

4 April 2016

ASX Release

SM 71 #1 Well Spuds in Gulf of Mexico

- ❖ **Byron Energy's SM 71 #1 well has spudded in the Gulf of Mexico**
- ❖ **The well is the second well under a farm out to Otto Energy Limited (ASX: OEL)**
- ❖ **Drilling and evaluation time is expected to be approximately 20 days**

Further to the release of 30 March 2016, Byron Energy Limited ("Byron") advises that the contracted jack-up drilling rig, Hercules 205, spudded the Byron Energy South Marsh Island 71 #1 ("SM 71 #1") well located in South Marsh Island Block 71 ("SM 71") on 3 April 2016, at approximately 11:30 AM (USA Central Time).

Current operations at the SM 71 #1 well are drilling ahead at 671 feet measured depth. 20-inch conductor casing will be set at 800 feet measured depth.

The SM 71 #1 well is being drilled to test two objective sands in the southwest corner of a major salt dome in a water depth of 131 feet (40 metres) and has a planned total measured depth of approximately 7,451 feet (2,272 metres) and total vertical depth of 6,900 feet (2,104 metres). It is anticipated that the well will take approximately 20 days to drill and evaluate.

The SM 71 #1 well is the second 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 71"), Otto will contribute 66.67% of the total estimated costs of the SM 71 #1 well of \$US 4.5 million (\$US2.99 million Otto and \$US 1.51 million Byron). Any costs above \$US 4.5 million in respect of the SM 71 #1 well and all future expenditure in SM 71 will be in accordance with Byron's and Otto's respective working interest (Byron 50%/Otto 50%). Otto has also paid Byron \$903,610 for past cost reimbursement in the SM 71 project.

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 71. If Otto earns an interest in the SM 71 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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