process engineer and operations coordinator.

Frank is a 1960 graduate of North Carolina State University with a B.S. in chemical engineering and a 1966 graduate of the University of Houston with an M.B.A. He has extensive experience in the hydrocarbons processing and consuming industries, including economics and feasibility assessments; environmental and toxic/hazardous waste evaluations and solutions; process engineering and operations; computer systems development; venture analysis and commercialisation; acquisitions, mergers, divestitures and financial analyses.

He has more than 30 years of experience in energy and business consulting, including numerous assignments as principal in charge of major studies and evaluations. He has made numerous high-level presentations and provided expert reports, including expert witness testimony before courts and the Federal Energy Regulatory Commission. He is a registered professional engineer in Texas and Florida, and he is a member of the American Institute of Chemical Engineers.

Special responsibilities:
None.

Interests in shares and options:

Ordinary shares:	4,084,118
Unlisted options:	2,500,000

MEETINGS OF DIRECTORS

The number of board meetings of Buccaneer Energy Limited held during the financial year ended 30 June 2012, and the number of meetings attended by each director were:

	Directors Meetings	
Dircetor	Attended	Eligible to attend
Alan Broome	5	5
Curtis Burton	5	5
Dean Gallegos	5	5
S. Frank Culberson	5	5

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

The Group has entered into an agreement to indemnify directors and officers and during the financial year and has taken out an insurance policy to insure each of the directors and officers or former directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Group, other than conduct involving a wilful breach of duty in relation to the Group. Indemnity has not been provided for auditors. Insurance premium of $22,443 has been paid or accrued by the Group.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to the environmental laws and regulations imposed by authorities in USA and in particular the laws and regulations of Alaska, Texas and Louisiana in respect to oil and gas exploration and production.

There were no environmental issues that arose during the 12 months to 30 June 2012.

REMUNERATION REPORT (AUDITED)

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Services agreements
4. Share-based compensation

The information provided under headings 1 to 4 includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The performance of the consolidated group depends upon the quality and commitment of the directors and executives. The philosophy of the directors in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder-value creation; and
- establish appropriate demanding performance hurdles for variable executive remuneration.

The board has not established a remuneration committee to review and make recommendations to the full board on the Company's remuneration policies, procedures and practices.

The full board established the Group remuneration policies, procedures and practices and set out and defined the individual packages offered to key management personnel, including long-term incentives to reward key management personnel to shareholders-value creation by offering employee options and vesting conditions linked to the Group's earning; its ability to pay dividends or the rate of dividend payable and its ability to repay to its shareholders any excess capital.

In accordance with Corporate Governance best practice (Recommendation 8.2), the structure of non-executive director and executive remuneration is separate and distinct as follows.

a. Non-executive directors' remuneration

Fixed remuneration:

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned among directors is reviewed annually. The board considers advice from shareholders, and takes into account the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

Directors' remuneration is inclusive of committee fees. The following net annual fees paid to non-executive directors are:

Fixed fees	1 July 2011 - 30 June 2012 $	1 July 2010 - 30 June 2011 $
Base fee		
Chairman	$88,000	$88,000
Other non-executive directors	$11,775	$12,967

Variable remuneration:

The Company provides directors with incentives designed to align their remuneration with the interests of shareholders. This is done through issuing options to acquire ordinary shares in the Company. The number and the terms of the options issued are determined by the full board and approved by shareholders in a general meeting of members.

b. Company executive and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration, which comprises short-term and long-term incentive schemes.

Fixed remuneration:

Fixed remuneration is reviewed annually by the directors. The process consists of a review of relevant comparative remuneration in the employment market and within the Company and, where appropriate, external independent advice on policies and practices is obtained by the Board.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms and are offered the opportunity to enter into "salary sacrifice" arrangements with the Company, where appropriate. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost for the consolidated group.

Variable remuneration:

(i) Short-term incentives (STI Payments)

Executives are set short-term (annual) incentive (STI) targets depending on the accountabilities of the role and impact of their performance on the organisation or business unit performance. Each year the directors consider, based on a recommendation from the full board of directors, the appropriate targets and key performance indicators to link the STI plan and the level of payment, if targets are met. This includes setting a maximum payment under the STI plan, and minimum levels of performance to trigger payment of the STI.

Currently, the STI targets and performance indicators are linked to the operational performances, including the financial performance of the consolidated group. They are not linked to movements in shareholder wealth as determined by the Company's share price or dividends paid.

(ii) Long-term incentives

The Company provides long-term incentives to senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. This is done under the terms of the Employee Share Option Plan ("ESOP") which provides for executives and other employees to be issued with options to acquire shares in the Company at a ESOP exercise price of $0.11. The number and the terms of the options issued are determined by the directors after consideration of the employee's performance and their ability to contribute to the achievement of the Company's objectives.

The Company issued new options under the ESOP in February 2012.

Under the ESOP issued in February 2012, all the options has the following vesting conditions:

- 33.33% on the Group achieving at its Kenai Loop project a production rate of 10 million cubic feet per day for 30 days.
- 33.33% on the Group completing spud of the first well at the Southern Cross project.
- 33.33% on the Group completing spud of the first well at the North West Cook Inlet project.

At the date of this report, none of the options issued during the financial year has vested and are unavailable to be exercised.

As the options confer a right but not an obligation on the recipient of the options, the directors do not consider it necessary to establish a policy in relation to the person limiting his or her exposure to risk as a consequence of owning the options.

2. DETAILS OF REMUNERATION

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) are set out in Table 1 and Table 2.

The key management personnel of Buccaneer Energy Limited, including the directors and the following consolidated group executives, have authority and responsibility for planning, directing and controlling the activities of the consolidated group.

Clint Wainwright	Executive Vice-President, Operations & Business Development (Buccaneer Resources)
James Watt	President, (Buccaneer Alaska LLC)
Mark Landt	Executive Vice-President, Land & Business Development (Buccaneer Alaska)
Allen Huckabay	Executive Vice-President, Exploration & Development (Buccaneer Alaska)
Andy Rike	Operations Officer (Buccaneer Resources & Buccaneer Alaska)

These executives together with the directors comprise the named relevant consolidated group executives who make or participate in making decisions that affect the whole, or a substantial part, of the business or who have the capacity to affect significantly the Group's financial standing.

Table 1: Details of Remuneration – Directors and key management personnel

	Short-term benefits		Other benefits					
	Cash salary & fees	STI Payments	Termination benefits	Prescribed benefits[1]	Share-based payments - options	Total	Percentage performance based bonus payments	Percentage share option-based payments
Year ended 30 June 2012								
Non-executive directors								
Alan Broome	88,000	–	–	–	4,646	92,646	–	5.02%
S. Frank Culberson	11,775	–	–	–	4,646	16,421	–	28.29%
Executive directors								
Curtis Burton	294,377	127,564	–	52,353	18,585	492,879	25.89%	3.77%
Dean Gallegos	300,000	150,000	–	16,800	18,585	485,385	30.90%	3.83%
Other key management personnel								
Clint Wainwright	166,814	–	–	21,345	–	188,159	–	–
James Watt	166,814	–	–	14,077	–	180,891	–	–
Mark Landt	166,814	–	–	18,546	–	185,360	–	–
Allen Huckabay	166,814	–	–	11,643	–	178,457	–	–
Andy Rike	166,814	49,063	–	17,222	–	233,099	21.00%	–
Total	**1,528,222**	**326,627**	**–**	**151,986**	**46,462**	**2,053,298**	**15.91%**	**2.26%**

1. STI Payments for the 2011 Fiscal Year. As at 30 June 2012 Dean Gallegos had only received 50% of his allocated STI Payment.
2. For US-based executives this includes Health Insurance, Car Allowance, Retirement Fund contributions and Insurance Payments. For Australian-based executives this includes a Car Allowance.

Table 1: Details of Remuneration – Directors and key management personnel (continued)

	Short-term benefits		Other benefits					
	Cash salary & fees	STI Payments	Termination benefits	Prescribed benefits[1]	Share-based payments - options	Total	Percentage performance based bonus payments	Percentage share option-based payments
Year ended 30 June 2011								
Non-executive directors								
Alan Broome	88,000	–	–	–	22,750	110,750	–	20.5%
S. Frank Culberson	12,977	–	–	–	22,750	35,727	–	63.7%
Executive directors								
Curtis Burton	249,195	–	–	73,471	78,000	400,666	–	19.5%
Dean Gallegos	266,666	–	–	16,000	78,000	360,666	–	21.6%
Other key management personnel								
Clint Wainwright	241,616	–	–	19,658	52,000	313,274	–	16.6%
James Watt	176,513	–	–	15,036	42,900	234,449	–	18.3%
Mark Landt	176,513	–	–	19,764	42,900	239,177	–	17.9%
Allen Huckabay	176,513	–	–	12,460	42,900	231,873	–	18.5%
Gary Rinehart[2]	160,939	15,575	–	22,648	39,000	238,162	6.7%	16.4%
Andy Rike	160,939	15,575	–	19,936	42,900	239,350	6.6%	17.9%
Total	**1,709,871**	**31,150**	**–**	**198,973**	**464,100**	**2,404,094**	**1.3%**	**19.3%**

1. For US-based executives this includes Health Insurance and Car Allowance. For Australian-based executives this includes a Car Allowance.
2. Directors determined that Gary Rinehart was not a Key Management Personnel in the financial year 2011/2012

3. SERVICE AGREEMENTS

The Company has no formal service agreements in place at this time. The Company is currently in the process of drafting service agreements for its executive directors and key management personnel.

Terms and conditions of the appointment and retirement of directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The following is a summary of the current major provisions of the agreements relating to remuneration of the executive directors and key management personnel are set out below, all the following agreements are on a month to month basis with no defined duration unless stated otherwise:

Curtis Burton – Managing Director and Chief Executive Officer

Base fee US$300,000 reviewed annually
Benefits Health Insurance. US$2,000 per month Car Allowance

Dean Gallegos – Finance Director

Base fee AUD$300,000 reviewed annually
Benefits AUD$1,200 per month Car Allowance

Clint Wainwright – Executive Vice President, Operations and Business Development (Buccaneer Resources)

Base fee US$170,000 reviewed annually
Benefits Health Insurance

Andy Rike – Operations Officer (Buccaneer Resources)

Base fee	US$170,000 reviewed annually
Benefits	Health Insurance

James Watt – President and Chief Operating Officer, Buccaneer Alaska LLC

Base fee	US$170,000 reviewed annually
Benefits	Health Insurance. US$600 per month Car Allowance

Mark Landt – Executive Vice-President, Land & Business Development (Buccaneer Alaska)

Base fee	US$170,000 reviewed annually
Benefits	Health Insurance. US$600 per month Car Allowance

Allen Huckabay – Executive Vice-President, Exploration & Development (Buccaneer Alaska)

Base fee	US$170,000 reviewed annually
Benefits	Health Insurance. US$600 per month Car Allowance

As at the date of this report all of the above service agreements can be terminated on 30 days' written notice.

4. SHARE-BASED COMPENSATION

- Options to acquire shares

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives to increase goal congruence between executives, directors and shareholders.

Participation in the DESOP is at the board's sole discretion. For each option issue, the board specifies the vesting period, exercise price and exercise period in accordance with the provisions of the scheme. The exercise price of the option is the price to be determined by the board at its sole discretion, but not less than a premium of 10% of the prevailing market price of the shares of the Company on the ASX at the time of issue.

Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at the issue price specified, at any time from the issue date until the expiry of the options subject to any vesting requirements. The option holders are not entitled as a matter of course to participate in any share issues of the Company. Options granted under the DESOP carry no dividend rights or voting rights and are issued for nil consideration.

Options issued to directors are not issued under the terms of the DESOP but are issued on terms that are approved by shareholders in a general meeting. On 28 November 2011 the Company received approval to issue options to directors.

The recipients of the above options and DESOP options were as follows:

Executive / Director	Position	Options Issued
Alan Broome	Non-Exective Chairman and Director	750,000
Curtis Burton	Managing Director	3,000,000
Dean Gallegos	Finance Director	3,000,000
Frank Culberson	Non-Executive Director	750,000

ESOP OPTION TERMS

The above options have the following terms:

Expiry:	30 June 2016
Exercise Price:	$0.11

The fair value of the ESOP option issued is 2.4 cents, and at the date of this report none of the options have vested under the terms and conditions of their issue as detailed on page 31 of these financial statements.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to their estimated vesting date, and the amount is included in the remuneration above table 1, on page 32. Fair value at grant date is independently determined using a Black-Scholes options pricing model that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At the date of this report no option issued as remuneration has been exercised.

ISSUED OPTIONS

At the date of this report, the unissued ordinary shares of Buccaneer Energy Limited under option are as follows:

Designation	Holder	Exercise Price	Expiry Date	Quantity on Issue	Quantity Vested
BCCO	Listed	$0.10	30 November 2012	177,731,318	177,731,318
BCCAK	Macquarie Bank Limited	$0.11	2 February 2013	15,443,077	15,443,077
BCCAX	SpringTree Special Opportunities, LP	$0.1325	22 February 2013	12,000,000	12,000,000
BCCAO	Helmsec Global Capital	$0.10	15 July 2016	9,700,000	9,700,000
BCCAQ	NewOak Capital Markets	$0.10	22 November 2013	2,500,000	2,500,000
BCCAZ	Directors & Executives (ESOP)	$0.10	30 June 2013	47,550,000	47,550,000
BCCAS	Directors & Executives (ESOP)	$0.11	30 June 2016	7,500,000	–

During the year ended 30 June 2012, no shares have been issued as a result of the exercise of the options issued under ESOP or to shareholders. No other shares were issued as a result of the exercise of any other issued option.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

CORPORATE GOVERNANCE

The directors are responsible for the corporate governance practices of the Company. The main corporate governance practices that were in operation during the financial year are set out in the Corporate Governance section of the annual report.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the full board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were accrued to the external auditors during the year ended 30 June 2012:

Tax advice	$51,615

AUDITOR'S INDEPENDENCE DECLARATION

An independence declaration has been provided by the Company's auditor, Crowe Horwath Sydney.
A copy of this declaration is attached to, and forms part of, the financial report for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the directors.

Alan Broome, A.M
Chairman

28 September 2012

The board of the Company is committed to having the highest standards of ethical behaviour together with an effective system of corporate governance for the Buccaneer Group commensurate with the size of the Company and the scope of its business operations.

