ASX RELEASE – 30 SEPTEMBER 2011

ANNUAL REPORT 2011

Buccaneer Energy Limited ("Buccaneer" or "the Company") is pleased to provide the Company's 2011 Annual Report.

The Company recorded earnings before income tax and exploration write-off ("EBITDAX") of a loss of $3,161,957. Additional non-cash write-offs and allowances were made that resulted in a full year net loss after income tax of $14,079,740.

The non-cash write-offs and allowances primarily relate to depletion and impairment expenses relating to the Company's Pompano and Lee County projects located in the Gulf of Mexico and onshore Texas.

The Company expended a total of $747,099 in the 12 month period on expenses associated with the assessment and acquisition of the Adriatic XI.

The Company views the EBITDAX result for the 12 month period as an acceptable result given the significantly expanded operations of the Company. We look forward to recording the first revenue from the Company's Alaskan operations in the current year.

Yours faithfully
BUCCANEER ENERGY LIMITED

Mr Dean Gallegos
Director

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BUCCANEER ENERGY

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2011 ANNUAL REPORT

EXPLORE > DEVELOP > PRODUCE

BUCCANEER ENERGY

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REVIEW OF OPERATIONS

COOK INLET, ALASKA

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

ONSHORE OPERATIONS

KENAI LOOP PROJECT

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

The Kenai Loop # 1 well was spud on 17 April 2011 and was successfully and safely drilled to a total depth of 10,680 feet.

The well intersected 26 zones totalling 645' of gross pay in the Beluga and Upper Tyonek Formations. As the rig needed to be released back to Marathon on 1 June 2011, 2 of the 3 high graded zones in the Upper Tyonek Formation were chosen to be perforated and tested.

The 2 zones were perforated simultaneously and resulted in an immediate build up of pressure and were described as follows:

9,700' Sand has an upper sand of 37' of gross pay which logs have confirmed as being quality reservoir with high porosity and good permeability. This upper sand package had a "gas kick" during drilling operations. There is an additional 12' of lower sand which is a lesser quality sand, but remains attractive. Only the upper portion of this zone is included in the testing program.

10,000' Sand is an additional massive sandstone zone of approximately 50' of gross pay which logs indicate has good porosity and permeability.

In the initial phase of the testing program, the Kenai Loop # 1 successfully tested gas to the surface at a rate of 10 million cubic feet per day ("MMCFD") on a 20/64" choke with a FTP (flowing tubing pressure) of 3,495 psi.

A flow test over 4 different choke sizes, a 4 point test, was successfully completed on the 2 zones (of the 26 intersected) and a Absolute Open Flow Potential (AOFP) was calculated as 33.2 MMCFD from this testing.

The high AOFP demonstrates the excellent permeability and porosity of the 2 zones perforated and tested. The permeability and reservoir pressures are comparable to the Cannery Loop # 1 ("CL #1") and Cannery Loop # 4 ("CL #4") wells, both of which produced from the comparable Upper Tyonek sands tested in the Kenai Loop # 1 well.

Reserve Evaluation

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

The following booked Reserves substantially exceed the Group's pre drill assessment of approximately 5.0 – 10.0 BCF.

	Proven (1P)	Proven + Probable (2P)	Proven + Probable + Possible (3P)
	31.5	38.3	51.6
Oil Equivalent MMBOE[1]	3.9	4.8	6.5

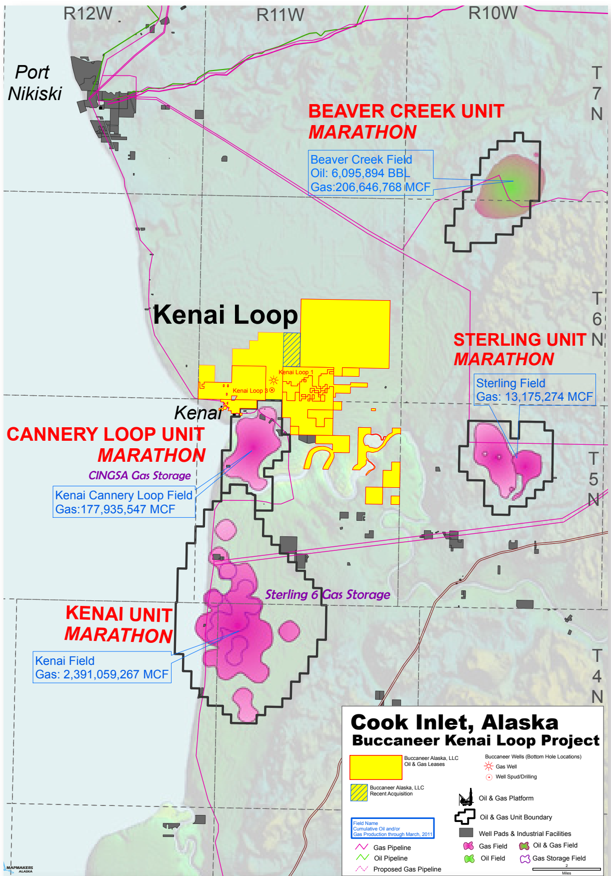
[1] Gas to Oil conversion using a Gas to Oil ratio of 8:1

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

Near Term Work Plan

The Group spud the second well at Kenai Loop in mid August, which is designated the Kenai Loop # 3 well. This well will be drilled from the same location as KL # 1 and will have two primary objectives:

- a step out well to test and possibly extend the known aerial extent of both the 9,700 and 10,000 feet sands. If successful this will effect an increase in the current Proven and Probable Reserves; and
- to test the sands below 10,000 feet and specifically those at approximately 10,600 feet intersected in KL # 1. These sands appear similar to the 9,700 and 10,000 sands. If this or other objectives are successful then it is expected Proven and Probable Reserves will be increased.



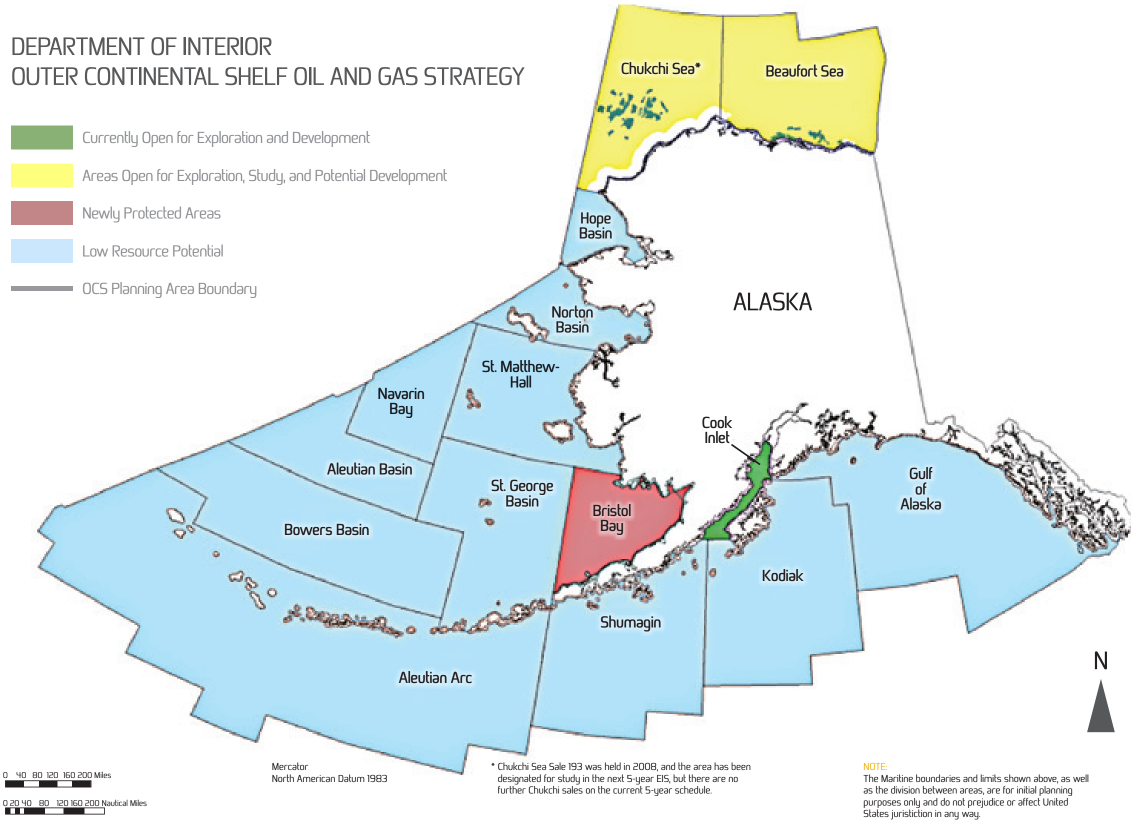
MAP OF KENAI LOOP

Pipeline Permitting and Construction

The City of Kenai has approved the Group's pipeline easement from the Kenai Loop # 1 well location to ENSTAR's City Gate Station (approximately 7200 feet). The approval of the easement allows the construction of the pipeline to commence.

The Group has identified and has either purchased or agreed to purchase all critical production equipment to allow the Kenai Loop # 1 well to commence gas production. The Group is on track to start producing and selling gas in December 2011.

AERIAL VIEW OF THE KENAI LOOP DRILLING LOCATION



MAP OF ALASKA

Gas Sales Contract

In mid August 2011 the Group executed a gas sales contract with Alaska Pipeline Company, a wholly owned subsidiary of SEMCO Energy, Inc., which trades as ENSTAR Natural Gas Company ("ENSTAR"). ENSTAR is the largest gas utility in Alaska, supplying approximately 90% of residential and commercial users in Anchorage.

The gas sales contract was lodged with the Regulatory Commission of Alaska ("RCA") for approval on 12 August, 2011 and approved by the RCA on 23 September, 2011. Approval of the contract is expected to allow gas sales to commence once pipeline and facilities construction is completed and which is expected in December 2011.

Gas Pricing

The annual weighted average price under the gas contract is US$6.03 / MCF. ENSTAR will absorb the US$0.21 / MCF pipeline tariff, thus giving Buccaneer a gross floor price of US$6.24 / MCF.

The pricing of the gas sales contract is split seasonally. The summer season (March – November) is priced at a floor of US$5.96 / MCF including the pipeline tariff. The winter season (December – February) is priced at a floor of US$7.06 / MCF including the pipeline tariff.

A price ceiling of US$10.00 / MCF applies to both season pricing. Price changes between the floor and ceiling are based on NYMEX Gas Futures. Floors and ceilings prices are adjusted quarterly for inflation starting in 2012.

Contract Commencement

ENSTAR's commitment to acquire gas at contract rates commences when the Cook Inlet Natural Gas Storage facility ("CINGSA") is completed. ENSTAR has confirmed that CINGSA is on track for a 1 April 2012 commencement.

Prior to the commencement of contract sales, Buccaneer expects to sell gas on a non firm basis in a daily auction to supply gas for peaking demand requirements in the December 2011 – February 2012 period.

In the 2010 / 2011 peaking months, the average daily additional demand was ~ 5.0 MMCFD with the average price paid of ~US$9.00 / MCF.

Firm Contract

Firm Contract Period 1

Buccaneer has committed to delivery of a minimum of 5.0 MMCFD and maximum of 10.0 MMCFD (1,250 BOEPD[1]) commencing when CINGSA has been completed, which is expected to be 1 April 2012.

Firm Contract Period 2

6 months after commencement of Period 1, Buccaneer has the option to increase gas deliveries to 15.0 MMCFD (1,875 BOEPD[1]) as more wells are drilled at Kenai Loop and reservoir performance is monitored.

This step-up delivery ability significantly lowers delivery risk to Buccaneer in the near term. At the same time it allows for substantial upside expansion upon the successful development of the Kenai Loop field.

In aggregate, Buccaneer has committed an initial delivery target of 12.0 BCF (1.5 MMBOE[1]) and up to an additional 19.5 BCF for a total of 31.5 BCF (3.9 MMBOE[1]) under contract. This amount is equivalent to the current Proved Reserves.

[1] Natural Gas has been converted to oil using a Gas to Oil ratio of 6:1

Drilling Commitment

As part of the contract, Buccaneer has committed to spudding the second well at Kenai Loop by 1 November 2011 (completed) and a third by 1 November 2013.

Buccaneer spud its second well, the Kenai Loop #3 well, in August 2011 and anticipates drilling a third well in April / May 2012.

Adriatic XI Jack Up Rig Acquisition

In early September 2011 the Company's subsidiary Kenai Offshore Ventures, LLC ("KOV") executed a binding Purchase Agreement with Geneva based Transocean Offshore Resources Limited to acquire the GSF Adriatic XI offshore jack-up rig ("Rig"). The total purchase price is US$68.5 million.

Settlement of the purchase is scheduled to take place no earlier than 30 September 2011 and no later than 25 October 2011. Upon settlement, the Rig will immediately be transported to an Asian based shipyard to undergo modifications to enable operations in the Cook Inlet, Alaska. KOV is in the process of finalising modification and mobilisation budgets.

It is anticipated that the Rig will arrive in the Cook Inlet for the 2012 drilling season in April / May 2012.

GSF Adriatic XI Jack up rig

The GSF Adriatic XI is a Marathon LeTourneau 116-C jack-up rig. It was first constructed in 1982 and was upgraded in 2004.

The Rig has been "cold-stacked" in Malaysia since September 2009 due to a lack of drilling commitments. KOV and its advisors have undertaken 2 inspections of the Rig whilst in cold stack and consider the Rig to be in good condition.

Shipyard work to be undertaken in 4th quarter 2011 to the GSF Adriatic XI involves:

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

No significant structural work is expected to be undertaken.

GSF Adriatic XI Capabilities

The GSF Adriatic XI was chosen through a global search process. Its existing capabilities make it suitable for all water depths that exist in the Cook Inlet and northern Alaskan waters. These include:

- able to operate in waters up to 300' in depth;
- will have -10 degree rated steel allowing it to work in the wide environmental envelope that exists in the Arctic, including the Chukchi and Beaufort Sea located offshore the North Slope;
- its blow out protectors ("BOPs") have the current capacity to 10,000 PSI so as to allow it to drill high pressure locations that exist in Cook Inlet, and it has the capacity to easily upgrade its BOPs to 15,000 PSI; and
- has the ability to cantilever over existing platforms in the Cook Inlet to undertake drilling and repair operations.

Initial Work Program

Buccaneer will have the first right of refusal with KOV to utilise the rig until 31 December 2014 and will be committing to drill a minimum of 4 wells in the Cook Inlet using the Adriatic XI.

The first well to be drilled will be located at Buccaneer's 100% owned Southern Cross project where Netherland, Sewell & Associates has estimated a Proven & Probable (2P) Reserve of 12.7 MMBOE and additional P50 Resource of 14.7 MMBOE.

