

Quarterly Report for the Period Ended 30 June 2014

Highlights

- V** The Byron Energy SM 6 #1 well ("SM 6 #1") spudded on Saturday, 24 May 2014 (USA Central Time). Two bypass wells, SM 6 #1 BP01 and SM 6 #1 BP02, were later drilled from the original wellbore to overcome mechanical problems. Based on the net pay intersected in the F Sands by the second bypass well, the SM 6 #1 BP02, the South Marsh Island 6 project is expected to be commercial, at today's oil and gas prices, with development anticipated over the next year.
- I** Subsequent to the end of the June quarter, Byron announced the results of electric logs run in the SM 6 #1 BP02 well (see ASX releases dated 16 and 18 July 2014), advising that:-
- S** the LWD memory log data indicates the F 40 Sand has 85 feet (26 metres) measured depth ("MD") net hydrocarbon pay and 82 feet (25 metres) true vertical depth ("TVD") net pay over a gross interval of 120 feet (37 metres) MD and 111 feet (34 metres) TVD. The two sand lobes in the F40 Sand are very high quality and exhibit good, clean porosity; and
 - E** there are several thin hydrocarbon bearing F 30 Sand lobes over a 84 foot (26 metre) gross interval with the total net hydrocarbon saturated sand thickness of 18 feet (6 metres) MD and 17 feet (5 metres) TVD over the interval. Similar to the F 40 Sand, GC Tracer data, a Weatherford proprietary gas analysis technique, indicates the hydrocarbon is a light condensate.
- O** On 28 July 2014 Byron announced that due to serious problems with the drilling rig's top drive, which were unlikely to be resolved, the Company suspended operations on SM 6 #1 BP02 and will leave the well in a condition that allows completion in the F 30 and F 40 Sands in the future. Because of the potential for numerous pay sands in this prospect, it was always intended that Byron would produce these sands from multiple wellbores. It is therefore the Company's current intention to return to SMI 6 and drill a second well into the G, H and I sands utilising the existing caisson that was driven for the SM 6 #1 well. As at the date of this report the rig is being demobilised.

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue:	138.3 million
Quoted shares:	118.8 million
Options on issue (unquoted):	37.0 million
Cash at 30 June 2014:	US\$7.23 million
Market Capitalisation at A\$0.70	A\$96.8 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 30 June 2014 (Cont.)

- Byron raised \$A8.45 million through a \$A6.45 million placement to sophisticated and professional investors and an unsecured \$A2.0 million convertible loan facility from the directors, of which \$A1.0 million was drawn down prior to 30 June 2014.
- WesternGeco and Byron continued with geoscience work on two of the Company's leased salt dome projects. The **Eugene Island 63 / 76 Salt Dome Project** is undergoing ARTM reprocessing on 3D data already licensed by the Company. The **South Marsh Island 70 / 71 Salt Dome Project** is being subjected to full waveform inversion techniques on 3D Anisotropic Reverse Time Migration ("ARTM") data already licensed by the Company to create acoustic impedance volumes leading to lithofacies, porosity and water/hydrocarbon saturation prediction.
- On May 1, 2014 the Bureau of Ocean Energy Management ("BOEM") formally awarded **Grand Isle blocks 63 / 72 / 73** leases to Byron. Byron was the high bidder on these blocks in the central Gulf of Mexico ("GOM") Lease Sale 231 held in New Orleans in March 2014. Ship Shoal 180 and Vermilion 200 leases were relinquished back to BOEM during the quarter and are no longer under lease by The Company. In addition, West Delta 49 expired during the quarter.
- Byron had a cash balance of \$US7.23 million at 30 June 2014, of which \$US6.37 million is denominated in \$US and the balance in \$A.

Corporate

Issued Capital

On 26 June 2014 Byron completed a share placement to sophisticated and professional investors within the Company's 15% placement capacity under ASX Listing Rule 7.1 comprising an issue of 9,916,847 fully paid ordinary shares at an issue price of \$A0.65 per share, raising a total of \$A6.45 million ("the Placement")

In addition, Paul Young, a director of the Company, committed to subscribe for 154,000 shares fully paid ordinary shares in the Company at an issue price of \$A0.65 per share, the same price as the Placement, subject to approval by shareholders.

