

Quarterly Report for the Period Ended 31 March 2014

Highlights

- As previously reported, permitting of the proposed Byron Energy SM6 #1 well ("SM6 #1") on the South Marsh Island Block 6 ("SMI 6") commenced during the June 2013 quarter. The Exploration Plan, a key step in the permitting process, was submitted to the Bureau of Ocean Energy Management ("BOEM") in early June 2013 and approved by the BOEM during the December 2013 quarter. The Application for Permit to Drill was submitted to the Bureau of Safety and Environmental Enforcement ("BSEE") in early December 2013. On 14 February 2014 BSEE granted final approval for Byron to drill the Byron SM6 #1 well. On 15 February 2014 Byron completed installation of a seven slot caisson for use at SM6 #1. Byron anticipates drilling SM6 #1 well in mid May 2014, with the actual spud date depending on when the Spartan Rig 202 is finished with its current drilling commitment. SMI 6 block is prospective for oil and gas with extensive Anisotropic Reverse Time Migration ("ARTM") seismic interpretation.
- On 14 February, 2014 the Company entered into an agreement with WesternGeco for geoscience services on two of the Company's leased salt dome projects. The **Eugene Island 63 / 76 Salt Dome Project** will undergo ARTM reprocessing on 3D data already licensed by the Company. The **South Marsh Island 70 / 71 Salt Dome Project** will be subject to full waveform inversion techniques on 3D ARTM data already licensed by the Company to create acoustic impedance volumes leading to lithofacies, porosity and water/hydrocarbon saturation prediction.
- On March 19, 2014 the BOEM advised Byron that it was the high bidder on **Grand Isle blocks 63 / 72 / 73** in the central GOM Lease Sale 231 held in New Orleans. The final award of these leases is subject to a geological review by the BOEM to confirm the adequacy of the bids.

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue:	128.2 million
Quoted shares:	108.7 million
Options on issue (unquoted):	37.2 million
Cash at 31 Mar 2014:	US\$9.95 million
Market Capitalisation at A\$0.81 per share	A\$103.8 million

Directors

Doug Battersby (Non-Executive Chairman)
 Maynard Smith (Chief Executive Officer)
 Prent Kallenberger (Chief Operating Officer)
 Charles Sands (Non-Executive Director)
 Paul Young (Non-Executive Director)

Company Secretary and Chief Financial Officer

Nick Filipovic

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Quarterly Report for the Period Ended 31 March 2014 (Cont.)

- Byron had a cash balance of \$US 9.95 million at 31 March 2014, of which \$US 8.36 million is denominated in \$US and the balance in \$A.

Corporate

Issued Capital

In the March 2014 quarter, 52,940 unlisted options were exercised at \$A0.50 with the resulting shares now quoted on the ASX. At 31 March 2014 Byron's issued capital comprised:-

	Total issued	Quoted	Unquoted	Escrowed*
Shares (ASX:BYE)	128,177,947	108,727,429	19,450,518	19,450,518
Options	37,171,984	Nil	37,171,984	13,687,083

* escrowed until 30 May 2015.

Projects Update

South Marsh Island Block 6

Byron's primary area of focus in 2013/14 is South Marsh Island Block 6 ("SMI 6"), located offshore Louisiana, in the shallow waters of the Gulf of Mexico ("GOM"), 216km southwest of New Orleans in approximately 17 metres of water. Byron owns a 100% working interest and an 81.25% net revenue interest in the block.

Drilling opportunities

SMI 6 is located on the western flank of a large piercement salt dome. The face of the salt dome dips to the east forming an overhang, which most likely prevented the accurate seismic imaging of the prospect with older seismic datasets.

SMI 6 is productive from discrete, hydrocarbon-bearing, sandstone reservoirs, which are primarily trapped in three-way structural closures bound either by salt or stratigraphic thinning on its up-dip edge. These reservoirs are Pliocene to Upper Miocene age sands from 2,184m to 3,094m, total vertical depth.

SMI 6 is ready for drilling with a number of shallow and deep potential drilling targets identified.

Projects Update

South Marsh Island Block 6 (Cont.)

Proposed SM6 #1 Well

Byron's initial focus at SMI 6 is the South West Prospect where it is proposing to drill the SM6 #1 well in the south west corner of a major salt dome. Based on the latest information from Spartan Offshore Drilling, the rig owner, Byron anticipates spudding SM6 #1 in the middle of May, with the actual spud date dependent on when the Spartan Rig 202 completes its current drilling commitment.

The SM6 #1 well will be drilled to only test the un-pressured (shallow) section. The deep section is to be tested with another well at a future date.