In accordance with ASX Listing Rule 4.10.3, set out below is the ASX Corporate Governance Council's eight principles of corporate governance (ASX Governance Principles) and described against each is how the board has applied each principle and the recommendations set out within them.

The Company is fully supportive of the 'if not, why not' disclosure based approach to governance adopted by the ASX Governance Principles because, inter alia, they recognise there is no single model of corporate governance and that good corporate governance practice is not restricted to adopting all the recommendations.

The board has adopted and complied with most of the recommendations but there are a number of recommendations that the board, after careful review, have not adopted. Full details of these, together with an explanation of why an alternate and more appropriate approach has been taken by the board, are set out in the following statement.

PRINCIPLE 1: LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Compliance with this Principle requires the Company to establish and disclose the respective roles and responsibilities of both the board and management.

Role of the board

The Company's overall corporate objective, as determined by the board, is to provide shareholders with attractive investment returns principally through enhancement of capital.

- In this regard, the Company's primary goals are:
- to be profitable and pay dividends which, over time, grow faster than the rate of inflation; and
- to provide attractive total returns over the medium to long term.

The role of the board supports the corporate objectives of the Company. The board generally sets objectives and goals for the operation of the Company, oversees the Company's management, reviews the Company's performance on a regular basis and monitors its affairs in the best interests of the Company. The board is accountable to its shareholders as owners of the Company.

The board operates under a board charter, available on the Company's website, which documents the role of the board outlined above and the matters that the board has reserved to itself. Those matters include: setting the corporate objectives of the Company and approving business strategies and plans of the Company set in place to meet those objectives;

- approving the expense budget at least annually;
- approving changes to the Company's capital structure and dividend policy;
- appointing and removing the CEO/Managing Director and carrying out succession planning for the CEO/Managing Director as applicable;
- reviewing the performance of the CEO/Managing Director and remuneration and contractual arrangements;
- appointing and removing senior executives on the recommendation of the CEO/Managing Director;

- reviewing the performance and remuneration of senior executives on the review and recommendation of the CEO/Managing Director;
- reviewing the composition of the board, the independence of directors, the board's performance and for carrying out succession planning for the Chairman and other non-executive directors;
- reviewing the performance of management and the Company, including the risk management, internal controls and compliance systems;
- dealing with any matters in excess of any specific delegations that the board may from time to time delegate to the CEO/Managing Director and senior executives;
- approving the communication to shareholders and to the public of the half-year and full-year results and quarterly reviews; and
- setting designated authorities for management to implement (in consultation with the Chairman/ Managing Director) the decisions of the board in respect to exploration expenditures.

The directors meet formally as a board as and when required and usually 8 to 10 times a year.

Delegation to board committees

The board has not established any board committees to assist the board in exercising its authority.

The Company does not have a separate audit committee, remuneration committee or nominations committee.

After careful consideration, the board has decided that, given the small size of the Company and its operations, it was appropriate that the functions of audit, remuneration and nomination committees be reserved for the full board.

Delegation to management

The Managing Director is responsible to the Company for the performance of management and the board acts in close consultation with the Managing Director.

The board is responsible for evaluating the performance of the Managing Director and the Company's senior executives in accordance with the Company's aims and objectives, and remunerating them appropriately. As part of its approach to encouraging enhanced performance, the board has adopted a remuneration structure for the Managing Director and other senior executives that includes a significant component of 'at risk' remuneration designed to encourage and reward high performance. Full details of the remuneration process and the benchmarks used for assessment are given in the Remuneration Report.

Departure from ASX Recommended Governance Principles

The board acknowledges that the Company is not fully compliant with Principle 1 and its recommendations.

As stated above, the board has, after due consideration, decided that in view of the relative small size of the Company and its operations, the functions of separate committees are best reserved for the full board.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

Compliance with this Principle requires the Company to have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Directors' Report sets out the details of the skills, experience, and expertise of each Director.

- The roles of the Chairman and Managing Director are separate. The role of the Managing Director is set out under Principle 1, above. The role of the Chairman is set out in the board charter, including being responsible for:
- the business of the board, taking into account the issues and the concerns of all Directors and the requirements of the board charter;
- the leadership and conduct of board and Company meetings to be in accordance with the agreed agenda, the Company's Corporate Objective and Principles of Conduct (described under Principle 3, below); and
- encouraging active engagement by Directors and an open and constructive relationship between the board and the Managing Director and senior executives.

The Chairman also has the authority to act and speak for the board between meetings, subject to any agreed consultation processes.

Appointment and renewal

The board consists of a Non-Executive Chairman, Mr Alan Broome AM; a Managing Director, Mr Curtis Burton; an Executive Director Mr Dean Gallegos; and a Non-Executive Director Mr Frank Culberson. Alan Broome and Frank Culberson are considered by the board to be independent.

Details of the term of office held by each director in office as at the date of this report are as follows:

Name of director	Date appointed	Non-executive	Independent
Alan Broome	July 2007	Yes	Yes
Curtis Burton	July 2007	No	No
Dean Gallegos	July 2007	No	No
Frank Culberson	August 2007	Yes	Yes

The Company's constitution provides that each director, except for the Managing Director, must seek re-election by shareholders at least every three years if they wish to remain a director. Any new director appointed by the board must seek election by shareholders at the next Annual General Meeting of the Company. This complies with the ASX Listing Rules.

All of the directors have entered into an agreement with the Company covering the terms of their appointment, the Company's share trading policy, access to documents, directors' indemnity against liability, and directors' and officers' insurance.

Each director of the Company is encouraged to have a financial interest in the Company.

Nomination committee

The Company does not have a nomination committee.

After careful consideration the board decided that the functions of a nomination committee were best reserved for the full board. The full board periodically reviews board composition, succession planning, and where applicable recommends suitable directors for appointment by the directors and approval by shareholders. In reviewing board composition, the Committee takes note of regulatory requirements and recommendations in this area and reviews the mix of skills, experience and diversity the board considers appropriate for the Company's particular circumstances.

The board also reviews the process in place to assess the board's performance. In order to provide a specific opportunity for performance matters to be discussed with each director, each year the Chairman conducts a formal Director review process. He meets with each director individually to discuss issues including performance and discusses with each director the effectiveness of the board as a whole, individual directors and the Chairman with the intention of providing mutual feedback.

Performance is reviewed against both measurable and qualitative indicators. To assist the effectiveness of these meetings, the Chairman is provided with objective information about each director (e.g. number of meetings attended, other current directorships, etc.) and a guide for discussion to ensure consistency. The Chairman reports on the general outcome of these meetings to the board. Given the nature of the Company's activities, the board believes that there is sufficient formality in the process of evaluation of the board, individual directors and the Chairman.

Independence of directors

The board reviews the independence of each of the non-executive directors on an annual basis, taking into account the factors set out in the ASX Governance Principles, including situations where an individual director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company.

It is considered that the non-executive directors Alan Broome and Frank Culberson are independent.

Curtis Burton and Dean Gallegos are executive directors and are not considered to be independent.

Any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements, which are designed to ensure that conflicted directors do not take part in the decision-making on the relevant issue. On this basis, it is believed that their independence on all other issues is not compromised.

To assist directors to fully meet their responsibilities to bring an independent view, the board has agreed a procedure in appropriate situations for directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so. The results of the independent professional advice are made available to the Chairman.

Departure from ASX Recommended Governance Principles

The board acknowledges that the Company is not fully compliant with Principle 2 and its recommendations.

As stated above, the board has, after due consideration, decided that in view of the relative small size of the Company and its operations, the functions of separate committees are best reserved for the full board.

PRINCIPLE 3: PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Compliance with this Principle requires that the Company should actively promote ethical and responsible decision-making.

The Company, including its directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness, and in accordance with legal obligations. The Company also maintains a high level of transparency regarding its actions, consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.

The Company has approved and promulgated two codes, namely Corporate Principles of Conduct and a Trading Policy for Directors, which are available on the website together with the Company's Trading Policy that the Company has for dealing in its own shares by its senior executives and employees. The Corporate Principles of Conduct include the code of conduct for directors and senior executives and these documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and directors.

In addition to the consideration by the board of individual directors' independence, the Corporate Principles of Conduct sets out details of how conflicts of interest should be avoided. The Company's directors and employees must disclose to the Company any material personal interest that they or any associate may have in a matter that relates to the affairs of the Company. Directors must inform the Company Secretary immediately they become aware of any changes to their shareholdings or directorships. Where a conflict of interest may arise, full disclosure by all interested persons must be made and appropriate arrangements followed, such that interested persons are not included in making the relevant decisions and discussions.

The Company does not have a policy in relation to diversity regarding gender, age, ethnicity or cultural background. The board believes, after careful consideration, that in view of the small size and operations of the Company, a meaningful diversity policy cannot be developed at this time.

Except for a departure regarding diversity policy, the board believes that the Company is fully compliant with Principle 3 and its recommendations.

PRINCIPLE 4: SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

Compliance with this Principle requires that the Company has a structure to verify and safeguard the integrity of the Company's financial reporting.

The Company has not established an audit committee. The functions of an audit committee have been reserved for the full board. These functions include overseeing the integrity of the financial reporting process and reports to the board.

The full board is responsible for reviewing:

- the Company's accounting policies;
- the content of financial statements;
- issues relating to the controls applied to the Company's activities;
- the conduct, effectiveness and independence of the external audit;
- risk management and related issues; and compliance issues.

The role of the full board in respect of its oversight of risk management issues is set out under Principle 7 below.

Written affirmations

Pursuant to section 295A of the Corporations Act the board receives from the Managing Director and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration.

External audit

The Company reviews the independence and competence of the Company's external auditor including reviewing any non-audit work to ensure that it does not conflict with audit independence.

The full board meets with the external auditor in the absence of management.

Departure from ASX Recommended Governance Principles

The board acknowledges that the Company is not fully compliant with Principle 3 and its recommendations.

As stated above, the board has, after due consideration, decided that in view of the relative small size of the Company and its operations, the functions of separate committees are best reserved for the full board.

PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

Compliance with this Principle requires that the Company promotes timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the Company ensures that the market is advised of all information required to be disclosed under the Listing Rules that the Company believes would or may have a material effect on the price or value of the Company's securities.

The Company has developed policies and procedures designed to ensure compliance with ASX Listing Rules and Corporations Act disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is reviewed during the course of each year, taking into account best practice developments in this area.

The Company makes ASX releases on a weekly basis during exploration and development drilling and as and when required at other times to meet ASX Listing Rule requirements for continuous disclosure. The board has nominated Mr Dean Gallegos, a director, as the person responsible for communications with ASX, including responsibility for ensuring compliance with ASX continuous disclosure requirements.

The board believes that the Company is fully compliant with Principle 5 and its recommendations.

PRINCIPLE 6: RESPECTING THE RIGHTS OF SHAREHOLDERS

Compliance with this Principle requires that the Company respects the rights of shareholders and facilitate the effective exercise of those rights.

The Company is owned by its shareholders and the board's primary responsibility is to shareholders and to achieve the Company's Corporate Objectives and thus increase the Company's value.

The main communications with shareholders are the Quarterly Reports and the Annual and Half-Year Reports and the Annual General Meeting.

Shareholders are encouraged to attend the Annual General Meeting at which the external auditor is in attendance and available to answer shareholder questions on the audit and the preparation of the financial reports.

The Company maintains a comprehensive website that contains ASX announcements, Quarterly Reports Annual Reports, Half-Yearly Reports, details of corporate governance practices, presentations to shareholders, and related material for shareholders and investors.

The board believes that the Company is fully compliant with Principle 6 and its recommendations.

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

Compliance with this Principle requires that the board establishes a system of risk oversight and management and internal control.

The board considers that the Company has established and maintains an appropriate and sound system of risk oversight, management and internal control.

The board considers an internal audit function to be not necessary due to the nature and size of the Company's operations.

By its nature as an oil and gas exploration and development company, the Company will always carry risk because it must invest its capital in activities that are not risk free.

The Company's management is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk, human resource risk, disaster recovery risk, and occupational health and safety risk.

The board receives from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks. The board has also received reports from management as to the effectiveness of the Company's management of its material business risks.

The board believes that the Company is fully compliant with Principle 7 and its recommendations.

PRINCIPLE 8: REMUNERATING FAIRLY AND RESPONSIBLY

Compliance with this Principle requires that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is defined.

The Company has not established a remuneration committee. After careful consideration the board has decided that the functions of a remuneration committee are best reserved for the full board. These functions include to look after remuneration issues relating to the non-executive directors, the Managing Director and other executive directors and senior executives.

Full details regarding the remuneration amounts and policies are disclosed in the Remuneration Report.

The board seeks external advice from consultants to ensure that its policies and practices are in line with external market conditions.

Executives who have been awarded shares and previous Long Term Incentive Plans that have not yet vested are prohibited from entering into transactions in associated products which limit the risk of participation in such plans.

Departure from ASX Recommended Governance Principles

The board acknowledges that the Company is not fully compliant with Principle 8 and its recommendations.

As stated above, the board has, after due consideration, decided that in view of the relative small size of the Company and its operations, the functions of separate committees are best reserved for the full board.

Share Trading Policy

Directors, officers and employees are encouraged to have a personal financial interest in the Company by acquiring and holding shares on a long-term basis.

The buying or selling of shares in the Company is not permitted by any director, officer or employee of the Company, or their associates, when that person is in possession of price-sensitive information not available to the market.

No director, officer or senior executive is permitted to buy or sell shares without first obtaining the permission of the Chairman to do so.

It is the responsibility of each director to advise the company secretary of any dealings in the Company's securities.

AUDITORS INDEPENDENCE DECLARATION

Crowe Horwath Sydney

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A WHK Group Firm

Crowe Horwath.

The Board of Directors
Buccaneer Energy Limited
Level 9, 25 Bligh Street
Sydney NSW 2000

28 September 2012

Dear Board Members

BUCCANEER ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Buccaneer Energy Limited.