The 100% owned Southern Cross project is in approximately 50 feet of water with no unusual technical hurdles to drill and develop. 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.

Financing

KOV anticipates that the total budget to acquire, modify and mobilise the jack up rig to the Cook Inlet will be approximately US$86.5 million. KOV expects the funding to be sourced from:

	Amount US$M
Kenai Offshore Ventures, LLC	$6.85 M
Alaskan Industrial Development and Export Authority ("AIDEA")	$24.0 - $30.0 M
Senior Debt Facility	$50.0 - $56.0 M

KOV joint venture partners are Buccaneer and the Singaporean based Ezion Holdings Limited ("Ezion") with each funding an equal 50% of the required US$6.85 million deposit.

The Joint Ownership Agreement with AIDEA was executed with AIDEA on the 2 June 2011. Under the JOA, AIDEA will invest US$24 - US$30 million in the form of Preferred Interest in KOV subject to a series of conditions precedents ("CPs") being met.

KOV has also separately received a credit approved term sheet from an Asian based bank to provide a Senior Debt Facility. Final loan documentation is in the process of being finalised.

KOV anticipates satisfaction of all CP's for both the Senior Debt Facility and AIDEA in mid October 2011. The total amount of finance being sourced under the Senior Debt facility and AIDEA will not exceed US$80.0 million. Further details of the financing terms will be announced upon the completion of the acquisition.

GSF ADRIATIC XI

OFFSHORE RESERVE & RESOURCES

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

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

SOUTHERN CROSS UNIT

HIGHLIGHTS

The Southern Cross Unit is in approximately 50' of water with no unusual technical hurdles to drill and develop reserves. Importantly, the Southern Cross Unit has some important risk mitigation features as follows:

Buccaneer's initial test will offset several wells on its leasehold that tested oil and gas but that were never produced. Buccaneer's first well is approximately 300 feet from the Pan Am 17595 # 3 (circa 1960's) which tested 230 feet oil and 1080 feet of mud cut oil from the Lower Tyonek and 165 feet of oil from the Hemlock.

It will also be structurally high to the Pan Am 17595 # 2 (circa 1960's) which tested the Lower Hemlock and recovered gas to the surface followed by fluid from which 990 feet of clean oil was recovered. Other wells on the lease tested gas from the Upper Tyonek. Buccaneer's well will be within the demonstrated hydrocarbon column for this area.

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

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

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

Reserves

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

*Million barrels of oil equivalent
[1] Natural Gas has been converted to oil using a Gas to Oil ratio of 6:1

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

The expected capital costs to develop the project equate to an estimated finding and development cost <$10.00 / BOE for 2P Reserves net of the ACES rebates. The Company anticipates that on completion of the initial appraisal and development wells the remaining wells and platforms, pipelines and facilities capital expenditure can be project financed using debt.

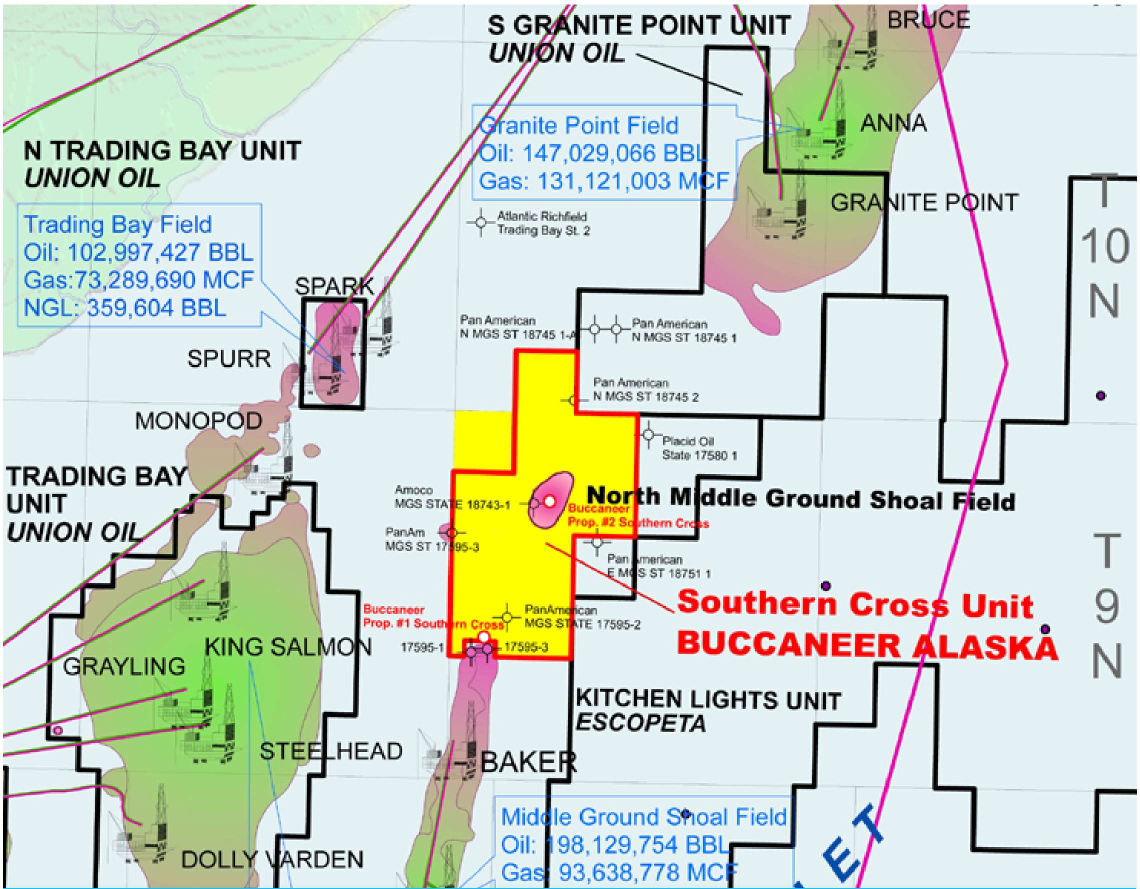
Resources

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

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

*Million barrels of oil equivalent
[1] Natural Gas has been converted to oil using a Gas to Oil ratio of 6:1

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



SOUTHERN CROSS UNIT

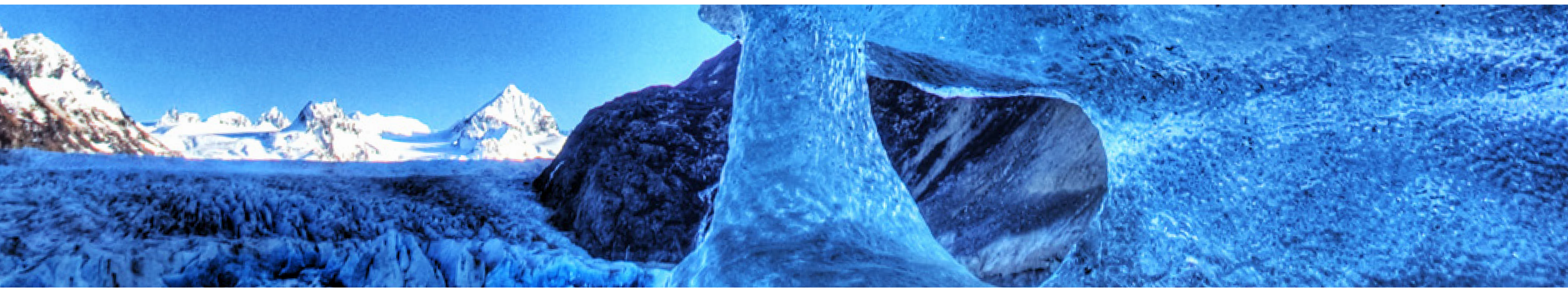
NORTH WEST COOK INLET UNIT

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

NORTH WEST COOK INLET - NETHERLAND SEWELL RESOURCES

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

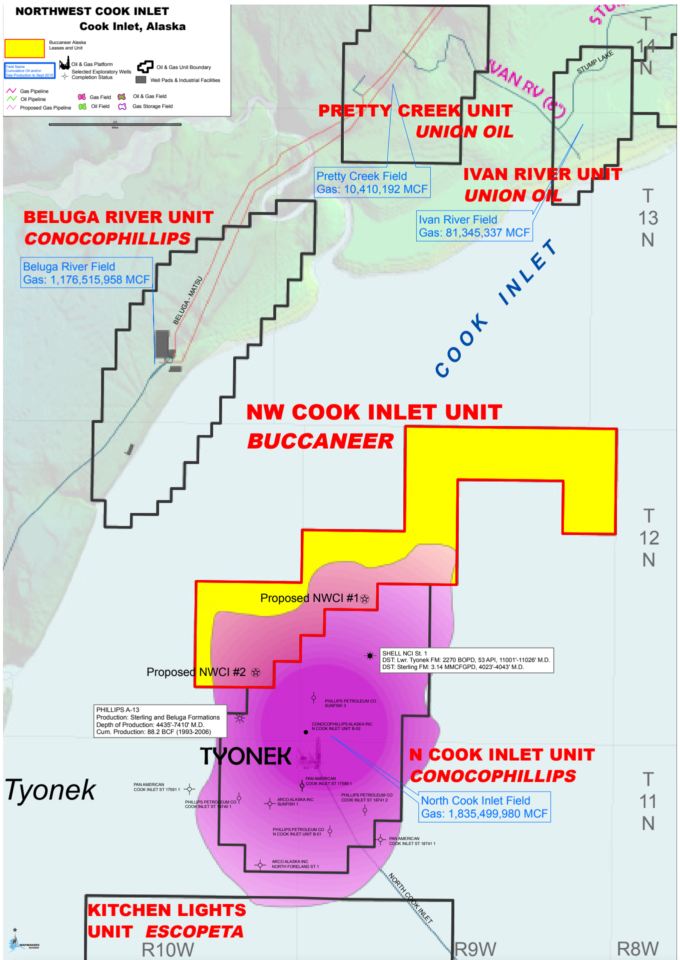
*Million barrels of oil equivalent
[1] Natural Gas has been converted to oil using a Gas to Oil ratio of 6:1



North West Cook Inlet - Highlights

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

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



NORTH WEST COOK INLET

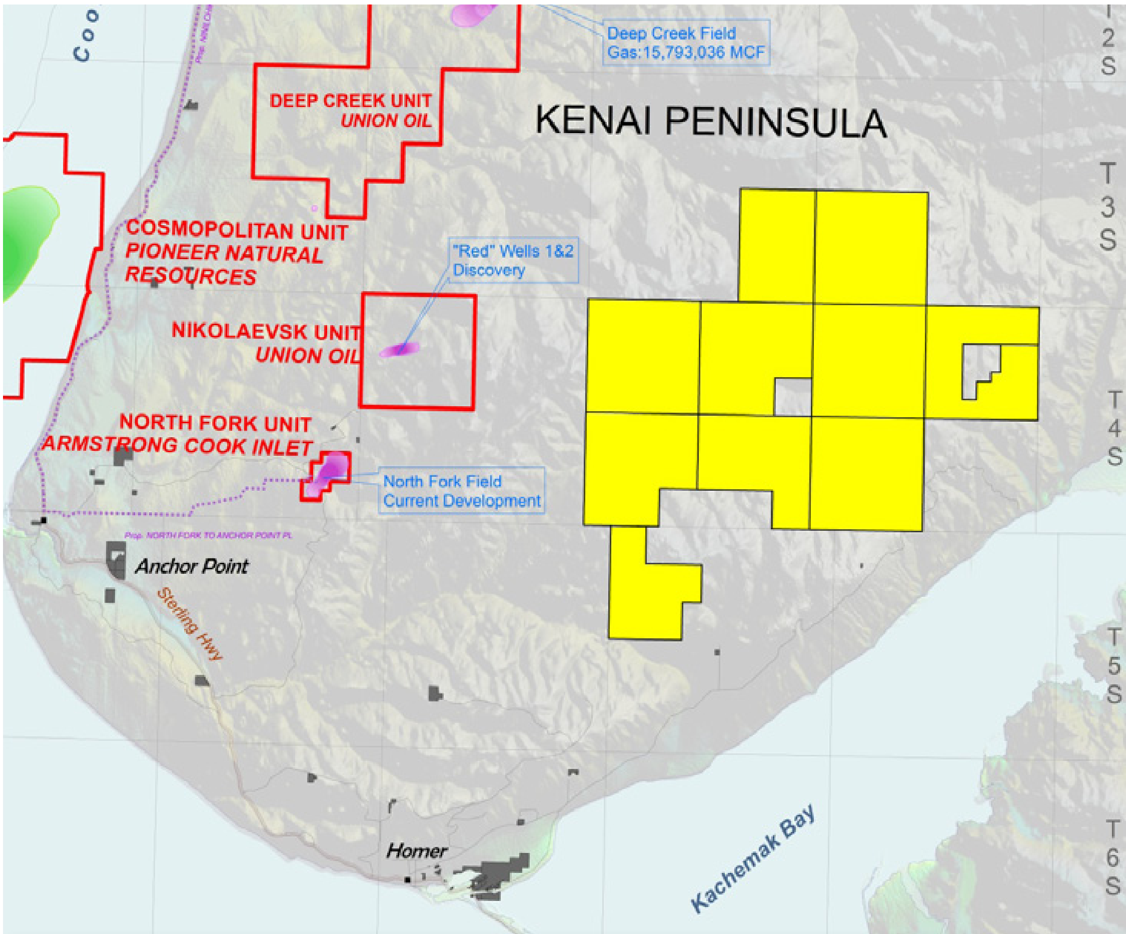
ONSHORE EXPLORATION PROJECTS - ALASKA

WEST EAGLE PROSPECT

The West Eagle Prospect includes 9 State Leases totalling more than 49,120 acres and is on the eastern limb of the Cook Inlet Basin. The Prospect is designed to test potential oil on trend or slightly down-dip to, possible, logged oil pay in wells drilled in the 1960's. In such a position, the sands should be thicker and better developed and on the migration pathway of any oil moving into the structure. The Company has a 100% working interest in these leases.

Gas is also expected in the shallower section. 2D seismic data has been shot in the area and needs to be licensed and interpreted. A 10,000' test will be required to test the Tyonek (5,000'; gas potential) through the Hemlock (9,800'; oil potential).

