BYRONENERGY LIMITED

11 December 2015

ASX Release

Byron Secures Multi-well Farm Out Deal with Otto on GOM Properties

Highlights

- **Byron Energy Limited (Byron or the "Company") (ASX: BYE) has entered into a multi-well staged farm-out agreement with Otto Energy Limited ("Otto") (ASX: OEL) that potentially injects $US 17.3 million in capital into Byron's existing projects.**
- **This transaction accelerates Byron's drilling program in the Gulf of Mexico ("GOM") by partnering with a well-capitalised partner, reducing Byron's capital requirements while Byron retains operatorship and leverages its Gulf of Mexico expertise.**
- **Otto will earn a 50% working interest in Byron's SM 6 lease by paying a disproportionate share of drilling costs of the SM 6 #2 well and reimbursing a portion of Byron's past costs. Otto will then have an option to earn a 50% working interest in Byron's SM 70/71 leases by paying a disproportionate share of drilling costs of the SM 71 #1 well and reimbursing a portion of Byron's SM 70/71 past costs.**
- **Otto will also have an option to earn a 45% working interest in Byron's Bivouac Peak leases by paying a disproportionate share of drilling costs of the first well on the leases and reimbursing a portion of Byron's past costs.**
- **Byron will utilise the Hercules 264 jack up rig, as previously announced, to drill one well at SM 6, followed by an optional well at SM 71 beginning in the March 2016 quarter.**
- **Byron has also taken steps to place the SM 6 lease on a path to production by executing a Production Handling Agreement with the offset operator, Fieldwood Energy LLC, and has applied for the necessary approvals with BOEM to modify the existing SM 6 caisson with the goal of establishing initial production in March 2017 quarter.**

Level 4 480 Collins Street Melbourne VIC 3000
Telephone 03 8610 6583   Fax 03 8610 6334   Email info@byronenergy.com.au
www.byronenergy.com.au
ABN 88 113 436 141

Transaction Summary

Byron Energy Limited (Byron or the "Company") (ASX: BYE) is pleased to announce that its wholly owned subsidiary, Byron Energy Inc has entered into a binding participation agreement ("PA") with Otto Energy (Louisiana) LLC, a wholly owned subsidiary of Otto Energy Limited ("Otto") (ASX: OEL). This agreement covers three of Byron's existing projects, with Otto contributing up to $US 17.3 million in drilling costs and past expenditure recovery, as part of a staged farm out program, to advance the three projects. The injection of this funding through a staged program will substantially reduce Byron's need for capital and could ultimately lead to three new wells being drilled by Byron during calendar year 2016, offering Otto an attractive, accelerated entry into an established basin.

Under the PA, Otto pays a disproportionate share of drilling costs to earn 50% of Byron's interest in three projects:- South Marsh Island 6, South Marsh Island 70/71 and Bivouac Peak. After drilling of the program's initial SM 6 #2 well, Otto will then have a short option period to elect to participate in the SM 71 #1 well; in the event Otto elects to participate in SM 70/71, Otto will reimburse Byron for a portion of past costs on the SM 6 lease and the SM 70/71 leases. After the drilling of SM 71 #1 well, Otto will have earned an option to participate in the drilling of the first well on Bivouac Peak leases.

If all three wells are ultimately drilled, the end result will bring $US 17.3 million in funding for Byron's existing projects. Should Otto elect not to participate in further drilling after the drilling of SM 6 #2 well, Otto will not earn the option to participate in the SM 70/71 leases and the agreement will cease.

Otto will also have the option of participating for up to a 50% interest in one new asset acquired by Byron, if any, through to March 2017 by paying 66.67% of related drilling costs or acquisition costs, and proportionate treatment of related expenses.

Key Terms

SM 6: Under the PA, Otto will participate in the drilling of the SM 6 #2 well during the March 2016 quarter. Otto will pay 66.67% of the estimated dry hole costs to earn a 50% working interest in the SM 6 lease. Otto's promoted exposure will be capped at $US 5.3 million of the estimated $US 8.0 million dry hole cost, after which both companies will bear their own proportionate interests. At earning depth, Otto will have the right to elect to participate in the drilling of the SM 71 #1 well. Upon a positive election at SM 71, Otto will reimburse Byron for past costs at SM 6 of $US 2.1 million as well as past costs at SM 70/71 of $US 0.9 million.

SM 71: At SM 71, Otto will pay 66.67% of the expected $US 4.5 million dry hole costs to earn a 50% working interest in the SM 71 and SM 70 leases. Otto's promoted drilling exposure will be capped at $US 3.0 million, after which both companies will bear their own proportionate interests. At earning depth, Otto can elect to participate in Byron's Bivouac Peak Project.

Bivouac Peak: Should Otto decide to participate in Byron's recently acquired Bivouac Peak leases, Otto will pay 66.67% of Byron's share of the drilling costs to earn a 45% share of the Bivouac Peak leases. Otto's drilling contribution will be capped at $US 6.0 million based on a dry hole estimate of $US 10 million. Otto will also reimburse Byron for 50% of Byron's past costs in the project at the time of election.