As lead audit principal for the audit of the financial statements of Buccaneer Energy Limited for the financial year ended 30 June 2012 I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

SUWARTI ASMONO
PRINCIPAL

COVER OF EXCELLENCE

Liability limited by a scheme approved under Professional Standards Legislations

Crowe Horwath Sydney Pty Ltd is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated group 2012 $	Consolidated group 2011 $
Revenue and other income	3	3,624,585	1,916,312
Depletion expense		(1,290,094)	(1,857,371)
Lease operating expenses		(737,799)	(2,013,563)
Repairs and maintenance		(921,852)	(138,330)
Exploration cost written off		–	(184,433)
Impairment expenses		(5,876,477)	(5,194,083)
Depreciation and amortisation expenses		(285,298)	(51,710)
Interest and finance expenses		(881,463)	(796,398)
Employee salary and benefits expense		(2,240,852)	(1,588,584)
Share of net loss of jointly controlled entities accounted for using the equity method		(106,225)	–
Professional fees		(5,438,944)	(1,418,041)
Share based payment expense		(50,963)	(618,150)
Occupancy expense		(247,216)	(342,060)
Foreign exchange loss		–	(185,372)
Share listing and maintenance		(163,633)	(164,300)
Travel expenses		(687,409)	(387,232)
Other expenses		(1,005,583)	(1,056,425)
Total expenses	4	(19,933,808)	(15,996,052)
Loss before income tax expense		**(16,309,223)**	**(14,079,740)**
Income tax expense/(benefit)	5	–	–
Loss for the year		**(16,309,223)**	**(14,079,740)**
Other comprehensive income			
Exchange differences on translation of foreign operations		1,286,746	(3,471,852)
Other comprehensive income for the year		**1,286,746**	**(3,471,852)**
Total comprehensive loss for the year		**(15,022,477)**	**(17,551,592)**
Loss attributable to members of the Company		**(16,309,223)**	**(14,079,740)**
Total comprehensive loss attributable to members of the Company		**(15,022,477)**	**(17,551,592)**
Earnings per share			
Continuing operations:			
Basic loss per share - cents per share	6	(1.82)	(2.55)
Diluted loss per share - cents per share	6	(1.82)	(2.55)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

		Consolidated group	
	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalent	9	3,549,135	4,473,299
Trade and other receivables	10	19,359,295	6,892,404
Inventory	11	129,314	197,235
Other current assets	12	1,573,400	1,140,530
TOTAL CURRENT ASSETS		**24,611,144**	**12,703,468**
NON-CURRENT ASSETS			
Trade and other receivables	10	4,871,900	25,988
Property, plant & equipment	13	1,596,028	115,133
Exploration and evaluation assets	14	14,432,153	11,689,636
Oil and gas assets	15	20,586,621	3,574,996
Investment in joint venture	16	2,344,064	–
Other financial assets	17	80,283	199,615
Other non-current assets	19	32,270	96,377
TOTAL NON-CURRENT ASSETS		**43,943,319**	**15,701,745**
TOTAL ASSETS		**68,554,463**	**28,405,213**
CURRENT LIABILITIES			
Trade and other payables	20	3,925,682	4,087,750
Derivative financial instruments	21	–	1,157
Borrowings	22	31,559,799	1,500,000
TOTAL CURRENT LIABILITIES		**35,485,481**	**5,588,907**
NON-CURRENT LIABILITIES			
Borrowings	22	5,274,796	–
Provisions	23	4,677,412	2,936,835
TOTAL NON-CURRENT LIABILITIES		**9,952,208**	**2,936,835**
TOTAL LIABILITIES		**45,437,689**	**8,525,742**
NET ASSETS		**23,116,774**	**19,879,471**
EQUITY			
Issued capital	24	72,325,277	54,383,210
Reserves	25	(474,258)	(2,078,717)
Accumulated losses		(48,734,245)	(32,425,022)
TOTAL EQUITY		**23,116,774**	**19,879,471**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

		Issued capital		Reserves		Accumulated losses	Total
Consolidated group	Note	Ordinary shares $	Options $	Options $	Foreign currency translation $	$	$
Balance at 1 July 2011		**36,585,026**	**350,000**	**663,772**	**111,213**	**(18,345,262)**	**19,364,729**
Other comprehensive income for the year		–	–	–	(3,471,852)	–	(3,471,852)
Loss attributable to the consolidated entity		–	–	–	–	(14,079,740)	(14,079,740)
Transactions with owners in their capacity as owners:							
Shares issued during the year	24	17,143,502	–	–	–	–	17,143,502
Shares issued transaction costs	24	(136,708)	–	–	–	–	(136,708)
Fair value of share based expense		–	–	1,059,540	-	–	1,059,540
Transfer of options expense on exercise of options	25	441,390	–	(441,390)	–	–	–
Balance at 30 June 2011		**54,033,210**	**350,000**	**1,281,922**	**(3,360,639)**	**(32,425,022)**	**19,879,471**
Balance at 1 July 2011		**54,033,210**	**350,000**	**1,281,922**	**(3,360,639)**	**(32,425,022)**	**19,879,471**
Other comprehensive income for the year		–	–	–	1,286,746	–	1,286,746
Loss attributable to the consolidated entity		–	–	–	–	(16,309,223)	(16,309,223)
Transactions with owners in their capacity as owners:							
Shares issued during the year	24	19,370,000	–	–	–	–	19,370,000
Shares issued transaction costs	24	(1,427,933)	–	–	–	–	(1,427,933)
Fair value of share-based expense		–	–	317,713	–	–	317,713
Balance at 30 June 2012		**71,975,277**	**350,000**	**1,599,635**	**(2,073,893)**	**(48,734,245)**	**23,116,774**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated group	
	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		2,792,872	2,067,835
Payments to suppliers and employees		(12,502,787)	(3,584,402)
Interest paid		(31,370)	(226,252)
Interest received		92,344	57,857
Deposit paid		(1,718,171)	(8,826)
Net cash used by operating activities	31(a)	**(11,367,112)**	**(1,693,788)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for exploration and acquisition expenditure		(9,780,393)	(11,747,256)
Payment for oil and gas development/exploration expenditure		(7,271,651)	(969,865)
Payment for acquisition of oil and gas assets		–	(396,126)
Collections of ACEs credit receivable		4,206,628	–
Proceeds from sale of investment		223,068	–
Acquisition of investments		(2,356,614)	(250,000)
Loan repaid other entity		80,000	–
Loan to other entity		(2,647,302)	–
Sale of plant & equipment		–	6,900
Payment for property, plant & equipment		(606,948)	(909,482)
Net cash used in investing activities		**(18,153,212)**	**(14,265,829)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		12,705,000	8,933,559
Proceeds from issue of convertible notes		5,290,000	6,550,000
Share issue cost		(961,183)	(136,708)
Repayment of borrowings		(6,949,718)	(400,000)
Proceeds from borrowings		17,294,228	–
Net cash provided/(used) in financing activities		**27,378,327**	**14,946,851**
Net increase/(decrease) in cash held		(2,141,997)	(1,012,765)
Cash at beginning of year		4,473,299	4,966,375
Effect of exchange rates changes on cash and cash equivalent		1,217,833	519,690
Cash at end of year	9	**3,549,135**	**4,473,299**

The accompanying notes form part of these financial statements.

Buccaneer Energy Limited is a listed public company that was incorporated on the 2 July 2007 and domiciled in Australia.

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Buccaneer Energy Limited ('Parent entity' or 'Company') and its subsidiaries ('the consolidated Group' or 'Group').

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Buccaneer Energy Limited is a for-profit entity for the purpose of preparing financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards or issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The Group net current liability position at 30 June 2012 was ($10,874,337).

While the Group has achieved exploration success with its exploration projects, the directors recognise that the Group will have to seek additional funding in order to continue to exploit and develop its exploration assets.

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon successfully raising additional funds and ultimately developing or selling its mineral properties.

The directors believe it is appropriate to prepare these accounts on a going concern basis because:

- After balance date and to the date of this report, the Group has raised equity funding of $13.5 million.
- On 14 August 2012, the Group raised ACES tax rebate of $8,220,785 (equivalent of US$8,377,802). The directors believe that the remaining ACES rebate of $9,893,599 will be collectible in the next 12 months.
- The directors have an appropriate plan to raise additional funds as and when they are required. In light of the Group's current exploration and development projects, the directors believe that the additional capital required can be raised in the market or via debt funding; and
- The directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable based on projected cash flow to be provided by the Group exploration project.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

Should the Group not achieve the matters set out above, there is uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Buccaneer Energy Limited whereby the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 18 to the financial statements.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Buccaneer Energy Limited.

Non-controlling interest

Non-controlling interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial statements.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

(c) Joint Venture entities

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the profit and loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the partnership are set out in note 16.

Profit or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the realisable value of current assets, or an impairment loss.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) Jointly Controlled Assets

The Group exploration and production activities are often conducted through joint venture arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships. A summary of the Group's interests in its significant joint ventures is included in note 16.

A joint venture characterised as a jointly controlled asset involves the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers.

Each venturer may take a share of the output from the assets and each bears an agreed share of expenses incurred. Each venturer has control over its share of future economic benefits through its share of jointly controlled assets.

The interests of the Company and of the Group in unincorporated joint ventures are brought to account by recognising in the financial statements the Group share of jointly controlled assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint venture in accordance with the revenue policy in note 1(r).

(e) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(f) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Equipment	15-50% diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual prospective oil or gas field.

Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

(i) such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest, or alternatively, by its sale; or

(ii) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date, in conjunction with the impairment review process referred to in note1(l), to determine whether any of the following indicators of impairment exist:

(i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned;

(iii) exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or

(iv) sufficient data exists to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, and any resultant impairment loss is recognised in the statement of comprehensive income.

When a discovered oil or gas field enters the development phase, the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(i) Oil and Gas Assets

Oil and gas assets are usually single oil or gas fields being developed for future production or which are in the production phase. Where several individual oil or gas fields are to be produced through common facilities, the individual oil or gas fields and the associated production facilities are managed and reported as a single oil and gas asset.

Assets in development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated, the field enters its development phase. The costs of oil and gas assets in the development phase are separately accounted for as tangible assets and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings.

When commercial operation commences the accumulated costs are transferred to oil and gas assets – producing assets.

Producing assets

The costs of oil and gas assets in production are separately accounted for as tangible assets and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Cost are amortised only once production begins.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Ongoing exploration and evaluation activities

Often the initial discovery and development of an oil or gas asset will lead to ongoing exploration for and evaluation of, potential new oil or gas fields in the vicinity with the intention of producing any near field discoveries using the infrastructure in place.

Exploration and evaluation expenditure associated with oil and gas assets is accounted for in accordance with the policy in note 1(h). Exploration and evaluation expenditure amounts capitalised in respect of oil and gas assets are separately disclosed in note 15.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(j) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where a significant portion of the risks and benefits are not transferred to the Group as lessee, are charged as expenses in the periods in which they are incurred.

Lease incentives under these operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(k) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The assets are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled with 12 months, otherwise they are classified as non-current.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

(l) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

For oil and gas assets, the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on forward market prices or season market trend where available.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of Assets (continued)

Oil and gas assets and plant and equipment are assessed for impairment on a cash-generating unit ("CGU") basis. A CGU is the smallest grouping of assets that generates independent cash flows, and generally represents an individual oil or gas field. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis.

Exploration and evaluation assets are assessed for impairment in accordance with note 1(h).

(m) Intangibles Assets – Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(n) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Buccaneer Energy Limited's functional and presentation currency. The functional currency of the subsidiaries is US dollars.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(n) Foreign Currency Translation (continued)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities for each statement of financial position are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income. When a foreign operation is sold or any borrowing forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured restoration.

Restoration

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the statement of financial position, with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalised and depleted as a component of the cost of those activities.

The unwinding of the effect of discounting on the provision is recognised as a finance cost.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Equity-settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(q) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(r) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sales revenue is recognised on the basis of the Group's interest in a producing field, when the physical product and associated risk and rewards of ownership pass to the purchaser, being when the gas enters the pipeline.

Sales revenue of oil is the process of treating emulsion (water and oil) that is produced directly from the oil well and until this treatment is complete at a battery, there is no saleable product. Once treated the oil is sold to third parties at the battery site. Revenue from oil sales is recognised when title and the risk and reward of ownership have been transferred to the customer at the battery site.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However the investment may need to be tested for impairment, refer note 1(l).

All revenue is stated net of the amount of goods and services tax (GST).

(s) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised costs basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

(v) Comparatives

When required by accounting standards, comparatives figures have been adjusted to conform to changes in presentation of the current financial year.

(w) Earnings per share

Basic earnings per share:

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share:

Diluted earnings per share adjusts the figures used in determining earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(x) Trade and Other Payables

Trade and other payables are recognised when the related goods or service are received, at the amount of cash or cash equivalent that will be required to discharge the obligation, gross of any settlement discount.

(y) Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain asset and liabilities are often determined based on management's judgement regarding estimates and assumptions of future evnts. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

Estimates of reserve quantities

The estimate quantities of proven and probable hydrocabon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments required assumptions of the techinal feasibility and commercial viability of producting the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations.

Exploration and evaluation

The Group policy for exploration and evaluation expenditure is discussed in note 1(h). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The carrying amount of exploration and evaluation assets is disclosed in note 14.

Provision for restoration

The Group estimates the future removal and restoration costs of oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future. The estimate of future removal costs therefore requires management to make judgements regarding the removal date, future environmental legislation, the extent of restoration activities required and future removal technologies. In determining the restoration obligation, the Group has assured no significant changes will occur in the relevant Federal and State legislation to such restoration in the future.

The carrying amount of the provision for restoration is disclosed in note 23.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(y) Significant Accounting Judgements, Estimates and Assumptions (continued)

Impairment of oil and gas assets, exploration and evaluation costs

The Group assesses whether the assets are impaired on a semi-annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the depletion expense calculation assets belong.

Alaska's Clear and Equitable Share (ACES) tax rebate program

In November 2007, the Alaska Legislature passed House Bill 2001, known as Alaska's Clear and Equitable Share (ACES). ACES was designed to develop and promote drilling activities in many of Alaska's untapped locations. The program essentially de-risks the process of drilling offshore in Alaska, by providing companies with generous tax incentives to develop existing resources in the area to ease the increasingly high energy demand curves.

The ACES is a production rate base tax incentive, The Group will be granted 40% credit for drilling/G&G expenditures and 20% credits for all other qualified capital expenditures (e.g. pipelines, platforms, production equipment). An additional 25% credit is available as a secondary tranche representing the loss carried forward and is in addition to the above 40% or the 20% incentive.