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



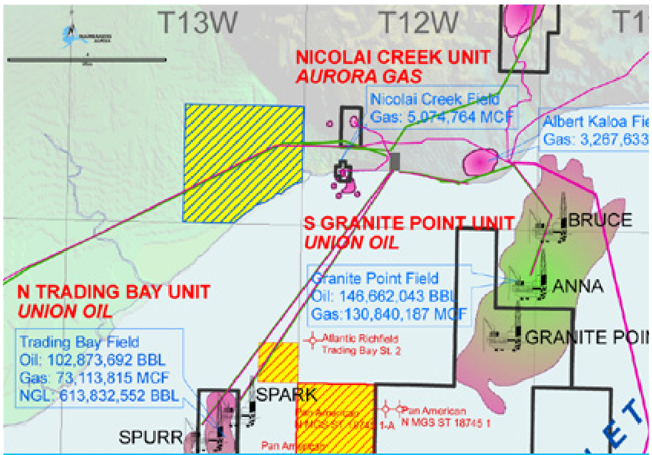
KENAI PENINSULA

WEST NICOLAI PROSPECT

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

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

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



WEST NICOLAI PROSPECT

Alaskan Clear & Equitable Share (ACES)

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

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

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

The new incentive provides for the following:

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

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

LOWER 48 OPERATIONS
TEXAS OFFSHORE

Pompano Project
Buccaneer – 65% Working Interest

The Pompano Field is located approximately 94 miles southwest of Houston and 28 miles east of Port O'Connor, Texas. It is located 7 miles off the coast in the Gulf of Mexico in approximately 55' of water.

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

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

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

The Group has a 65.0% working interest in the SL 103229 and SL 103230 wells located in the Pompano field. Both wells were drilled and placed onto production in early 2008, production from these wells has over time declined naturally with gradual depletion of reservoir pressure and in some cases sand being carried into the wells' tubing.

Pulse neutron logs have been run in the B Sand in the SL 103229 well that indicates producible gas remains in the B Sand. Operations have been delayed due to tropical storms passing through the Gulf of Mexico. This well requires an acid job to clean out the perforations to return it to production

On resumption of operations the A Sand in the SL 103230 well will be logged and production levels monitored.

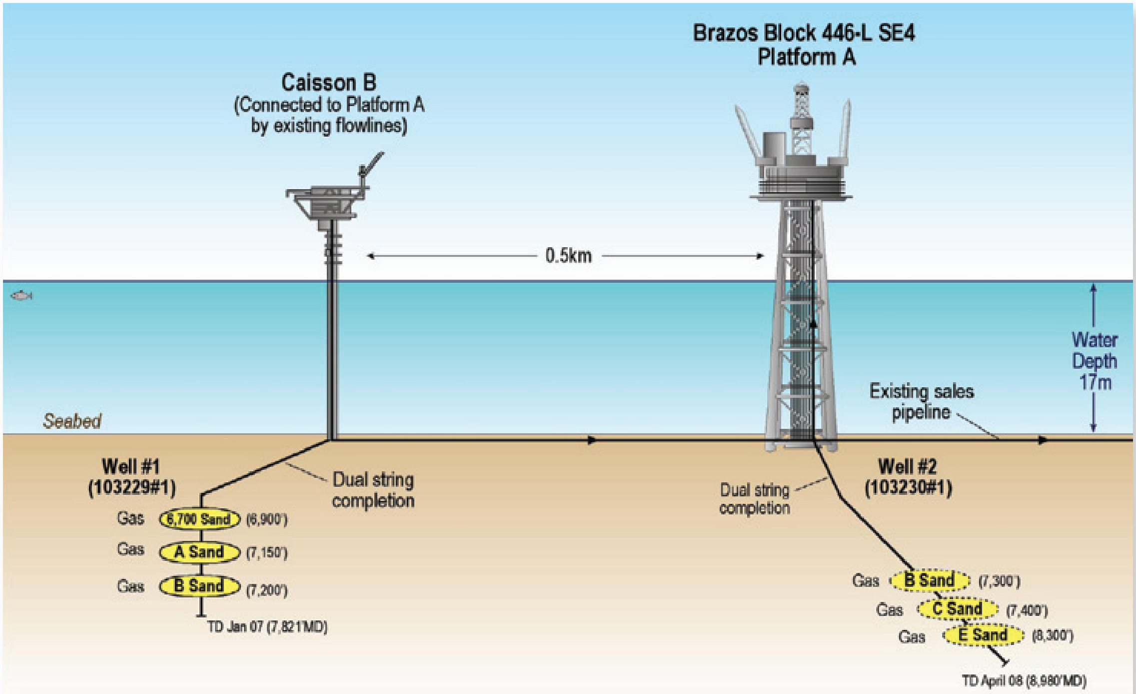
The relative high operating costs (including insurance charges) in Gulf of Mexico operations means that the net revenue attributable to the Group from its Pompano production operations continues to diminish.

The Group is currently developing plans to drill a well at the Swordfish prospect adjoining the Pompano field approximately 2 miles south of the 4-pile production platform.

The objectives of this Swordfish #1 well are 3 field sands exhibiting seismic applitude anomalies with combined 3P Reserves of 26.5 BCF at a drilling depth of 8,900 feet. If successful in these sands, the well will be deepened to 9,900 feet for two additional field sands that have 3P Reserve potential of an additional 50 BCFG. The Swordfish #1 well would be connected back to the Block 446L "A" production platform for production about 3-4 months after completion of the well. If 4 to 5 Sands are productive, it could lead to drilling another 2-3 wells on the Swordfish Prospect with a total 3P reserve potential of 120 BCFG.

The Group recently reprocessed the 3-D seismic it owns covering the prospect with good results lowering the risk of the prospect. The Group owns 86.67% working interest in the Swordfish Prospect.

It is anticipated that this well may be drilled in the 1st quarter of 2012.



SCHEMATIC: POMPANO FIELD LAYOUT

TEXAS ONSHORE

LEE COUNTY PROJECT

Buccaneer – 52.5% Working Interest

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

The Group has drilled 3 wells (Vick # 1, Vick # 2 and Alexander # 1) at Lee County with all 3 wells penetrating the Austin Chalk and Eagle Ford Shale. In all cases both the Austin Chalk and Eagle Ford shale was oil saturated, to date the Group has chosen to complete wells as Austin Chalk wells.

Further work will be required, including 3D seismic, prior to drilling and completing a well in the Eagle Ford Shale. The Group is in the process of acquiring a small scale (< 1 sq mile) test 3D prior to a larger shoot to cover its lease position.

ALEXANDER # 1 WELL

The initial Alexander # 1 well was drilled in mid 2010 and was planned as a horizontal well; however, the vertical portion of the well produced at high, initial, daily rates of 1000 BOPD. This significant oil production and associated revenue were not sacrificed at the time by proceeding with the horizontal. Since that time production declined as a result of natural pressure depletion. Additionally the shale exposed in the open hole just above the top of the Austin Chalk has over time deteriorated and sloughed into the well bore near the top of the Chalk. Shale debris eventually caused problems by clogging both the pumping unit and perforations.

Given the decline in production and the need to maintain expiring leases without needing to re-negotiate lease terms with land owners a 2,500 foot horizontal well has been successfully drilled at the Alexander # 1 well in the Austin Chalk in early September.

Numerous oil shows were encountered while drilling and the Group is in the process of evaluating these in conjunction with a test 3D seismic shot over the immediate area around the Alexander well. On completion of this evaluation a decision will be made to assess the production potential of the well.

VICK # A2 WELL

This well has over 100' of the Pecan Gap shale exposed in the open hole just above the top of the Austin Chalk. This shale has, over the time that it has been exposed, deteriorated and sloughed into the well bore near the top of the Chalk. Shale debris eventually caused problems by clogging both the pumping unit and perforations.

The Group is developing plans to for further development of the 493 acre Vick lease by maintaining production from the well until the 3-D seismic is available to interpret later this year in order to choose a better location for another Austin Chalk well or an Eagle Ford Shale well.

AUSTIN CHALK – RESERVOIR BACKGROUND

The reservoir drive mechanism in the Austin Chalk is solution gas drive. Fractures within the Austin Chalk typically contain oil with dissolved gas in solution. When a well is drilled through the fractured oil reservoir and then opened at the surface, initially the buoyancy of oil over water (gravity) pushes the oil into the well towards the lower pressure at the surface.

As the oil rises, the pressure is reduced and the dissolved gas bubbles out of the oil and expands similar to opening a bottle of soda beverage. The expansion of the gas lifts the oil to the surface again similar to opening a soda beverage where the bottle was shaken and the gas and liquid forcefully overflows. In this situation, the well is flowing.

Since the gas is released from the oil coming to the surface, the combined gas and oil flow is piped through a separator on the surface where the oil comes off the bottom and flows to the tanks, and the gas comes off the top and goes to flare. The amount of gas in the oil is referred to as the solution gas-oil ratio (“GOR”), measured in cubic feet per bbl. If the GOR is relatively low (about 100 cubic feet per bbl in this area) and the oil rate is low, there is too little gas to commercially sell, so it is used to fuel production equipment and the excess is flared. By definition, a solution gas drive reservoir has no water drive pressure support, so the pressure in the reservoir declines rapidly after initial production. The gas in solution with the oil rapidly depletes with the pressure in the reservoir, so the oil stops flowing to the surface; which then requires an artificial lift system, like pumping.

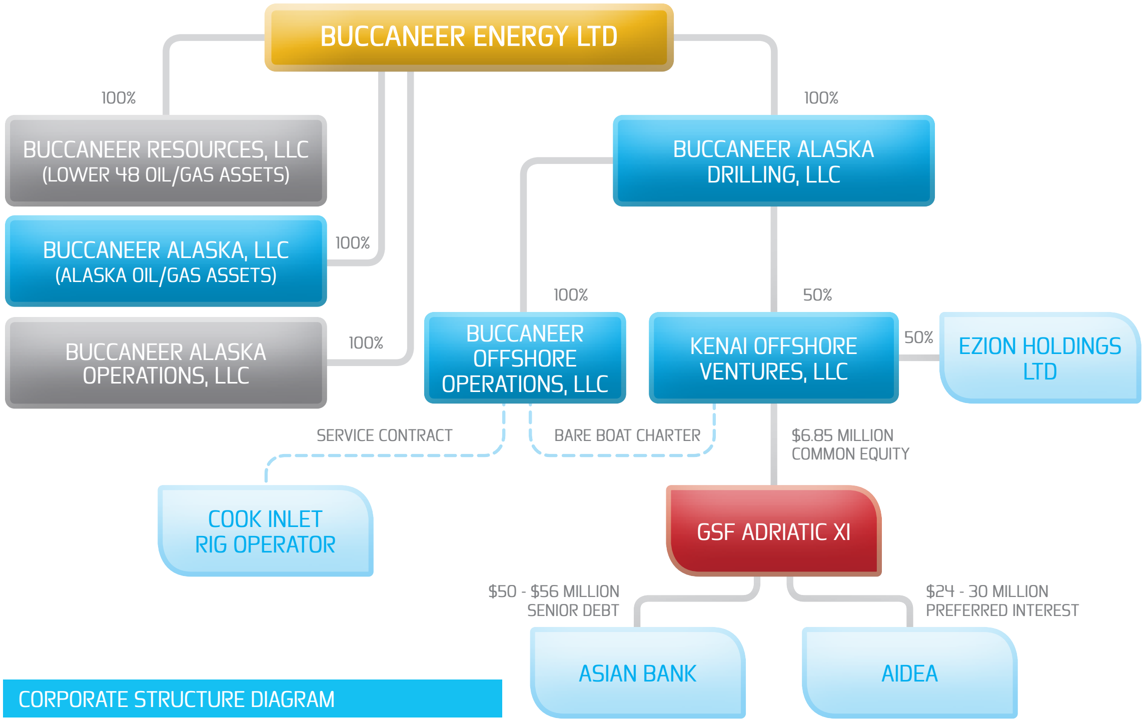
Once the well is pumping oil, the production rate is dictated by two main factors:

- the amount of oil feeding into the well from the intersected fractures in the surrounding chalk; and
- the capacity of the pumping equipment.

The extent of fracturing that can be encountered within a vertical well is usually far less than that in a horizontal well, therefore the quantity of oil to feed into the well is also less. Vertical wells can still contain commercial quantities of oil that can be extracted using pumping and the installation of pumping equipment is a common method of operating these types of wells.

Corporate Structure

The Corporate Structure of the Company and its subsidiaries is as follows:



CORPORATE STRUCTURE DIAGRAM

COMPETENT PERSONS STATEMENTS

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

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

Information contained in this report pertaining to the Alaskan projects was reviewed by Dr Vijay Bangia, PhD in Petroleum Engineering from the University of Tulsa, who has over 30 years' experience including employment by Shell Oil Company, Union Texas Petroleum, Burlington Resources and Renaissance Alaska. Dr Bangia has approved the inclusion in this report of the technical matters and information herein in the form and context in which it appears.

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 2011.

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 on page 42 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 30 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 $14,079,740 (2010: ($4,391,471)) for the financial year.
The Earnings before interest, tax, depreciation, amortisation and exploration write-offs ("EBITDAX") was a loss of $3,161,957(2010: ($1,030,041).

	Consolidated entity	
	30 June 2011	30 June 2010
Loss before tax	($14,079,740)	($4,391,471)
Income Tax Expense / (Benefit)	-	-
Loss after tax	($14,079,740)	($4,391,471)
Other Comprehensive income / (loss)	($3,471,852)	$709,776
Total Comprehensive loss	**($17,551,592)**	**($3,681,695)**

Debt

At the date of this report the Group had a fully drawn $1.0 million loan facility with Macquarie Bank Limited. This is due for repayment on 30 September 2011.

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$1.38 million as at the date of this report.

Review of operation

Information on the operations and financial position of the Group is set out in beginning of this annual report.

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 increase by $17,448,184 (from $36,935,026 to $54,383,210) as the result of the issue of share under the convertible notes issued to SpringTree, Rights issue, Vendor issue and option conversion. 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 4 July 2011, the Group announced it has raised $13.5 million by the issue of 194 million fully paid ordinary shares to institutional and professional investors, the equity raising involves the placement of 97 million shares shortfall from the share Purchase Plan and an additional 97 million ordinary shares.
2. On 18 July 2011, the Group issued 9,700,000 unlisted options to acquire fully paid shares, the options have a exercise price of 10 cents on or before 15 July 2016, the options was issued to Helmsec Global Capital Limited as part of the fees in assisting the Group in raising the $13.5 million mentioned above.
3. On 26 July 2011, the Group issued 7,132,668 fully paid ordinary shares on the final conversion of $500,000 outstanding part of the SpringTree agreement as detailed in note 24(g).
4. In August 2011, the Group made it first application under the ACES rebate of $6,104,688 which is available in tax credits under the scheme highlighted in Note 1(y) and Note 10.
5. On 15 August 2011, the Group announced that it had executed a gas sale contract with Alaska Pipeline Company and Natural Gas Company, as announced the Production is on track for December 2011 with delivery up to 31.5 BCF @ 15.0 MMCFD.
6. On 29 August 2011, the Group announced that it had commenced the drilling of it second well at Kenai Loop.
7. On 1 September 2011, the Group announced that the binding contract has been executed for the acquisitions of the Jack-Up rig, the Total purchase price is US$68.5 million.
8. On 6 September 2011, the Company entered into an agreement with Ezion Holdings Limited to indentify Ezion of all liabilities and expenses suffered or incurred in meeting any of the condition precedent in respect to AIDEA's investment.
9. On 12 September 2011, the Group held a general meeting of shareholders to ratify the additional placement share placed on the 4 July 2011 and to ratify the options issued to Helmsec Global Capital Limited.

