

Quarterly Report for the Period Ended 30 September 2014

Highlights

- The Byron Energy SM 6 #1 ("SM 6 #1") well spudded on Saturday, 24 May 2014 (USA Central Time). Two bypass wells, SM 6 #1 BP01 and SM 6 #1 BP02, were drilled in June and July 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 (see ASX releases dated 16 and 18 July 2014);
- 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 had to suspend operations on SM 6 #1 BP02 and left 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;
- WesternGeco and Byron completed geoscience work on two of the Company's leased salt dome projects. The Eugene Island 63/76 Salt Dome Project underwent ARTM reprocessing on 3D data already licensed by the Company. The South Marsh Island 70/71 Salt Dome Project was 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;
- Byron raised \$A1.87 million through a placement;
- Byron entered into an unsecured loan facility whereby four of the Company's directors and several other shareholders agreed to provide a facility of approximately \$US2.544 million to the Company;

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue:	144.4 million
Quoted shares:	124.9 million
Options on issue (unquoted):	37.0 million
Cash at 30 Sep 2014:	US\$1.55 million
Market Capitalisation at A\$0.72	A\$104.0 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)
 William Sack (Executive Director)

Company Secretary and Chief Financial Officer

Nick Filipovic

Contact Details

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Quarterly Report for the Period Ended 30 September 2014 (Cont.)

- at an Extraordinary General Meeting held on 8th September 2014 shareholders approved, (i) the conversion of \$A2.0 million convertible loan from three directors to the Company into 3,076,923 ordinary shares in the Company at A\$0.65 per share; and (ii) the issue of 154,000 fully paid ordinary shares in the Company, at an issue price of A\$0.65 per share, to an entity associated with a director of the Company;
- on 11 September 2014, Byron released its independent reserves estimate as at 30 June 2014 to the ASX with undeveloped proved and probable (2P) reserves, net to Byron, of 4.8 million barrels of oil and 70.1 billion cubic feet of gas;
- Byron had a cash balance of \$US1.55 million at 30 September 2014, of which \$US1.26 million is denominated in \$US and the balance in \$A; and
- subsequent to the end of the September 2014 quarter, on 3 October 2014, Byron announced the appointment of William (Bill) Sack as an Executive Director.

Corporate

Issued Capital

During the September 2014 quarter, the Company completed the following fund raisings:-

- a placement of 2,876,923 fully paid ordinary shares raising \$A1.87 million, completed on 11 July 2014, and
- an unsecured loan facility was entered into with four of the Company's directors and several other shareholders equivalent to approximately \$US2.544 million (comprising A\$1.4 million and \$US1.225 million) repayable in cash by 1 July 2015: half of the available funds were drawn down by the end of the September 2014 quarter.

At an Extraordinary General Meeting of shareholders held on 8 September 2014, the shareholders approved:

- the conversion of \$A2.0 million convertible loan (as previously reported in the June 2014 Quarterly Report) from three directors to the Company into 3,076,923 ordinary shares in the Company at A\$0.65 per share, the same price as the issue price under the share placement completed on 26 June 2014;
- the issue of 154,000 fully paid ordinary shares in the Company, at an issue price of A\$0.65 per share to Clapsy Pty Ltd, a company controlled by Mr Paul Young, a director of the Company;
- the placement of (a) 9,916,847 Fully Paid Ordinary Shares at A\$0.65 per shares completed on 26 June 2014, and (b) the placement of 2,876,923 fully paid ordinary shares at A\$0.65 per share, completed on 11 July 2014; and
- the issue, under Listing Rule 7.1, of up to 15,000,000 fully paid ordinary shares within 3 months of the date of approval, without using up any of the 15% capacity.

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

	Total issued	Quoted	Unquoted	Escrowed*
Shares (ASX:BYE)	144,378,640	124,928,122	19,450,518	19,450,518
Options	36,995,984	Nil	36,995,984	13,687,083

* escrowed until 30 May 2015.

Appointment of Bill Sack

Subsequent to the end of the September quarter, on 3rd October 2014, Byron announced the appointment of William (Bill) Sack as an Executive Director. Mr Sack is an explorationist with 26 years' experience in the Gulf of Mexico region in both technical and executive roles.