Once approved by the Alaskan Department of Revenue (Alaskan DOR), the benefit can be exercised in one of the following forms:

- apply the credit against the production tax, hence reducing total production tax liability in a given year; or
- for unused tax credit, apply a transferrable certificate. This certificate does not have expiry date and can be sold to a new third party; or
- for unused tax credit, apply to sell the tax credit to the Alaskan DOR.

The ACES rebate is presented separately and deducted from exploration and evaluation assets.

The Group has estimated that as of 30 June 2012, $18,114,384 (2011: $6,104,688) is available under the ACES rebate scheme. The Group believes this amount will be recoverable from the Alaskan DOR as a tax rebate in full.

Share Based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using an option pricing model for options, using the assumptions detailed in note 26, and the twenty day volume weighted average price at the time of grant for performance share rights.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(z) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity re-acquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(aa) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

(ab) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses. The directors base these bonuses on the recommendation from the full board which sets the appropriate targets and key performance indicators to link the bonus plans and the level of payment if targets are met, the maximum amount payable and the minimum levels of performance that will trigger the payment of these incentives. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(ab) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(ac) Inventories

Inventories are measured at the lower of cost and net realisable value.

(ad) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 **Financial Instruments**, AASB 2009-11 **Amendments to the Australian Accounting Standards arising from AASB 9** and **AASB 2010-7 Amendments to Australian Standards arising from AASB 9** (December 2010) (effective from 1 January 2013*)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(ae) New accounting standards and interpretations (continued)

(ii) AASB 10 **Consolidated Financial Statements**, AASB 11 **Joint Arrangements**, AASB 12 **Disclosure of Interests in Other Entities**, revised AASB 127 **Separate Financial Statements** and AASB 128 **Investments in Associates and Joint Ventures** and AASB 2011-7 **Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards** (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(ae) New accounting standards and interpretations (continued)

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 **Employee Benefits**, AASB 2011-10 **Amendments to Australian Accounting Standards arising from AASB 119** (September 2011) and AASB 2011-11 **Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements** (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group has not yet decided when to adopt the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	Consolidated group	
	2012 $	2011 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	350,248	642,065
Total assets	**34,195,818**	**17,825,245**
Liabilities		
Current liabilities	744,386	709,227
Total liabilities	**744,386**	**709,227**
Equity		
Issued capital	72,325,277	54,383,211
Reserve	1,599,635	1,281,922
Accumulated losses	(40,473,480)	(38,538,483)
Total equity	**33,451,432**	**17,116,018**
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	**(1,924,366)**	**(23,351,221)**
Total comprehensive income	**(1,924,366)**	**(23,351,221)**

Investments in subsidiaries are accounted for at cost in the financial statements of Buccaneer Energy Limited.

The parent entity has provided financial guarantees in relation to the Letter of Credit issued to Petroquest Energy in the USA by Macquarie Bank, as detailed in note 22(c).

The parent entity has no contingent liabilities at 30 June 2012.

There are no contractual commitments by the parent entity for the acquisition of property, plant or equipment as 30 June 2012 (2011: nil).

	Consolidated group	
	2012 $	2011 $

3. REVENUE AND OTHER INCOME

REVENUE AND OTHER INCOME FROM OPERATING ACTIVITIES		
Revenue from continuing operations		
– Production revenue	3,161,672	1,614,326
Other income		
– Interest received - other person	245,123	57,857
- Gain on disposal of equity investment	103,736	–
– Gain on sale of fixed assets	–	921
– Other income	114,054	243,208
Total revenue and other revenue	**3,624,585**	**1,916,312**

4. EXPENSES

Loss from continuing operations has been determined after:		
Expenses		
Depreciation of plant and equipment:		
Plant and equipment	285,298	51,710
Interest paid – external	881,463	796,398
Foreign currency translation losses	–	185,372
Rental expense on operating leases	247,216	342,060
Exploration and evaluation expenditure written off	–	184,433
Depletion expense	1,290,094	1,857,371
Lease operating expenses	737,799	2,013,563
Development repairs and maintenance	921,852	138,330
Impairment/(reversal) expense:		
– Goodwill	–	407,157
– Available-for-sale financial assets	–	130,668
– Oil and Gas assets	5,876,477	4,656,258

5. INCOME TAX

	Consolidated group 2012 $	Consolidated group 2011 $
(a) Income tax benefit		
Recognised in the statement of comprehensive income		
Deferred income tax expense:		
Origination and reversal of temporary differences	–	–
Under/over from prior year	–	–
Income tax expense reported in the statement of comprehensive income	–	–

(b) Numerical reconciliation between tax benefit recognised in the statement of comprehensive income and pre-tax net loss

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate is as follows:

	2012 $	2011 $
Loss before tax	(16,309,223)	(14,079,740)
Prima facie income tax at 30%	(4,892,767)	(4,223,922)
Tax effect of amounts which are deducted/(added) in calculating taxable income:		
Non-deductible items	62,870	66,369
Fair value derivative financial instrument	–	–
Impairment provision	–	122,147
Difference in overseas tax rates	(249,272)	(830,639)
Share-based payments	15,289	185,445
Foreign exchange	–	–
Other – non assessable	(31,121)	–
Movement in deferred tax assets not recognised in the financial statement	5,095,001	4,680,600
Income tax benefit on pre tax net loss	–	–

(c) Deferred tax assets and liabilities

The directors estimate that the potential net deferred tax asset in respect of tax losses and timing differences not brought to accounts are:

	2012 $	2011 $
Tax losses	9,419,484	5,826,253
Capital losses	181,466	171,825
Net timing differences	6,314,017	4,821,868
	15,914,947	10,819,946

The Deferred tax asset not brought to account for 2012 year will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be realised;
- the Group continues to comply with the conditions of deductibility imposed by tax legislation; and
- the Group is able to meet the continuity of ownership and/or continuity of business test.

6. EARNINGS PER SHARE

	Consolidated group 2012 $	Consolidated group 2011 $
Basic loss cents per share	(1.82)	(2.55)
Diluted loss cents per share[a]	(1.82)	(2.55)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Loss from continuing operations	(16,309,223)	(14,079,740)
Weighted average number of ordinary shares outstanding during the year	896,830,933	552,415,062

(a) Diluted loss per share is capped at the Basic loss per share.

7. REMUNERATION OF AUDITORS

	2012 $	2011 $
Amount received or due and receivable by the Parents auditors for:		
Tax advice	30,985	20,015
Auditing and reviewing accounts	107,500	87,440
	138,485	107,455

	2012 $	2011 $
Amount received or due and receivable by the US auditors for:		
Tax advice	14,402	3,090
Auditing and reviewing accounts	158,447	132,731
	172,849	135,821

8. DIVIDENDS

No dividends were declared during or since the end of the financial year ended 30 June 2012 (2011: nil). The franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%):

	2012 $	2011 $
Franking credits	1,292	1,292

	Consolidated group	
	2012 $	2011 $

9. CASH AND CASH EQUIVALENTS

Cash is shown in the statement of financial position as:		
Cash at Bank	1,622,634	3,383,812
Cash – other	1,926,501	1,089,487
	3,549,135	4,473,299

Bank balances earn interest at floating rates based upon market rates.

As of 30 June 2012, the "Cash - Other' balance of $1,926,501 was restricted cash provided by the Group lender Richmond Hill for specific use in the development of the Group Oil and Gas assets.

As of 30 June 2011, the "Cash – Other" balance of $1,089,487 was restricted cash held on deposit with Macquarie Bank Limited in controlled accounts under a Deposit Control Agreement as additional collateral against loans outstanding to Macquarie Bank Limited as at 30 June 2011. These amounts could be accessed by the Group on approval by Macquarie Bank Limited.

The Group's exposure to interest rate risk is referred to in note 32.

10. TRADE AND OTHER RECEIVABLES

Current receivable		
Trade receivables	556,039	168,438
Other receivables	583,792	290,411
Provision for doubtful debts	(151,977)	–
ACES rebate[1]	18,114,384	6,104,688
Loan receivable - other entity[2]	257,057	328,867
	19,359,295	6,892,404
Non-current receivable		
Other receivable	637,298	–
Receivable – joint venture	4,208,614	–
Loan receivable - other entity[2]	25,988	25,988
	4,871,900	25,988

1. Under the ACES rebate the Group has estimated that $18,114,384 (2011: $6,104,688) is available in tax credits under the scheme highlighted in note 1(y).

   There were no impaired trade or other receivables for the 2012 year (2011: nil). The above assets are not subject to interest and the full amounts are expected to be received in the ordinary course of business and usually within 60 days.

2. The loan receivable consists of an at-call advancement provided under a shareholder agreement with shared office space entity. Under the agreement the Group is entitled to charge a 3% p.a. on the outstanding amount. The Group believes this amount will be collected in full within next 12 months.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to trade and other receivable is provided in note 32.

	Gross amount $	Past due and impaired $	Past due but not impaired $	Within initial trade terms $
2012				
Trade receivable	556,039	–	–	556,039
Other receivables	583,792	151,977	59,530	372,285
Total	**1,139,831**	**151,977**	**59,530**	**928,324**
2011				
Trade receivable	168,438	–	–	168,438
Other receivable	290,411	–	261,896	28,515
Total	**458,849**	**–**	**261,896**	**196,953**

11. INVENTORY

	Consolidated group 2012 $	2011 $
Material and supplies at cost	129,314	197,235

12. OTHER CURRENT ASSETS

	Consolidated group 2012 $	2011 $
Prepayments	101,514	393,431
Security bond – environmental[1]	1,471,886	–
Deferred acquisition cost[2]	–	747,099
	1,573,400	1,140,530

1. The Group has a US$1.495 million Letter of Credit ("LOC") with Macquarie Bank Limited to satisfy its bonding obligations for the Pompano Production Facilities. The LOC is cash covered by deposits held by Macquarie bank Limited to an amount of US$1.5 million as at the date of this report.
2. The Group incurred $747,099 in associated cost with the acquisition of the Jack-Up drilling rig in Kenai Offshore Venture, LLC.

13. PROPERTY, PLANT & EQUIPMENT

	Consolidated group	
	2012 $	2011 $
Property, plant & equipment at cost	1,740,233	205,169
Accumulated depreciation	(144,204)	(90,036)
Total property, plant and equipment	1,596,029	115,133
Equipment		
Carrying amount at beginning of year	61,733	73,111
Additions	33,202	36,853
Exchange differences	1,184	(8,616)
Disposal/Written off	–	(2,679)
Depreciation	(31,581)	(36,936)
Carrying amount at end of year	64,538	61,733
Furniture & Fixtures		
Carrying amount at beginning of year	35,677	32,773
Additions	2,487	20,680
Exchange differences	1,692	(5,496)
Depreciation	(8,441)	(12,280)
Carrying amount at end of year	31,415	35,677
Motor Vehicle		
Carrying amount at beginning of year	16,652	–
Additions	–	18,166
Exchange differences	728	174
Depreciation	(6,213)	(1,688)
Carrying amount at end of year	11,167	16,652
Leasehold Improvement		
Carrying amount at beginning of year	1,071	1,325
Additions	–	743
Exchange differences	29	(191)
Depreciation	(1,056)	(806)
Carrying amount at end of year	44	1,071
Jack-Up Rig		
Carrying amount at beginning of year	–	–
Additions[1]	1,488,865	–
Carrying amount at end of year	1,488,865	–

1 The Group incurred $1,488,865 in associated cost with the acquisition of the Jack-Up drilling rig in Kenai Offshore Venture, LLC.

14. EXPLORATION AND EVALUATION ASSETS

	Consolidated group		
	Sub-surface assets $	Plant and Equipment $	Total $
Balance at 30 June 2012	**14,368,037**	**64,116**	**14,432,153**
Reconciliation of movements			
Balance at 1 July 2011	11,689,636	–	11,689,636
Exploration and evaluation expenditure	9,136,956	7,053,904	16,190,861
transfer to oil and gas assets	(6,165,637)	(6,989,788)	(13,155,425)
Exchange differences	(292,918)	–	(292,919)
Balance at 30 June 2012	**14,368,037**	**64,116**	**14,432,153**
Balance at 30 June 2011	**11,689,636**	–	**11,689,636**
Reconciliation of movements			
Balance at 1 July 2010	9,381,705	–	9,381,705
Exploration and evaluation expenditure	4,430,541	–	4,430,541
Exploration and evaluation expenditure written off	(158,475)	–	(158,475)
Exchange differences	(1,964,135)	–	(1,964,135)
Balance at 30 June 2011	**11,689,636**	**–**	**11,689,636**

15. OIL AND GAS ASSETS

	Consolidated group		
	Sub-surface assets $	Plant and Equipment $	Total $
Balance at 30 June 2012	**6,377,977**	**14,208,644**	**20,586,621**
Reconciliation of movements			
Balance at 1 July 2011	2,476,848	1,098,148	3,574,996
Additions	1,971,929	7,681,248	9,653,176
Transfer from Exploration and evaluation expenditure	6,165,637	6,989,788	13,155,425
Depletion expense	(239,645)	(732,776)	(972,421)
Impairment	(4,015,241)	(844,410)	(4,859,651)
Exchange differences	18,449	16,646	35,095
Balance at 30 June 2012	**6,377,977**	**14,208,644**	**20,586,621**
Balance at 30 June 2011	**2,476,848**	**1,098,148**	**3,574,996**
Reconciliation of movements			
Balance at 1 July 2010	7,981,136	2,340,204	10,321,340
Additions	869,799	355,256	1,225,055
Depletion expense	(614,754)	(1,242,617)	(1,857,371)
Impairment	(4,656,258)	–	(4,656,258)
Exchange differences	(1,103,075)	(354,695)	(1,457,770)
Balance at 30 June 2011	**2,476,848**	**1,098,148**	**3,574,996**

The directors conduct a regular review to determine the recoverable value of the oil and gas assets at each reporting date, and referring to the Group's accounting policies as detailed in note 1(l), impairment expense or reversal of any prior impairment expenses is recorded in the statement of comprehensive income.

16. INVESTMENT IN JOINT VENTURE

The Group has a 50% (2011: 50%) interest in the Kenai Offshore Ventures LLC (KOV), incorporated in the USA on 8 November 2010. The Group owns its interest via Buccaneer Alaska Drilling LLC, a 100% subsidiary of the Group. The balance of the 50% joint venture partner is a Singaporean-based company, Ezion Holding Limited.