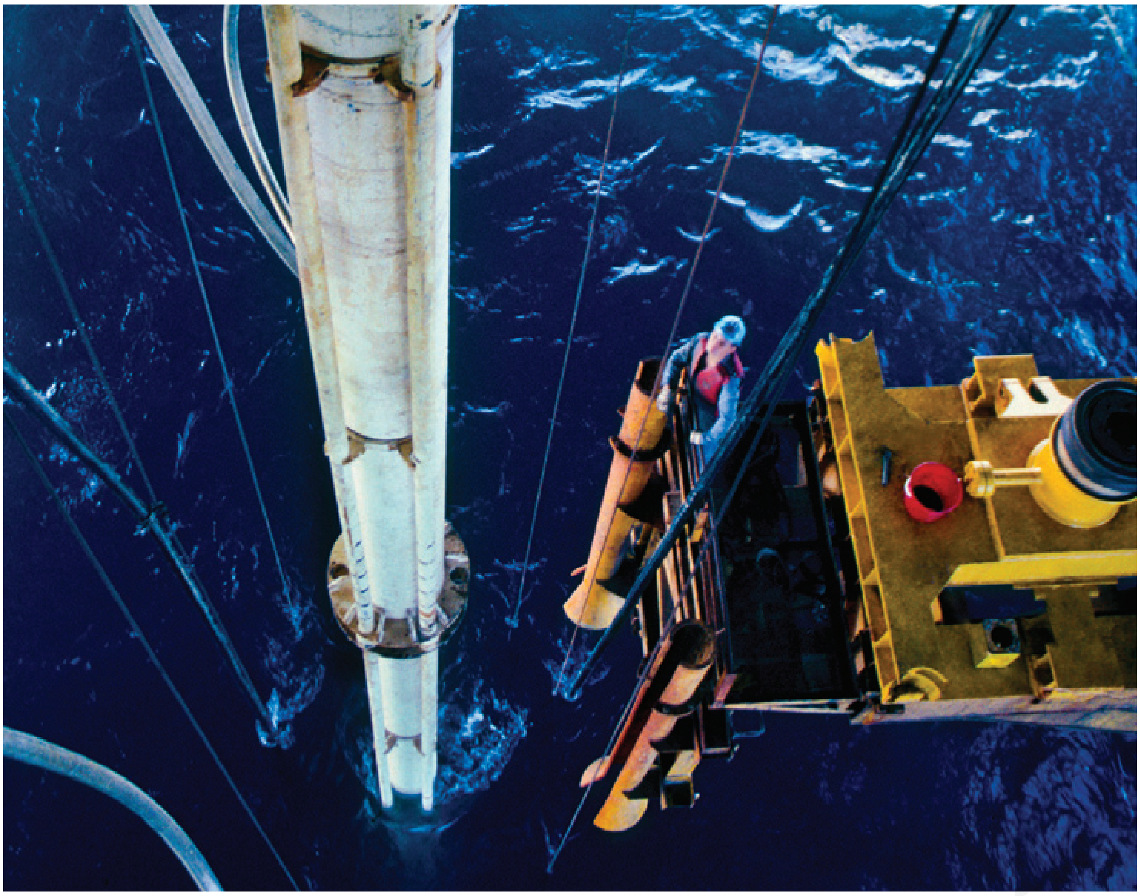
No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

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 its 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 & MANAGEMENT

Mr Alan Broome AM

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

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

He 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 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 he 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 2011:

Mr Broome is Chairman of ASX listed company Endocoal Limited. In the last three years has also served on the board of Jupiter Mines Limited a position from which he stepped down in November 2008 and was Chairman of Nimrodel Resources Limited from which he resigned in 2 August 2011.

Special responsibilities:
Chairman of the board.

Interests in shares and options:

Ordinary shares:	597,895
Listed options:	100,000
Unlisted options:	1,750,000

Mr. Curtis D. Burton

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 5 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. He is 56 years old.

Special responsibilities:
Managing director & Chief Executive Officer.

Interests in shares and options:

Ordinary shares:	13,438,375
Unlisted options:	6,000,000

Mr. Dean L. Gallegos

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

Mr Gallegos has over 16 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.

Other Directorships of Listed Companies in the three years ending 30 June 2011:

Mr. Gallegos was the Chairman of ASX listed Morning Star Holdings (Australia) Limited (resigned August 2008), Chairman of ASX listed Teys Limited (resigned July 2008) and Yellow Rock Resources Limited (resigned September 2010).

Special responsibilities:
Finance Director.

Mr Gallegos 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:	12,765,793
Unlisted options:	6,000,000

Mr. S. Frank Culberson Non-executive Director

M.B.A., P.E.

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.

Mr Culberson 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:	1,750,000

BUCCANEER RESOURCES MANAGEMENT TEAM

Andy Rike Operations Manager

- 32 years experience in engineering and management both internationally and the US;
- Extensive experience in drilling and work-over activities and a proven record of successfully using new technologies;
- Published various technical papers relating to engineering designs and holds several industry patents for rig and down-hole equipment that he has developed;
- Held positions within Schlumberger and helped develop their "turnkey" drilling services business and pioneered early efforts drilling wells using coiled tubing;
- Petroleum Engineering degree from Louisiana Tech University.

Gary Rinehart Exploration Manager

- 36 years of experience in exploration, exploitation and production both in the US and internationally;
- Oil and gas exploration and production experience in Southeast Asia, South America, onshore US Gulf Coast and offshore US Gulf of Mexico in both deep and shallow water;
- Successfully negotiated exploration agreements with foreign governments as well as agreements between investors and E&P companies;
- Member of several professional groups such as the American Association of Petroleum Geologists (AAPG), Houston Geological Society (HGS), South Western Geological Society (SWGS), and Society for Sedimentary Geology (SEPM).
- Registered with the State of Texas as a Licensed Petroleum Geologist and is recognised by the AAPG as a Certified Petroleum Geologist;
- B.S. in Geology from the University of Oklahoma.

G. Clint Wainwright, Jr. Executive Vice-President, Operations & Business Development

- 38 years experience operating properties offshore Gulf of Mexico and onshore Texas and Louisiana;
- Extensive experience as a field engineer responsible for development project design including field mapping, reserves, well drilling design and supervision, economics and project presentation for sale;
- Successfully negotiated transactions with large and small independent operators as well as Exxon-Mobile, BP-Amoco, Shell and Chevron-Texaco;
- Principal of AnaTexas an Operator of projects including the Pompano Project;
- Petroleum Engineering degree from Louisiana State University.

BUCCANEER ALASKA MANAGEMENT TEAM

Jim Watt President & COO

- 11 years direct experience in Alaska; Co- Founder Stellar Oil & Gas and Renaissance Alaska;
- Extensive managerial and operational experience with Texaco, Union Texas (ARCO), Orient Petroleum and Renaissance Alaska;
- Major Project experience with North Sea Piper B and Saltire Fields and the Alpine development on the North Slope, Alaska;
- BSChE, the Ohio State University, MBA, PE, Eastern New Mexico University.

Allen Huckabay Vice President Exploration & Development

- 26 years direct experience in Alaska; Co- Founder Stellar Oil & Gas and Renaissance Alaska;
- 33 years with ARCO, Union Texas (ARCO) and ConocoPhillips;
- Significant exploration successes with ARCO, Union Texas, ConocoPhillips and Renaissance Alaska;
- Discovered largest onshore oilfield in the last 20 years – Alpine field, north-eastern boundary of the NPRA in Alaska and 3 other fields in Alaska that are now in production;
- BS, Southern Methodist University, MS, University of South Carolina.

Mark Landt Vice President Land & Business Development

- 15 years direct experience in Alaska, 5 years located in Alaska; Co- Founder Stellar Oil & Gas, and Renaissance Alaska;
- 26 years with ARCO and 6 years with Renaissance Alaska, including direct Cook Inlet land experience;
- 35 years of diverse experience in land, international negotiations, business development and marketing.
- Pulled together land position for Alpine development;
- BBA, PLM, University of Oklahoma, Julian Rothbaum Award.

Vijay Bangia Vice President – Development

- 13 years direct experience in Alaska; Extensive experience in field development, including Alpine development;
- Former Reservoir Engineer with Shell, Union Texas, Burlington Resources and Renaissance Alaska;
- 31 years of domestic and international experience in all aspects of reservoir engineering;
- PhD, University of Tulsa.

Dave Doherty Chief Geologist

- 26 years direct experience in Alaska; 14 years located in Alaska;
- Exploration Geologist with ARCO; Sunfish discovery in the Cook Inlet;
- Leading expert in the Cook Inlet basin;
- Extensive geological survey experience with US Geological Survey, ARCO and Renaissance Alaska;
- MS, Wayne State University.

Craig Moore Chief Geophysicist

- 7 years direct experience in Alaska with Benchmark Extensive worldwide geophysical experience with Gulf Oil, majors, independents and consulting;
- MS, Geophysical Professional Engineering, Colorado School of Mines.

David Fulton Vice President, Finance

- Previously CFO & VP Finance for Caspian International Oil Corporation, listed on the NYMEX OTC. Assist in Corporation's effort to raise capital;
- Over 25 years of oil & gas accounting & finance experience with increasing responsibility with Union Texas Petroleum and recently VP Finance with Renaissance Alaska, LLC;
- BBA, Texas A&I University.

MEETINGS OF DIRECTORS

The number of board meetings of Buccaneer Energy Limited directors held during the financial year ended 30 June 2011, and the number of meetings attended by each director were:

	Directors Meetings	
	Attended	Eligible to attend
Alan Broome	4	4
Curtis Burton	4	4
Dean Gallegos	4	4
S. Frank Culberson	4	4

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 $42,061 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 Texas, Louisiana and Alaska in respect to oil and gas exploration and production.

There were no Environmental issues that arose during the 12 months to 30 June 2011.

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 defines the individual packages offered to key management personal, including long term incentives to reward key management personal to shareholders value creations by offering employee options and vesting conditions linked to the Group's earning; it's ability to pay dividend or the rate of dividend payable and its ability to repay to it shareholder 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 amongst 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 2010 - 30 June 2011 $	1 July 2009 - 30 June 2010 $
Base Fee		
Chairman	$88,000	$88,000
Other non-executive directors	$12,967	$14,152

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 director, 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.

In July 2009 each of the Company's USA based employees agreed to cancel their employment contracts including the 30 June 2008 STI payment in return for participation in an overriding royalty program over the Company's portfolio of assets. This was sought by the Company so as to reduce its operational expenses and conserve cash reserves. The STI Payments for the 12 months to 30 June 2010 were considered in the context of the above concessions and the reduced remuneration of those employees.

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 Directors Employee Share Option Plan ("DESOP") which provides for executives and other employees to be issued with options to acquire shares in the Company at no cost. 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.

On 30 June 2009 all holders of the DESOP options who were still employed by the Company agreed to a cancellation of their options for no consideration. This was done to demonstrate to shareholders that directors and staff were aligning themselves more closely with shareholders who had suffered capital loss in the previous 12 months. The Company issued new options under the DESOP in September 2010.

Under the DESOP issued in September 2010, all the options has the following vesting conditions:

- 50% of the unlisted option will vested on the completion of an on shore well in or around the Cook Inlet in Alaska, USA
- The balance of the unlisted options will vest on the Completion of drilling of two wells at the Lee County project.

At the Date of this report all of the options issued have vested and are available to be exercised.

At the Company's Annual General Meeting to be held in November 2011 the Company will be seeking approval from shareholders to approve a new DESOP and issue additional options under that plan to directors and key management.

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 which follows.

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)
Jim Watt	President, (Buccaneer Alaska)
Mark Landt	Executive Vice-President, Land & Business Development (Buccaneer Alaska)
Allen Huckabay	Executive Vice-President, Exploration & Development (Buccaneer Alaska)
Gary Rinehart	Exploration Officer (Buccaneer Resources)
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 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	$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.

Year ended 30 June 2010								
Non-executive directors								
Alan Broome	$88,000	-	-	-	-	$88,000	-	-
S. Frank Culberson	$14,152	-	-	-	-	$14,152	-	-
Executive directors								
Curtis Burton	$219,003	$141,521[2]	-	$18,650	-	$379,174	37.3%	-
Ken Hooper [3]	$150,960	$56,608	$149,436	$15,565	-	$372,569	15.2%	-
Dean Gallegos	$282,125	-	-	$13,326	-	$295,451	-	-
Other key management personnel								
Clint Wainwright	$147,639	$70,195	-	$17,473	-	$235,307	29.8%	-
Neville Henry [4]	$94,115	-	$22,304	$10,913	-	$127,332	-	-
James Watt	$48,117	-	-	$4,099	-	$52,216	-	-
Mark Landt	$48,117	-	-	$5,388	-	$53,505	-	-
Allen Huckabay	$48,117	-	-	$3,397	-	$51,514	-	-
Gary Rinehart	$124,692	-	-	$4,626	-	$129,318	-	-
Andy Rike	$186,129	$22,643	-	$6,340	-	$215,112	10.5%	-
Total	**$1,451,166**	**$290,967**	**$171,740**	**$99,777**	**-**	**$2,013,650**	**14.4%**	**-**

1. For US based executives this includes Health Insurance and Car Allowance. For Australian based executives this includes a Car Allowance.
2. As at 30 September 2010 an amount of $117,746 had been accrued and $23,775 had been donated to charities at Mr Burton's direction.
3. Resigned 1 May 2010. The STI and Termination payment was agreed as a settlement to his employment contract.
4. Resigned 31 January 2010.

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, details of which will be made public when final negotiations have been completed and contracts executed.

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 Personal in effect at the time of this report, 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 of Operations and Business Development (Buccaneer Resources)

Base Fee	US$177,000 reviewed annually
Benefits	Health Insurance

Andy Rike – Operations Officer (Buccaneer Resources)

Base Fee	US$177,000 reviewed annually
Benefits	Health Insurance

Gary Rinehart – Exploration Officer (Buccaneer Resources)

Base Fee	US$165,000 reviewed annually
Benefits	Health Insurance

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

Base Fee	US$177,000 reviewed annually
Benefits	Health Insurance. US$600 per month Car Allowance

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

Base Fee	US$177,000 reviewed annually
Benefits	Health Insurance. US$600 per month Car Allowance

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

Base Fee	US$177,000 reviewed annually
Benefits	Health Insurance. US$600 per month Car Allowance

As of 30 June 2011 all of the above service agreements can be terminated on 30 day 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. As at 30 June 2010 there were no options issued to either directors or under the DESOP. On 7 July 2010 the Company received approval to issue options to directors, a further issue of options under the DESOP was made to the Company's executives on 7 September 2010.

