

24 June 2013

Dear Fellow Shareholders,

**The Directors recommend you vote AGAINST all resolutions in the upcoming General Meeting**

- The current Board and management acts in the best interests of and represent ALL shareholders – not just two shareholders with 8.69% of the Company;
- The current Board and management have established a platform which will grow and deliver significant value from Buccaneer's world-class portfolio of Alaskan assets;
- The current Board and management have installed a focused strategy to commercialise developing assets by increasing production, cash flows and reserves ;
- The current Board believe the proposed new Director candidates are following an unknown agenda and have inadequate industry, in-country and operating experience – critical factors for Buccaneer's future success.

On behalf of the Board of Directors of Buccaneer Energy Limited, I am writing to make sure that you are fully aware of current events as they relate to Buccaneer, and why the Board feels that you should vote AGAINST all the resolutions in the upcoming General Meeting on 2 July 2013.

This vote will determine the future of Buccaneer Energy so it is important that you understand the key issues and the Board's perspective.

**CURRENT BUCCANEER ENERGY DIRECTORS REPRESENT THE BEST INTERESTS OF ALL SHAREHOLDERS**

The current directors of Buccaneer have been nominated and elected to represent the interests of all the Company's shareholders. At each of the last five Annual General Meetings since the Company was incorporated, at least one director has retired in accordance with the Company's Constitution and each time has been re-elected by a large majority of shareholders.

The requisitioning shareholders hold a combined 8.69% of the Company, but are proposing to replace 100% of the Board by installing their own representatives. We believe they are attempting to take control of the Company without proceeding with a formal takeover offer to all shareholders.

We firmly believe that it is in the best interests of shareholders to maintain the current Board of Directors and not allow the proposed directors, who the board believe are following an unknown agenda and on the information provided to date do not have relevant, Company specific experience to take over control of Buccaneer's valuable portfolio of oil and gas assets.

Furthermore, unlike the proposed directors, all the current directors of Buccaneer are shareholders of the Company, with two directors being top 20 shareholders, who all have 'skin in the game' and genuinely strong alignment with shareholder interests. While this issue has been ignored by the requisitioning shareholders, it cannot be overlooked that the proposed directors should they be elected will have no skin in the game.

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## PLATFORM ESTABLISHED FOR SIGNIFICANT VALUE CREATION

Buccaneer is currently in the execution phase for its world-class Alaskan asset portfolio, where we anticipate a substantial ramp-up in value creation – with production due to accelerate at the Company's onshore Kenai Loop project and development drilling in progress at the Company's offshore Cosmopolitan project. This puts the Company in a compelling position and is the result of more than three years of effort by the current Board and management team putting together permits, technical data and a skilled team in a niche, but highly attractive market.

The Company now has a platform from which to grow its core Alaskan assets, representing a significant prize with obvious value and great potential for future success. It appears to the current Board highly opportunistic to see relatively new shareholders, holding only 8.69% of the shares, attempt to replace 100% of the Company's Board where they will control these assets and Buccaneer's unique opportunity.

The current Board and management team have years of hands-on experience and specific knowledge of the Company's Alaskan assets and the local market. I believe **the current Board and management team is the best equipped to realise value for Buccaneer's shareholders in the near term**. We do not believe the proposed directors have the operating experience or knowledge to execute on Buccaneer's Alaskan projects at this crucial stage. There is no doubt in our minds that changes in leadership at this time may result in instability and further delays that would be highly disruptive and destructive to the work already in progress.

## FOCUSED STRATEGY TO COMMERCIALISE DEVELOPING ALASKAN ASSETS

The Company's strategy is to extract value from its onshore and offshore assets in Alaska by developing these projects and putting them into production while increasing reserves and cash flows. These activities aim to realise the ultimate potential of the Company's assets and close the current valuation gap in Buccaneer's share price relative to those assets.