KOV was incorporated to acquire a mobile offshore drilling unit (Jack-Up rig), and operate the Jack-Up rig in the Cook Inlet as a commercial standalone venture, contracting drilling services to third party lease operators in the Cook Inlet.

Reconciliation in jointly controlled entities:

	Consolidated group	
	2012 $	2011 $
Balance 1 July	–	–
Acquisitions	2,419,975	–
Share of net loss for the year	(106,225)	–
Exchange difference	30,314	
	2,344,064	–

Summarised financial information in respect of the jointly controlled entity is set out below:

Financial position		
Total assets	96,054 ,017	–
Total liabilities	91,538,523	–
Net assets	4,515,494	–
Consolidated entity share of jointly controlled entity net assets	2,257,747	–
Financial performance		
Total revenue	–	–
Total loss for the year	212,448	–
Consolidated entity share of the joint entity loss	106,225	–

The funded capital expenditure commitment was US$5.6 million.

16. INVESTMENT IN JOINT VENTURE (CONTINUED)

Joint ventures assets

The Group has the following material joint venture interests:

Joint Venture	Cash-generating unit	Principal activities	% Interest 2012	% Interest 2011
Oil and gas – Producing assets				
Brazos Block 446*	Pompano	Gas production	65.00	65.00
Lee County Project	Lee County	Oil production	52.50	52.50
Exploration and evaluation assets				
Eugene Island Block 147 (Jaguar Project)	–	Oil & Gas Exploration	100.00	100.00
Brazos Block 479L S/2 NE/4 (Swordfish)	–	Gas Exploration	86.67	86.67
Brazos Block 479L S/2 NE/4 (Swordfish II)	–	Gas Exploration	86.67	86.67
Brazos Block 479L N/2 NE/4 (Redfish)	–	Gas Exploration	65.00	65.00
Brazos Block 446L S/2 SW/4 (Cobia)	–	Gas Exploration	86.67	86.67
Galveston Block 302 (Tuna)	–	Gas Exploration	100.00	100.00
Galveston Block 281 (Tang)	–	Gas Exploration	100.00	100.00
Galveston Block 282 (Tang)	–	Gas Exploration	100.00	100.00
Eugene Island Block 17 (Ruby)	–	Gas Exploration	35.00	35.00
Eugene Island Block 18 (Ruby)	–	Gas Exploration	35.00	35.00
Cook Inlet, Alaska				
West Eagle				
ADL 391141	–	Oil & Gas Exploration	100.00	100.00
ADL 391144	–	Oil & Gas Exploration	100.00	100.00
ADL 391145	–	Oil & Gas Exploration	100.00	100.00
ADL 391146	–	Oil & Gas Exploration	100.00	100.00
ADL 391147	–	Oil & Gas Exploration	100.00	100.00
ADL 391149	–	Oil & Gas Exploration	100.00	100.00
ADL 391142	–	Oil & Gas Exploration	100.00	100.00
ADL 391148	–	Oil & Gas Exploration	100.00	100.00
ADL 391150	–	Oil & Gas Exploration	100.00	100.00
ADL 391625	–	Oil & Gas Exploration	100.00	100.00
ADL 390771	–	Oil & Gas Exploration	100.00	100.00
ADL 390774	–	Oil & Gas Exploration	100.00	100.00
West Nicolai				
ADL-391609	–	Oil & Gas Exploration	100.00	100.00
North West Cook Inlet				
ADL 390384	–	Oil & Gas Exploration	87.50	87.50
ADL 390742	–	Oil & Gas Exploration	100.00	100.00
ADL 391270	–	Oil & Gas Exploration	100.00	100.00
ADL 391268	–	Oil & Gas Exploration	100.00	100.00
ADL 391269	–	Oil & Gas Exploration	100.00	100.00
ADL-391611	–	Oil & Gas Exploration	100.00	100.00

16. INVESTMENT IN JOINT VENTURE (CONTINUED)

Joint Venture	Cash-generating unit	Principal activities	% Interest 2012	% Interest 2011
Cook Inlet, Alaska (continued)				
Southern Cross Unit				
ADL 391107	–	Oil & Gas Exploration	100.00	100.00
ADL 391788	–	Oil & Gas Exploration	100.00	100.00
ADL 391108	–	Oil & Gas Exploration	100.00	100.00
ADL 390379	–	Oil & Gas Exploration	100.00	100.00
ADL 391789	–	Oil & Gas Exploration	100.00	100.00
East Trading Bay				
ADL 391262	–	Gas Exploration	100.00	100.00
Kenai Loop				
ADL-391091	–	Gas Exploration	100.00	100.00
ADL-391092	–	Gas Exploration	100.00	100.00
ADL-391094	–	Gas Exploration	100.00	100.00
ADL-391095	–	Gas Exploration	100.00	100.00
C-061667	–	Gas Exploration	100.00	100.00
MHT9300070	–	Gas Exploration	100.00	100.00
MHT9300082	Kenai Loop	Gas production	100.00	100.00

* The Brazos Block 446 leases were being held beyond their initial Primary Term which expired in 2008 by two wells that were drilled prior to the lease expiry that year and produced through April 2012, though only marginally since August of 2011. The leases automatically expired 60 days after cessation of production (June, 2012). However the Company still retains a 65% interest in the two wells and the "A" Production Platform which can be utilised as a production platform for the adjoining Swordfish prospect by the execution of a surface use agreement with the State of Texas.

17. OTHER FINANCIAL ASSETS

	Consolidated group	
	2012 $	2011 $
Investment other entity	80,283	199,615

During the prior year the Group incurred a fair value impairment expense of $130,668 on its available-for-sale financial assets.

18. SUBSIDIARIES

		Country of incorporation	Percentage owned	
			2012	2011
Parent entity:	Buccaneer Energy Limited	Australia	–	–
Controlled entities:	Buccaneer Resources LLC	USA	100%	100%
	Buccaneer Alaska LLC	USA	100%	100%
	Buccaneer Alaska Drilling LLC	USA	100%	100%
	Buccaneer Alaska Operations LLC	USA	100%	100%
	Kenai Drilling LLC[1]	USA	100%	100%
	Buccaneer Royalties LLC[2]	USA	100%	–
	Kenai Land Ventures LLC[3]	USA	100%	–

1. Kenai Drilling LLC was formerly named Buccaneer Offshore Operations LLC
2. Buccaneer Royalties LLC established on 18 October 2011.
3. Kenai Land Ventures LLC established on 25 April 2012.

19. OTHER NON-CURRENT ASSETS

	Consolidated group	
	2012 $	2011 $
Rental bond	32,270	96,377

20. TRADE AND OTHER PAYABLES

	Consolidated group	
	2012 $	2011 $
Trade payables	2,886,524	3,827,018
Sundry creditors and accruals	1,039,159	260,732
	3,925,682	4,087,750

The above amounts all relate to normal unsecured creditors incurred in the normal course of the Group's business operations and are within the credit terms of each relevant supplier or service provider.

21. DERIVATIVES FINANCIAL INSTRUMENTS

		Consolidated group 2012 $	2011 $
At fair value:			
Gas price swap contract		–	1,157

22. INTEREST-BEARING LOANS AND BORROWINGS

		Consolidated group	
	Note	2012 $	2011 $
Current liability			
Bank Loan – secured	(a)	28,870,658	1,000,000
Capitalised borrowing cost		(614,197)	–
Convertible note	(b)	–	500,000
Shareholder Loan – Ezion		1,490,135	–
Lease liability	(d)	1,813,203	–
		31,559,799	1,500,000
Non-current liability			
Lease liability	(d)	5,274,796	–
Loan facilities		49,062,898	1,000,000
Amount utilised		(28,870,658)	(1,000,000)
Amount available		20,192,240	–

(a) Banking facilities

During the financial year to 30 June 2012 the Group negotiated the following loan facilities with New-York based Richmond Hill Investment Co., LP:

- a US$20.0 million project finance facility ("the Facility") drawn to US$15.0 million. This Facility expires on 16 January 2013; and
- a US$30.0 million revolving credit facility with Richmond Hill to fund receivables under the State of Alaska, ACES exploration and development incentive program ("ACES Facility") drawn to US$12.3 million. This ACES Facility expires on 31 December 2013.

The Richmond Hill facility is secured by all assets and additional properties of the Group, whether now existing or hereafter arising or acquired.

During the financial year 30 June 2010 the Group negotiated an additional A$1.0 million loan facility with Macquarie Bank Limited, the current facility has no financial or production covenants.
On 7 October 2010 the Group negotiated to extend the repayment date to 30 September 2011.
The Loan was fully repaid prior to June 2012.

22. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(b) Convertible note

SpringTree Special Opportunities Fund, LP.

In February 2010, the Group executed a convertible loan facility with SpringTree Special Opportunities Fund, LP (Springtree). The amounts advanced to the Group are mutually agreed and range from $800,000 to $2.0 million to a maximum of $25.5 million and has no financial or production covenants.

Under the agreement the Group issued 7.5 million shares and issued 12 million unlisted options as borrowing cost payable on the provision of the convertible note agreement, the fair value of the share and option issued amount to $903,789. The agreement is not secured against the Group assets. In addition to the above issue the Group issued 12 million as collateral shares. The collateral shares can be cancelled by the Group at the end of the agreement, or alternatively the Group may receive a cash payment equal to 92.5% of the average of the last 5 daily trading prices prior to the payment date.

On 2 March 2011, the Group announced that it had terminated the Springtree facility, and replaced it with a one-off $2,500,000 investment in two convertible securities with Springtree. The new convertible notes were issued under the same term and conditions as the previous notes issue.

The Group and Springtree mutually agreed that the collateral share would be placed to Springtree on the same terms as the convertible notes and the Group received a total of $633,600 on the conversion the collateral shares.

Bergen Global Opportunity Fund, LP and Australian Special Opportunity Fund, LP

In February 2012 the Group executed convertible security agreements with both Bergen Global Opportunity Fund, LP ("Bergen") and Australian Special Opportunity Fund, LP ("ASOF") as follows:

- the Group issued to Bergen a zero-coupon unsecured convertible security with a face value of $3,080,000 in consideration of a payment of A$2,800,000; and
- the Group issued to ASOF a zero-coupon unsecured convertible security with a face value of $1,870,000 in consideration of a payment of A$1,700,000.

The above agreements were cancelled by the Group in May 2012.

(c) Letter of Credit facility

The Group finalised a US$1.495 million Letter of Credit ("LOC") with Macquarie Bank Limited to satisfy its bonding obligations for the Pompano Production Facilities. The LOC will be amortised over the next 2 months so that at the end of the period the LOC is cash covered.

Details of the Group's exposure to risk arising from borrowing are set out in note 32.

(d) Lease Liabilities

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

23. PROVISIONS

		Consolidated group	
	Note	2012 $	2011 $
Non-current liabilities			
Provision for rehabilitation/restoration	(a)	4,677,412	2,936,835

Reconciliation provisions	Rehabilitation / restoration – non current $
2012	
Carrying amount at beginning of year	2,936,835
Additions	1,582,654
Exchange difference	157,923
Carrying amount at end of year	4,677,412
2011	
Carrying amount at beginning of year	3,288,206
Interest expense	364,790
Exchange difference	(716,161)
Carrying amount at end of year	2,936,835

(a) Rehabilitation/Restoration Provision

Provisions for future removal and restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations on the Group's Pompano project has been assessed by an independent third party to include the costs of removing facilities, abandoning wells and restoring the affected area. The above estimated provision is the Group's share of this project's rehabilitation commitment.

24. ISSUED CAPITAL

	Consolidated group	
	2012 $	2011 $
Ordinary fully paid shares	71,975,277	54,033,210
Listed options	350,000	350,000
	72,325,277	54,383,210

24. ISSUED CAPITAL (CONTINUED)

	2012 $	2012 Number	2011 $	2011 Number
(a) Movement in issued capital				
Ordinary shares				
Opening balance	54,033,210	683,755,475	36,585,026	449,071,926
Share movement during year:				
- 15 July 2011 [i]	13,580,000	194,000,000	–	–
- 2 July 2011 [ii]	500,000	7,132,668	–	–
- 17 February 2012 [iii]	140,000	2,057,009	–	–
- 24 February 2012 [iii]	175,000	3,301,887	–	–
- 6 March 2012 [iii]	875,000	16,337,269	–	–
- 14 March 2012 [iii]	117,500	2,216,982	–	–
- 20 March 2012 [iii]	700,000	13,059,701	–	–
- 26 March 2012 [iii]	200,000	3,773,585	–	–
- 2 April 2012 [iii]	250,000	4,807,692	–	–
- 27 April 2012 [iii]	250,000	5,000,000	–	–
- 2 May 2012 [iii]	400,000	7,968,127	–	–
- 9 May 2012 [vi]	400,000	8,421,986	–	–
- 15 May 2012 [iii]	400,000	8,583,691	–	–
- 18 May 2012 [iii]	200,000	4,545,455	–	–
- 25 May 2012 [iii]	680,000	16,075,650	–	–
- 22 June 2012 [iii]	302,500	7,202,381	–	–
- 22 June 2012 [iv]	200,000	3,937,008	–	–
- 12 July 2010 [v]	–	–	1,759,943	20,148,650
- 12 July 2010 [vi]	–	–	1	5
- 30 July 2010 [viii]	–	–	400,000	9,367,681
- 07 September 2010 [vii]	–	–	550,000	15,759,312
- 12 October 2010 [vii]	–	–	500,000	12,468,828
- 19 Novemeber 2010 [xi]	–	–	600,000	16,172,507
- 24 December 2010 [vii]	–	–	800,000	16,393,443
- 28 January 2011 [viii]	–	–	1,440,547	19,140,943
- 31 January 2011 [vii]	–	–	800,000	15,151,515
- 07 March 2011 [vii]	–	–	800,000	8,658,009
- 14 April 2011 [ix]	–	–	633,600	–
- 20 April 2011 [x]	–	–	7,300,801	76,850,812
- 20 April 2011 [xi]	–	–	1,000,000	12,391,574
- 02 May 2011 [vi]	–	–	–	2
- 03 June 2011 [xi]	–	–	1,000,000	12,180,268
Share issue costs	(1,427,933)	–	(136,708)	–
At reporting date	71,975,277	992,176,566	54,033,210	683,755,475

24. ISSUED CAPITAL (CONTINUED)

	2012 $	2012 Number	2011 $	2011 Number
Listed options				
Opening balance	350,000	177,731,311	350,000	177,731,318
Share movement during year:				
- 12 July 2010 [vi]	–	–	–	(5)
- 02 May 2011 [vi]	–	–	–	(2)
At reporting date	350,000	177,731,311	350,000	177,731,311

(i) On 15 July 2011, the Group issued 194,000,000 fully paid ordinary shares to institutional and professional investors at an average price of $0.07 per share to raise $13,580,000.

