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BUCCANEER ENERGY PROGRESSES RECAPITALISATION PROCESS

The Board and management team have undertaken multiple initiatives to reduce debt, liquidate assets and boost the Company's balance sheet. Details of these transactions are:

- Victory Park Capital facility assigned to Meridian CIS on amended terms more favourable (than previous facility) to Buccaneer.
- Sale of 25% working interest in Cosmopolitan project and 50% interest in Kenai Offshore Ventures completed, raising gross proceeds of US\$64.8 million to be used to settle existing liabilities and provide working capital.
- New Meridian CIS debt facility does not require the proposed Rights Issue to be undertaken, allowing Buccaneer to assess all funding options ahead of the 30 June 2014 debt repayment deadline.
- Refocused exploration and development efforts on Buccaneer's most prospective projects – Kenai loop, Tyonek Deep and West Eagle.

Buccaneer Energy Limited (ASX: BCC) (Buccaneer or the Company) provides the following update in relation to its recapitalisation process, as well as its asset portfolio and developments in relation to certain events disclosed in the Company's announcement on 2 January 2014 (Prior Announcement).

Commenting on the various initiatives being undertaken by the Company, Managing Director Curtis Burton said, "These transactions represent the first steps in Buccaneer's recapitalization process to strengthen the Company's balance sheet. We are appreciative of the support afforded to the Company by Meridian, and we look forward to working with them to further develop Buccaneer's strong asset position in Alaska."

"In tandem with successfully reorganizing our debt facilities, we have taken a hard look at the exploration and development opportunities in Buccaneer's portfolio and have matched up our strongest assets with the capital we anticipate having available during 2014. This has resulted in a proposed work program for 2014 that is focused on further development at Kenai Loop, appraisal drilling at Tyonek Deep and exploration drilling at West Eagle. The West Eagle well is currently drilling ahead and we look forward to updating shareholders on the results in due course."

DEBT FACILITY

Assignment of Victory Park Capital Facility to Meridian CIS

Meridian Capital CIS Fund (Meridian CIS), an affiliate of Meridian Capital International Fund (Meridian) has taken an assignment of the existing finance facility held by Victory Park Capital, on amended terms that are more favourable to Buccaneer.

Amount of facility

The facility now held by Meridian CIS (Meridian Facility) encompasses:

- the existing Senior Secured Term Note which was held by Victory Park Capital, drawn to US\$43.5 million (Term Note);

- the existing Senior Secured Revolver which was held by Victory Park Capital drawn to US\$6.3 million (Revolver);
- funds provided to the Company to enable the US\$3.0 million purchase of an existing Production Payment Agreement with respect to the 3% Overriding Royalty Interest on Kenai Loop production and subject to a put option under the Victory Park Capital facility which was exercised by Victory Park Capital (the monthly royalty payments will go to service this loan and related interest); and
- funds provided to the Company to pay US\$3.8 million for costs and expenses associated with the assignment from Victory Park Capital including a 5% prepayment fee on the obligations incurred in respect of the Term Note and the 3% default interest rate.

The US\$6.0 million loan provided by Meridian CIS on 31 December 2013 (Initial Loan) and an amount of US\$4.8 million capitalised to the Meridian Facility for the Meridian production payment loan made in June 2013 were both paid off with the proceeds from the sale of the Company's interest in the Cosmopolitan project.

The total principal amount initially owing under the Meridian Facility is US\$56.6 million, with no further amounts available for draw down. Further details regarding the Meridian Facility are outlined in the attached appendix.

ASSET SALES

The sale of the Company's 25% working interest in the Cosmopolitan Project and 50% shareholding in Kenai Offshore Ventures LLC (KOV), have been completed, raising total gross proceeds of US\$64.8 million.

Sale of Cosmopolitan Project

Buccaneer has completed the transaction with BlueCrest Energy Inc. (BlueCrest) for the sale of its 25% working interest in the Cosmopolitan project. The total consideration paid was US\$40.6 million. The amount paid included a US\$625,000 partial payment of the US\$1.25 million bond associated with the project, with the remainder of the bond to be reimbursed in five monthly payments of US\$125,000. In addition, the Company retains all rights to ACES credits associated with its investment in the project of approximately US\$10.0 million, anticipated to be recovered in 2014.