Further information on the oil and gas reserves and prospective resources of SM6 #1 Well, the South West Prospect and the SMI 6 block overall is contained in Byron's 2013 Annual Report, released to the ASX on 16 October 2013 and previous quarterly activity reports lodged with the ASX. These reports can be accessed on the Company's website: www.byronenergy.com.au

Exploration Plan and Application for Permit to Drill

As previously reported, Byron submitted:-

- (i) an Exploration Plan ("EP") for SMI 6 to the Bureau of Ocean Energy Management ("BOEM") during the June 2013 quarter. During the September 2013 quarter BOEM advised Byron that its EP was Deemed Submitted, meaning that Byron had provided sufficient information for the BOEM to begin its review. During the December quarter 2013 BOEM approved Byron's EP, a major milestone in the approval process, and
- (ii) the Application for Permit to Drill ("APD") to the Bureau of Safety and Environmental Enforcement ("BSEE") in early December 2013.

On 14 February 2014 BSEE granted final approval for Byron to drill the Byron SM6 #1 well.

On 15 February 2014 Byron completed installation of a seven slot caisson (266 feet in length and 72 inches in diameter) for use at SM6 #1. The caisson was set prior to the arrival of the Spartan jack-up drilling rig and will also serve as protective device while Byron finalises its development and production plans, should the well be successful. The BSEE had previously granted approval for Byron to install the caisson.

Salt Dome Projects

Byron holds acreage on a total of six salt domes in the shallow waters of the GOM, in addition to SMI 6. Four projects are over oil prone salt domes and two are over more gas prone salt domes.

As previously reported in the Chairman's Address at the 2013 AGM and in the December 2013 Quarterly Report, the Company licensed 3D seismic data over several of its Gulf of Mexico leases from WesternGeco. Since then, interpretation has progressed on several of those projects. Consistent with the Company's goal of obtaining high quality Anisotropic Reverse Time Migration ("ARTM") data over its salt dome projects and to utilize state of the art geophysical processing, Byron has selected a contractor to advance toward those goals.

On 14 February, 2014 the Company entered into an agreement with WesternGeco for geoscience services on two of the Company's leased salt dome projects. Under this agreement, WesternGeco will undertake the following:

Eugene Island 63 / 76 Salt Dome Project

WesternGeco will perform ARTM reprocessing on 3D data already licensed by the Company. The objective of the reprocessing is to provide an improved depth image of sediments and salt body around the EI 63 salt dome to allow the Company to delineate hydrocarbon prospects on its EI 63 and EI 76 leases. This processing project began in March and is anticipated to take 5-6 months to complete.

South Marsh Island 70 / 71 Salt Dome Project

WesternGeco, through its Schlumberger PetroTechnical Services team will utilize full waveform inversion techniques on 3D ARTM data already licensed by the Company to create acoustic impedance volumes leading to lithofacies, porosity and water/hydrocarbon saturation prediction. The goal of this work is to define reservoir geometries and extents of previously producing sands which could lead to drilling on acreage controlled by the Company. This project is expected to take 5-8 months to complete and commenced in March.

In October 2013 Byron acquired and took delivery of 3D seismic data and preliminary ARTM seismic data over its SM 70 / 71 salt dome project. Final ARTM seismic data was received from WesternGeco in March 2014.

The use of ARTM will provide the groundwork to map potential sub salt and salt flank prospects around the salt domes. Until very recently the standard use of ARTM has been largely confined to the deep water areas of the Gulf of Mexico (and elsewhere such as offshore Brazil) where sub salt plays occur and the very high drilling and development costs can easily justify the higher cost of ARTM.

Salt Dome Projects (Cont.)

Gulf of Mexico Lease Sale 231

On March 19, 2014 the BOEM advised Byron that it was the high bidder on three blocks in the central GOM Lease Sale 231 held in New Orleans earlier that day.

Byron was the high bidder on three blocks in the Grand Isle Area of the Outer Continental Shelf in the shallow waters of the GOM, approximately 100 miles (161 kilometres) south of New Orleans, comprising:-

Grand Isle Block 63

Grand Isle Block 72

Grand Isle Block 73

The final award of these leases is subject to a geological review by the BOEM to confirm the adequacy of the bids. In the normal course, Byron would expect the BOEM to announce the awarding of the leases within three months, assuming a positive review by the BOEM. If and when awarded, Byron will have a 100% working interest and an 81.25% net revenue interest in each lease. The total bid amounts payable to the BOEM will be approximately \$US488,000, assuming the BOEM awards the leases to Byron.

The Grand Isle 63 / 72 / 73 blocks cover a salt dome which has previously produced a total of 827,000 barrels of oil and 12 billion cubic feet of gas from 8 wells over the period 1968 to 2009. Byron expects to have Reverse Time Migration 3D seismic processing on these blocks within the next 12 months.

