

Quarterly Report for the Period Ended 31 December 2014

Highlights

- During the December 2014 quarter, Byron progressed drilling plans for SM 6 #2 well, a follow up well to SM 6 #1 BP02 drilled during May-July 2014. It is 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, subject to funding;
- Work commenced on project planning for permitting and drilling of the first well on SM 70/71 prospect;
- The Anisotropic Reverse Time Migration ("ARTM") reprocessing on 3D data already licensed by the Company over Eugene Island 63/76 Salt Dome Project was completed during the September 2014 quarter with final ARTM becoming available in October 2014. The South Marsh Island 70/71 Salt Dome Project was subjected 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. The full wave inversion was completed during the September quarter and analysis of this data has confirmed the hydrocarbon prospectivity in both J sand and D5 target sands;
- Byron raised \$A2.27 million through a placement in December 2014;
- Byron had a cash balance of \$US2.15 million at 31 December 2014; and
- on 3 October 2014, Byron announced the appointment of William (Bill) Sack as an Executive Director, based in the Company's Lafayette, Louisiana office.

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue:	148.9 million
Quoted shares:	129.5 million
Options on issue (unquoted):	38.7 million
Cash at 31 Dec 2014:	US\$2.15 million
Market Capitalisation at A\$0.43	A\$64 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

Level 4, 480 Collins Street
 Melbourne Vic 3000
 Telephone: +61 3 8610 6583
 Email: info@byronenergy.com.au
 Web: www.byronenergy.com.au

Corporate

Equity Raising

On 15 December the Company announced a share placement, completed on 24 December 2014, raising approximately \$A2.27 million by issuing 4.54 million shares at \$A0.50 per share within its placement capacity under ASX Listing Rule 7.1, also noting that:-

- Byron was pursuing strategic approaches that have been made to the Company to source capital to fund its drilling programme initially for a second well at SM 6; and
- the shallow waters of the Gulf of Mexico, where Byron's leases are located, is an attractive region to explore for oil and gas because of its proximity to refiners and strong pipeline and production infrastructure. These factors combined with the conventional nature of the reserves make for attractive economics.

Issued Capital

In addition to the placement of 4.54 million shares, the Company issued 1.7 million options to Bill Sack following shareholder approval at the Company's AGM held on 25 November 2014.

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

	Total issued	Quoted	Unquoted	Escrowed*
Shares (ASX:BYE)	148,919,735	129,469,217	19,450,518	19,450,518
Options	38,695,984	Nil	38,695,984	13,687,083

*escrowed until 30 May 2015.

Appointment of Bill Sack

On 3 October 2014 Byron announced the appointment of Bill Sack as Executive Director. Mr Sack (BSc. Earth Sci./ Physics, MSc. Geology, MBA) was co-founder/Managing Partner of Aurora Exploration, LLC ("Aurora") a private entity focused on generating and drilling Gulf of Mexico exploration opportunities, that has drilled more than 80 wells with a success rate in excess of 80%, and under his leadership has created substantial growth and monetised investments via multiple corporate level asset sales.

In that announcement, the Company also advised that Aurora had entered into a one-year exploration option agreement ("Exploration Option Agreement") with Byron Energy Inc ("BEI"), a wholly owned subsidiary of the Company, whereby BEI will have the option to acquire specified exploration projects ("Prospects") from Aurora on terms specified in the Exploration Option Agreement and summarised in the ASX announcement of 3 October 2014.

Projects Update

South Marsh Island Block 6

Byron's primary area of focus in the 2014 year was 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.

SM 6 covers a salt dome which has previously produced 18.6 million barrels of oil and 37.1 bcf of gas from this block commencing in 1962. There is no production from SM 6 currently.

As previously reported, the Byron Energy SM 6 #1 ("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 drilled in June and July 2014 from the original wellbore to overcome mechanical problems. As a result of the net pay intersected in the F Sands by the second bypass well, the SM 6 #1 BP02, Byron left the well in a condition that allows completion in the F 30 and F 40 Sands in the future. 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.