The Board recognises that the market is nowhere close to fully or fairly valuing Buccaneer's assets and their potential. As a result, we have initiated a process to assess all options to realise that value by engaging a corporate advisor with a global network. Through this process, Buccaneer has had substantial early stage farm-in interest across the Company's Alaskan portfolio.

Further to the asset commercialisation process, Buccaneer has a firm strategy to fund activity in the medium term, including the placement of the rights issue shortfall, debt funding, and potential farm-outs and cornerstone investors.

## PROPOSED DIRECTORS HAVE AN UNKNOWN AGENDA, INADEQUATE EXPERIENCE AND A MIXED CORPORATE HISTORY

The minority shareholders who have called the General Meeting, and their hand-picked proposed directors, have an **unknown agenda and no articulated strategy for what they plan to do with the Company and its Alaskan assets** – or at least not one they are willing to share in detail with the other shareholders of Buccaneer.

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Furthermore, the experience on which their proposed directors rely is related to coal seam gas and coal bed methane companies in Australia and the UK, including Dart Energy and Acer Energy, which we believe bear little relevance to Buccaneer's Alaskan assets or the environment in which the Company operates.

Two of the proposed directors serve on the Dart Energy Limited Board of Directors, which has seen its company share price decline more than 90% from \$0.80 at 30 August 2010 to \$0.076 at 19 June 2013. Dart Energy, a coal seam gas company, has had to withdraw from its Australian operations, and is currently facing significant permitting issues with its United Kingdom project. Those directors have overseen in excess of A\$190 million in expenditure over the last three years with no material production, no added reserves and no discernible growth plan.

The Board of Buccaneer has offered to discuss board representation with the requisitioning shareholders which is proportionate with their shareholding in Buccaneer Energy. This offer has been rejected and their insistence on 100% board control has been reiterated.

All three proposed directors were also directors of Acer Energy Limited in the period from March 2011 to October 2012 where again there was no material operational activity, production declines and no increases in Reserves.

**The current Buccaneer Energy Limited directors have established personal relationships with existing Alaskan government and industry decision makers; the best understanding and experiences with Buccaneer Energy's permits, infrastructure, technology and people; and a focused strategy in place to advance Buccaneer Energy in the interests of all shareholders.**

**BUCCANEER DIRECTORS RECOMMEND YOU VOTE AGAINST ALL RESOLUTIONS AT THE GENERAL MEETING ON 2 JULY 2013**

I look forward to the second half of 2013 when the uncertainty and instability introduced by the minority requisitioning shareholders and their actions is removed, and Buccaneer can return its full focus to its core activities in Alaska.

I welcome your feedback and comments ahead of the General Meeting on 2 July 2013 in Sydney, and I appreciate the comments and suggestions received thus far from shareholders and other stakeholders. With your support, the Board will continue to seek to create value for all Buccaneer shareholders.

Enclosed with this letter is a new proxy form that you can use to lodge your vote or, if you have already voted, amend your vote. Alternatively you can use the online voting option by following the instructions on the proxy form.

Yours faithfully,

**Mr Alan Broome, AM**  
**Chairman**

On behalf of the Buccaneer Energy Limited Board of Directors

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**APPENDIX A**
**RELATIVE DIRECTORS' PERFORMANCES**

**Current directors' performance at Buccaneer Energy compared to proposed directors' performance at Dart Energy and Acer Energy.**

Performance metric	Buccaneer Energy <sup>1</sup>	Dart Energy <sup>2,3</sup>	Acer Energy <sup>4,5</sup>
Total Revenue Increase	\$15,414,000	\$893,000	\$1,592,000
Net Capital Expenditure <sup>6</sup>	\$49,277,050	\$155,754,000	\$8,893,000
Administration Costs	\$22,307,000	\$34,113,000	\$6,950,000
Proven & Probable (2P) Reserves Added - BOE	71,400,000	Nil	Nil
Share Price Performance	-5.3%	-90.9%	Delisted – Not Available
	Current directors	Proposed directors	

