



ASX RELEASE – 2 JANUARY 2014

ASSET SALES & FINANCING FACILITIES

Buccaneer Energy Limited (“Buccaneer” or “the Company”) is pleased to advise that it has executed binding agreements to sell certain assets and lower operating expenses. The details are as follows:

Sale of Cosmopolitan Project

The Company has executed a Sale and Purchase Agreement with BlueCrest Energy Inc. (“BlueCrest”) for the sale of its 25% interest in the Cosmopolitan project. Total consideration raised for the Company by the sale is US\$41.25 million, inclusive of the repayment of a US\$1.25 million bond.

The Company acquired its interest in the Cosmopolitan project in August 2012, and to date has expended approximately US\$9.0 million. This amount is inclusive of acquisition costs and costs associated with the drilling of the Cosmopolitan State # 1 well, net of ACES rebates.

As part of the transaction, BlueCrest has executed a Rig Assignment Agreement where it has agreed to use the Endeavour jack-up rig for a minimum of 150 days comprised of 50 rig working days during each of the following “Winter Seasons” extending from 16 November 2013 to 15 April 2014, 16 November 2014 to 15 April 2015 and 16 November 2015 to 15 April 2016.

BlueCrest has agreed to a minimum daily rate of US\$175,000 per day, and will lodge a Letter of Credit in favour of the Company for US\$5.0 million to underwrite its use of the Endeavour. The LOC will remain in place until BlueCrest has used the Endeavour for a total of 150 days.

The sale gives the Company the opportunity to monetise an asset in which it holds a minority interest at a significant premium to its sunk costs. The sale price is within acceptable market parameters for undeveloped projects of this type in Alaska.

Settlement is expected to take place in mid-January 2014.

Sale of Kenai Offshore Ventures, LLC

The Company has executed a Membership Interest Purchase Agreement (“MIPA”) with Teras Investments Pte. Ltd for the sale of its 50% equity interest in, and its subordinated shareholder loans to Kenai Offshore Ventures, LLC (“KOV”) for US\$23.95 million, inclusive of intercompany trade payables and trade receivables.

KOV owns the Endeavour jack-up rig operated by the Company in the Cook Inlet of Alaska under a Bare Boat Charter agreement with Buccaneer’s wholly owned subsidiary, Kenai Drilling, LLC, which expires on 29 October 2017. The Company will continue to operate the Endeavour jack-up rig subsequent to the sale of the Company’s interest in KOV with no material changes to the existing bare boat charter agreement. This transaction realizes a stated goal of the Company to sell its ownership in the rig while maintaining control of the asset for its drilling operations in Alaska.

Proceeds from the sale will be used to repay unsecured loans of US\$11.2 million that are due on 25 January 2014 and for working capital purposes.

The sale price represents approximately 100% of the equity and loans the Company has invested into KOV since the acquisition of the Endeavour in late 2011 and its subsequent refurbishment.

Settlement of the sale is conditional upon the consent of the Alaskan Industrial Development and Export Authority (“AIDEA”), and is expected to be finalised in mid-January 2014.

Loan Agreement

The Company has executed a loan agreement with an affiliate of Meridian Capital International Fund (“Meridian”) to lend the Company US\$6.0 million (the “Loan”). Meridian currently holds an 18.9% interest in the Company and has a representative on the board. The Loan is to be used by the Company to fund various costs associated with operations. The Loan is to be repaid by 31 March 2014 and will be repaid from the proceeds of the proposed rights issue (see below) or the Cosmopolitan sale (if the rights issue has not been completed by 31 March 2014 and subject to certain requirements being met). If the rights issue has not been completed and the Loan has not been repaid by 31 March 2014, in addition to interest charges, a 25% late repayment fee will apply.

The Company has agreed in certain circumstances to grant Meridian a second lien over the Company’s assets to secure the Loan, subject to obtaining the necessary ASX consent and where required, shareholder approval. The Company has also granted Meridian a first right of refusal with respect to the sale of any assets belonging to the Group for a period of 12 months.

Letter of Intent – Credit Facility

In addition to the above Loan, the Company has executed a non-binding Letter of Intent (“LOI”) with Meridian to provide an additional credit facility of up to US\$50 million (the “Facility”).