In May 2014, 176,000 unlisted options were exercised at \$A0.50 each with the resulting shares now quoted on the ASX.

In announcements to the ASX, dated 12 June 2014 and 20 June 2014 respectively, Byron advised that Mr Maynard Smith, Mr Doug Battersby and Mr Charles Sands (current Directors and also substantial shareholders of Byron), agreed to lend Byron A\$2.0 million in total by way of an unsecured convertible loan ("Unsecured Convertible Loan Agreement"). Byron advised that the Directors indicated their intention to convert their loans to the Company into ordinary shares in the Company, subject to shareholder approval. The conversion, if approved, will be at A\$0.65 per share, the same price as the issue price under the placement completed on 26 June 2014, in accordance with the terms of the Unsecured Convertible Loan Agreement released to the market on 12 June 2014.

At 30 June 2014, \$A1.0 million (\$US0.942 million) had been drawn down under the Unsecured Convertible Loan Agreement. The balance was drawn down in July 2014.

Subsequent to the end of the June 2014 quarter, the Company announced a further fund raising (see ASX release dated 3 July 2014), completed in July 2014, comprising:-

- a placement of 2,876,923 fully paid ordinary shares raising \$A1.87 million, and
- an unsecured loan facility, entered into with four of the Company's directors and several others, equivalent to \$US2.544 million at 30 June \$A/\$US exchange rate (comprising A\$1.4 million and \$US1.225 million) repayable in cash by 1 July 2015.

At 30 June 2014 Byron's issued capital comprised:-

	Total issued	Quoted	Unquoted	Escrowed*
Shares (ASX:BYE)	138,270,794	118,820,276	19,450,518	19,450,518
Options	36,995,984	Nil	36,995,984	13,687,083

*escrowed until 30 May 2015.

Projects Update

South Marsh Island Block 6

Byron's primary area of focus in the 2014 year 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 65 feet (20 metres) of water. Byron owns a 100% working interest and an 81.25% net revenue interest in the block.

Drilling - Byron Energy SM 6 #1 BP02 (previously named Byron Energy SM6 #1 BP01 and prior to that Byron Energy SM 6 #1)

Having completed installation of a seven slot caisson in February 2014 the Company spudded the Byron Energy SM 6 #1 ("SM 6 #1") on Saturday, 24 May 2014 (USA central time).

On Wednesday, 11 June 2014 (USA Central time) the SM6 #1 well reached 7,738 feet (2,358 metres) MD and 7,646 feet (2,330 metres) TVD. Whilst making a connection the bottom hole assembly packed off, circulation was lost and drill pipe became stuck, approximately 600 feet (183 metres) above the primary target reservoir, the G20 Sand. Attempts to free the drill pipe were unsuccessful and the Company obtained regulatory approval to bypass the well, renamed Byron Energy SM6 #1 BP01 ("SM6 #1 BP01").

As announced to the ASX on 24 June 2014, during drilling the SM 6 #1 BP01 well intersected two Upper Miocene sand intervals which were logged with a Gamma Ray/Resistivity Logging While Drilling ("LWD") tool. These two zones were each about 60 feet (18 metres) thick (gross) and appeared to be hydrocarbon saturated based on the Gamma Ray/Resistivity response and mud log shows. Neither of these zones were present in the up-dip, original wellbore indicating a nearly vertical salt face between the two wells at this depth.

On 25 June 2014 (USA Central time) the SM 6 #1 BP 01 well was drilling ahead at 7,952 feet (2,424 metres) MD and 7,883 feet (2,403 metres) TVD when the mud weight was increased to control a gas kick. This necessary step unfortunately resulted in the drill pipe becoming differentially stuck just below the 8 5/8" casing shoe at 4,600 feet (1,402 metres). With attempts to free the differentially stuck drill pipe unsuccessful, Byron obtained regulatory approval for a second bypass well, Byron Energy SM6 #1 BP 02 ("SM6 #1 BP02").

South Marsh Island Block 6 (Cont.)

