



ASX RELEASE – 26 SEPTEMBER 2012

KENAI LOOP # 4 WELL – DRILLING REPORT # 2

Buccaneer Energy Limited (“Buccaneer” or “the Company”) is pleased to provide the following update on the progress of the 100% owned Kenai Loop # 4 well:

Time: 11.00am (Sydney) 26 September 2012 / 5.00pm (Anchorage) 25 September 2012.

Depth: 7,645' Measured Depth (“MD”)

Activity: Directionally drilling to 8,425' MD where 9 7/8" intermediary casing will be set then vertical drilling to Total Depth (“TD”) of 13,000' Total Vertical Depth (“TVD”). Prior to setting casing a wire line logging run will be made for the interval 3,000' – 8,425' MD.

Log while drilling (“LWD”) will be employed from the intermediary casing point (8,425' MD).

A permit application has been lodged to deepen well TD to 13,000' TVD to test all seismic anomalies identified on 3D seismic.

Comment: The primary target in the Kenai Loop # 4 well are 7 stacked potential pay sands in the Tyonek formation, the well will have a bottom-hole location approximately 2,000' north-west of the successful Kenai Loop # 1 well. All of the 7 stacked potential pay sands have been identified and mapped using data from the recent 3D seismic interpretation and all have hydrocarbon indicators.

The targeted pay sands within the Tyonek include the 9,700' and 10,000' sands that are currently producing 5.0 million cubic feet per day (“MMCFD”) from the Kenai Loop # 1 well on a 5/64" choke. This gas is being sold to a local utility at an annual weighted price of US\$6.24 / MCF.

The Kenai Loop # 4 well has been drilling 14 days and is anticipated to take a total of 35-40 days to drill with an additional 10 days for testing. At this point of operations the well is running ahead of the planned schedule.

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.

Competent Persons Statement

The information contained in that report pertaining to the Alaskan offshore projects was reviewed by Dr. Vijay Bangia, PhD in Petroleum Engineering from the University of Tulsa, who has over 31 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.

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 6.4 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 ("AIDEA"). 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 was completed in late August 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) 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 #4 in 3Q 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 a small amount of oil.

¹ *The Gas to Oil conversion ratio has been amended from 8:1 to 6:1 to align with accepted industry reporting standards.*