The Company will assist BlueCrest in the transition of operatorship over the coming months and will be reimbursed US\$125,000 per month for this service. During the interim period, the Company will continue to serve as contract operator on the Cosmopolitan project.

An amount of US\$4.1 million has been escrowed until finalisation of tax submissions to the US Internal Revenue Service to offset any withholding tax due to the Company being domiciled outside the USA. The Company expects approximately US\$3.3 million will be recoverable from the escrow in the first half of 2014 utilising Net Operating loss income tax credits.

The remaining US\$36.5 million from the sale has been used to:

- pay transaction fees and, current and outstanding accounts payable totalling approximately US\$20 million;
- repay US\$10.8 million to Meridian comprising the US\$6.0 million short-term loan and US\$4.8 million production payment loan entered into in June 2013; and

- balance of US\$5.0 million for capital expenditure in relation to West Eagle Unit #1 well and working capital purposes.

As previously announced, 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 the winter seasons.

Sale of Kenai Offshore Ventures, LLC

The Company has also completed the sale of its 50% ownership interest in Kenai Offshore Ventures (KOV) to Teras Investments Pte. Ltd for US\$23.95 million, inclusive of intercompany trade payables and trade receivables of US\$950,000.

Proceeds from the sale will be used to repay unsecured loans of US\$11.2 million that were due on 25 January 2014 and to pay unpaid bareboat charter fees for the period of October 2013 to December 2013. There are no net cash proceeds to the Company from this transaction.

The only remaining financial obligations to KOV will be:

- the bareboat charter fees of US\$71,800 per day, payable monthly, and which will now be escalated by ~2.5% per annum; and
- US\$10.7 million for unpaid charter fees for the period of 29 October 2012 to 30 March 2013, plus estimated interest of US\$1.3 million, due on 1 October 2014.

The sale price represents 100% of the equity and all subordinate loans the Company has invested into KOV since the acquisition of the Endeavour in late 2012 and its subsequent refurbishment. Settlement of the sale was conditional upon the consent of the Alaskan Industrial Development and Export Authority (AIDEA), which was received.

Through our Alaskan subsidiary, Kenai Drilling, the Company continues to control access to the rig and to be able to lease the rig to third parties when not being utilized by Buccaneer generating an income stream for the Company.

ASSET PORTFOLIO RATIONALISATION

The Company advises that it has recently completed a portfolio review that highlighted the need to focus the Company's exploration and development efforts on its most prospective projects – Kenai Loop, Tyonek Deep and West Eagle.

This decision was driven by three primary factors:

- balancing Buccaneer's available capital resources with the cost involved in exploiting all opportunities;
- timing of drilling commitments to retain leases; and
- scheduling of the Endeavour rig for completing projects.

As a result of this review, the North West Cook Inlet and Southern Cross projects were removed from the Company's priority list for drilling in 2014. The Alaska Department of Natural Resources (DNR) has been notified that Buccaneer will not be continuing with these two projects.

North West Cook Inlet Unit

Buccaneer was required to drill a well under the Plan of Exploration agreed to with the DNR prior to 31 October 2013, so as to retain the leases within the Unit and prevent their automatic expiry. The Company did not meet this condition and has been having regular discussions with the DNR to seek an extension to this.

Following the reprioritisation of the Company's projects, Buccaneer will not be in a position to drill this project in 2014. Accordingly, the Company has decided not to seek an extension to the Plan of Exploration.

The North West Cook Inlet Unit is made up of six leases. Five of these leases will automatically terminate (ADL 390384, ADL 391268, ADL 391269, ADL 391270 and ADL 390742) as they are beyond their primary term. The remaining lease (ADL 391611) will terminate on expiry of its primary term on 1 February 2018.

Southern Cross Unit

Under the Southern Cross Unit Plan of Exploration, Buccaneer was required to drill a well prior to 31 October 2013. Given the delays experienced with the commissioning of the Endeavour rig after it arrived in Alaska, the additional time taken at the Cosmopolitan location and the problems with seabed conditions on location that prevented spudding of the Southern Cross #1 well in September 2013, the Company was not able to meet this condition.

