

12 June 2014

ASX Release
Byron Energy SM 6 #1 Drilling Update – No. 7

Byron Energy Limited (“Byron or the Company”) (ASX:BYE) advises that as at 6 pm (USA Central Time) on Wednesday, 11 June, 2014 the Byron Energy SM 6 #1 (“SM 6 #1”) well has reached a measured depth of 7,738 feet (2,358 metres) with true vertical depth at 7,646 feet (2,330 metres).

Whilst at this depth and making a connection, the bottom-hole assembly packed off, circulation was lost and the drill pipe is now stuck. The Company is currently organising a number of tools to attempt to free the drill pipe and the down-hole logging tools. Since the last drilling update, the Company has drilled through a 350 feet salt lens. Below the salt lens, the well bore encountered gassy shales and tight siltstones. Indications are that the well is substantially up-dip from all other wells drilled in the block, however no commercial reservoirs have been encountered in the well thus far. The primary reservoir target, the G20 Sand is approximately 600 feet below the current depth of the well.

SM 6 #1 well is located in South Marsh Island Block 6 (“SM 6”), offshore Louisiana, 216 km southwest of New Orleans, Louisiana, USA, in a water depth of approximately 65 feet (20 metres). Byron, through its wholly owned subsidiary Byron Energy Inc. (the operator), has a 100% working interest and a 81.25% net revenue interest in SM 6.

As a result of higher than originally expected drilling costs associated with SM 6 #1 well, Byron has today agreed to enter into an unsecured loan agreement (“the Loan”) with three of Byron’s existing directors (“Lenders”), each a substantial shareholder, for a loan facility of up to \$A 2,000,000.

The key terms of the Loan are summarised on the following page.

This Loan facility further reinforces the directors’ strong support of and commitment to the Company’s strategy in the shallow waters of Gulf of Mexico, USA.

Byron will provide further progress drilling reports as material information becomes available.

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The key terms of the Loan are:-

- (i) The Loan is unsecured.
- (ii) The Loan is to be repaid in cash on or before 31 December 2014, unless it is converted to equity.
- (iii) Interest on the drawn amount is 7.5% per annum.
- (iv) The agreement provides for the Loan to be repaid through conversion of the Loan into fully paid ordinary shares in the capital of the Company.
- (v) The Loan cannot be converted into Shares if such conversion would cause the Lenders or the Company to breach the Corporations Act 2001 (Cth) or the ASX Listing Rules. In this regard, any conversion of the Loan into Shares will require the prior approval of shareholders for the purposes of Listing Rule 10.11.

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