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

Executive / Director	Position	Options Issued
Alan Broome	Director	1,750,000
Curtis Burton	Managing Director	6,000,000
Dean Gallegos	Finance Director	6,000,000
Frank Culberson	Non-Executive Director	1,750,000
Bruce Burrell	Company Secretary	250,000
Clint Wainwright	VP Operations & Business Development	4,000,000
Gary Rinehart	Geologist	3,000,000
Andy Rike	Operations Manager	3,300,000
Kendall Williams	Financial Controller (Buccaneer Resources)	1,000,000
Scott Bernstein	Executive Vice-President Corporate Finance	2,000,000
Jim Watt	President & CEO – Buccaneer Alaska, LLC	3,300,000
Mark Landt	Executive Vice-President, Land & Business Development (Buccaneer Alaska)	3,300,000
Allen Huckabay	Executive Vice-President, Exploration & Development (Buccaneer Alaska)	3,300,000
Craig Moore	Chief Geophysicist (Buccaneer Alaska)	2,150,000
David Fulton	Financial Controller (Buccaneer Alaska)	2,150,000
Dave Doherty	Chief Geologist (Buccaneer Alaska)	2,150,000
Vijay Bangia	Vice President Development (Buccaneer Alaska LLC)	2,150,000

At the Company's Annual General Meeting to be held in November 2011 the Company will be seeking approval from shareholders to approve a new DESOP and issue additional options under that plan to directors and key management.

DESOP OPTION TERMS

The above options have the following terms:

Expiry: 30 June 2013

Exercise Price: $0.10

The fair value of the DESOP option issued is 1.30 cents, and at the date of this report only 50% of the option have vested under the terms and conditions of their issue as detailed on page 22 of this 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 34. Fair value at grant date are 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
BCCAZ	Directors & Executives (DESOP)	$0.10	30 June 2013	47,550,000	47,550,000

During the year ended 30 June 2011, the following shares have been issued as a result of the exercise of the option issued under DESOP or to shareholders (2010: Nil):

Holder	Exercise Price	Expiry Date	Exercise Date	Options exercised	Shares issued
Listed	$0.10	30 November 2012	12 July 2010	5	5
Macquarie Bank Limited	$0.052	30 September 2013	28 January 2011	19,140,943	19,140,943
Listed	$0.10	30 November 2012	02 May 2011	2	2

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 2011:

Tax Advice	$23,105

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 2011.

Signed in accordance with a resolution of the directors.

Alan Broome
Chairman

30 September 2011

The board of the Company is committed to having the highest standards of ethical behavior 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 recognize 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;
- 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 4 to 6 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 which 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, Director's 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 2 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 which 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 promote 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 which 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 respect 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 establish 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 which 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

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

30 September 2011

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 2011 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

R. Wong Pitt Cho

ROGER WONG
PRINCIPAL

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated group 2011 $	Consolidated group 2010 $
Revenue and other income	3	1,916,312	3,902,568
Depletion expense		(1,857,371)	(3,492,444)
Lease operating expenses		(2,013,563)	(813,363)
Repairs and maintenance		(138,330)	(864,204)
Exploration cost written off		(184,433)	(72,076)
Reversal/(Impairment) expenses		(5,194,083)	4,505,171
Depreciation and amortisation expenses		(51,710)	(58,601)
Interest expenses		(796,398)	(1,951,094)
Fair value loss on derivative financial instruments		-	(231,007)
Employee benefits expense		(1,588,584)	(2,229,253)
Professional fees		(1,418,041)	(786,364)
Share based payment expense		(618,150)	-
Occupancy expense		(342,060)	(322,398)
Foreign exchange loss		(185,372)	(511,520)
Share listing and maintenance		(164,300)	(166,897)
Travel expenses		(387,232)	(174,744)
Other expenses		(1,056,425)	(1,125,245)
Total expenses	4	(15,996,052)	(8,294,039)
Loss before income tax expense		**(14,079,740)**	**(4,391,471)**
Income tax expense / (benefit)	5	-	-
Loss for the year		**(14,079,740)**	**(4,391,471)**
Other comprehensive income			
Exchange differences on translation of foreign operations		(3,471,852)	709,776
Other comprehensive income for the year		**(3,471,852)**	**709,776**
Total comprehensive loss for the year		**(17,551,592)**	**(3,681,695)**
Loss attributable to members of the Company		**(14,079,740)**	**(4,391,471)**
Total comprehensive loss attributable to members of the Company		**(17,551,592)**	**(3,681,695)**
Earnings per share			
Continuing operations:			
Basic loss per share - cents share	6	(2.55)	(1.33)
Diluted loss per share - cents per share	6	(2.55)	(1.33)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated group 2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalent	9	4,473,299	4,966,376
Trade and other receivables	10	6,892,404	1,215,213
Inventory	11	197,235	248,517
Other current assets	12	1,140,530	256,273
TOTAL CURRENT ASSETS		**12,703,468**	**6,686,379**
NON-CURRENT ASSETS			
Trade and other receivables	10	25,988	25,988
Property, plant & equipment	13	115,133	107,209
Exploration and evaluation assets	14	11,689,636	9,381,705
Oil and gas assets	15	3,574,996	10,321,340
Intangible assets	16	-	407,157
Other financial assets	17	199,615	80,283
Other non-current assets	19	96,377	5,866
TOTAL NON-CURRENT ASSETS		**15,701,745**	**20,329,548**
TOTAL ASSETS		**28,405,213**	**27,015,927**
CURRENT LIABILITIES			
Trade and other payables	20	4,087,750	2,530,602
Derivative financial instruments	21	1,157	196,186
Borrowing	22	1,500,000	1,606,543
TOTAL CURRENT LIABILITIES		**5,588,907**	**4,333,331**
NON-CURRENT LIABILITIES			
Derivative financial instruments	21	-	29,661
Provisions	23	2,936,835	3,288,206
TOTAL NON-CURRENT LIABILITIES		**2,936,835**	**3,317,867**
TOTAL LIABILITIES		**8,525,742**	**7,651,198**
NET ASSETS		**19,879,471**	**19,364,729**
EQUITY			
Issued capital	24	54,383,210	36,935,026
Reserves	25	(2,078,717)	774,985
Accumulated losses		(32,425,022)	(18,345,282)
TOTAL EQUITY		**19,879,471**	**19,364,729**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

		Issued Capital		Reserves		Accumulated Losses	Total
Consolidated group	Note	Ordinary Shares $	Options $	Options $	Foreign currency translation $	$	$
Balance at 1 July 2010		**36,585,026**	**350,000**	**663,772**	**111,213**	**(18,345,282)**	**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 cancellation 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 2009		**21,954,271**	**-**	**250,931**	**(598,563)**	**(13,997,720)**	**7,608,919**
Other comprehensive income for the year		-	-	-	709,776	-	709,776
Loss attributable to the consolidated entity		-	-	-	-	(4,391,471)	(4, 391,471)
Transactions with owners in their capacity as owners:							
Shares issued during the year	24	15,553,649	-	-	-	-	15,553,649
Shares issued transaction costs	24	(922,894)	-	-	-	-	(922,894)
Options issued during the year	24	-	350,000	-	-	-	350,000
Fair value of share based expense		-	-	456,750	-	-	456,750
Transfer of options expense on cancellation of options	25	-	-	(43,909)	-	43,909	-
Balance at 30 June 2010		**36,585,026**	**350,000**	**663,772**	**111,213**	**(18,345,282)**	**19,364,729**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated group 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		2,067,835	3,305,009
Payments to suppliers and employees		(3,584,402)	(6,284,513)
Interest paid		(226,252)	(249,253)
Interest received		57,857	41,294
Deposit (paid)/refunded		(8,826)	41,275
Net cash used by operating activities	**32(a)**	**(1,693,788)**	**(3,146,188)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for exploration and acquisition expenditure		(11,747,256)	(1,817,241)
Payment for Oil and Gas development / exploration expenditure		(969,865)	(2,513,937)
Payment for acquisition of Oil and Gas assets		(396,126)	(4,191)
Acquisition of investments		(250,000)	(80,283)
Loan to other entity		-	(342,675)
Sale of plant & equipment		6,900	50,238
Payment for property, plant & equipment		(909,482)	(125,642)
Net cash used in investing activities		**(14,265,829)**	**(4,833,731)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		8,933,559	11,290,442
Proceeds from issue of convertible notes		6,550,000	3,900,000
Share issue cost		(136,708)	(922,894)
Repayment of borrowings		(400,000)	(6,000,528)
Proceeds from borrowings		-	1,049,252
Net cash provided / (used) in financing activities		**14,946,851**	**9,316,272**
Net increase / (decrease) in cash held		(1,012,765)	1,336,353
Cash at beginning of year		4,966,375	2,988,467
Effect of exchange rates changes on cash and cash equivalent		(519,690)	641,555
Cash at end of year	**9**	**4,473,299**	**4,966,375**

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.

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.

(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.

Minority Interests

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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(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) Jointly 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 26.

Profit or losses on transactions established 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.

(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 interests in its significant joint ventures is included in note 26.

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).

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(e) Business Combinations

The acquisition method of accounting is used to account for all business combination, 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.

(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.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(f) Income Tax (continued)

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 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 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

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.

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 non 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.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

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

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 of 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.

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 assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. 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 estimated quantities of proven and probable hydrocarbon 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 of the technical feasibility and commercial viability of producing 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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

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.

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 off shore 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 is for drilling/G&G expenditures and the 20% credits for all other qualified capital expenditures (e.g. pipelines, platforms, production equipment). An additional 25% credits is available as a secondary tranche representing the loss carry forward and is additive 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:

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

- 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 Group has estimated that as of 30 June 2011, US$6,555,824 is available under the ACES rebate scheme, the Group believe this amount will be recoverable from the Alaskan DOR as tax credit in full.

(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.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(z) Contributed Equity (continued)

If the entity reacquires 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 which are known to be uncollectible 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 uncollectible 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

(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 valuewill 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.

(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.and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

(ae) Adoption of new and revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 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 AASB9* (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 gain and losses in other comprehensive income if they relate to equity investment 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. In the current reporting period, the Group recognised $130,668 of such loss in statement of comprehensive income. The 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 and 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.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(ae) Adoption of new and revised Accounting Standards

(ii) Revised AASB 124 *Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosure. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standards from 1 July 2012. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfer of financial Assets* (effective for annual reports period beginning on or after 1 July 2011).

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendments from 1 July 2011.

(iv) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery if Underlying Assets* (effective form 1 January 2012).

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investments property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale, the amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012 It is currently evaluating the impact of the amendments

(v) AASB 10 *Consolidated Financial Statement* (effective form 1 January 2013).

AASB10 Consolidated financial statements introduces a single model of control, which is used to determine whether an investee must be consolidated. The existence of control is determined based on the power to direct the activities of an Investee; exposure, or rights, to variable returns from its involvement with the investee; the alibility to use its power over the investee to affect the amount of the investor's return. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(ae) Adoption of new and revised Accounting Standards (continued)

(vi) AASB 11 *Joint Arrangements* (effective form 1 January 2013).

AASB 11 Joint arrangements classifies all joint arrangements as either joint operations or joint ventures. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group

(vii) AASB 12 *Disclosure of involvement with other entities* (effective form 1 January 2013).

AASB 12 Disclosure of Involvement with other entities requires the disclosure of information to enable users to evaluate the nature of, and risk associated with, it interest in other entities and the effect of those interest on its financial position, financial performance, and cash flows. AASB 12 applies to all entities that have subsidiaries, associates, or unconsolidated structured entities, and requires disclosures grouped into four categories. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group

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	
	2011 $	2010 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	642,065	2,981,545
Total assets	**17,825,245**	**25,210,574**
Liabilities		
Current liabilities	709,227	2,809,669
Total liabilities	**709,227**	**2,809,669**
Equity		
Issued capital	54,383,211	36,935,026
Reverse	1,281,922	663,772
Accumulated losses	(38,538,483)	(15,197,893)
Total equity	**17,116,018**	**22,400,905**
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(23,351,221)	(6,127,497)
Total comprehensive income	(23,351,221)	(6,127,497)

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 2011.

There are no contractual commitments by the parent entity for the acquisition of property, plant or equipment at 30 June 2011.

	Consolidated group	
	2011 $	2010 $

3. REVENUE AND OTHER INCOME

	2011 $	2010 $
REVENUE AND OTHER INCOME FROM OPERATING ACTIVITIES		
Revenue from continuing operations		
- Production revenue	1,614,326	3,605,503
Other income		
- Interest received - other person	57,857	46,819
- Gain on sale of fixed assets	921	8,813
- Other Income	243,208	241,433
Total revenue and other revenue	**1,916,312**	**3,902,568**

4. EXPENSES

	2011 $	2010 $
Loss from continuing operations has been determined after:		
Expenses		
Depreciation of plant and equipment:		
Plant and equipment	51,710	58,601
Interest paid - external	796,398	1,951,094
Foreign currency translation losses	185,372	511,520
Rental expense on operating leases	342,060	322,398
Exploration and evaluation expenditure written off	184,433	36,294
Depletion expense	1,857,371	3,492,444
Lease operating expenses	2,013,563	813,363
Development repairs and maintenance	138,330	864,204
Impairment/(reversal) expense:		
- Goodwill	407,157	-
- Available-for-sale financial assets	130,668	-
- Oil and Gas assets	4,656,258	(4,505,171)

	Consolidated group	
	2011 $	2010 $

5. INCOME TAX

(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:

Loss before tax	(14,079,740)	(4,391,471)
Prima facie income tax at 30%	(4,223,922)	(1,317,441)
Tax effect of amounts which are deducted/(added) in calculating taxable income:		
Non deductable items	66,369	19,813
Fair value derivative financial instrument	-	69,302
Impairment provision	122,147	-
Difference in overseas tax rates	(830,639)	(112,475)
Share based payments	185,445	-
Foreign exchange	-	-
Other	-	-
Movement in deferred tax assets not recognised in the financial statement	4,680,600	(1,340,801)
Income tax benefit on pre tax net loss	-	-

(c) Deferred tax assets and liabilities

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

Tax losses	5,826,253	3,581,404
Capital losses	171,825	171,825
Net Timing differences	4,821,868	6,531,514
	10,819,946	10,284,743

The Deferred tax asset not brought to account for 2011 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 are able to meet the continuity of ownership and/or continuity of business test.

