

20 April 2016

ASX Release

BYRON SM 71 #1 OIL AND GAS DISCOVERY

- **SM71 #1 well has been drilled to a final target measured depth at 6,843 feet/2,086 metres**
- **Three hydrocarbon zones were intersected with a combined gross thickness of 150 feet (46 metres)**

Byron Energy Ltd (ASX: BYE) (“Byron” or the “Company”) is pleased to announce that the Byron Energy SM 71 #1 (“SM-71 #1”) well located in the Gulf of Mexico in South Marsh Island Block 71 (“SM 71”) has reached a final total depth at 6,843 feet (2,086 metres) Measured Depth or 6,477 feet (1,974 metres) True Vertical Depth.

During drilling of the SM 71 #1 well three discrete hydrocarbon bearing sands were intersected. Preliminary evaluation has been completed using Gamma Ray/ Resistivity Logging While Drilling (LWD) tools. The following hydrocarbon bearing sands have been identified to date, based on data obtained from LWD tools and mudlog shows:

- I3 Sand – an approximate gross sand thickness of 20 feet (6 metres)
- J Sand – an approximate gross sand thickness of 30 feet (9 metres)
- D5 Sand – an approximate gross sand thickness of 100 feet (30 metres)

Indications of oil were seen on cuttings from the D5 sand interval and all hydrocarbon bearing zones demonstrate elevated wet gas readings.

Based on preliminary interpretation of these results it appears that a significant proportion of these hydrocarbon bearing sands will result in net hydrocarbon pay, however net pay counts cannot be determined until a porosity log is run and may be determined to be less than the gross sand amounts reported here.

Currently, Byron is running in to the hole with a bit to address excess wall-cake build up and verify the hole's condition prior to running porosity logs. Whilst drilling to TD below the D5 Sand, a pressure transition was intersected which required an increase in mud weight to control the well. The higher mudweights suppressed gas ingress, but will require additional conditioning of the wellbore.

The D5 Sand, which was the primary target of this well exhibits excellent quality, is within the range of predrill expectations, and confirms the RTM technology used to delineate the prospect. The J Sand, which was a secondary target, was found within predrill expectations and was intersected 220 feet (67 metres) up-dip of the highest productive well in the J Sand interval. The I3 Sand, which was not included in the predrill estimates, will enhance the project economics. The I3 sand interval does not appear to have been produced in offset wells on SM 71.

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The preliminary results from these three discrete hydrocarbon intervals are considered of commercial value to warrant the completion and ultimate production of the well. This will be done by the running the 7 ½" production liner and suspension of the well for future production. Byron will now move forward with development planning and has already initiated discussions with an offset operator to cost effectively produce the hydrocarbons from this well.

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.

The SM 71 #1 well targeted two objective sands. The first target was 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% Working Interest ("WI"). The primary target was 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 100% WI and 81.25% Net Revenue Interest ("NRI")*.

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, located offshore Louisiana, 250 km southwest of New Orleans, Louisiana, USA, in water depth of approximately 131 feet (40 metres). Pursuant to the farm-out agreement, Otto will pay 66.67% of the SM 71 #1 estimated dry hole costs (\$US 4.5 million) 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 net to Otto, after which both companies will bear their own proportionate share. The well has been drilled in line with the pre-drill cost estimate of \$US 4.5m gross. Otto has also reimbursed Byron \$US 0.9 million for past costs incurred at SM 71. If Otto earns an interest in the SM 71 and SM 70 blocks, Byron's working and net revenue interests will be reduced by 50% at the earn-in point, to 50% and 40.625% respectively.

Byron's CEO, Maynard Smith said: *"The SM 71 well is a significant discovery and not only allows Byron to become a producer, it validates our use of RTM technology in and around previously productive salt domes. We have employed this same technology on a number of other blocks in the Gulf of Mexico and have developed additional prospects which will be tested in due course".*

Byron will issue progress reports on the SM 71 #1 well as material developments occur.

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*Because the well was drilled to earning depth, Otto has earned the right to elect to a 50% WI in Byron's SM 70/71 lease blocks. Upon election Byron's share of previously reported SM 70/71 reserves and prospective resources, including the ASX release dated 4 September 2015 and the 2015 Annual Report, will be reduced by 50%.

Disclaimers

Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources, reported to the ASX on September 2015 and also included in the Company's 2015 Annual Report, released to the ASX on 26 October 2015, 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 report 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.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements, referred to above, and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements, referred to above, continue to apply and have not materially changed.

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. This 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.