<sup>1</sup> Represents performance from 1 July 2010 to 31 March 2013

<sup>2</sup> Represents performance from 30 August 2010 to 31 March 2013

<sup>3</sup> Nicholas Davies (Chairman) and Shaun Scott (Director) of Dart Energy Limited

<sup>4</sup> Nicholas Davies (Chairman), Clint Adams (Managing Director) and Shaun Scott (Director) of Acer Energy Limited

<sup>5</sup> Represents performance from 1 April 2011 to 30 September 2012

<sup>6</sup> Net of ACES Rebates

All the above information was derived from publicly available information for each company. Share price performance as at close of trading 19 June 2013.

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**APPENDIX B****CLARIFICATIONS TO THE STATEMENT BY THE PROPOSED DIRECTORS DATED 10 JUNE 2013****Assertion:**

*"The ACES scheme is presently only available until 2016..."*

**Response:**

The ACES scheme does not expire in 2016. This erroneous statement by the proposed directors clearly demonstrates a lack of understanding in respect to a piece of Alaska state government legislation that is central to the redevelopment of the Cook Inlet. It also demonstrates a worrying lack of attention to detail and research capability as the correct information is available online.

In 2010 the current directors of Buccaneer commissioned KPMG to conduct a forensic analysis of the ACES legislation. Since that time this report has been updated to include amendments to the ACES legislation that have been approved and those amendments that have been tabled but not yet debated or approved by the Alaskan state government so as to ascertain any impact upon Buccaneer's position.

Within the ACES program there is a Small Producer Tax Credit, which is a US\$12 million credit against production taxes available to producers with production less than 50,000 equivalent barrels of oil per day. The credit is available for 9 years starting on the first date of production before 2016. If first production is after 2016, the small producer tax credit is not available.

Under the ACES legislation the Cook Inlet has a production tax holiday until 2022 and therefore the winding back of the Small Producer Tax Credit will not have any material impact on Buccaneer. It's important to note that this is not related to the ACES tax credits for Exploration Lease Well, Capital Spending and Loss Carry forward as these sections of the ACES Legislation do not have an expiration date.

**Assertion:**

*"Buccaneer's strategy has resulted in the company (sic) now pursuing a process which appears that the entire company (sic) is up for sale with no clear or preferred transaction outcome being articulated."*

**Response:**

The Directors of Buccaneer have recognised that the market capitalisation of the Company does not reflect the underlying value of its assets or the future potential of those assets.

The reality is that Buccaneer is a public company and third parties are free to make proposals to the Company and its shareholders at any time. Indeed, over the last six months the Company has received unsolicited approaches from third parties in respect to acquiring the Company and/or its assets. Rather than be reactive to any formal offer that might be made in the future, the Board has sought to be proactive by appointing Canaccord Genuity (Australia) in March 2013 to conduct a strategic review of all the Company's assets to assist the Board in realising the imbedded value of the portfolio of assets. If a formal offer is received by a third party, the Company will be well positioned to instil competitive tension in any bidding process rather than being surprised and reactive by any future offer that maybe received.

The strategic review will seek to analyse all options including farm-out of individual projects, dual listing on foreign exchange(s), splitting of the onshore and offshore portfolio into separate companies, the sale of the Company in its entirety and the realisation of value from the Company's significant investment into the Endeavour jack-up rig.

The process is ongoing but already the Company has received interest in respect to acquisition of the Company in its entirety, farm-out of individual projects and the Endeavour jack-up rig. Given the difficult market conditions, it would be remiss to not consider all forms of approaches by third parties.

**Assertion:**

*"...we feel that BCC has lost its way and is now in urgent need of a refocused strategy."*

**Response:**

As a result of more than three years of hard work and planning by the current Board and management team, the Company now has an established platform for developing all its Alaskan projects over the next 12-24 months.