The Grand Isle 63 / 72 / 73 blocks, assuming final award by the BOEM, will further expand Byron's existing portfolio of salt dome projects in the shallow water of the GOM.

Other Lease Blocks (non-salt dome projects)

In addition to the salt dome projects, including SMI 6, Byron has a 100% working interest in three other projects comprising Ship Shoal Block 180 and West Delta Block 49 and Grand Isle Block 95.

As previously reported, Byron relinquished the dry gas prone West Cameron 490 project leases and the West Cameron 472 project leases during the March quarter.

Properties

At 31 March 2014, Byron's portfolio of properties* in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA comprised:-

Properties	Operator	Interest WI/NRI* (%)	Status	Lease Expiry Date	Area (Km ²)
South Marsh Island Block 6	Byron	100.00/81.25	Exploration	June 2015	20.23
South Marsh Island Block 70	Byron	100.00/81.25	Exploration	July 2017	22.13
South Marsh Island Block 71	Byron	100.00/81.25	Exploration	July 2017	12.16
Ship Shoal Block 180	Byron	100.00/81.25	Exploration	May 2015	20.23
West Delta Block 49	Byron	100.00/81.25	Exploration	May 2014	20.23
West Cameron Block 263	Byron	100.00/81.25	Exploration	May 2018	20.23
East Cameron Block 154	Byron	100.00/81.25	Exploration	July 2017	20.23
East Cameron Block 155	Byron	100.00/81.25	Exploration	May 2018	20.23
East Cameron Block 190	Byron	100.00/81.25	Exploration	July 2017	20.23
Eugene Island Block 191	Byron	100.00/81.25	Exploration	July 2017	20.23
Eugene Island Block 210	Byron	100.00/81.25	Exploration	July 2017	20.23
Eugene Island Block 63	Byron	100.00/81.25	Exploration	May 2018	20.23
Eugene Island Block 76	Byron	100.00/81.25	Exploration	May 2018	20.23
Eugene Island Block 190	Byron	100.00/81.25	Exploration	July 2018	20.23
Grand Isle Block 95	Byron	100.00/79.75	Exploration	September 2017	18.37
Vermilion Block 200	Byron	100.00/81.25	Exploration	June 2018	20.23

* Excludes Grand Isle blocks 63/72/73 which at the date of lodgement of this report were yet to be formally awarded to Byron by the BOEM. Byron was the high bidder for these blocks at the GOM Lease Sale 231 held on 19 March 2014. The final award of these leases is subject to a geological review by the BOEM to confirm the adequacy of the bids.

** Working Interest ("WI") and Net Revenue Interest ("NRI")

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Byron Energy Limited

ABN

88 113 436 141

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (9 months) \$US'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,470) - - (445)	(3,377) - - (1,639)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	37
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
- Withholding tax refund	-	282
- Refundable security deposit	-	(150)
Net Operating Cash Flows	(1,904)	(4,847)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(98) - -	(271) - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(98)	(271)
1.13 Total operating and investing cash flows (carried forward)	(2,002)	(5,118)

+ See chapter 19 for defined terms.

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Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,002)	(5,118)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	24	97
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	24	97
	Net increase (decrease) in cash held	(1,978)	(5,021)
1.20	Cash at beginning of quarter/year to date	11,884	14,989
1.21	Exchange rate adjustments to item 1.20	48	(14)
1.22	Cash at end of quarter	9,954	9,954

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	184
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	7,680
4.2 Development	-
4.3 Production	-
4.4 Administration	600
Total	8,280

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	9,954	11,884
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	9,954	11,884

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Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Gulf of Mexico, USA Lease blocks			
		West Cameron 469	Relinquished	100%	0%
		West Cameron 472	Relinquished	100%	0%
		West Cameron 473	Relinquished	100%	0%
		West Cameron 475	Relinquished	100%	0%
		West Cameron 490	Relinquished	100%	0%
		West Cameron 491	Relinquished	100%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Byron was the high bidder on Grand Isle blocks 63/72/73 at the GOM lease Sale 231 held on 19 March 2014. The final award of these leases is subject to a geological review by the BOEM to confirm the adequacy of the bids			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities <i>(description)</i>	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	128,177,947	108,727,429		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	52,940	52,940	\$A0.50	\$A0.50

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.5	+Convertible debt securities <i>(description)</i>	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	37,171,984	Nil	<i>Exercise price \$A0.50</i>	<i>Expiry date 31 December 2016</i>
7.8	Issued during quarter	Nil	Nil		
7.9	Exercised during quarter	52,940	Nil	\$A0.50	31 December 2016
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures <i>(totals only)</i>	Nil			
7.12	Unsecured notes <i>(totals only)</i>	Nil			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 17 April 2014.

Print name: Nick Filipovic

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Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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