Drilling results from SM 6 #1 BP02

After several hydrocarbon shows were encountered in the SM 6 #1 BP02 well before reaching intermediate casing point depth, electric logs were run prior to running and cementing 5½ inch intermediate casing at 7,861 feet (2,396 metres) MD and 7,752 feet (2,363 metres) TVD.

Subsequent to the end of the June quarter, Byron announced the results of electric logs, based on memory log data retrieved from the Log While Drilling ("LWD") tool, run to a depth of 7,600 feet (2,316 metres) MD in the SM 6 #1 BP02 well (see ASX releases dated 16 and 18 July 2014), advising that:-

- There are several thin hydrocarbon bearing F 30 Sand lobes over an 84 foot (26 metre) gross interval between 7,110 to 7,194 feet (2,167 to 2,193 metres) MD and 7,053 to 7,131 feet (2,150 to 2,174 metres) TVD. The total net hydrocarbon saturated sand thickness is 18 feet (6 metres) MD and 17 feet (5 metres) TVD over the interval. Similar to the F 40 Sand, GC Tracer data, a Weatherford proprietary gas analysis technique, indicates the hydrocarbon is a light condensate. The F 30 Sand in the SM6 #1 BP02 well is 475 feet (145 metres) updip from the oil water contact observed in the nearby Humble SM 6 B3 well ("Humble B3") drilled in 1964. The F 30 Sand was not produced in the Humble B3 well. Typically, the F 30 Sand has an average sand thickness of 75 feet (23 metres) in the nearby downdip wells.
- In addition, the LWD memory log data indicates the F 40 Sand has 85 feet (26 metres) MD net hydrocarbon pay and 82 feet (25 metres) TVD over the interval 7,430 to 7,550 feet (2,265 to 2,301 metres) MD and 7,351 to 7,462 feet (2,241 to 2,274 metres) TVD. The two sand lobes in the F40 Sand are very high quality and exhibit good, clean porosity. The F 40 Sand thickness in the SM6 #1 BP02 well is 30 feet (9 metres) greater than the nearby downdip wells.
- Based on the net pay intersected in the F Sands by SM 6 #1 BP02 well, the SMI 6 project is expected to be commercial, at today's oil and gas prices, with development anticipated over the next year.

On 28 July 2014 Byron announced that due to serious problems with the drilling rig's top drive, which were unlikely to be resolved, the Company decided to suspend operations on the well and leave it in a condition that allows completion in the F 30 and F 40 Sands in the future. Because of the potential for numerous pay sands in this prospect, it was always intended that Byron would produce these sands from multiple wellbores. It is therefore the Company's current intention to come back to SMI 6 and drill a second well into the G, H and I sands utilising the existing caisson that was driven for the SM 6 #1 well. As at the date of this report (30 July 2014), the rig is being demobilised.

Salt Dome Projects

At 30 June 2014 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, comprising Eugene Island 63/76, South Marsh Island 70/71, Grand Isle Block 63/72/73, East Cameron 190, West Cameron 263/East Cameron 154/155 and Eugene Island 190/191/210.

The Vermilion Block 200 lease, previously designated as a potential salt dome project, was relinquished during the June quarter following a thorough review of the seismic data. This will result in an estimated charge of \$US280k to the profit and loss for the financial year ended 30 June 2014. Subsequent to the end of the quarter, the East Cameron 190 lease was relinquished, after a thorough review of the seismic data, and will result in an estimated charge of \$US268k to the profit and loss for the financial year ended 30 June 2014.

Salt Dome Projects (Cont.)

Eugene Island 63 / 76 Salt Dome Project

As previously reported in the March 2014 Quarterly Report, WesternGeco began ARTM reprocessing in March 2014 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 Eugene Island 63 salt dome to allow the Company to delineate hydrocarbon prospects on its Eugene Island 63 and Eugene Island 76 leases. This processing project is expected to be completed during the September 2014 quarter.

South Marsh Island 70 / 71 Salt Dome Project

As previously reported in the March 2014 Quarterly Report, 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 and be completed in the December 2014 quarter.

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.

Gulf of Mexico Lease Sale 231

As previously reported, on 19 March, 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 (working interest 100% and net revenue interest 81.25%)

Grand Isle Block 72 (working interest 100% and net revenue interest 81.25%)

Grand Isle Block 73 (working interest 100% and net revenue interest 81.25%)

These leases were formally awarded to Byron on 1 May, 2014.

