



ASX RELEASE – 24 OCTOBER 2011

OPERATIONAL UPDATE

HIGHLIGHTS

- Completion date for acquisition of Adriatic XI extended to 11 Nov 2011
- Satisfaction of Conditions Precedents on track
- Kenai Loop pipeline construction commences on schedule

Buccaneer Energy Limited (“**Buccaneer**” or “**the Company**”) is pleased to provide the following operational update.

Acquisition of Adriatic XI Jack-Up Rig

The Company’s 50% owned subsidiary Kenai Offshore Ventures, LLC (“**KOV**”) previously executed a binding Purchase Agreement with Transocean Offshore Resources Limited (“**Transocean**”) a subsidiary of Switzerland-based Transocean Limited, to acquire the GSF Adriatic XI offshore jack-up rig (“**Rig**”). The total purchase price is US\$68.5 million with the original completion date scheduled to take place on 25 October 2011.

KOV has since appointed Archer Drilling to conduct a detailed scoping study to confirm KOV’s assessment for the modifications and repairs required to bring the Rig back into operational service from its current cold stacked status. The completion of the scoping study is a condition precedent to financing.

Due to logistical delays in Archer Drilling obtaining access to the Rig, the time taken to complete the required scoping study has necessarily been extended. As a result of this access delay, Transocean and KOV have mutually agreed to extend the completion date until 11 November 2011 (US time).

Satisfaction of the Conditions Precedents (“**CPs**”) required to drawdown the funding facilities is progressing as expected. It is anticipated that all CPs will be fully satisfied in the week preceding the revised acquisition completion date.

After conducting a rig naming competition the Rig will be renamed “Endeavour”. Over 300 submissions were received from members of the public, with the majority of those submissions from Alaskan residents. Endeavour was the ship captain by Captain James Cook when he discovered the Cook Inlet, Alaska and Australia.

Buccaneer Director Dean Gallegos said, “*We consider this mutual agreement from both parties to the acquisition of the Rig as normal practice in the circumstances and it is anticipated that this will not materially delay our progress towards exploration drilling at our Southern Cross Unit.*”

Kenai Loop Pipeline Construction

The Company is pleased to advise that construction of the pipeline to connect the Kenai Loop # 1 well to the gas sales line has now commenced. Gas sales are currently on track to commence in December 2011 with net revenue inflows to be received by Buccaneer starting late January 2012.

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 for Alaska:

- *Developing the 100 % owned Kenai Loop onshore gas project with independently assessed 4.8 MMBOE¹ in 2P Reserves;*
- *Acquiring and operating an 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 1H 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 mmcfd (750 - 1,000 BOEPD¹). The field is expected to be in production in late 4Q 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 an Oil to Gas conversion ratio of 8:1