The Company is fully permitted for six offshore wells and is finalising permitting for multiple onshore wells. It has the drilling rigs under exclusive contract in an extremely tight rig environment and has the operational team established within Alaska to commence operations.

The Board and management have never been more focused.

**Assertion:**

*"The current strategy seems to us to have placed BCC in a position where it has lost investor confidence and is struggling to secure the necessary funding required to execute its strategy."*

**Response:**

Buccaneer has made substantial progress in its strategy of developing its Alaskan assets, despite market challenges, delivering significant production and cash flow growth.

Investor confidence is generally depressed, as a result of challenging global macroeconomic environment and the subsequent difficulties in capital and financial markets. This is especially the case in resources and energy related industries and small cap stocks in general. As such, market conditions and investor confidence have impeded the ability of most small cap resources companies, including Buccaneer, to access funding with which to progress their projects.

Buccaneer has a firm strategy for funding activity in the medium term, including the placement of the rights issue shortfall, debt funding and potential farm-outs and cornerstone investors.

The requisitioning shareholders became shareholders on 29 December 2012 and at that time the Company's plans were laid out in detail and the progress since that date has followed that plan. The Director's believe the current action of the requisitioning shareholders appears to be a deliberate attempt to undermine the Company's funding efforts at a crucial time.

**Assertion:**

*"We believe that BCC needs to get back to the business of being an upstream oil and gas company and adhere to a strategy appropriate to its current status."*

**Response:**

The Board can only surmise that this statement relates to its part ownership in the Endeavour jack-up rig. The fact is that the Company would not have been able to acquire either the Cosmopolitan field from Pioneer Resources or deep oil rights in the North Cook Inlet Unit from ConocoPhillips without access to the Endeavour jack-up rig as each sought a drilling commitment. Buccaneer was able to win the bidding process for these projects because it was the only operator able to give this drilling commitment given its exclusive access to the Endeavour.

The Board recognises that the acquisition and refurbishment of the Endeavour has been an extremely large undertaking that has cost more and taken longer than first anticipated – this experience is not unlike most other major capital projects undertaken within the resources and energy industry over the last five years by small companies and large multi nationals alike.

The Board also recognise that given the Endeavour is now in the Cook Inlet and operational that there is no longer a need to retain ownership and as such has included its ownership of this asset in the strategic review mentioned above and which has already received interest.

**Assertion:**

*"If BCC is challenged to either fund or properly manage/execute the drilling of any of its high potential prospects (before their lease expiry dates) then why not farm out the higher risk prospects in return for a carried interest?"*

**Response:**

On the one hand the requisitioning shareholders are criticising the Board for looking at commercialisation options; on the other the Board is being asked why it is not looking at commercialisation options like a farm-out.

Buccaneer is currently fielding interest in farming-out some of its offshore Alaskan portfolio. Maximising value for both the onshore and offshore assets is a process, and this is certainly true when locating a partner. This process has been informally underway since late 2012 and is now being formally addressed through the structured strategic review process.

**Assertion:**

*"...what is BCC's core business and has this changed?"*

**Response:**

Buccaneer's core focus is to commercialise its portfolio of developing Alaskan assets. The acquisition of a drilling rig fits within this strategy as it is crucial piece of infrastructure in the development and production phases, which has given Buccaneer a significant strategic advantage. When not in use by Buccaneer, it can form a revenue stream by being leased out to third parties in the region.

**Assertion:**

*"...the company (sic) has experienced permitting delays, drilling delays and cost overruns on both drilling activities and the refurbishment of the jack up rig."*

**Response:**

There have been delays and cost overruns as most resources companies, including Dart Energy and Acer Energy, experience over the course of business.

Two of the proposed directors were founding directors and have controlled Dart Energy's operations for the last three years and Dart Energy still cannot get what, the current Directors believe, is a relatively simple coal bed methane project permitted at Airth in Scotland.

Dart Energy has subsequently stood down their complete team at Airth, including drilling contractors, at great expense to Dart Energy shareholders.