During the December quarter Byron commenced work on drilling plans for the Byron Energy SM 6 #2 ("SM 6 #2") well. It is 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, subject to funding. A second well will allow Byron to properly size and design future production facilities at SM 6.

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

As reported in the September 2014 ASX quarterly report, Byron Energy Inc ("BEI"), a wholly owned subsidiary of Byron Energy Limited and operator of the SM 6 block, initiated legal proceedings against two contractors involved in the drilling of the SM6 wells and is disputing certain amounts sought by the contractors.

During the December 2014 quarter, the two contractors responded to BEI's claims and lodged counter claims for disputed invoices totalling \$US4.6 million. BEI disputes the amounts claimed and will vigorously pursue its claims in the US courts. BEI's claim for damages is still to be finalised, but is expected to exceed the amount of \$US4.6 million in disputed costs invoiced by the two contractors. At this time, it is unknown when these matters will be resolved because they are subject to this ongoing litigation process.

Salt Dome Projects

At 31 December 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.

South Marsh Island 70/71 Salt Dome Project

South Marsh Island Blocks 70/71 ("SM 70/71") covers a portion of a large piercement 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 blocks SM 70/71, the dome has in the past produced approximately 116 million barrels from all depths, and 75 million barrels above 7,500 feet commencing in 1963.

Salt Dome Projects (Cont.)

As previously reported WesternGeco, through its Schlumberger PetroTechnical Services team utilized 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 was to define reservoir geometries and extents of previously producing sands. The full wave inversion has been completed and analysis of this data has confirmed the hydrocarbon prospectivity in both J sand and D5 target sands. Interpretation work is ongoing to optimise future drilling locations.

During the December 2014 quarter, work commenced on project planning for permitting and drilling of the first well on SM 70/71 prospect.

Eugene Island 63/76 Salt Dome Project

Eugene Island Blocks 63/76 ("EI 63/76") cover the western portion of a salt dome that exhibit a salt overhang around the entire dome making it an ideal candidate for ARTM processing. This dome has been a prolific oil and gas producer in the past beginning in 1958 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 blocks 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 with final ARTM becoming available in October 2014. Interpretation is ongoing to evaluate the prospectivity of the blocks.

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 blocks GI 63/72/73.

There was no exploration activity during the December 2014 quarter on 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.

Properties

At 31 December 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")

There was no change in Byron's lease holdings during the December 2014 quarter.

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 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (6 months) \$US'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(560)	(9,577)
(b) development	-	-
(c) production	-	-
(d) administration	(598)	(1,199)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	6
1.5 Interest and other costs of finance paid	-	(28)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,156)	(10,798)
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)	(1,156)	(10,798)

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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)	(1,156)	(10,798)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,842	5,544
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	2,189
1.17	Repayment of borrowings	-	(1,853)
1.18	Dividends paid	-	-
1.19	Other - equity raising expenses	(98)	(150)
	Net financing cash flows	1,744	5,730
	Net increase (decrease) in cash held	588	(5,068)
1.20	Cash at beginning of quarter/year to date	1,549	7,233
1.21	Exchange rate adjustments to item 1.20	13	(15)
1.22	Cash at end of quarter	2,150	2,150

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	262
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	750
4.2 Development	-
4.3 Production	-
4.4 Administration	600
Total	1,350

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	2,150	1,549
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,150	1,549

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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	Nil		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil		

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	148,919,735	129,469,217	
7.4	Changes during quarter (a) Increases through issues of (i) loan to equity conversions (ii) placement (b) Decreases through returns of capital, buy-backs	4,541,095	4,541,095	\$A0.50
7.5	*Convertible debt securities <i>(description)</i>	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.7	Options (description and conversion factor)	36,995,984	Nil	Exercise price \$Ao.50	Expiry date 31 December 2016
		1,700,000	Nil	\$Ao.65	30 September 2017
7.8	Issued during quarter	1,700,000	Nil	\$Ao.65	30 September 2017
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	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: 13th January 2015.

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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