(ii) On 22 July 2011, the Group issued 7,132,668 fully paid ordinary shares on the conversion of final $500,000 received under the convertible note funding agreement with SpringTree Special Opportunities Fund, LP.

(iii) During the 12 month period to 30 June 2012, the Group issued a total of 101,294,406 fully paid ordinary shares on the conversion of $4,950,000 received under the convertible note funding agreement with Bergen Global Opportunity Fund LP and Australian Special Opportunity Fund, LP. Under the convertible note agreement the Company elected to issue 2,057,009 fully paid ordinary shares in lieu of payment of the $140,000 commitment fee payable.

(iv) On 30 May 2012, the Group issued 3,937,008 fully paid ordinary shares on the cancellation of the convertible note issue agreement entered into during the year. The Group was required to pay $200,000 in termination fees but elected to issue the shares in lieu of payment.

(v) On 12 July 2010, the Group issued 20,148,650 fully paid ordinary shares to the vendors of Stellar Oil & Gas, LLC to complete the acquisitions of leases in the Cook Inlet, Alaska. These shares are escrowed until 31 December 2010 or the completion of an onshore well, as approved at the Extraordinary General Meeting held on 7 July 2010.

(vi) On 12 July 2010 and 02 May 2011 the Group issued a total of 7 fully paid ordinary shares on the exercise of 7 listed options.

(vii) During the 12 month period to 30 June 2011 the Group issued a total of 93,971,295 fully paid ordinary shares on the conversion of $4,450,000 received under the convertible note funding agreement with SpringTree Special Opportunities Fund, LP.

(viii) On 28 January 2011, the Group issued 19,140,943 fully paid ordinary shares on the exercise of 19,140,943 unlisted options issued to Macquarie Bank Limited.

(ix) In the period ended 14 April 2011, the Group received a total $633,600 from Springtree on the exercise of their right to the 12 million collateral shares held under the convertible note funding agreement.

(x) On 20 April 2011, the Group issued 76,850,812 fully paid ordinary shares under the Share Purchase Plan to existing shareholders at 9.5 cents and raised $7,300,801.

(xi) On 20 April and 03 June 2011, the Group issued a total of 24,571,842 fully paid ordinary shares under the replacement convertible note facility with Springtree.

24. ISSUED CAPITAL (CONTINUED)

(b) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Movement in issued share options during the year:

Reconciliation of unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 July 2011	**Opening balance**	**10.7 cents weighted average**	**Various**	**74,993,077**
15 July 2011	options issued	10 cents	15 July 2016	9,700,000
20 February 2012	options issued	11 cents	30 June 2016	7,500,000
22 June 2012	options exercised	10 cents	22 November 2013[1]	2,500,000
30 June 2012	**Closing balance**	**10.7 cents weighted average**	**Various**	**94,693,077**

1. The Exercise period may be extended for a specified periods to no later than 22 November 2015,if the Group is unable to issue a notice under sections 708A95)(e) and (6) of the Corporations Act during the exercise period of the options and other requirements are met.

Date	Details	Exercise price	Expiry date	Number
1 July 2010	**Opening balance**	**12 cents weighted average**	**Various**	**27,443,077**
7 September 2010	options issued	10 cents	30 June 2013	47,550,000
30 November 2010	options issued	5.22 cents	30 September 2011	19,140,943
28 January 2011	options exercised	5.22 cents	30 September 2011	(19,140,943)
30 June 2011	**Closing balance**	**12 cents weighted average**	**Various**	**74,993,077**

(d) Uncalled capital

No calls are outstanding at year-end. All issued shares are fully paid.

(e) Terms and conditions of unquoted options

Each option entitles the holder to subscribe for one fully paid share in the Company at the respective exercise price at any time from the date of issue until expiry of the options.

(f) Capital Management

Directors control the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. Its capital includes ordinary share capital; share options and reserves; and financial liabilities, supported by financial assets. The Group's strategy is unchanged from prior years.

24. ISSUED CAPITAL (CONTINUED)

(f) Capital Management (continued)

The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	Consolidated group	
	2012 $	2011 $
Total borrowing	36,834,596	1,500,000
Less: cash and cash equivalents	(3,549,135)	(4,473,299)
Net debt/(cash)	33,285,461	(2,973,299)
Total equity	23,116,774	19,879,471
Total capital	**(56,402,235)**	**22,852,770**
Gearing ratio	59%	N/A

25. RESERVES

		Consolidated group	
	Note	2012 $	2011 $
Share-based payments reserve	(a)	1,599,635	1,281,922
Foreign currency translation reserve	(b)	(2,073,893)	(3,360,639)
		(474,258)	(2,078,717)
Movement			
(a) Share-based payments reserve			
Balance 1 July		1,281,922	663,772
Options issued		317,713	1,059,540
Options expense on exercise of options		–	(441,390)
Balance 30 June		**1,599,635**	**1,281,922**
(b) Foreign currency translation reserve			
Balance 1 July		(3,360,639)	111,213
Currency translation difference		1,286,746	(3,471,852)
Balance 30 June		**(2,073,893)**	**(3,360,639)**

25. RESERVES (CONTINUED)

Nature and purpose of reserve

(i) Share-based payments reserve.

The share-based payment reserve is used to recognise:

– the fair value of options issued to directors and employees but not exercised;

– the fair value of performance options issued to directors and employees but not exercised;

– the options granted to Macquarie bank but not exercised;

– the fair value of options issued to acquire an 8.75% in Lee County project;

– the fair value of options issued to SpringTree Special Opportunities Fund, LP to the provision of the convertible note facility;

– the fair value of options issued to Helmsec Global Capital limited as consideration for the agreed capital raising cost;

– the fair value of options issued to NewOak Capital as part of the settlement of advisory fee in lieu of cash payment;

(ii) Foreign currency translation reserve.

Exchange differences arising on the translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(n). The reserve is recognised in profit and loss when the net investment is disposed.

26. SHARE-BASED PAYMENTS

The options outstanding at 30 June 2012 had a weighted average exercise price of 10.65 cents (2011: 10.73 cents) and a weighted average remaining contractual life of 1.46 years (2011: 1.75 years). Exercise prices range from 10 to 13.25 cents (2011: 10 to 13.25 cents) in respect of options outstanding at 30 June 2012.

The weighted average fair value of each option granted during the year was 2.29 cents (2011: 1.59 cents) this price was calculated by using a Black–Scholes option pricing model.

The following share-based payment arrangements were outstanding during the year:

Options series	Number	Grant date	Expiry date	Exercise price $ (cents)	Weighted average fair value at grant date (cents)
(1)	15,443,077	02/02/09	02/02/13	0.11	1.34
(2)	12,000,000	30/04/10	22/02/13	0.133	2.22
(3)	47,550,000	07/07/10	30/06/13	0.10	1.30
(4)	9,700,000	15/07/11	15/07/16	0.10	2.75
(5)	7,500,000	20/02/12	30/06/16	0.11	2.40
(6)	2,500,000	22/06/12	22/11/13	0.10	0.18

26. SHARE-BASED PAYMENTS (CONTINUED)

Inputs into the model		Option series					
		(1)	(2)	(3)	(4)	(5)	(6)
Grant date share price	$	0.045	0.067	0.046	0.078	0.085	0.47
Exercise price	$	0.11	0.133	0.10	0.10	0.11	0.10
Expected volatility	%	82.5	94.4	112.0	40.0	72.0	52.72
Option life	years	4	3	3	5	5	1.4
Dividend yield	%	–	–	–	–	–	–
Risk-free interest rate	%	2.9	5.0	4.42	5.53	3.82	2.55

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

During the year the Group issued the following options:

On 15 July 2011, the Group issued 9,700,000 unlisted options to Helmsec Global Capital Limited in lieu of the agreed placement cost on raising $13.5 million dollars.

On 20 February 2012, the Group issued 7,500,000 unlisted DESOP options to directors and to eligible employee of the Group; the directors options were approved at the shareholder meeting held on 8 November 2011.

On 22 June 2012, the Group issued 2,500,000 unlisted options to NewOak Capital in lieu of the agreed consultant fee payable.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payments transactions recognised during the period as part of employee benefit expenses and share-based payment were as follows:

	Consolidated group	
	2012 $	2011 $
Options issued under employee options plan	**46,463**	**618,150**

27. COMMITMENTS FOR EXPENDITURE

	Consolidated group	
	2012 $	2011 $
Exploration and lease commitments:		
Minimum exploration lease and expenditure commitments contracted for but not capitalised in the accounts:		
Not later than 1 year	592,439	873,024
Later than 1 year and not later than 5 years	104,773	345,504
	697,212	1,218,528
Operating lease commitments:		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Rental of premises:		
Not later than 1 year	351,416	205,361
Later than 1 year and not later than 5 years	740,606	194,910
	1,092,022	400,271

Finance lease commitments:

The Group leases the Glacier Drilling Rig with a carrying value of $7,087,999 (2011: nil) under finance lease that expires within 3 years. Under the terms of the lease, the Group has the option to acquire the leased assets for US$7,338,000 after 6 months with the portion of the lease payments paid to the owner credited against the purchase price.

	Consolidated group	
	2012 $	2011 $
Payable - minimum lease payment:		
Not later than 1 year	2,470,139	–
Later than 1 year and not later than 5 years	5,964,226	–
Minimum lease payments	8,434,364	–
Less future finance charges	1,346,365	–
Present value of minimum lease payments	7,087,999	–
Representing lease liabilities		
Current	1,813,203	–
Non current	5,274,796	–
Minimum lease payments	7,087,999	–

28. SEGMENT INFORMATION

Description of segments

The board of directors has determined the operating segments based on reports presented to them for making strategic decisions.

The board considers the business from both a production and a geographic perspective and has identified five reportable segments:

- **Alaska onshore exploration**
  Consists of the all the exploration and evaluation of all oil and gas assets and projects located onshore within and around Alaska, USA.
- **Alaska offshore exploration**
  Consists of the all the exploration and evaluation of all oil and gas assets and projects located offshore within and around Alaska, USA.
- **Lower 48 states onshore exploration**
  Consists of the onshore exploration, evaluation, production and development of oil and gas assets and projects, in the USA, excluding Alaska, USA.
- **Lower 48 states offshore production**
  Consists of the offshore exploration, evaluation, production and development of oil and gas assets and projects around the USA, excluding Alaska, USA.
- **Corporate – Head Office Australia**
  This segment covers all other unallocated expenditure and income in managing the Group's corporate affairs.

28. SEGMENT INFORMATION (CONTINUED)

(a) Segment performance

	Alaska operations		Lower 48 states			
	Onshore explorations $	Offshore exploration $	Onshore exploration $	Offshore exploration $	Corporate $	Segments total $
2012						
Revenue	3,113,812	–	37,851	–	894,719	4,046,382
Inter-segment revenue	–	–	–	–	(894,719)	(894,719)
Revenue from external customers	3,113,812	–	37,851	–	–	3,151,663
Depletion expense	(701,945)	–	–	–	–	(701,945)
Workover	–	–	–	(921,852)	–	(921,852)
Impairment/(reversal)	–	–	(3,743,016)	(2,052,451)	–	(5,795,467)
Segment results	2,411,867	-	(3,705,165)	2,974,303)	_	(4,267,601)
Capital expenditure incurred	14,536,278	855,386	1,257,033	428,131	–	17,076,828
Segment assets	38,332,999	2,717,129	535,211	5,605,868	34,195,819	81,387,026
Segment liabilities	1,499,396	277,134	165,743	4,277,941	744,386	6,964,600
2011						
Sale revenue	–	–	–	1,614,326	379,033	1,993,359
Inter-segment revenue	–	–	–	–	(379,033)	(379,033)
Revenue from external customers	–	–	–	1,614,326	–	1,614,326
Depletion expense	–	–	–	1,483,757	–	1,483,757
Exploration written off	–	–	1,862,155	158,475	22,340,590	158,475
Impairment/(reversal)	–	–	1,862,155	2,794,103	22,340,590	26,996,848
Segment results	–	–	(1,862,155)	(2,822,009)	(22,340,590)	(27,024,754)
Capital expenditure incurred	3,829,897	789,768	1,813,666	24,064	–	6,457,395
Segment assets	10,982,131	1,775,258	2,530,320	6,083,015	17,825,245	39,195,969
Segment liabilities	2,643,391	-	99,158	3,442,679	209,227	6,394,455

b) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the management is measured in a manner consistent with that in the statement of comprehensive income.

Revenues are derived from the sale of oil and gas to one distributor and is wholly derived from the United States of America.

28. SEGMENT INFORMATION (CONTINUED)

b) Other segment information (continued)

Segment revenue reconciles to total revenue from operation as follows:

	Consolidated group	
	2012 $	2011 $
Total segment revenue	4,046,382	1,993,359
Intersegment eliminations	(894,719)	(379,033)
Interest revenue	245,123	57,857
Other revenue	227,799	244,129
Total revenue from continuing operations (note 3)	3,624,585	1,916,312

(ii) Segment result

A reconciliation of the segment's results to loss before income tax expense as follows:

Total segment results	(4,267,601)	(27,024,753)
Intersegment eliminations	–	21,868,117
Interest revenue	366,620	57,856
Other revenue	106,302	244,129
Other expenses	(12,514,544)	(9,161,900)
Loss before income tax from continuing operations	(16,309,223)	(14,016,551)

(iii) Segment assets

Reportable segment's assets are reconciled to total assets as follows:

Total segment assets	81,387,026	39,195,969
Intersegment eliminations	(33,737,847)	(16,954,979)
Unallocated:		
Cash and cash equivalent	3,494,711	4,204,079
Trade and other receivable	11,967,776	428,929
Investment in Joint Venture	2,344,064	–
Other current assets	1,471,887	1,322,302
Property, Plant & equipment	1,594,576	112,536
Other non-current assets	32,270	96,377
Total assets as per the statement of financial position	68,554,463	28,405,213

(iv) Segment liabilities

The Group's borrowings and derivative financial instruments are not considered to be segment liabilities but rather managed by the treasury function.