Dart Energy over the last three years has spent AUD\$155 million in capital expenditure plus an additional AUD\$34 million in administration charges and has achieved **total** revenue over three years of AUD\$893,000. Furthermore, during that time Dart Energy has not booked any Proven or Probable Reserves. During the last three years two of the nominee directors have overseen a **share price decline** of approximately **90%** at Dart Energy.

The current directors of Buccaneer have overseen a strategy over the last three years that has resulted in:

- Increased net revenue from nil to an annualised US\$18.0 million per annum;
- Increased third party certificated Proven and Probable Reserves from nil to 71.4 MMBOE;
- Increased third party certified Contingent Resources (2C) and P50 Resource from nil to 84.3 MMBOE;
- Unitised the Southern Cross Unit and North West Cook Inlet Unit;
- Completed permitting for two wells at each of the Southern Cross, North West Cook Inlet Unit and Cosmopolitan projects;
- Leased 9,308 acres at the Kenai Loop Project from three separate lease owners;
- Permitted four wells and drilled three wells at Kenai Loop, two of which were successful;
- Permitted and built a pipeline at the Kenai Loop Project;
- Achieved production of 10.0 MMCFD at the Kenai Loop project with corresponding significant cash flow;
- Negotiated two long-term gas contracts with a large utility company;
- Permitted and acquired a 25 m<sup>2</sup> 3D seismic data over Kenai Loop;
- Acquired the Cosmopolitan project;
- Negotiated with ConocoPhillips to acquire the deep oil rights at the North Cook Inlet Unit;
- Reprocessed 3D seismic data over the Southern Cross Unit and Cosmopolitan projects;
- Reprocessed 2D seismic data over the North West Cook Inlet Unit and gained access to a 3D seismic data set;
- Reprocessed 230 miles of 2D seismic at West Eagle project;
- Successfully unitised the West Eagle Unit;
- Acquired the West Nicolai project at lease sale;
- Acquired and refitted the Endeavour jack-up rig with exclusive access for five years;
- Secured exclusive access to the Glacier onshore rig until May 2015, with an option to purchase; and
- Secured US\$100 million in new debt facilities to support the ongoing development of the Company's Kenai Loop project.



Many of the issues the Company has faced have been out of Buccaneer's control; however, despite challenges, Buccaneer is progressing with production and development drilling across its onshore and offshore Alaskan assets.

**Assertion:**

*"If you are raising equity for a 13 well campaign why not, if you are a believer in the prospects, raise a smaller amount, undertake a drilling campaign that is more manageable given past performance and with some success raise future equity, if needed, at a more acceptable price?"*

**Response:**

Over the last three years the Company has drip fed capital into its program which has contributed to a weak share price as there is always an expectation of a future capital raising. The effect of this was to place the focus on the Company's balance sheet rather than the underlying strength of its Alaskan portfolio.

The rights issue offering was sized in conjunction with the Company's advisors to fund a large drilling program and remove the expectation of additional capital raisings in the short to medium term, and refocus investors on the Company's projects.

**Assertion:**

*"We consider that we have relevant and practical experience in the sector and a past track record of delivering significant returns for shareholders."*

**Response:**

Experience with Australian and UK coal seam gas and coal bed methane projects bears little relevance to Buccaneer's Alaskan assets or the environment in which the Company operates.

Furthermore, the current Directors believe the proposed directors do not have the operational experience required to advance Buccaneer through the current crucial project execution phase and that this is demonstrated by the significant issues facing Dart Energy, of which the proposed directors have been directors since that company's inception in mid-2010.

The current Board does not believe that the proposed directors have the experience to operate a Company in an environmentally sensitive region such as the Cook Inlet, Alaska. The coal bed methane industry in Australia is not known for its environmental record (ABC Four Corners investigation) and operating to the same standard within Alaska would be catastrophic.

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 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.