In total, Otto will potentially contribute $US 14.3 million in drilling costs and approximately $US 3.0 million in past cost reimbursements, if all three wells are drilled and Otto elects to participate in all three projects.

Lease	Drilling Date (forecast)	8/8ths Dry Hole Cost	Byron Cost After Otto Contribution	Otto Past Cost Reimbursement	Net Cost to Byron	Byron NRI after Otto Earns
SM 6	Mar qtr 2016	$US 8.0 million	$US 2.7 million	$US 2.1 million	$US 0.6 million	40.625%
SM 71	Mar qtr 2016	$US 4.5 million	$US 1.5 million	$US 0.9 million	$US 0.6 milion	40.625%
Bivouac Peak	2nd half 2016	$US 10.0 million	$US 3.0 million	TBD	~$US 3.0 million	33.525%

CEO Comment

Maynard Smith said:-

"*We are pleased to welcome Otto as a co-venturer, initially at SM 6 and potentially at SM 70/71 and Bivouac Peak. The commitment by Otto to participate in the drilling of SM 6 #2 well validates Byron's GOM strategy to build a high quality, low risk portfolio of assets with undeveloped reserves and/or prospective resources which can be drilled, developed and brought on production relatively quickly, with highly competitive capital and operating costs, given the established infrastructure in the GOM."*

"The transaction with Otto will provide a significant proportion of the capital needed to drill these highly attractive oil and gas properties that Byron has assembled over the last few years. In total, Otto will contribute $US 14.3 million in drilling costs and at least $US 3.0 million in past cost reimbursements, if Otto participates in the three projects, substantially reducing Byron's capital needs under this cascading agreement."

"The Otto-Byron transaction is well timed to take advantage of the substantially lower drilling and service costs in the current environment."

Permitting

Byron expects to spud the SM 6 #2 well during the first quarter of 2016. That well will be followed immediately by the SM 71 #1 well assuming Otto elects to participate in the drilling of the SM 71 #1 well. Byron has initiated permitting on both wells and expects approvals by mid-January 2016.

Byron has also filed a Development Operations Coordination Document ("DOCD") with BOEM which will allow Byron to modify the existing SM 6 caisson, lay a flow line to the SM 10 "A" platform where hydrocarbons will be separated and transported to market for sale. Along with that DOCD application Byron has requested a Suspension of

Production ("SOP") from BSEE for the SM 6 lease which will extend the lease term to give Byron time to design, install and hook up new facilities. A key component of this process is a Production Handling Agreement between Byron and the offset operator at SM 10, Fieldwood Energy LLC.

Drilling - SM 6 #2 and SM 71 #1

The primary target for the SM 6 #2 well is the G 20 Sand, which has been assigned by Collarini and Associates gross proved and probable undeveloped reserves of 1.9 million barrels of oil and 11.0 Bcf of gas, equivalent to 1.5 million barrels of oil and 9.0 Bcf of gas on a net basis to Byron's existing 81.25% Working Interest ("WI"). The well is programmed to drill beyond the G 20 Sand to test the H and I Sands which Collarini and Associates have assigned undeveloped 3P reserves of 1.2 million barrels of oil and 10.6 Bcf of gas on a net basis to Byron's existing 81.25% WI*.

The SM 71 #1 well will target two objective sands. The first target is the J Sand, which has been assigned by Collarini and Associates gross proved and probable undeveloped reserves of 0.8 million barrels of oil and 0.5 Bcf of gas, equivalent to 0.7 million barrels of oil and 0.4 Bcf of gas net to Byron's existing 81.25% WI. The primary target is the D5 Sand, which has been assigned by Collarini and Associates gross prospective resources of 5.6 million barrels of oil and 4.1 Bcf of gas, equivalent to 4.6 million barrels of oil and 3.4 Bcf of gas net to Byron's existing 81.25% WI*.

* If and when Otto earns a 50% WI in SM 6 and SM 70/71, Byron's share of previously reported SM 6 and 70/71 reserves and prospective resources, including the ASX release dated 4 September 2015 and the 2015 Annual Report, will be reduced by 50%.

For further information contact:-

Maynard Smith	Bill Sack
Chief Executive Officer	Executive Director
61 2 6685 3115	1 337 889 3869

Disclaimers

Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources was compiled by technical employees of independent consultants Collarini and Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini and 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.

Reserves Cautionary Statement

Oil and gas reserves estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. The may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking statements.

Prospective Resources Cautionary Statement

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.

Forward Looking Statements

Statements in this announcement which reflect management's expectations relating to, among other things, production estimates, target dates, Byron's expected drilling program and the ability to fund exploration and development are forward-looking statements, and can generally be identified by words such as "will", "expects", "intends", "believes", "estimates", "anticipates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements and may contain forward-looking information and financial outlook information. Statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that some or all of the reserves described can be profitably produced in the future. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such statements.

All of the forward-looking information in this presentation is expressly qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this document and Byron disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. In relation to details of the forward looking drilling program, management advises that this is subject to change as conditions warrant, and we can provide no assurances that drilling rigs will be available.