

ASX RELEASE – 29 AUGUST 2011

KENAI LOOP DRILLING RECOMMENCED

HIGHLIGHTS

- **Drilling of Second Kenai Loop well commenced**
- **Step out well from highly successful Kenai Loop #1 (KL #1) well**
- **Potential to increase reserves by increasing the aerial extent of both tested and untested pay zones**

Buccaneer Energy Limited (“Buccaneer” or “the Company”) is pleased to advise that the second well at its 100% owned Kenai Loop project spud on Saturday 27 August 2011 (Sydney). The well is currently at 3,050 feet and preparing to set surface casing.

The well is expected to take 30 days to reach its target depth of 11,000 feet with testing expected to take an additional 14 days.

This second well will be a development well directionally drilled from the same drilling pad as KL # 1. The bottom-hole location is expected to be approximately 1,800 feet from that of the KL # 1 well. The Company intends to test the 9,700 and 10,000 zones tested in KL # 1 and additional zones at approximately 10,600 feet that were untested in KL # 1 due to rig availability constraints.

If successful, there is likely to be a significant increase to current Proved and Probable (2P) Reserves of 38.3 BCF (4.8 MMBOE¹), of which 31.5 BCF (3.9 MMBOE¹) are Proven Reserves.

The Company will give weekly drilling updates commencing Wednesday 7 September.

Commentary

Director of Buccaneer Energy, Dean Gallegos said:

“The Company is very keen to take full advantage of the recently executed gas sales contract with ENSTAR, which allows for deliveries of up to 15.0 MMCFD.

In addition to the pay zones in the 9,700 & 10,000 feet sands, the sands around the 10,600 feet depth was also a high priority testing target based on the logs from KL # 1. The second well will penetrate the 10,600 feet sands in a slightly higher structural position than in KL # 1. Successfully flow testing these three sands is the most immediate way for Buccaneer to increase booked reserves and future production capacity.”

Yours faithfully

BUCCANEER ENERGY LIMITED



Mr Dean Gallegos

Director

Competent Person Statement 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.

For further information please contact Dean Gallegos, Executive Director on + 61 416 220 007 or + 61 2 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;*
- *Acquiring and 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 ("AIDEA") to acquire a Jack Up rig capable of drilling in the Cook Inlet. Mobilisation of the Jack Up rig into the Cook Inlet is expected in 4Q 2011. 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 mmcfd (750 - 1,000 BOEPD¹). It is expected to be in production in 4Q 2011. The Company plans to drill Kenai Loop a second well in 3Q 2011. 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 producing ~1 mmcfd 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*