Four leases made up the Southern Cross Unit. Three of the leases – two northern and one southern – were acquired by the Company in 2010 through the execution of farm-out agreements with Cook Inlet Energy, Inc. (50%) and Chevron, now Hilcorp (50%). The fourth lease was separately acquired in March 2010 and is 100% owned by Buccaneer. The Company's inability to drill a well by the agreed date resulted in the Unit expiring, but not all the underlying four leases. As a result, each lease reverted to the original terms.

Three of the underlying leases remain in effect. Buccaneer maintains that it retains a 50% working interest in the northern and southern leases (ADL 391108 and ADL 391789), and also its 100% working interest in the remaining northern lease, which expires on 30 September 2014 (ADL 391107). The fourth lease (ADL 390379) is beyond its primary term of seven years and has automatically expired.

Buccaneer had been in discussions with the DNR regarding a further extension for the Southern Cross Unit drilling requirement. However, as a result of the reprioritisation, the Company decided to cease discussions regarding an extension.

The full carrying value of the North West Cook Inlet and Southern Cross projects will be written off in the Company's 31 December 2013 accounts – a non-cash amount of US\$19.7 million.

WORKING CAPITAL

The Meridian CIS assumption of the Victory Park Capital debt, the sale of the Company's 50% equity interest in Kenai Offshore Ventures and the sale of the Company's 25% interest in the Cosmopolitan project resulted in approximately US\$120.0 million in cash, debt repayments and Meridian debt reduction. US\$56.6 million is now outstanding as the Meridian Facility.

As a result of the transactions, approximately US\$23.0 million in KOV and other unsecured debt was repaid, US\$10.8 million of Meridian debt was repaid, and approximately \$20.0 million of accounts payable are to be settled. The remaining proceeds of US\$9.6 million consists of US\$4.0 million in escrow pending a US tax withholding ruling (which should result in a refund of approximately \$3.3 million in the first half of 2014) and the remaining cash of US\$5.0 million will be applied to fund West Eagle drilling capital expenditures and other working capital purposes.

Additionally, the Company has filed applications for ACES rebates totalling US\$20.27 million that should be paid to the company in 2014.

Besides the Meridian Facility, the Company has approximately US\$10.7 million in KOV debt and US\$1.3 million in interest that is due on 1 October 2014, and continues to be obligated to the KOV bare boat charter agreement at a rate of US\$71,800 per day escalating annually through 2017.

The Company will need to have access to additional working capital in the short term in order to repay the Meridian Facility, meet its existing contractual obligations and to undertake its proposed drilling programme through the remainder of 2014.

RIGHTS ISSUE UPDATE

The Prior Announcement advised that the Company was contemplating undertaking a renounceable rights issue on the basis of 2 new shares for every 1 share held at a price of AUD\$0.013 cents per new share to raise up to approximately AUD\$62.6 million (Rights Issue).

The primary purpose of the proposed Rights Issue was to repay the Meridian Facility. The Rights Issue was contemplated by the Letter of Intent entered between the Company and Meridian as detailed in the Prior Announcement.

The terms of the Meridian Facility, as now agreed, do not require the Company to undertake the proposed Rights Issue. Accordingly, the Company will assess all options available to it to repay the Meridian Facility and discharge of the Meridian Security by 30 June 2014, which may for example include capital raisings, assets sales, farm-outs, refinancing, or a combination of these. The Board will make a determination as to the most appropriate option or options in due course.

Accordingly, there can be no guarantee that the proposed Rights Issue, as contemplated in the Prior Announcement, will proceed, or if it does that the Rights Issue will be underwritten or that Meridian will have any involvement in underwriting or sub-underwriting of the Rights Issue.

The Board are of the view that the Company now has the ability to access a variety of funding options over the period to 30 June 2014 to ensure the best outcome is achieved through Buccaneer's recapitalisation process.

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.