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, will further expand Byron's existing portfolio of salt dome projects in the shallow waters of the GOM.

Other Lease Blocks (non-salt dome projects)

In addition to the salt dome projects, including SMI 6, as at 30 June 2014 Byron has a 100% working interest in one other project comprising Grand Isle Block 95.

The West Delta Block 49 lease expired during the June 2014 quarter and the Ship Shoal Block 180 lease was relinquished as it had only one year remaining prior to lease expiry date. The carrying value of the West Delta block was impaired in the half year ended 31 December 2013 financial statements whereas the non-renewal of the Ship Shoal Block 180 will result in an estimated charge of \$US717k to the profit and loss for the financial year ended 30 June 2014.

Properties

At 31 December 2013, 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 / Development	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
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
Grand Isle Block 63	Byron	100.00/81.25	Exploration	April 2019	20.23
Grand Isle Block 72	Byron	100.00/81.25	Exploration	April 2019	20.23
Grand Isle Block 73	Byron	100.00/81.25	Exploration	April 2019	20.23

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

** Blocks relinquished subsequent to the end of the June quarter.

Rule 5.5

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")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$US'ooo	Year to date (12 months) \$US'ooo
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(8,756) - - (504)	(12,133) - - (2,143)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	47
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) - Withholding tax refund - Refundable security deposit	- - -	282 (150)
Net Operating Cash Flows		(9,250)	(14,097)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(492) - -	(763) - -
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		(492)	(763)
1.13	Total operating and investing cash flows (carried forward)	(9,742)	(14,860)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(9,742)	(14,860)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	6,101	6,198
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	934	934
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Equity raising expenses	(43)	(43)
	Net financing cash flows	6,992	7,089
	Net increase (decrease) in cash held	(2,750)	(7,771)
1.20	Cash at beginning of quarter/year to date	9,954	14,989
1.21	Exchange rate adjustments to item 1.20	29	15
1.22	Cash at end of quarter	7,233	7,233

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	188
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

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
- 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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$US'ooo	Amount used \$US'ooo
3.1 Loan facilities*	1,884	942
3.2 Credit standby arrangements	-	-

* In announcements to the ASX on 12 and 20 June 2014, Byron advised it had entered into an unsecured convertible loan facility, with three of its directors, for \$A2.0 million, of which A\$1.0 million was drawn down in June 2014 and the balance in July 2014.

Estimated cash outflows for next quarter

	\$US'ooo
4.1 Exploration and evaluation	11,000
4.2 Development	-
4.3 Production	-
4.4 Administration	700
Total	11,700**

** Subsequent to the end of the June 2014 quarter, the Company raised further funds, comprising:-

- a placement of 2,876,923 fully paid ordinary shares at \$A0.65 per share raising \$A1.87 million; and
- an unsecured loan facility with four of the Company's directors and several others for \$US2.544 million repayable in cash by 1 July 2015.

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'ooo	Previous quarter \$US'ooo
5.1 Cash on hand and at bank	7,233	9,954
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,233	9,954

+ See chapter 19 for defined terms.

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 Delta 49 Ship Shoal 180 Vermilion 200	Expired Relinquished Relinquished	100% 100% 100%	0% 0% 0%
6.2 Interests in mining tenements and petroleum tenements acquired or increased	Gulf of Mexico, USA Lease blocks			
	Grand Isle 63 Grand Isle 72 Grand Isle 73	Acquired Acquired Acquired	0% 0% 0%	100% 100% 100%

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	138,270,794	118,820,276		
7.4 Changes during quarter (a) Increases through issues of (i) options exercised (ii) placement (b) Decreases through returns of capital, buy-backs	176,000 9,916,847	176,000 9,916,847	\$A0.50 \$A0.65	\$A0.50 \$A0.65
7.5 +Convertible debt securities <i>(description)</i>	Nil			

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (<i>description and conversion factor</i>)	36,995,984	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	176,000	Nil	\$A0.50	<i>31 December 2016</i>
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: 30 July 2014.

Print name: Nick Filipovic

+ See chapter 19 for defined terms.

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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+ See chapter 19 for defined terms.