



ASX RELEASE – 16 JANUARY 2012

BUCCANEER COMMENCES GAS PRODUCTION AT KENAI LOOP

HIGHLIGHTS

- Sales commenced from Kenai Loop # 1 well
- Selling into ENSTAR winter daily auction
- Ability to sell gas to ConocoPhillips LNG facility

Buccaneer Energy Limited (“Buccaneer” or “the Company”) is pleased to advise that production from its Kenai Loop # 1 well commenced on 14 January 2012 (US time).

The Company anticipates producing the well at up to 5.0 million cubic feet per day (“MMCFD”) for the first 2-3 months while reservoir performance is monitored. The Company will be selling gas into ENSTAR’s winter daily auction. The daily auction is a system where gas producers are advised of ENSTAR’s additional requirements for the next 24 hours and the producers bid the price and volume to sell gas to meet these requirements.

ENSTAR’s additional winter demand requirement during this period is primarily based on weather conditions and so can fluctuate on a daily basis.

The Company also has the ability to sell gas to ConocoPhillips under its gas sales agreement with the local LNG facility if the total daily production is not purchased by ENSTAR.

Buccaneer Director Dean Gallegos said:

“The commencement of gas production and sales from the Kenai Loop project is a significant milestone for Buccaneer and marks the first production from our substantial Alaska holdings. We are extremely proud of the speed and efficiency our team has displayed in going from discovery to permitting and production at Kenai Loop in less than 9 months – this includes the construction of a pipeline and the facilities necessary to drill, produce and transport a substantial amount of natural gas.”

Buccaneer is looking forward to an active 2012 with drilling at Kenai Loop likely to commence in 2nd quarter 2012, prior to the start of its offshore program”

Yours faithfully

BUCCANEER ENERGY LIMITED

Mr Dean Gallegos
Director



For further information please contact Dean Gallegos, Executive Director on 0416 220 007 or 02 9233 2520. Alternatively visit the Company's website at www.buccenergy.com.

About Buccaneer

Buccaneer Energy Limited is an Australian listed company focused on developing its 100% owned oil & gas assets in Alaska. The Company's flagship projects are a series of onshore and offshore developmental and exploration prospects in Alaska's Cook Inlet.

Buccaneer Energy has a 3 pronged cash flow strategy:

- *Developing the 100 % owned Kenai Loop onshore gas project with independently assessed 4.8 MMBOE¹ in 2P Reserves;*
- *Operating a Offshore Jack Up rig for use by third parties in the Cook Inlet; and*
- *Developing its 100% owned offshore Cook Inlet projects that have independently assessed 73.3 MMBOE in 2P Reserves / P50 Resources using the acquired Jack Up rig.*

Buccaneer Energy has a 50/50 joint venture with Singaporean based Ezion, a leader in the development, ownership and chartering of strategic offshore assets and the Alaskan Industrial Development and Export Authority ("AIDE). This joint venture has acquired the jack-up rig "Endeavour" which is capable of drilling in all areas of the Cook Inlet, the Beaufort Sea and the Chukchi Sea. Mobilisation of the Endeavour into the Cook Inlet is expected in 2Q 2012.

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

Buccaneer Energy has drilled the onshore Kenai Loop #1 well. The well was tested to have a flow rate of 6 – 8 mmcf/d (750 - 1,000 BOEPD¹) and the Company constructed both the pipeline and facilities at Kenai Loop, the well started production and selling gas in early January 2012. The Company plans to drill Kenai Loop #2 in 2Q 2012. Full development of the onshore Kenai Loop field could exceed 10 producing wells.

Buccaneer Energy also has major working interests in two producing projects in Texas, USA. Pompano is an offshore gas project located in the Gulf of Mexico, drilled by the Company in 2008 and has an additional pipeline of 'drill-ready' gas prospects. Lee County is an onshore oil project, currently producing oil.

¹ Using a Gas to Oil conversion ratio of 8:1