	Consolidated group	
	2011 $	2010 $

6. EARNINGS PER SHARE

	2011 $	2010 $
Basic loss cents per share	(2.55)	(1.33)
Diluted loss cents per share[a]	(2.55)	(1.33)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Loss from continuing operations	(14,079,740)	(4,391,471)
Weighted average number of ordinary shares outstanding during the year	552,415,062	329,672,300

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

7. REMUNERATION OF AUDITORS

	2011 $	2010 $
Amount received or due and receivable by the auditors for:		
General advice	-	3,500
Tax advice	23,105	22,835
Auditing and reviewing accounts	220,171	184,151
	243,276	210,486

8. DIVIDENDS

No dividends were declared during or since the end of the financial year ended 30 June 2011 (2010: Nil). The franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%):

	2011 $	2010 $
Franking credits	1,292	1,292

9. CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash is shown in the statement of financial position as:		
Cash at Bank	3,383,812	4,966,376
Cash - other	1,089,487	-
	4,473,299	4,966,376

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

Of the amount designated "Cash – Other" $1,089,487 is 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 33.

10. TRADE AND OTHER RECEIVABLES

	Consolidated group 2011 $	Consolidated group 2010 $
Current receivable		
Trade receivables	168,438	615,031
Other receivables	290,411	283,495
Loan receivable - other entity	328,867	316,687
ACES rebate	6,104,688	-
	6,892,404	1,215,213
Non-current receivable		
Loan receivable - other entity	25,988	25,988

Under the ACES rebate the Group has estimated that $6,104,688 (2010: Nil) is available in tax credits under the scheme highlighted in Note 1(y). The Group has made it first application in August 2011, and once approved the amount will be available as a reduction of production tax payable or refundable tax credits.

There were no impaired trade or other receivables for the 2011 year (2010: 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.

The loan receivable consists of an at-call advancement provided under a share holder agreement with shared office space entity, under the agreement the Group is entitled to change a 3% pa on the outstanding amount. The Group believe this amount will be collected in full within next 12 Months.

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 33.

	Gross amount	Past due and Impaired	Past due but not impaired	Within initial trade terms
2011				
Trade receivable	168,438	-	-	168,438
Other receivable	290,411	-	261,896	28,515
Total	458,849	-	261,896	196,953
2010				
Trade receivable	615,031	-	-	615,031
Other receivable	283,495	-	283,495	-
Total	898,526	-	283,495	615,031

11. INVENTORY

	Consolidated group 2011 $	Consolidated group 2010 $
Material and supplies at cost	197,235	248,517

	Consolidated group	
	2011 $	2010 $

12. OTHER CURRENT ASSETS

	2011 $	2010 $
Prepayments	393,431	256,273
Deferred acquisition cost	747,099	-
	1,140,530	256,273

The Group incurred $747,099 in associated cost with the acquisition of the Jack-Up drilling rig, the cost will be capitalised as part of the acquisition cost in the statement of financial position.

13. PROPERTY, PLANT & EQUIPMENT

	2011 $	2010 $
Property, plant & equipment at cost	205,169	163,206
Accumulated depreciation	(90,036)	(55,997)
Total property, plant and equipment	115,133	107,209
Equipment		
Carrying amount at beginning of year	73,111	68,543
Additions	36,853	43,707
Exchange differences	(8,616)	(1,761)
Disposal/Written off	(2,679)	(9,108)
Depreciation	(36,936)	(28,270)
Carrying amount at end of year	61,733	73,111
Furniture & Fixtures		
Carrying amount at beginning of year	32,773	22,057
Additions	20,680	28,088
Exchange differences	(5,496)	(611)
Disposal/Written off	-	(6,788)
Depreciation	(12,280)	(9,973)
Carrying amount at end of year	35,677	32,773
Motor Vehicle		
Carrying amount at beginning of year	-	-
Additions	18,166	-
Exchange differences	174	-
Depreciation	(1,688)	-
Carrying amount at end of year	16,652	-
Leasehold Improvement		
Carrying amount at beginning of year	1,325	20,724
Additions	743	1,431
Exchange differences	(191)	(472)
Depreciation	(806)	(20,358)
Carrying amount at end of year	1,071	1,325

14. EXPLORATION AND EVALUATION ASSETS

	Consolidated group		
	Sub-surface assets $	Plant and Equipment $	Total $
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
Exchange differences	(158,475)	-	(158,475)
Exploration and evaluation expenditure written off	(1,964,135)	-	(1,964,135)
Balance at 30 June 2011	**11,689,636**	**-**	**11,689,636**
Balance at 30 June 2010	**9,381,705**	**-**	**9,381,705**
Reconciliation of movements			
Balance at 1 July 2009	6,765,466	-	6,765,466
Transfer to oil and gas assets	(517,769)	-	(517,769)
Exploration and evaluation expenditure	3,417,387	-	3,417,387
Exchange differences	(247,085)	-	(247,085)
Exploration and evaluation expenditure written off	(36,294)	-	(36,294)
Balance at 30 June 2010	**9,381,705**	**-**	**9,381,705**

15. OIL AND GAS ASSETS

	Consolidated group		
	Sub-surface assets $	Plant and Equipment $	Total $
Balance at 30 June 2010	**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)
Reversal of 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**
Balance at 30 June 2010	**7,981,136**	**2,340,204**	**10,321,340**
Reconciliation of movements			
Balance at 1 July 2009	2,114,119	3,911,539	6,025,658
Transfer from exploration and evaluation assets	517,769	-	517,769
Additions	3,052,934	4,097	3,057,031
Depletion expense	(2,059,771)	(1,432,673)	(3,492,444)
Impairment expense	4,505,171	-	4,505,171
Exchange differences	(149,086)	(142,759)	(291,845)
Balance at 30 June 2010	**7,981,136**	**2,340,204**	**10,321,340**

Macquarie Bank Limited held a lien over the Group's interest in the Pompano Project as collateral for its outstanding borrowings to the Group, the outstanding amount under this borrowing facility is $1.0 million and is due for repayment on 30 September 2011.

The Directors conduct a regular review to determine the fair 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. INTANGIBLES ASSETS

	Consolidated group 2011 $	Consolidated group 2010 $
Goodwill	-	407,157

The Directors have determined that the goodwill on consolidation may be impaired as of 30 June 2011 (2010: Nil) and accordingly have determined to write down the generated Goodwill associated with the acquisition of the Buccaneer Resources LLC. This assessment was based on the remaining resources at the Group Pompano projects as of 30 June 2011 factoring in a 10% discount of future price and production rate.

17. OTHER FINANCIAL ASSETS

	2011	2010
Investment other entity	199,615	80,283

During the year the Group incurred a fair value impairment expense $130,668 on its available-for-sale financial assets (2010: Nil).

18. SUBSIDIARIES

		Country of incorporation	Percentage owned 2011	Percentage owned 2010
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%	-
	Buccaneer Alaska Operations LLC	USA	100%	-
	Buccaneer Offshore Operations LLC	USA	100%	-

1) Buccaneer Alaska LLC was incorporated on the 26 March 2010
2) Buccaneer Alaska Drilling LLC was incorporated on the 27 July 2010
3) Buccaneer Alaska Operations LLC was incorporated on the 27 July 2010
4) Buccaneer Offshore Operations LLC was incorporated on the 5 May 2011

19. OTHER NON-CURRENT ASSETS

	Note	Consolidated group 2011 $	Consolidated group 2010 $
Rental bond		96,377	5,866

20. TRADE AND OTHER PAYABLES

	Note	Consolidated group 2011 $	Consolidated group 2010 $
Trade creditors		3,827,018	461,222
Deferred purchase consideration	(a)	-	1,759,943
Sundry creditors and accruals		260,732	309,437
		4,087,750	2,530,602

(a) Amount payable to the vendors of Stellar Oil & Gas, LLC on the acquisition of Cook Inlet leases in Alaska, USA. This was settled on 19 July 2010 by the issue of 20,148,650 fully paid ordinary shares, as approved at the Extraordinary General Meeting held on 7 July 2010.

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

	Note	2011 $	2010 $
At fair value:			
Gas price swap contract		1,157	225,847
Current liabilities		1,157	196,186
Non-current liabilities		-	29,661
Total liabilities		1,157	225,847

22. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2011 $	2010 $
Bank Loan – unsecured	(a)	1,000,000	1,000,000
Convertible note	(b)	500,000	827,360
Borrowing cost capitalised	(a)	-	(220,817)
		1,500,000	1,606,543
Loan facilities		1,000,000	1,000,000
Amount utilised		(1,000,000)	(1,000,000)
Amount available		-	-

(a) Banking facilities

During the financial year 30 June 2010 the Group negotiated an additional AUD$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.

22. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Borrowing costs capitalised consist of an advance fee payment of US$150,000 and the fair value of options issued to Macquarie Bank Limited. The total number of options issued was 63,155,448 which consist of 19,140,943 issued during the current year and a total of 44,014,505 in the prior years. At the date of this report the total remaining options outstanding are 15,433,077 (refer note 24).

At reporting date the interest rate payable under the credit facility agreement is 10.0% (2010: 10.0%).

The Macquarie Bank Limited held a lien over the Group's interest in the Pompano Project as collateral for the amount outstanding under this facility, the Group repaid this balance on 29 September 2009. The Bank maintained the lien over the Group's Pompano project as collateral for the outstanding $1.0 million loan due for repayment on 30 September 2011.

(b) Convertible note

In February 2010, the Group executed a convertible loan facility with SpringTree Special Opportunities Fund, LP (Springtree). The amounts advanced to the Group were 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 a fee payable on the provision of the convertible loan agreement. Borrowing costs consist of an advance fee payment of $637,500 (paid by the issue of 7.5 million shares) and the fair value of 12 million options issued $266,289 (refer note 24). All associated borrowing costs incurred have been recognised as expenses in the statement of comprehensive income. The agreement is not secured against the Group assets. A total of 12 million Buccaneer shares were issued as collateral. 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 securities 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, the Group received a total of $633,600 on the conversion the collateral shares.

(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 33.

23. PROVISIONS

		Consolidated group	
	Note	2011 $	2010 $
Provision for rehabilitation/restoration	(a)	2,936,835	3,288,206
		2,936,835	3,288,206

Reconciliation provisions	Lease incentive liability - current $	Lease incentive liability – non current $	Rehabilitation / restoration – non current $
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
2010			
Carrying amount at beginning of year	6,818	19,345	2,937,322
Interest expense	-	-	373,126
Additions	-	-	117,330
Movement in provision	3,436	(3,436)	-
Expensed	(10,254)	(15,909)	-
Exchange difference	-	-	(139,572)
Carrying amount at end of year	-	-	3,288,206

(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	
	2011 $	2010 $
Ordinary fully paid shares	54,033,210	36,585,026
Listed options	350,000	350,000
	54,383,210	36,935,026

24. ISSUED CAPITAL (CONTINUED)

	2011 $	2011 Number	2010 $	2010 Number
(a) Movement in issued capital				
Ordinary shares				
Opening balance	36,585,026	449,071,926	21,954,271	152,012,626
Share movement during year:				
- 12 July 2010 (i)	1,759,943	20,148,650	-	-
- 12 July 2010 (i i)	1	5	-	-
- 30 July 2010 (iii)	400,000	9,367,681	-	-
- 07 September 2010 (iii)	550,000	15,759,312	-	-
- 12 October 2010 (iii)	500,000	12,468,828	-	-
- 19 November 2010 (iii)	600,000	16,172,507	-	-
- 24 December 2010 (iii)	800,000	16,393,443	-	-
- 28 January 2011 (iv)	1,440,547	19,140,943	-	-
- 31 January 2011 (iv)	800,000	15,151,515	-	-
- 07 March 2011 (iii)	800,000	8,658,009	-	-
- 14 April 2011 (v)	633,600	-	-	-
- 20 April 2011 (vi)	7,300,801	76,850,812	-	-
- 20 April 2011 (vii)	1,000,000	12,391,574	-	-
- 02 May 2011 (ii)	-	2	-	-
- 03 June 2011 (vii)	1,000,000	12,180,268	-	-
- 15 September 2009 (viii)	-	-	5,320,442	152,012,619
- 08 October 2009 (ix)	-	-	542,884	10,000,000
- 14 October 2009 (ix)	-	-	792,610	14,600,000
- 17 November 2009 (x)	-	-	120,750	3,450,000
- 19 November 2009 (ix)	-	-	419,463	3,971,428
- 08 December 2009 (ix)	-	-	1,100,000	10,476,190
- 16 December 2009 (xi)	-	-	1,630,000	15,523,809
- 11 January 2010 (xi)	-	-	1,100,000	10,476,190
- 25 January 2010 (xi)	-	-	790,000	7,523,809
- 23 February 2010 (xii)	-	-	637,500	14,500,000
- 16 March 2010 (xiii)	-	-	350,000	4,510,309
- 29 March 2010 (xiii)	-	-	750,000	9,868,422
- 27 April 2010 (xii)	-	-	-	5,000,000
- 04 May 2010 (xiii)	-	-	800,000	12,800,000
- 31 May 2010 (xiii)	-	-	400,000	7,476,636
- 08 June 2010 (xiii)	-	-	800,000	14,869,888
Share issue costs	(136,708)	-	(922,894)	-
At reporting date	54,033,210	683,755,475	36,585,026	449,071,926

24. ISSUED CAPITAL (CONTINUED)

	2011 $	2011 Number	2010 $	2010 Number
Listed options				
Opening balance	350,000	177,731,318	-	-
Share movement during year:				
- 12 July 2010 (ii)	-	(5)	-	-
- 02 May 2011 (ii)	-	(2)	-	-
- 15 September 2009 (i)	-	-	-	76,006,318
- 17 November 2009 (iii)	-	-	-	1,725,000
- 26 November 2009 (viii)	-	-	350,000	100,000,000
At reporting date	350,000	177,731,311	350,000	177,731,318

(i) 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.

(ii) 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.

(iii) During the twelve 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.

(iv) 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.

(v) To 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.

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

(vii) 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.

(viii) The Group issued a total of 152,012,619 fully paid ordinary shares via a non-renounceable pro rata entitlement issue of one share for every one ordinary share at an issue price of 3.5 cents. Each two new shares subscribed has 1 new option with an exercise price of $0.10 on or before 30 November 2012.

(ix) The Group issued a total of 28,571,428 fully paid ordinary shares on the exercise of 28,571,428 unlisted options at 3.5 cents by Macquarie Bank Limited.

(x) The Group issued 3,450,000 fully paid ordinary shares and 1,725,000 listed options exercisable at 10 cents on or before 30 November 2012 as consideration for the acquisition of 8.75% working interest in the Lee County project.

24. ISSUED CAPITAL (CONTINUED)

(xi) On 1 December 2009, the Group announced the execution of a subscription agreement to place 44.0 Million shares at 10.5 cents to raise $4,620,000 before cost.

(xii) On 22 February 2010 the Group entered into a 25.5 million convertible note funding agreement with SpringTree Special Opportunities Fund, LP. Under this agreement 12 million fully paid ordinary shares was issued for nil consideration as collateral, and a further 7,500,000 fully paid ordinary shares as a fee payable for the provision of this facility.