Reportable segment's liabilities are reconciles to total liabilities as follows:

Total segment liabilities	6,964,600	6,394,455
Intersegment eliminations	–	–
Unallocated:		
Trade and other creditors	1,638,494	631,287
Borrowing	36,834,595	1,500,000
Total liabilities as per the statement of financial position	45,437,689	8,525,742

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The names of persons who were directors of the Company at any time during the year are:

(i) Chairman – non-executive

Mr Alan J. Broome

(ii) Executive directors

Mr Curtis D. Burton, Managing Director & Chief Executive Officer

Mr Dean L. Gallegos, Finance Director

(iii) Non-executive director

Mr S. Frank Culberson

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Clint Wainwright	Executive Vice-President, Operations & Business Development (Buccaneer Resources)
James Watt	President and Chief Operating Officer, (Buccaneer Alaska, LLC)
Mark Landt	Executive Vice-President, Land & Business Development (Buccaneer Alaska)
Allen Huckabay	Executive Vice-President, Exploration & Development (Buccaneer Alaska)
Andy Rike	Operations Officer (Buccaneer Alaska and Buccaneer Resources)

(c) Key management personnel compensation

	Consolidated group	
	2012 $	2011 $
Short-term benefits	1,854,849	1,741,020
Termination benefits	–	–
Other benefits [i]	151,986	198,973
Share-based payments	46,462	416,659
Total	**2,053,298**	**2,356,652**

(i) For US-based executives, this includes health insurance, car allowance, retirement benefits and insurance benefits. For Australian-based executives this includes a car allowance.

Detailed remuneration disclosures are provided in the Remuneration Report on pages 29 to 35 of the Directors' Report.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section 4 of the Remuneration Report on page 31 of the Directors' Report.

(ii) Option holdings

Name	Opening balance	Granted as compensation	Options transferred	Closing balance	Vested and exercisable
2012					
Non-executive directors					
Alan Broome	1,750,000	750,000	–	2,500,000	1,750,000
S. Frank Culberson	1,750,000	750,000	–	2,500,000	1,750,000
Executive directors					
Curtis Burton	6,000,000	3,000,000	–	9,000,000	6,000,000
Dean Gallegos	6,000,000	3,000,000	–	9,000,000	6,000,000
Key Management Personnel					
Clint Wainwright	4,000,000	–	–	4,000,000	4,000,000
Jim Watt	3,300,000	–	–	3,300,000	3,300,000
Mark Landt	3,300,000	–	–	3,300,000	3,300,000
Allen Huckabay	3,300,000	–	–	3,300,000	3,300,000
Andy Rike	3,300,000	–	2,000,000	5,300,000	5,300,000
	32,700,000	7,500,000	2,000,000	42,200,000	34,700,000

Name	Opening Balance	Granted as Compensation	Options Cancelled	Closing Balance	Vested and Exercisable
2011					
Non-executive directors					
Alan Broome	–	1,750,000	–	1,750,000	1,750,000
S. Frank Culberson	–	1,750,000	–	1,750,000	1,750,000
Executive directors					
Curtis Burton	–	6,000,000	–	6,000,000	6,000,000
Dean Gallegos	–	6,000,000	–	6,000,000	6,000,000
Key management personnel					
Clint Wainwright	–	4,000,000	–	4,000,000	4,000,000
Jim Watt	–	3,300,000	–	3,300,000	3,300,000
Mark Landt	–	3,300,000	–	3,300,000	3,300,000
Allen Huckabay	–	3,300,000	–	3,300,000	3,300,000
Andy Rike	–	3,300,000	–	3,300,000	3,300,000
Gary Rinehart [1]	–	3,000,000	-	3,000,000	3,000,000
	–	35,700,000	–	35,700,000	35,700,000

1 Gary Rinehart is not a Key Management Personal in the financial year 2011/2012

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel (continued)

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Company and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Opening balance	Options exercised	Other changes during the year	Balance at the end of the year
2012				
Directors of the Company				
Alan Broome	597,895	–	–	597,895
Dean Gallegos	12,765,793	–	(157,895)	12,607,898
S. Frank Culberson	4,084,118	–	–	4,084,118
Curtis Burton	13,438,375	–	–	13,438,375
Key management personnel of the Group				
Clint Wainwright	3,320,099	–	–	3,320,099
Jim Watt	6,116,682	–	–	6,116,682
Mark Landt	6,116,682	–	–	6,116,682
Allen Huckabay	6,116,682	–	–	6,116,682
Andy Rike	–	–	–	–
	52,556,326	–	(157,895)	52,398,431

Name	Opening balance	Options exercised	Other changes during the year	Balance at the end of the year
2011				
Directors of the Company				
Alan Broome	440,000	–	157,895	597,895
Dean Gallegos	12,592,839	–	172,954	12,765,793
S. Frank Culberson	4,084,118	–	–	4,084,118
Curtis Burton	13,438,375	–	–	13,438,375
Key management personnel of the Group				
Clint Wainwright	3,320,099	–	–	3,320,099
Jim Watt	–	–	6,116,682	6,116,682
Mark Landt	–	–	6,116,682	6,116,682
Allen Huckabay	–	–	6,116,682	6,116,682
Andy Rike	–	–	–	–
Gary Rinehart	–	–	–	–
	33,875,431	–	18,680,895	52,556,326

(e) Loans to key management personnel

There have been no loans made, guaranteed or secured, directly or indirectly, by the Group or any of its subsidiaries at any time throughout the year with any key management personnel, including their related parties.

30. RELATED PARTY TRANSACTIONS

(a) Subsidiary

Interests in subsidiary are set out in note 18.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 29.

(c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated group	
	2012 $	2011 $
Sales of goods and services		
Prospect development costs	(3,628,302)	(3,942,496)
Rental income/(expense)	(139,567)	(221,869)
Other expenses – administration expenses	(44,989)	(48,885)

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables (purchases of goods)	637,451	23,570

There is no allowance account for impairment receivable in relation to any outstanding balance, and no expense has been recognised in respect of impairment receivables due from related parties.

(e) Loans to/from related parties

The Group has provided Kenai Offshore Ventures LLC a loan under the joint venture agreement of $4,208,614 and a further $148,476 as interest receivable as of 30 June 2012.

The Group had loaned $283,045 (2011: $354,855) to Bligh Energy Service Pty Ltd to assist the 'fit out' cost in relation to the Company's registered address and principal place of business, the amount is repayable 'at call' and incurs a 3% p.a. interest rate.

(f) Terms and Conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

31. CASH FLOWS INFORMATION

(a) Reconciliation of cash flow from operations with loss from continuing operations:

	Consolidated group	
	2012 $	2011 $
Loss from continuing operations	(16,309,223)	(14,079,740)
Non-cash flows in loss	–	–
Gain on sale of investments	(103,736)	–
Impairment expense	5,876,477	5,194,083
Doubtful debt expense	151,977	–
Share options expensed	50,963	618,150
Fair value gain on derivative financial instrument	(1,157)	–
Amortised borrowing cost	–	570,146
Depreciation expense	285,298	51,710
Depletion expense	1,290,094	1,857,371
Loss from joint venture	106,225	–
Write off of capitalised exploration cost	–	184,433
Exchange rate fluctuation	(2,227,004)	617,830
Changes in assets and liabilities :	–	–
Decrease/(Increase) in receivables	(680,982)	427,497
Decrease/(Increase) in prepayments	291,917	(137,158)
Decrease/(Increase) in other assets	64,107	(90,511)
Increase/(decrease) financial instruments	–	(224,690)
Increase/(decrease) in trade creditors and accruals	(162,068)	3,317,091
Cash flow from operating activities	(11,367,112)	(1,693,788)

(b) Non-cash Financing and Investing Activities:

Shares issued

30 June 2012

On 15 July 2011, the Group issued 9,700,000 unlisted options to Helmsec Global Capital Limited options as part consideration of placement fee payable in the Group's $13.5 million capital raising.

On 20 February 2012, the Group issued, 2,057,009 fully paid ordinary shares in lieu of the convertible notes commitment fee payable in accepting in the convertible note agreement entered into during the year.

On 22 June 2012, the Group issued 3,937,008 fully paid ordinary shares in lieu of the termination payable in cancelling the convertible note agreement entered into during the year.

30 June 2011

On 30 November 2010, the Group issued 19,140,943 options as full consideration to rollover the group $1 million facility until 30 September 2011. Refer to note 27.

In March 2011 the Group reach a mutually agreement to receive $633,600 as total consideration for the transfer of ownership of the collateral shares to SpringTree. Refer to note 24(g).

32. FINANCIAL RISK MANAGEMENT

Financial risk management policies

The Group's financial instruments consist mainly of current accounts with banks, accounts receivable, accounts payable and derivatives financial instruments.

i. **Treasury risk management**

Management considers on a regular basis the financial risk exposures and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to meet the Group's financial targets, while minimising potential adverse effects on financial performance.

Management operates under policies approved by the board of directors who approve and review risk management policies on a regular basis. These include future cash flow requirements.

ii. **Financial risk exposures and management**

The main risks the Group and the parent entity are exposed to through its operations are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk exposure

Interest rate risk is managed with a mixture debt funding of fixed and floating interest rates.

Banking facility: 100% of the Group debt was denominated in US$ and provided by Richmond Hill Investment Co., LP (refer to note 22) with a fixed interest rate capitalised and payable at expiry. Convertible note: 100% of the Group funding from the issue of convertible notes was denominated in AUD and provided by Bergen Global Opportunity Fund, LP, and Australian Special Opportunity Fund, LP (refer to note 22). The interest payable was fixed at 0% per annum if the convertible notes were later converted and shares issued, otherwise the Group is required to pay the face value of the convertible notes issued.

It is the Group's policy to assess cash flow requirements and prevailing interest rates at the time in deciding the mixture of debt funding and either prevailing fixed and floating interest rate.

Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

As at the reporting date, a variance of +/- 100 basis points would have affected the group's after-tax loss and equity by +/- $871,583 (2011: +/- $172,370).

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises the interest rate risk for the Group, together with the effective weighted average interest rate for each class of financial assets and liabilities:

Consolidated group 2012	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Fixed interest maturing in: over 1 to 5 years $	Non interest bearing $	Total $
2012					
Financial assets					
Cash	3,549,135	–	–	–	3,549,135
Trade receivables	–	–	–	556,039	556,039
Other receivables	–	–	–	18,803,256	18,803,256
Total financial assets	**3,549,135**	**–**	**–**	**19,359,295**	**22,908,430**
Weighted average interest rate		–	–	–	
Financial liabilities					
Borrowing	29,746,596	1,813,203	5,274,796	–	36,834,596
Trade and sundry creditors	–	–	–	3,925,682	3,925,682
Total financial liabilities	**29,746,596**	**1,813,203**	**5,274,796**	**3,925,682**	
Weighted average interest rate	2.30%	10.0%	10.0%	–	
2011					
Financial assets					
Cash	4,473,299	–	–	–	4,473,299
Trade receivables	–	–	–	168,438	168,438
Other receivables	–	–	–	6,749,953	6,749,953
Total financial assets	**4,473,299**	**–**	**–**	**6,918,391**	**11,391,690**
Weighted average interest rate	1.03%	–	–	–	–
Financial liabilities					
Borrowing	–	1,000,000	–	500,000	1,500,000
Trade and sundry creditors	–	–	–	4,087,750	4,087,750
Total financial liabilities	**–**	**1,000,000**	**–**	**4,587,750**	**5,587,750**
Weighted average interest rate	–	10.0%	–	–	–

Foreign exchange risk exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investment in foreign operations. The risk is measured using sensitivity analysis and future cash flow requirement.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange risk exposure (continued)

The Group's foreign exchange risk is managed to ensure sufficient funds are available to meet US financial commitments in a timely and cost-effective manner. The Group will continually monitor this risk with a view entering into forward foreign exchange, foreign currency swap and foreign currency option contracts.

The following table demonstrates the estimated sensitivity to a 1% increase/decrease in the US dollar exchange rate, with all other variables held constant, on post-tax profit and equity:

	Consolidated group	
	2012 $	2011 $
Change in net profit		
Increase in AUD/USD by 1%	72,150	64,884
Decrease in AUD/USD by 1%	(72,856)	(65,612)
Change in equity		
Increase in AUD/USD by 1%	(440,940)	306,587
Decrease in AUD/USD by 1%	449,848	(312,781)

Credit risk exposure

Credit risk is the potential that the Group will suffer a financial loss due to the unwillingness or inability of the counterparty to fully meet their contractual debts and obligations. Credit risk arises from both lending and trading activities. The carrying amount of trade receivables $556,039 (2011: $168,438) represents the maximum credit exposure. The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised; and
- all potential customers are rated for creditworthiness taking into account their size, market position and financial standing.

Receivables due from major debtors are not normally secured by collateral, however the creditworthiness of debtors is monitored.

In the US, trade receivables (balances with oil and gas purchasers) have not exposed the Group to any bad debts to date.

In the Group's US operations, the operator of the Pompano Project is AnaTexas Offshore, Inc ("AnaTexas"), a company owned and controlled by Mr Clint Wainwright. AnaTexas utilises third parties to negotiate the best prices on all oil and gas sales, as well as keeps the Group informed of any stability problems with the purchasers.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise.

The Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Group is primarily funded through ongoing cash flow, debt funding and capital raisings, as and when required.

During the financial year 30 June 2012 the Group negotiated the following loan facilities with New York-based Richmond Hill Investment Co., LP:

- A US$20.0 million project finance facility ("the Facility") drawn to US$15.0 million and which expires on 16 January 2013; and
- A US$30.0 million revolving credit facility with Richmond Hill to fund receivables under the State of Alaska, ACES exploration and development incentive program ("ACES Facility") drawn to US$12.3 million and which expires on 31 December 2013.

The Company is within the various loan covenants that apply to these facilities and expects to draw on these facilities as it requires so as to meet its obligations.

Management also regularly monitors actual and forecast cash flows to manage liquidity risk.

Price risk

Securities price risk

The Group did not hold any listed or unlisted investments classified in the balance sheet either as available-for-sale or at fair value through profit and loss at the balance date.