The Company currently has the following facilities with Chicago based Victory Park Capital:

- US\$75.0 million Senior Secured Term Note that can be drawn against the value of the Proved Developed Producing (“PDP”) reserves. The borrowing base is currently US\$43.5 million (PDP PV10 US\$63.0 million) and is fully drawn; and
- US\$25.0 million Senior Secured Revolver that can be drawn against drilling and development expenses eligible for payment under the Alaskan ACES incentive program and is currently drawn to US\$6.3 million.

Under the terms of its agreements with Victory Park Capital, if the current loans are repaid within the first 12 months, which expires on 25 January 2014, the Company is liable to pay a 5% early repayment penalty. After the first 12 months the early repayment penalty increases to 25% of the outstanding loans to Victory Park Capital.

The Company is seeking to have the Facility with Meridian in place by 25 January 2014 and repay all of the above Victory Park Capital loans from the Facility. The Facility will be on the same commercial terms as the existing Victory Park Capital facilities; however, it will provide the Company with an additional 2 month period before the early prepayment penalty increases to 25% (which will occur on 31 March 2014). This should place the Company in a position to repay the Facility from the proceeds raised by the proposed rights issue (see below) prior to the prepayment penalty increasing to 25%.

Subject to obtaining the necessary ASX consent, and where required, shareholder approval, Meridian will assume a first ranking security over the Company’s assets to secure the Facility.

The LOI also contemplates repayment of all existing obligations owed to Meridian and its associates from the proceeds received from the sale of the Cosmopolitan project (subject to certain conditions) or a rights issue, whichever occurs earlier.

Letter of Intent - Rights Issue

The LOI above also contemplates the Company undertaking a 2:1 renounceable rights issue at \$0.0125 per share to raise up to approximately \$60.3 million. Canaccord Genuity (Australia) Limited intends to underwrite the rights issue (the "Offer") subject to the following:

- The execution of an underwriting agreement;
- The lodgement of a prospectus with ASIC; and
- Meridian fully sub-underwriting the Offer (by itself or with other shareholders).

Meridian intends to fully sub-underwrite the Offer subject to the following:

- Completion of the Facility and repayment of all of the above Victory Park Capital loans;
- Due diligence and finalisation of the underwriting agreement and sub-underwriting agreement;
- The Company using its best endeavours to seek the support of other major shareholders as sub-underwriters to the Offer.

The funds raised under the Offer will be used to repay the Loan and the Facility provided by Meridian.

Further details regarding the Offer will be announced in due course. It is expected that documentation will be sent to shareholders in early February 2014.

"As can be seen from the content of the release, multiple undertakings are underway. The Board and management team are diligently working to identify a matrix of attractive go-forward options for the company, and the items outlined in the above press release represent necessary first steps. Further updates will be provided as the situation warrants," Curtis Burton, CEO and Managing Director.

The proposed transactions are designed to enhance the Company's balance sheet. Post completion, Buccaneer will have working capital and will be essentially debt free. The Company will avoid considerable penalties associated with previous short-term funding facilities and will have the flexibility to be able to access debt facilities in the future on more advantageous terms. Buccaneer maintains control of both the Endeavour and the Glacier drilling rigs.

Yours faithfully

BUCCANEER ENERGY LIMITED



**Mr Curtis Burton
Managing Director**

For further information, please visit the Company's website at www.buccaneerenergy.com or email investorrelations@buccaneerenergy.com.

About Buccaneer



Buccaneer Energy Limited (ASX: BCC) is an energy exploration and production company. Capitalized in Australia, the U.S. headquartered independent is focused on acquiring significant working interests in undervalued, low-risk development properties that possess significant undeveloped upside potential. The Company places a premium on bringing both regional and local expertise to each opportunity, and as a result, its opportunistic approach to finding hydrocarbons is not limited by geographic considerations.

Buccaneer Energy entered the Cook Inlet of Alaska in 2010 and has put a portfolio of both onshore and offshore assets. Production of natural gas began at the Kenai Loop project in 2012 and continues at an average of 8.5 million cubic feet per day on contract with the largest utility in the area, Enstar. Our offshore program began in mid-2012 with the arrival of the Endeavour jack-up drilling rig, and focuses on developing well-known bypassed opportunities in the Cook Inlet of Alaska.