(xiii) During the financial year 30 June 2010 the Group issued a total 49,525,255 fully paid ordinary shares on the conversion of $3,100,000 advanced to the Group under the convertible note agreement detailed above.

(xiv) At the annual general meeting the Group obtained approval for the placement of 100,000,000 Options via a placement prospectus issued on the 16 November 2009 to raise $350,000 before cost. Each option issued entitles the holder to one fully paid ordinary share at an exercise price of 10 cents on or before 30 November 2012.

(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.

24. ISSUED CAPITAL (CONTINUED)

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

Reconciliation of unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 July 2010	**Opening balance**	**12 cents weighted average**	**Various**	**27,443,077**
7 Sep 2010	options issued	10 cents	30 Jun 2013	47,550,000
30 Nov 2010	options issued	5.22 cents	30 Sep 2011	19,140,943
28 Jan 2011	options exercised	5.22 cents	30 Sep 2011	(19,140,943)
30 June 2011	**Closing balance**	**10.7 cents weighted average**	**Various**	**74,983,077**

Date	Details	Exercise price	Expiry date	Number
1 July 2009	**Opening balance**	**12 cents weighted average**	**Various**	**16,043,077**
28 Sep 2009	options lapsed	25 cents	30 Nov 2010	(600,000)
29 Sep 2009	options issued	3.5 cents	29 Sep 2010	24,600,000
8 Oct 2009	options exercised	3.5 cents	29 Sep 2010	(10,000,000)
14 Oct 2009	options exercised	3.5 cents	29 Sep 2010	(14,600,000)
17 Nov 2009	options issued	3.5 cents	29 Sep 2010	3,971,428
19 Nov 2009	options exercised	3.5 cents	29 Sep 2010	(3,971,428)
30 Apr 2010	options issued	13.25 cents	22 Feb 2013	12,000,000
30 June 2010	**Closing balance**	**12 cents weighted average**	**Various**	**27,443,077**

(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 the prior year.

24. ISSUED CAPITAL (CONTINUED)

(f) Capital Management: (continued)

The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	Consolidated group	
	2011 $	2010 $
Total borrowing	1,500,000	1,800,000
Less: cash and Cash equivalents	(4,473,299)	(4,966,376)
Net debt/(cash)	(2,973,299)	(3,166,376)
Total Equity	22,446,386	19,364,729
Total capital	19,473,087	16,198,353
Gearing ratio	N/A	N/A

(g) Convertible note facility classified as equity:

In February 2010 the Company executed a convertible loan facility with New York based investment fund SpringTree Special Opportunities Fund, LP (the "Fund"). The facility expired in March 2011. The key terms of which are:

- The facility amount of up to $25.5 million was to be made available to the Company in regular tranches, each tranche amount is in the range from $800,000 - $2.0 million;
- Interest 0% per annum;
- The funding tranches are advanced to the Company monthly and repaid in shares each month;
- Monthly conversion of draw downs into ordinary shares, at a price calculated using a formula based on average closing price of the Company shares;
- SpringTree was granted 12,000,000 unlisted options that are exercisable at $0.1325 and expire on 22 February 2013;
- The Group agreed to pay a fee for the provision of the facility, satisfied by an issue of 7.5 million shares; and
- The facility is not secured against the Company's assets. A total of 12 million Buccaneer shares have been issued as collateral to the facility. The collateral shares can be cancelled by the Company at the end of the agreement, or alternatively the Company may receive a cash payment equal to 92.5% of the average of the last 5 daily trading price prior to the payment date.

On 2 March 2011, the Group announced that via mutual consent the Group and Springtree will terminate the existing convertible loan funding facility. Springtree also agreed to invest an additional $2,500,000 in the Group by way of a one-off investment in two convertible securities, the notes are interest free and are under the following key term:

24. ISSUED CAPITAL (CONTINUED)

Convertible Security #1

Amount: $1,000,000

Conversion: At any time before 28 February 2012, at 92.5% of the average of 5 lowest daily volume-weighted average price of the Group shares during a specified period prior to the date of conversion.

Convertible Security #2

Amount: $1,500,000

Conversion: At any time after the initial 90 days period and before 28 February 2012, at 92.5% of the average of 5 lowest daily volume-weighted average price of the Group shares during a specified period prior to the date of conversion.

At reporting date the Group had $500,000 advanced and outstanding under the replacement facility, On the 26 July 2011, the Group issued 7,132,668 fully paid ordinary shares on the conversion of the final $500,000 owed under this facility.

25. RESERVES

		Consolidated group	
	Note	2011 $	2010 $
Share-based payments reserve	(a)	1,281,922	663,772
Foreign currency translation reserve	(b)	(3,360,639)	111,213
		(2,078,717)	774,985
Movement			
(a) Share-based payments reserve			
Balance 1 July		663,772	250,931
Options issued		1,059,540	1,211,707
Options expense transfer to accumulated losses		-	(43,909)
Options expense on exercise of options		(441,390)	(754,957)
Balance 30 June		1,281,922	663,772
(b) Foreign currency translation reserve			
Balance 1 July		111,213	(598,563)
Currency translation difference		(3,471,852)	709,776
Balance 30 June		(3,360,639)	111,213

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 employees but not exercised.

The fair value of performance options issued to 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.

(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. INTEREST IN JOINT VENTURES

Joint ventures entities

The Group has a 50% (2010: Nil) interest in 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 is held by 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 stand alone venture, contracting drilling services to third party lease operators in the Cook Inlet.

As of 30 June 2011, the joint venture entity has been a dormant entity which has not yet operated and has not been allocated any working capital. KOV has been activity negotiating the funding to acquire the Jack up rig with the Alaska Industrial Development and Export Authority (AIDEA) and a Senior Debt Facility with an Asian based bank.

26. INTEREST IN JOINT VENTURES (CONTINUED)

Joint ventures assets

The Group has the following material joint venture interests:

Joint Venture	Cash-generating unit	Principal activities	% Interest 2011	% Interest 2010
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				
Brazos Block 488L (Cove Deep Project)	-	Gas Exploration	-	32.00
East Cameron Block 357 (Cougar Project)	-	Oil Exploration	-	100.00
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	-
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
Galverston Block 302 (Tuna)	-	Gas Exploration	100.00	100.00
Galverston Block 281 (Tang)	-	Gas Exploration	100.00	100.00
Galverston 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 Exploration	100.00	100.00
ADL 391144	-	Oil Exploration	100.00	100.00
ADL 391145	-	Oil Exploration	100.00	100.00
ADL 391146	-	Oil Exploration	100.00	100.00
ADL 391147	-	Oil Exploration	100.00	100.00
ADL 391149	-	Oil Exploration	100.00	100.00
ADL 391142	-	Oil Exploration	100.00	100.00
ADL 391148	-	Oil Exploration	100.00	100.00
ADL 391150	-	Oil Exploration	100.00	100.00
ADL 391625	-	Oil Exploration	100.00	100.00
ADL 390771	-	Oil Exploration	100.00	-
ADL 390774	-	Oil Exploration	100.00	-

26. INTEREST IN JOINT VENTURES (CONTINUED)

Joint Venture	Cash-generating unit	Principal activities	% Interest 2011	% Interest 2010
West Nicolai				
ADL-391609	-	Oil Exploration	-	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
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	-
Kenai Loop				
ADL-391091	-	Oil & Gas Exploration	100.00	-
ADL-391092	-	Oil & Gas Exploration	100.00	-
ADL-391094	-	Oil & Gas Exploration	100.00	-
ADL-391095	-	Oil & Gas Exploration	100.00	-
C-061667	-	Oil & Gas Exploration	100.00	-
MHT9300070	-	Oil & Gas Exploration	100.00	-
MHT9300082	-	Oil & Gas Exploration	100.00	-

27. SHARE-BASED PAYMENTS

The options outstanding at 30 June 2011 had a weighted average exercise price of 10.73 cents (2010: 12 cents) and a weighted average remaining contractual life of 1.75 years (2010: 2.62 years). Exercise prices range from 10 to 13.25 cents (2010: 11 to 13.25 cents) in respect of options outstanding at 30 June 2011.

The weighted average fair value of each option granted during the year was 1.59 cents (2010: 2.52 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 $	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)	19,140,943	30/11/10	30/09/11	0.522	2.31

Inputs into the model		Option Series			
		(1)	(2)	(3)	(4)
Grant date share price	$	0.045	0.067	0.046	0.058
Exercise price	$	0.11	0.133	0.10	0.0522
Expected volatility	%	82.5	94.4	112.0	90
Option life	years	4	3	3	1
Dividend yield	%	-	-	-	-
Risk-free interest rate	%	2.9	5.0	4.42	4.66

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 7 July 2010, the Group issued 47,550,000 unlisted DESOP options to directors and to eligible employee of the Group, the Director options were approved at the shareholder meeting held on that date.

On 30 November 2010 after obtaining shareholder approval the Group issued 19,140,943 unlisted options to Macquarie Bank Limited (MBL) as consideration of the rollover of the $1 million dollar facility provided to the Group. On 28 January 2011 MBL exercised it rights over the options and was issued 19,140,943 fully paid ordinary shares.

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	
	2011 $	2010 $
Options issued under employee options plan	**618,150**	**-**

28. COMMITMENTS FOR EXPENDITURE

	Consolidated group	
	2011 $	2010 $
Exploration and lease commitments :		
Minimum exploration lease and expenditure commitments contracted for but not capitalised in the accounts:		
Not later than 1 year	873,024	407,269
Later than 1 year and not later than 5 years	345,504	9,460,748
	1,218,528	9,868,017
Operating lease commitments :		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Rental of premises -		
Not later than 1 year	205,361	144,013
Later than 1 year and not later than 5 years	194,910	192,017
	400,271	336,030

29. 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 Operation

  Consist 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

  Consist 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

  Consist 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

  Consist 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 corporate affairs.

29. SEGMENT INFORMATION (CONTINUED)

(a) Segment performance

	Alaska operations		Lower 48 states			
	Onshore explorations $	Offshore exploration $	Onshore exploration $	Offshore exploration $	Corporate $	Segments total $
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	-	-	-	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
2010						
Sale revenue	-	-	-	3,846,936	929,706	4,776,643
Inter-segment revenue	-	-	-	-	(929,706)	(929,706)
Revenue from external customers	-	-	-	3,855,750	-	3,855,750
Depletion expense	-	-	-	(3,492,444)	-	(3,492,444)
Impairment/(reversal)	-	-	-	4,505,171	(4,994,572)	(489,401)
Segment results	(386,926)	-	(72,076)	2,890,694	(6,127,497)	(3,695,805)
Capital expenditure incurred	3,135,746	-	3,334,576	4,097	-	6,474,419
Segment assets	3,361,125	-	10,065,178	7,365,668	25,210,574	46,002,546
Segment liabilities	3,739,407	-	390,244	3,396,723	2,809,669	10,336,043

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.

29. SEGMENT INFORMATION (CONTINUED)

Segment revenue reconciles to total revenue from operation as follows:

	Consolidated group	
	2011 $	2010 $
Total segment revenue	1,993,359	4,776,643
Intersegment eliminations	(379,033)	(929,706)
Interest revenue	57,857	46,819
Other revenue	244,129	8,812
Total revenue from continuing operations (note 3)	1,916,312	3,902,568

(ii) Segment result

A reconciliations of the segments' results to loss before income tax expense as follows:

Total segment results	(27,024,754)	(3,695,805)
Intersegment eliminations	21,868,117	4,064,866
Interest revenue	57,856	46,819
Other revenue	244,130	8,812
Other expenses	(9,161,900)	(4,816,163)
Loss before income tax from continuing operations	(14,016,551)	(4,391,471)

(ii) Segment assets

Reportable segments' assets are reconciles to total assets as follows:

Total segment assets	39,195,969	46,002,546
Intersegment eliminations	(16,954,979)	(22,118,474)
Unallocated:		
Cash and cash equivalent	4,204,079	2,253,815
Trade and other receivable	428,929	174,553
Other current assets	1,322,302	201,180
Property, Plant & equipment	112,536	89,285
Other non-current assets	96,377	5,865
Goodwill	-	407,157
Total assets as per the statement of financial position	28,405,213	27,015,927

(ii) Segment assets

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

Reportable segments' liabilities are reconciles to total liabilities as follows:

Total segment liabilities	6,394,455	10,336,043
Intersegment eliminations	-	(4,867,272)
Unallocated:		
Trade and other creditors	631,287	575,884
Borrowing	1,500,000	1,606,543
Total liabilities as per the statement of financial position	8,525,742	7,651,198

30. 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)
Jim Watt	President and Chief Operating Officer, (Buccaneer Alaska)
Mark Landt	Executive Vice-President, Land & Business Development (Buccaneer Alaska)
Allen Huckabay	Executive Vice-President, Exploration & Development (Buccaneer Alaska)
Gary Rinehart	Exploration Officer (Buccaneer Resources)
Andy Rike	Operations Officer (Buccaneer Resources)

(c) Key management personnel compensation

	Consolidated group	
	2011 $	2010 $
Short-term benefits	1,741,020	1,742,133
Termination benefits	-	171,740
Other benefits (i)	198,973	99,777
Share-based payments	416,659	-
Total	2,356,652	2,013,650

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

Detailed remuneration disclosures are provided in the remuneration report on page 31 to 37 of the director report.

30. 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 37 of the Director report.

(ii) Option holdings

During the year 30 June 2010, there were no options over ordinary shares in the Company held during the financial year by either the directors of Group and/or other key management personnel of the Group.

Year ended 30 June 2011:

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	-	3,000,000	-	3,000,000	3,000,000
	-	35,700,000	-	35,700,000	35,700,000

(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.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

(iii) Share holdings (continued)

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

Name	Opening balance	Options exercised	Other changes during the year	Balance at the end of the year
2010				
Directors of the Company				
Alan Broome	240,000	-	200,000	440,000
Dean Gallegos	12,392,839	-	200,000	12,592,839
S. Frank Culberson	4,084,118	-	-	4,084,118
Curtis Burton	12,838,375	-	600,000	13,438,375
Ken Hooper (1)	6,860,000	-	-	6,860,000
Key Management Personnel of the Group				
Clint Wainwright	3,380,491	-	-	3,380,491
Neville Henry (2)	7,525,250	-	-	7,525,250
Jim Watt (3)	-	-	-	-
Mark Landt (3)	-	-	-	-
Allen Huckabay (3)	-	-	-	-
Gary Rinehart (3)	-	-	-	-
Andy Rike (3)	-	-	-	-
	47,321,073	-	1,000,000	48,321,073

1. Resigned 31 May 2010.
2. Resigned 31 January 2010.
3. Appointed 1 April 2010.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(e) Loans to key management personnel

There are no loans to key management personnel at 30 June 2011 and 2010.