Mr Sack (BSc. Earth Sci./Physics, MSc. Geology, MBA) was co-founder/Managing Partner of Aurora Exploration, LLC, a private entity focused on generating and drilling Gulf of Mexico exploration opportunities, that has drilled more than 55 wells with a success rate in excess of 80%, resulting in the discovery of more than 185 bcf of gas and 4.0 million barrels of oil.

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.

In May 2014 Byron spudded the Byron Energy SM 6 #1 ("SM 6 #1") well, located in SM 6. Due to mechanical difficulties with this wellbore and the subsequent bypass well Byron Energy SM 6 #1 BP01 ("SM 6 #1 BP01") Byron drilled a second bypass well, Byron Energy SM 6 #1 BP02 ("SM 6 #1 BP02").

Electric logs in SM 6 #1 BP02 resulted in net hydrocarbon pay being identified in the F 30 Sand and the F 40 Sand prior to the running and cementing 5½ inch intermediate casing at 7,861 feet (2,396 metres) measured depth ("MD") and 7,752 feet (2,363 metres) true vertical depth ("TVD").

In July 2014 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) measured depth 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; and
- 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.

South Marsh Island Block 6 (Cont.)

On 28 July 2014 Byron announced that due to serious technical problems with the drilling rig's top drive, which were unlikely to be resolved, the Company had 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. Significantly the well was not drilled deep enough to evaluate the highly prospective G, H and I series of sands. However, because of the potential for numerous pay sands in this prospect, it was always intended that multiple wellbores would be required to be drilled to produce all of the sands.

South Marsh Island 6 – SM 6 #1 BP01 and BP02 disputed drilling costs

During the September 2014 quarter, Byron Energy Inc, a wholly owned subsidiary of Byron Energy Limited and operator of the SM 6 block, initiated legal proceedings against two contractors who provided services in relation to the drilling of the SM6 wells and is withholding payment of amounts owed to the two contractors of approximately US\$ 4.1 million. The total amount of the damages claimed is still being quantified but the quantum is expected to significantly exceed the amounts invoiced by the two contractors.

Salt Dome Projects

At 30 September 2014 Byron holds acreage over six salt domes in the shallow waters of the GOM, comprising SMI 6, Eugene Island 63/76, South Marsh Island 70/71, Grand Isle Block 63/72/73, West Cameron 263/East Cameron 154/155 and Eugene Island 190/191/210.

As reported in the June 2014 quarter, the East Cameron 190 lease was relinquished in July 2014, after a thorough review of the seismic data.

Eugene Island 63/76 Salt Dome Project

Eugene Island Blocks 63/76 ("EI 63/76") has a salt overhang around the entire dome which makes it an ideal candidate for ARTM processing. This dome has been a prolific oil and gas producer in the past beginning in 1967 with total production of 6.5 million barrels of oil and 361 billion cubic feet of gas from 13 pay sands. Currently, there is no production from EI 63/76.

As previously reported in the June 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 was completed during the September 2014 quarter.

South Marsh Island 70/71 Salt Dome Project

South Marsh Island Blocks 70/71 ("SM 70/71") covers a salt dome which has previously produced 75 million barrels of oil from sands above 7,500 feet true vertical depth. While there is no current production from SM 70/71, the dome has in the past produced approximately 116 million barrels from all depths commencing in 1963.

As previously reported in the June 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 was completed in the September 2014 quarter.

Salt Dome Projects (Cont.)

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.

Grand Isle 63/72 /73 blocks

The Grand Isle 63/72/73 blocks ("GI 63/72/73") 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 9-12 months. Currently, there is no production from GI 63/72/73.

There was no exploration activity during the September 2014 quarter on the recently acquired GI 63/72/73.

Other Lease Blocks (non-salt dome projects)

In addition to the salt dome projects, Byron has a 100% working interest in one other non-salt dome project comprising Grand Isle Block 95 ("GI 95"). No exploration activity was undertaken on GI 95 during the quarter.

Reserves

On 11 September 2014, Byron released its independent reserves estimate as at 30 June 2014. This report was prepared by Collarini Associates, an independent reservoir engineer based in Houston. This is the first time that the Company has reported its reserves in line with the classification and reporting requirements of the Petroleum Resources Management System ("SPE-PRMS") as required by Australian Securities Exchange ("ASX") Listing Rule 5 – Additional Reporting on Mining and Oil & Gas Production and Exploration Activities. As reported to the ASX on 11 September 2014, four of the Company's existing projects, including SM 6, have undeveloped oil and gas reserves assigned to them. Undeveloped proved and probable reserves, net to Byron, are 4.8 million barrels of oil and 70.1 billion cubic feet of gas.