APPENDIX

Meridian Facility Terms

Interest and Fees

Given the Victory Park Capital facility was acquired by Meridian CIS prior to 25 January 2014, a prepayment premium of only 5% in respect of the Term Note applied. If the Victory Park Capital facility was acquired or paid out on or after 25 January 2014, a prepayment fee of 25% in respect of the Term Note would have applied. Therefore the assignment to Meridian CIS on 24 January saved the Company approximately US\$9.5 million in prepayment fees.

Under the terms of the Meridian Facility the prepayment fee is as follows:

- (a) if the US\$56.6 million is paid out in full by 30 June 2014, a prepayment fee of 5% will apply; or
- (b) if the facility is not paid out in full by 30 June 2014, a prepayment fee of 10% will apply to all amounts owing under the Meridian Facility.

The Company is now in compliance under the revised terms of the Meridian Facility and will not incur an additional 3% default interest rate. The interest rate of 16% and fees will be charged on the Meridian Facility on the same terms as those under the Victory Park Capital facility as long as the Company remains in compliance with the terms of the Meridian Facility.

Repayment terms

The Meridian Facility becomes due and payable in full on 30 June 2014.

Earlier repayment will be required under the Meridian Facility when proceeds are received from any equity issuances of Buccaneer to the extent of those proceeds. Additionally, as was the case with the previous Victory Park Capital facility, early repayment will be required under the Meridian Facility when proceeds are received from equity issuances of the Borrower, or the sale of Company assets, or any tax rebate or refund receipts, in each case, to the extent of those proceeds.

As a result of the completion of the sale of the Company's 25% working interest in the Cosmopolitan Project, an amount of US\$10.8 million was repaid to Meridian CIS, representing payment in full of the Initial Loan (and interest thereon) and the Production Payment loan of June 2013.

The balance of the principal amount owing under the Meridian Facility is now US\$56.6 million.

The Victory Park Capital facility had a term that may have continued until 30 June 2016. However, as advised in the announcement of 25 November 2013, there existed various technical and other financial events of default by the Buccaneer group. Victory Park Capital issued a Letter of Reservation of Rights as a consequence and had the ability to seek to enforce its rights under the existing facility and in respect of the security it holds over the Buccaneer group. Existing events of default under the Victory Park Capital facility have been waived by Meridian CIS.

Certain additional obligations and events of default apply in respect of the Company under the Meridian Facility which did not apply under the Victory Park Capital facility, as described herein.

Security

The following security (Meridian Security) is now held by Meridian CIS:

- (a) general security over all of the assets and undertakings of the Company, including a pledge over its shares in all subsidiaries of the Company; and
- (b) subject to certain customary exceptions set forth in the documentation, general security over all of the assets and undertakings of the subsidiaries of the Company, other than the assets of Buccaneer Royalties, LLC.

As was the case under the Victory Park Capital facility, Buccaneer Energy Ltd and certain subsidiaries of the Company have guaranteed the obligations of the borrowers under the Meridian Facility.

The Company has sought and has been granted a waiver from ASX in respect of ASX Listing Rule 10.1 to enable the grant of the Meridian Security to Meridian CIS. Details of the conditions of the waiver were announced on 24 January 2014. As required by the terms of the waiver, the Meridian Facility provides that if an event of default occurs and the lender exercises its rights under the Meridian Security, neither Meridian CIS nor any of its associates can acquire any legal or beneficial interest in an asset of Buccaneer or its subsidiaries in full or part satisfaction of the Company's or its subsidiaries' obligations under the Meridian Facility, or otherwise deal with the assets of Buccaneer or its subsidiaries, without Buccaneer first having complied with any applicable listing rules, including Listing Rule 10.1, other than:

- (a) as required by law; or
- (b) through a receiver, or receiver / manager (or any other person acting on behalf of Meridian CIS) appointed by Meridian CIS exercising its power of sale under the Meridian Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to Meridian CIS in accordance with its legal entitlements.

First Right

In addition, the Company has also granted Meridian CIS a first right of refusal with respect to the sale of any assets of the Buccaneer group for a 12 month period from 31 December 2013. If this first right is exercised, any sale will be subject to obtaining all approvals required by law.