

**16 February 2016**

**ASX Release  
SM 6 #2 Well Spuds**

Further to the release of 11 February 2016, Byron Energy Limited ("Byron") advises that the contracted jack-up drilling rig, Hercules 205, spudded the Byron Energy SM 6 #2 ("SM 6 #2") well located in South Marsh Island Block 6 ("SM 6") on 15 February 2016, at approximately 6 PM (1800 Hours) (USA Central Time).

Current operations at the SM 6 #2 well are drilling ahead at 479 feet measured depth (479 feet vertical depth).

The SM6 #2 well is the first well to be drilled as part of Byron's farm-out to Otto Energy Limited ("Otto") (ASX:OEL), announced on 11 December 2015. In order to earn a 50% working interest (equal to a 40.625% net revenue interest) in the South Marsh Island block ("SM 6"), Otto will contribute 66.67% of the total estimated costs of the SM 6 #2 well of \$US 8.0 million (\$US5.3 million Otto and \$US2.7 million Byron). Any costs above \$US 8.0 million in respect of the SM 6 #2 well and all future expenditure in SM 6 will be in accordance with Byron's and Otto's respective working interest (Byron 50%/Otto 50%).

SM 6 #2 is being drilled in water depth of approximately 65 feet (20 metres), with a planned total measured depth of approximately 9,516 feet (2,900 metres) and total vertical depth of 9,138 feet (2,785 metres). It is anticipated that the well will take approximately 40 days to drill and evaluate.

The well is being drilled on a prospect in the south west corner of a major salt dome in SM 6, located offshore Louisiana, 216 km southwest of New Orleans, Louisiana, USA

Byron, through its wholly owned subsidiary Byron Energy Inc. (the operator), currently has a 100% working interest and an 81.25% net revenue interest in SM 6. Otto will earn a 50% working interest in SM 6 by paying a disproportionate 66.67% share of drilling costs of the SM 6 #2 well, plus reimbursing a portion of Byron's past costs.

If Otto earns an interest in the SM 6 block, Byron's working and net revenue interests will be reduced by 50% at the earn-in point, to 50% and 40.625% respectively.

Byron will issue progress reports as material developments occur.

For further information contact:-

Maynard Smith  
Chief Executive Officer  
+1 337 534 3601

Peter Love  
Investor relations  
+61 7 3121 5674

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