The table below summaries the impact of 10% increase/decrease of the listed investment on the ASX on the Group post tax profit and loss and on equity. The analysis is based on the assumption that the equity had an increase /decrease by 10% (2011: 10%) with all other variables held constant and all the Group equity instruments moved according to the historical correlation with the index.

	Consolidated group	
	2012 $	2011 $
Change in net profit/(loss)		
Increase in price by 10%	–	11,918
Decrease in price by 10%	–	(11,946)
Change in equity		
Increase in price by 10%	–	11,918
Decrease in price by 10%	–	(11,946)

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Commodity price risk

The Group's revenues are secured by the execution of Gas Sales Agreements in respect to gas produced from its Kenai Loop project and therefore it is not exposed to commodity price fluctuations.

If the US dollar oil and gas price changed by 10% from the average oil and gas price during the year, all other variables held constant, the estimated impact on the post-tax profit and equity would have been:

	Consolidated group	
	2012 $	2011 $
Change in net profit		
Increase in price by 10%	–	151,263
Decrease in price by 10%	–	(151,263)
Change in equity		
Increase in price by 10%	–	151,263
Decrease in price by 10%	–	(151,263)

Market risk

The Group is subject to the normal economic factors including volatility of stock market prices and interest rates, both of which impact the availability of equity and debt capital respectively.

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purpose.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for these assets and liabilities that are not based on observable market data (unobservable inputs) (level 3)

At 30 June 2012	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets	–	–	80,283	80,283
Total assets	**–**	**–**	**80,283**	**80,283**
Liabilities				
Derivatives financial instruments	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurements (continued)

At 30 June 2011	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets	119,332	–	80,283	199,615
Total assets	**119,332**	**–**	**80,283**	**199,615**
Liabilities				
Derivatives financial instruments	**–**	**1,157**	**–**	**1,157**
Total liabilities	**–**	**1,157**	**–**	**1,157**

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and the trading of available-for sale securities) is based on quoted markets prices at the end of the reporting period. The quoted market price used for financial price used for financial assets held by the Group is the closing price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of price swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowing approximates the carrying amount, as the impact of discounting is not significant.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii. Net fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

(i) The net fair values of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities are assumed to approximate their fair value due to their short-term nature as disclosed in the statement of financial position and the notes to the financial statements.

(ii) The carrying amounts and estimated net fair values of equity investments (investment in unlisted subsidiaries) is determined using discounted cash flow valuation techniques to approximate their carrying values and record any impairment as disclosed in the statement of financial position and the notes to the financial statements.

The table below analyses the parent entity's trading portfolio of derivative financial liabilities for which contractual maturities are not essential and which are managed on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position to the expected settlement date. The amounts disclosed in the table are net fair values, being the amounts at which an orderly settlement of the transactions would take place between market participants at the end of the reporting period. At the Group level, these contracts are designated as cash flow hedges and are therefore included in the tables disclosing contractual maturities.

	Less than 12 months $	12 -14 months $	Total	Carrying amount
2012				
Gas price swap contract	–	–	–	–
2011				
Gas price swap contract	1,157	–	1,157	1,157

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.

33. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the financial year ended 30 June 2012:

1. On 18 July 2012, the Group announced it has executed binding agreements for the issue of 292,682,927 fully paid ordinary shares at an issue price of 4.1 cents to raise a total of $12.0 million; $6,186,244 was subject to the shareholder approval that was granted on 10 September 2012.
2. In addition to the $12.0 million capital raising, the Group announced it will implement a share purchase plan (SPP) to eligible shareholders capped at $1,500,000 at an issue price of 4.1 cents. As of 13 September 2012, the Group announced that the SPP was oversubscribed and a scale back was required under the terms and conditions of the SPP.
3. On 24 July 2012, the Group issued 141,798,925 shares to raise $5,813,756.
4. On 31 July 2012, the Group announced that the Endeavour Jack-Up has been mobilised to Alaska and arrived on 24 August 2012. It will be subject to final work and regulatory inspections before being towed to its first drilling location at the Group's North West Cook Inlet project.
5. On 16 August 2012, the Group announced it has completed the Group acquisition of interest in the Cosmopolitan project, subject to Group Lender Richmond Hill Investment Co., IP providing its written consents that the Group assumes the role of Operator of the project. Consent was given on the 28 August 2012 and therefore the closing documents and funds were exchanged with owners of the project.
6. On 13 September 2012 and to the date of this report the Group announced that it has commenced drilling of the group Kenai Loop # 4 well.
7. No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group in future financial years.

34. CONTINGENT LIABILITIES

In accordance with normal oil and gas industry practice, the Group has entered into joint venture operations and farm-in agreements with other parties for the purpose of exploring and developing its licence interests. If a party to a joint venture operation defaults and does not contribute its share of joint venture operation obligations, then the other joint venturers are liable to meet those obligations. In this event, the interest in those licences held by the defaulting party may be redistributed to the remaining joint venturers.

The Group has issued a financial guarantee for the Letter of Credit issued to Petroquest Energy by Macquarie Bank Limited, as detailed in note 2.

The Company's current intention is to provide the necessary financial support for incorporated controlled entities, while they remain controlled entities, as is necessary for each company to pay all debts when they become due.

35. ECONOMIC DEPENDENCY

The Group's principal activities are the exploration, evaluation and the production of oil and gas reserves. Other than revenue derived from production of oil and gas, the Group is dependent on either financing opportunities or the support of shareholders and the market to finance its ongoing exploration and growth of the oil and gas production reserves.

36. COMPANY DETAILS

The registered office of the Company is:

Buccaneer Energy Limited
Level 9, 25 Bligh Street
Sydney, NSW 2000 Australia.

The principal places of business are:

Buccaneer Energy Limited
Level 9, 25 Bligh Street,
Sydney, NSW 2000 Australia

Buccaneer Resources, LLC
952 Echo Lane, Suite 420
Houston, Texas 77024 USA

Buccaneer Alaska, LLC
215 Fidalgo Ave, Suite 100
Kenai, Alaska 99611 USA

The financial report was authorised for issue by the directors on 28 September 2012.
The directors have the power to amend and reissue the financial report.

DIRECTORS' DECLARATION

The directors of Buccaneer Energy Limited declare that:

1. The financial statements and associated notes for the financial year ended 30 June 2012:

   (a) are in accordance with the *Corporations Act 2001*;

   (b) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

   (c) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and

   (d) give a true and fair view of the financial position of the consolidated group as at 30 June 2012 and of its performance for the financial year then ended.

2. The chief executive officer has declared that:

   (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

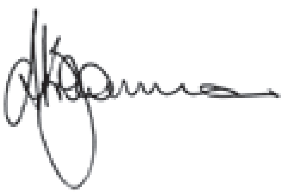
   (b) the financial statements and notes for the financial year comply with Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the opinion of the directors there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Alan Broome, A.M



Chairman

Dated this 28th day of September 2012

Crowe Horwath Sydney

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Member Crowe Horwath International

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A WHK Group Firm

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF BUCCANEER ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Buccaneer Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Buccaneer Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Crowe Horwath

Opinion

In our opinion:

(a) the financial report of Buccaneer Energy Limited is in accordance with the *Corporations Act 2001*,including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter on Significant Uncertainty – Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As indicated in Note 1, the Group recorded a net current liability position, continued operating losses, negative operating cash flows, and negative investing cash flows.

Notwithstanding the above, the financial report has been prepared on a going concern basis as the directors believe that the Group will:

- Have sufficient cash to continue to meet its liabilities as and when they fall due and payable; and
- Raise sufficient additional funding to continue to exploit and develop its exploration assets.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Buccaneer Energy Limited for the year ended 30 June 2012 complies with section 300A of the Corporations Act 2001.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

SUWARTI ASMONO
PRINCIPAL
Dated this 28th day of September 2012

COVER OF EXCELLENCE

ASX INFORMATION

STATEMENT OF QUOTED SECURITIES AS AT 21 SEPTEMBER 2012

- There are 3,611 shareholders holding a total of 1,321,445,371 ordinary fully paid shares.
- The twenty largest shareholders between them hold 38.22% of the total shares on issue.
- Voting rights are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.

DISTRIBUTION OF QUOTED SHARES AND OPTIONS AS AT 21 SEPTEMBER 2012

Ordinary shares

Range	Number of holders
1 – 1,000	114
1,001 – 5,000	91
5,001 – 10,000	302
10,001 – 100,000	1,677
100,001 and over	1,427
Total holders	3,611

There were 305 shareholders whose total holding had a market value of less than 7,937 ordinary fully paid shares ($500) as at 21 September 2012.

SUBSTANTIAL SHAREHOLDINGS AS AT 21 SEPTEMBER 2012

The following shareholders have notified the Company that, pursuant to the provisions of section 671B of the *Corporations Act 2001*, they are substantial shareholders.

Zenith Securities Pte Ltd & Augsburg Investments Limited	7.38%
Republic Investment Management	5.36%

DIRECTORS' SHAREHOLDINGS

As at 19 September 2012, Directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary shares	Listed options	Unlisted options*
Alan Broome	557,895	100,000	2,500,000
Curtis Burton	13,438,250	Nil	9,000,000
Dean Gallegos	12,607,898	Nil	9,000,000
Frank Culberson	4,084,118	Nil	2,500,000

*Options have different vesting, exercise and expiry dates.

ON-MARKET BUY-BACKS

There is no on-market buy-back currently in place.

ASX INFORMATION

OPTIONS

As at 21 September 2012 the Company had a total of 272,424,390 options on issue:

Designation	Holder	Exercise price	Expiry date	Quantity on issue	Quantity vested
BCCO	Listed	$0.10	30 November 2012	177,731,313	177,731,313
BCCAK	Macquarie Bank Limited	$0.11	2 February 2013	15,443,077	15,443,077
BCCAX	SpringTree Special Opportunities, LP	$0.1325	22 February 2013	12,000,000	12,000,000
BCCAO	Helmsec Global Capital Pty Limited	$0.10	15 July 2016	9,700,000	9,700,000
BCCAQ	NewOak Capital Markets	$0.10	22 November 2013	2,500,000	2,500,000
BCCAZ	Directors & Executives (ESOP)	$0.10	30 June 2013	47,550,000	47,550,000
BCCAS	Directors (ESOP)	$0.11	30 June 2016	7,500,000	–

TOP TWENTY HOLDERS OF ORDINARY SHARES AT 21 SEPTEMBER 2012

	Shareholder name	Number of shares held	%*
1	HSBC Custody Nominees (Australia) Limited	114,467,778	8.66
2	Citicorp Nominees Pty Limited	78,737,597	5.96
3	Merrill Lynch (Australia) Nominees Pty Ltd	58,441,048	4.42
4	Chalmsbury Nominees Pty Ltd ←Green A/C→	34,107,929	2.58
5	Aust Executor Trustees SA Ltd ←TEA Custodians Limited→	32,177,233	2.44
6	JP Morgan Nominees Australia Limited ←Cash Income AC→	29,670,632	2.25
7	RBC Dexia Investor Services Australia Nominees Pty Limited ←BKCUST A/C→	24,625,352	1.86
8	Mrs Ping Block & Mr Warren Block	18,061,696	1.37
9	Mr Brendon Ritson	17,226,832	1.30
10	JP Morgan Nominees Australia Limited	13,956,225	1.06
11	Roscious Pty Ltd ←Deapen Family A/C→	12,607,898	0.95
12	Mr Julian Coyne + Mrs Adele Coyn ←Unified Investments Fam A/C→	12,561,696	0.95
13	Mr Keiran James Slee	10,088,226	0.76
14	Mr Russell Neil Creagh	8,245,000	0.62
15	ABN Amro Clearing Sydney Nominees Ltd Ltd ←Custodian A/C→	8,031,431	0.61
16	Mr Ken Hooper	6,860,000	0.52
17	National Nominees Pty Ltd	6,795,679	0.51
18	Landt Equity Holdings LP	6,116,682	0.46
19	Mr Curtis Burton ←Curtis Burton 2006 A/C→	6,110,000	0.46
20	Mr Curtis Burton ←Emalee Burton 2006 A/C→	6,110,000	0.46
	Total	504,998,934	38.22

*Rounding up may mean columns do not add exactly.

TOP TWENTY HOLDERS OF LISTED OPTIONS AT 21 SEPTEMBER 2012

	Optionholder name	Number of options held	%*
1	Wanabee Holdings Pty Limited	64,713,574	36.41
2	Mrs Yan Zhang	5,500,000	3.09
3	Mr David Gordon & Mrs Laurentia Gordon ←Gordon Super Fund A/C→	4,920,000	2.77
4	Mrs Ping Block & Mr Warren Block	4,400,000	2.48
5	Mr Marcus L'Estrange	4,000,000	2.25
6	Mr Bryan Ralph Elboz & Mrs Particia Mary Elboz ←Toono Super Fund Account→	3,082,926	1.73
7	Mr Sebastian Van Der Meulen & Mrs Laura Van Der Meulen ←Van Der Meulen S/F A/C→	3,000,000	1.69
8	Mr Stephen William King	2,649,000	1.49
9	Mr Darrell Grey ←Shannan Grey A/C→	2,520,000	1.42
10	Mr Georges Ferdinand Koller	2,000,000	1.13
11	Ms Kelli Angelisa Martin	2,000,000	1.13
12	Sayers Investments (ACT) Pty Ltd ←Sayers Investment No 2 A/C→	2,000,000	1.13
13	M & M Family Pty Ltd	1,900,000	1.07
14	Mrs Laurentia Maria Gordon	1,842,000	1.04
15	Vivente Investments Pty Ltd ←The Murphy Family A/C→	1,824,100	1.03
16	Mr Patrick Michael Cox & Mrs Dianne Lillian Cox ←Motorboat Crew S/F A/C→	1,750,000	0.98
17	Megashine International Limited	1,725,000	0.97
18	Mr Jim Moore	1,647,500	0.93
19	Mr George Padas	1,535,785	0.86
20	Huama Holdings Pty Ltd	1,500,000	0.84
	Total	**114,509,885**	**64.43**

*Rounding up may mean columns do not add exactly.

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CORPORATE DIRECTORY

DIRECTORS

Mr. Alan J. Broome	Non-Executive Director – Chairman
Mr. Curtis D. Burton	Managing Director
Mr. Dean L. Gallegos	Finance Director
Mr. Frank Culberson	Non-Executive Director

COMPANY SECRETARY

Bruce Burrell

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