The table below summarises Byron's Reserves and Prospective Resources and the Net Present Worth as at 30 June 2014, as assessed by Collarini Associates.

BYRON ENERGY - OIL AND GAS RESERVES and NET PRESENT WORTH												
As of 30 June 2014												
Project	Undeveloped Reserves								Net Present Worth @ 10% Pretax			
	1P		2P		3P		Prospective		1P	2P	3P	Prospective
	Oil MMBBL	Gas BCF	Oil MMBBL	Gas BCF	Oil MMBBL	Gas BCF	Oil MMBBL	Gas BCF	\$US Million	\$US Million	\$US Million	\$US Million
SM 6	1.2	13.9	3.0	17.3	4.3	13.3	7.2	118.4	26.7	127.6	143.3	351.7
SM 71	0.7	0.4	0.9	0.5	1.4	0.8	1.7	0.7	22.2	36.7	59.9	87.8
EI 76	0.0	0.0	0.7	1.1	1.0	1.6	2.6	114.9	0.0	20.1	25.2	270.0
GI 95	0.0	12.9	0.2	51.2	0.2	73.7	0.3	40.5	1.7	70.3	106.8	79.1
Total	1.9	27.2	4.8	70.1	6.9	89.4	11.8	274.5	50.6	254.7	335.2	788.6

The Company's reserves release to the ASX on 11 September 2014 is available on the Company's website at byronenergy.com.au

Oil and gas prices – prices used in the reserves report represent NYMEX base, starting on 1 July 2014 of \$US 103.84 per barrel with a final price of \$US 88.22 per barrel on December 1, 2021 and held constant thereafter; gas prices used represent Henry Hub base, starting on 1 July 2014, of \$US 4.14 per MMBtu, rising to a final price of \$US 6.07 per MMBtu on December 1, 2026.

Net Present Worth @ 10% - NPW-10 figures are net present value of future net revenue, before income taxes and using a discount rate of 10%. The estimated future net revenue values utilised do not necessarily represent the fair market value of Byron's oil and gas properties. Future net revenue is after deduction of royalties, drilling and development costs, production costs and abandonment costs, but before consideration of indirect costs such as administrative, overhead and other miscellaneous costs.

Prospective resources - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Reserves and Resources Methodology - The deterministic method has been used to compile Reserves and Resource estimates. The aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation. Prospective Resources have not been adjusted for risk using the chance of discovery.

Competent Person Statement

The information in this report that relates to oil and gas reserves and resources was compiled by technical employees of independent consultants Collarini Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Properties

At 30 September 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	Primary 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
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
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
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
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
Grand Isle Block 95	Byron	100.00/79.75	Exploration	September 2017	18.37

* 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")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (3 months) \$US'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(9,017)	(9,017)
(b) development	-	-
(c) production	-	-
(d) administration	(601)	(601)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	(28)	(28)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(9,642)	(9,642)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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	-	-
1.13 Total operating and investing cash flows (carried forward)	(9,642)	(9,642)

+ See chapter 19 for defined terms.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(9,642)	(9,642)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	3,702	3,702
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,189	2,189
1.17	Repayment of borrowings	(1,853)	(1,853)
1.18	Dividends paid	-	-
1.19	Other - equity raising expenses	(52)	(52)
	Net financing cash flows	3,986	3,986
	Net increase (decrease) in cash held	(5,656)	(5,656)
1.20	Cash at beginning of quarter/year to date	7,233	7,233
1.21	Exchange rate adjustments to item 1.20	(28)	(28)
1.22	Cash at end of quarter	1,549	1,549

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	170
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

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$'000	Amount used \$'000
3.1 Loan facilities	\$A1,400 \$US1,225	\$A700 \$US612
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	500
4.2 Development	-
4.3 Production	-
4.4 Administration	750
Total	1,250

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	1,549	7,233
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,549	7,233

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

	(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	Nil	Nil		
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: 29 October 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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