31. 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 30.

(c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated group	
	2011 $	2010 $
Sales of goods and services		
Prospect development costs	(3,942,496)	(4,135,774)
Rental income/(expense)	(221,869)	9,601
Other expenses - administration expenses	(26,882)	(59,480)

(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)	23,570	24,931

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

As of 30 June 2011, the Group had loaned $354,855 (2010: $342,675) to Bligh Energy Service Pty Ltd to assist the 'fit out' cost in relation to the Company registered address and principal place of business, the amount is repayable 'at call' and incurs a 3%pa 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.

32. CASH FLOWS INFORMATION

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

	Consolidated group	
	2011 $	**2010 $**
Loss from continuing operations	(14,079,740)	(4,351,471)
Non-cash flows in loss		
Impairment expense/(reversal)	5,194,083	(4,505,171)
Share options expensed	618,150	-
Fair value loss on derivative financial instrument	-	231,007
Amortised borrowing cost	570,146	834,292
Depreciation expense	51,710	58,601
Depletion expense	1,857,371	3,492,444
Write off of capitalise exploration cost	184,433	70,076
Exchange rate fluctuation	617,830	1,850,248
Changes in assets and liabilities :		
Decrease / (increase) in receivables	427,497	(336,146)
Decrease / (increase) in prepayments	(137,158)	(232,048)
Decrease / (Increase) in other assets	(90,511)	63,557
Increase / (decrease) financial instruments	(224,690)	-
Increase / (decrease) in provisions	-	(26,163)
Net Decrease / (increase) in deferred tax assets and deferred tax liability	3,317,091	(295,414)
Cash flow from operating activities	1,693,788	(3,146,188)

(b) Non-cash Financing and Investing Activities:

Share issued

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 reached agreement to receive $633,600 as total consideration for the transfer of ownership of the collateral shares to SpringTree. Refer to note 24(g).

30 June 2010

On 17 November 2009 the Group issued 3,450,000 fully paid ordinary shares to acquire additional 8.75 working interest in Lee County project. Refer to note 24(a)(iii).

On 24 February 2010 the Group issued 7,500,000 fully paid shares to SpringTree Special Opportunities Fund, LP (SpringTree) as a fee payable for providing the Group with the $25.5 million convertible note funding facility. Refer to note 24(g).

During the year ended 30 June 2010, the Group issued a total of 12,000,000 million shares to SpringTree for nil consideration as collateral over the amount advanced to the Group, these shares can be cancelled at the end of the convertible note funding term or alternatively receive a cash payment.

33. 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, whilst 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 AUD$ and provided by Macquarie Bank limited (refer to Note 22). The interest payable was fixed at 10.0% per annum.

Convertible note: 100% of the Group funding from the issue of convertible note was denominated in AUD$ and provided by SpringTree Special Opportunity Fund. LP (refer to Note 22). The interest payable was fixed at 0% per annum if the convertible note was later converted and share issued otherwise the Group is required to pay 105% of the face value of the convertible note issued.

It is the Group policy to assess cash flow requirements and prevailing interest rate 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 +/- $172,370 (2010: +/- $34,765).

33. 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 2011	Floating interest rate $	Fixed Interest maturing in: 1 year or less $	Fixed Interest maturing in: over 1 to 5 years $	Non interest bearing $	Total $
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%	-	-	-
2010					
Financial assets					
Cash	4,966,376	-	-	-	4,966,376
Trade receivables	-	-	-	615,031	615,031
Other receivables	-	-	-	626,170	626,170
Total financial assets	4,966,376	-	-	1,241,201	6,207,577
Weighted average interest rate	1.17%	-	-	-	
Financial liabilities					
Borrowing	-	-	1,000,000	827,360	1,827,360
Trade and sundry creditors	-	-	-	2,530,602	2,530,602
Total financial liabilities	-	-	1,000,000	3,357,962	4,357,962
Weighted average interest rate	-	-	10.0%	-	

Foreign exchange risk exposure

The Group's operate internationally and are 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.

33. 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 of 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	
	2011 $	2010 $
Change in net profit		
Increase in AUD/USD by 1%	64,884	(366,937)
Decrease in AUD/USD by 1%	(65,612)	293,659
Change in equity		
Increase in AUD/USD by 1%	306,587	(182,716)
Decrease in AUD/USD by 1%	(312,781)	186,407

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 $168,438 (2010: $615,031) 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 Risk Committee 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 credit worthiness taking into account their size, market position and financial standing;

Receivables due from major debtors are not normally secured by collateral, however the credit worthiness 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 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 keeping the Group informed of any stability problems with the purchasers.

33. 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 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 on-going cash flow, debt funding and capital raisings, as and when required.

During the financial year, the Group entered into convertible loan agreement with SpringTree Special Opportunities Fund, LP, the borrowing is capped at $25.5 million, with mutually agreed monthly advanced range from $800,000 to $2.0 million, with no financial or production covenants, this agreement was terminated and replaced with $2.5 million facility.
Refer to note 24(g).

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

Price Risk

Securities price risk

The Group is exposed to equity securities price risk this arises from investment held by the Group and classified in the balance sheet either as available-for-sale or at fair value through profit and loss.

To manage it price risk arising from investment in equity securities, the Group investment decision is conducted under the supervision of the board, and in limited circumstance .

The Group held two equity investments, a minority interest in Raisama Limited an Australian Securities Exchange (ASX) listed oil and gas exploration company, and a minority interest in a unlisted private company whom holds the Operating lease for the Company's registered office.

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% (2010: 10%) with all other variable held constant and all the group equity instrument moved according to the historical correlation with the index.

	Consolidated group	
	2011 $	2010 $
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)	-

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Securities price risk (continued)

The price risk for the unlisted securities is immaterial in term of the possible impact or loss or total equity. It has therefore not been included in the sensitivity analysis.

Commodity price risk

The Group's revenues are exposed to commodity price fluctuations, in particular oil and gas prices. The Group had a hedging program in the form of energy Swap that commenced on 1 April 2010 and terminating on 30 September 2011 at a price of US$4.36 / mmbtu for 1 million mmbtu. This compared to a price of US$3.87 / mmbtu at the time the hedge was implemented. All prices refer to the Houston Shipping Channel Index.

The Group's policy is to manage its risk to falling commodity prices so as to protect its cash flow but also maintain maximum exposure to rising commodity prices.

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	
	2011 $	2010 $
Change in net profit		
Increase in price by 10%	151,263	355,557
Decrease in price by 10%	(151,263)	(355,557)
Change in equity		
Increase in price by 10%	151,263	355,557
Decrease in price by 10%	(151,263)	(355,557)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 thee assets and liability that are not based or observable market data (unobservable inputs) (level 3)

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**

At 30 June 2010	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	**-**	**225,847**	**-**	**225,847**
Total Liabilities	**-**	**225,847**	**-**	**225,847**

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 prices. These instruments are included in level 1.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market (for example, over 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 receivable 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 tat 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.

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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Less than 12 Months $	12 -14 months $	Total	Carrying amount
2011				
Gas price swap contract	1,157	-	1,157	1,157
2010				
Gas price swap contract	196,186	29,661	225,847	225,847

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.

34. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the financial year ended 30 June 2011:

1. On 4 July 2011, the Group announced it has raised $13.5 million by the issue of 194 million fully paid ordinary shares to institutional and professional investors, the equity raising involves the placement of 97 million shares shortfall from the share Purchase Plan and an additional 97 million ordinary shares.

2. On 18 July 2011, the Group issued 9,700,000 unlisted options to acquire fully paid shares, the options have a exercise price of 10 cents on or before 15 July 2016, the options was issued to Helmsec Global Capital Limited as part of the fees in assisting the Group in raising the $13.5 million mentioned above.

3. On 26 July 2011, the Group issued 7,132,668 fully paid ordinary shares on the final conversion of $500,000 outstanding part of the SpringTree agreement as detailed in note 24(g).

4. In August 2011, The Group made it first application under the ACES rebate of $6,104,688 which is available in tax credits under the scheme highlighted in Note 1(y) and Note 10.

5. On 15 August 2011, the Group announced that it had executed gas sale contract with Alaska Pipeline Company and ENSTAR Natural Gas Company, as announced the Production is on track for December 2011 with delivery up to 31.5 BCF @ 15.0 MMCFD.

6. On 29 August 2011, the Group announced that it had commenced the drilling of it second well at Kenai Loop.

7. On 1 September 2011, the Group announced that the binding contract has been executed for the acquisitions of the Jack-Up rig, the Total purchase price is US$68.5 million.

8. On 6 September 2011, the Company entered into an agreement with Ezion Holdings Limited to indentify Ezion of all liabilities and expenses suffered or incurred in meeting any of the condition precedent in respect to AIDEA's investment.

9. On 12 September 2011, the Group call a general meeting of shareholders to ratify the additional placement share placed on the 4 July 2011 and to ratify the options issued to Helmsec Global Capital Limited.

34. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

No other matters or circumstances have arisen since the end of the financial year which 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.

The financial report was authorised for issue by the directors on 30 September 2011. The directors have the power to amend and reissue the financial report.

35. 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 operations defaults and does not contribute it share of joint venture operation obligations, then the other joint ventures are liable to meet those obligations. In this event, the interest in those licence 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 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, whilst they remain controlled entities, as is necessary for each company to pay all debts when they become due.

36. ECONOMIC DEPENDENCY

The Group 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 opportunity or the support of shareholders and the market to finance its on-going exploration and growth of the oil and gas production reserves.

37. COMPANY DETAILS

The registered office of the Company is:

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

The principal place of business is:

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

DIRECTORS' DECLARATION

The directors of Buccaneer Energy Limited declare that:

1. The financial statements and associated notes for the financial year ended 30 June 2011:

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

    (b) comply with Accounting Standards, the Corporations Regulations 2001; and

    (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 2011 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

Chairman

Dated this 30th day of September 2011

Crowe Horwath Sydney

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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 2011, 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.

Crowe Horwath

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.

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 2011 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 31 to 37 of the directors' report for the year ended 30 June 2011. 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 2011 complies with section 300A of the Corporations Act 2001.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

R. wong Pitt Cury

ROGER WONG
PRINCIPAL
Dated this 30th day of September 2011

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.

ASX INFORMATION

STATEMENT OF QUOTED SECURITIES AS AT 19 SEPTEMBER 2011

- There are 3056 shareholders holding a total of 884,888,143 ordinary fully paid shares.
- The twenty largest shareholders between them hold 36.42% 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 19 SEPTEMBER 2011

Ordinary Shares

Range	Number of holders
1 – 1,000	93
1,001 – 5,000	107
5,001 – 10,000	303
10,001 – 100,000	1,488
100,001 and over	1,065
Total holders	3,056

There were 226 shareholders whose total holding had a market value of less than 5,814 ordinary fully paid shares ($500) as at 19 September 2011

SUBSTANTIAL SHAREHOLDINGS AS AT 19 SEPTEMBER 2011

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

Macquarie Investment Management	5.91%
Republic Investment Management	5.01%

DIRECTORS' SHAREHOLDINGS

As at 19 September 2011, 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	597,895	100,000	1,750,000
Curtis Burton	13,438,375	Nil	6,000,000
Dean Gallegos	12,765,793	Nil	6,000,000
Frank Culberson	4,084,118	Nil	1,750,000

*Expiry 30 June 2013 with an exercise price of $0.10

ON-MARKET BUY-BACKS

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

OPTIONS

As at 19 September 2011 the Company had a total of 262,424,390 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
BCCAZ	Directors & Executives (DESOP)	$0.10	30 June 2013	47,550,000	47,550,000
BCC	Helmsec Global Capital Pty Limited	$0.10	15 July 2016	9,700,000	9,700,000

TOP TWENTY HOLDERS OF ORDINARY SHARES AT 19 SEPTEMBER 2011

Shareholder name	Number of shares held	%*
HSBC Custody Nominees (Australia) Limited	66,141,173	7.47
Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	31,627,301	3.57
Aust Executor Trustees NSW Ltd (TEA Custodians Limited>	25,600,000	2.89
Bond Street Custodians <Macq Capital Events Fund>	21,428,574	2.42
JP Morgan Nominees Australia Limited	20,204,313	2.28
Citicorp Nominees Pty Limited	17,022,178	1.92
Wanabee Holdings Pty Limited	15,973,446	1.81
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	15,369,037	1.74
CIMB Securities (Singapore) Pte Ltd <Client A/C>	15,000,000	1.70
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	13,420,138	1.52
Roscious Pty Ltd <Deapen Family A/C>	12,607,898	1.42
JP Morgan Nominees Australia Limited <Cash Income AC>	12,541,430	1.42
Mrs Ping Block & Mr Warren Block	8,300,000	0.94
Mr Keiran James Slee	7,489,172	0.85
Dahele Pty Limited	7,060,552	0.80
Mr Kenneth Hooper	6,860,000	0.78
Mrs Joanne Fryer & Mr Steven Fryer	6,750,000	0.76
Mr Bryan Elboz & Mrs Patricia Elboz <Toono Super Fund Account>	6,686,554	0.76
William Allen Huckabay	6,116,682	0.69
Landt Equity Holdings LP	6,116,682	0.69
Total	322,315,130	36.43

*Rounding up may mean columns do not add exactly.

ASX INFORMATION

TOP TWENTY HOLDERS OF LISTED OPTIONS AT 19 SEPTEMBER 2011

Optionholder name	Number of shares held	%*
Wanabee Holdings Pty Limited	73,100,000	41.13
Mr David Gordon & Mrs Laurentia Gordon	4,315,000	2.43
HSBC Portfolio Nominees Pty Ltd	4,250,000	2.39
Mrs Ping Block & Mr Warren Block	4,200,000	2.36
Mr Marcus L'Estrange	4,000,000	2.25
Mr Sebastiaan Van Der Meulen & Mrs Laura Van Der Meulen	3,575,000	2.01
Huama Holdings Pty Ltd	2,500,000	1.41
Mr Mark Lattaway	2,158,997	1.21
Ms Kelli Martin	2,000,000	1.13
Sayers Investments (ACT) Pty Ltd	2,000,000	1.13
Mr Darrell Grey	1,943,481	1.09
M & M Family Pty Ltd	1,900,000	1.07
Vivente Investments Pty Ltd	1,824,100	1.03
Mr Patrick Cox & Mrs Lillian Cox	1,750,000	0.98
Megashine International Limited	1,725,000	0.97
Mr George Padas	1,535,785	0.86
Ms Margaret L'Estrange	1,330,000	0.75
Diverse Industry Financial Services Pty Ltd	1,250,000	0.70
Mr Jim Moore	1,200,000	0.68
Mr George Koller	1,185,000	0.67
Total	117,742,363	66.25

*Rounding up may mean columns do not add exactly.

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Bruce Burrell

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