

26 February 2016

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

Further to the release of 16 February 2016, Byron Energy Limited ("Byron") (ASX:BYE) advises that Byron Energy SM 6 #2 ("SM 6 #2") well located in South Marsh Island Block 6 ("SM 6") has reached a depth of 3,470 feet (1,058 metres) Measured Depth (3,470 feet/1,058 metres True Vertical Depth). 13 3/8" surface casing has been run to bottom and cemented. Current operations are testing blow out preventers in preparation to drill ahead to the next casing point at 7,885 feet (2,403 metres) Measured Depth (7,729 feet /2,356 metres True Vertical Depth) which is above the primary target in the well. Drilling operations are expected to resume in the next 24 hours.

The SM 6 #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 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.

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