

Quarterly Report for the Period Ended 31 March 2016

Highlights

- Byron drilled SM6 #2 well, the first well under the multi-well farm out deal with Otto Energy Limited ("Otto") announced on 11 December 2015.
- SM6 #2 well encountered three hydrocarbon bearing sands in the F zone sands; Byron temporarily abandoned the SM6 #2 well after the drill pipe became stuck prior to reaching the G Sand and could not be freed after numerous attempts.
- After Otto exercised its option to fund 66.67% of the SM71 #1 well to earn a 50% working interest in SM70/71, the well spudded on 3 April, 2016 (USA time) with a planned total depth of approximately 7,452 feet MD (2,271 metres).
- In April, SM71 #1 well was drilled to a measured depth at 6,843 feet/2,086 metres, intersecting three hydrocarbon zones with a combined gross thickness of 150 feet (46 metres); subsequently run preliminary porosity logs indicate 132 feet of net oil pay in the three zones.
- Byron completed a share placement and a share purchase plan raising a total of \$A4.8 million.
- Byron also completed a debt to equity conversion, converting loans comprising \$A700,000 and \$US612,500, due on 1 July 2016, to equity.

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue at 31 March 2016:	235.0 million
Quoted shares:	235.0 million
Options on issue (unquoted):	40.6 million
Cash at 31 March 2016:	\$US 3.3 million
Market Capitalisation at 31 March 2016:	\$A 0.135 per share = \$A 31.7 million

Directors

Doug Battersby (Non-Executive Chairman)
 Maynard Smith (Chief Executive Officer)
 Prent Kallenberger (Chief Operating Officer)
 Charles Sands (Non-Executive Director)
 Paul Young (Non-Executive Director)
 William Sack (Executive Director)

Company Secretary and Chief Financial Officer

Nick Filipovic

Contact Details

Level 4, 480 Collins Street
 Melbourne Vic 3000

Telephone: 61 3 8610 6583

Email: info@byronenergy.com.au

Web: www.byronenergy.com.au

Corporate

Funding

Placement

On 30 December 2015, the Company announced that commitments have been received to raise \$A4.5 million, before costs, through a placement ("Placement") of 29.9 million new shares at \$A0.15 per share. The Placement was completed in February 2016, after the conditional component of the Placement was approved by shareholders at the Extraordinary General Meeting ("EGM") of Byron's shareholders, held on 15 February 2016.

Share Purchase Plan

The Company also announced a Share Purchase Plan ("SPP") to raise up to \$A2.5 million. The SPP opened on 12 January 2016 and closed on 19 February 2016 raising \$A0.3 million.

Conversion of Loans to Equity

In February 2016 Byron converted all outstanding loans of \$A700,000 and \$US612,500, repayable on 1 July 2016, to equity at A\$0.15 per share, following approval by shareholders of the related party component of the loans, at the EGM of shareholders, held on 15 February 2016.

Issue of new Options

On 4 December 2015 Byron announced the proposed issue of 1.7 million unlisted options to Mr William ("Bill") Sack, Executive Director of the Company, exercisable at an exercise price of \$A0.25 per share on or after issue at any time on or before 30 September 2018, subject to shareholder approval. These options were issued to Mr Sack in February 2016 following shareholder approval at the EGM held on 15 February 2016.

Issued capital

As at 31 March 2016, Byron's issued capital comprised:-

Securities	Total issued	Quoted	Unquoted	Escrowed
Shares (ASX:BYE)	235,056,378	235,056,378	Nil	Nil
Options	40,645,984	Nil	40,645,984	Nil

Projects Update

Salt Dome Projects

At 31 March 2016, Byron held acreage over four salt domes in the shallow waters of the Gulf of Mexico, USA ("GOM"), comprising South Marsh Island 6, Eugene Island 63/76, South Marsh Island 70/71 and Grand Isle 63/72/73.

South Marsh Island Block 6

South Marsh Island Block 6 ("SM6") is located offshore Louisiana, in the shallow waters of the GOM, 216km southwest of New Orleans in approximately 65 feet (20 metres) of water. Byron owns a 100% working interest and an 81.25% net revenue interest in the block.

SM6 covers a portion of a salt dome that has previously produced 18.6 million barrels of oil and 37.1 bcf of gas from this block commencing in 1962. There is currently no production from SM6.

Byron spudded the Byron Energy SM6 #2 ("SM6 #2") well on 16 February 2016. 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. Under the Participation Agreement ("PA"), in order to earn a 50% working interest (equal to a 40.625% net revenue interest) in SM6, Otto is required to contribute 66.67% of the total estimated costs of the SM6 #2 well of \$US 8.0 million (\$US5.3 million Otto and \$US2.7 million Byron), after which both companies would bear their own proportionate interests.

As reported on 8 March 2016, based on gamma ray and resistivity logs from the Log While Drilling ("LWD") tool, SM6 #2 encountered three hydrocarbon bearing sands in the F zone sands while drilling. Hydrocarbon bearing sands were encountered in the F 30 Sand and the F 40 Sand, consistent with hydrocarbon zones encountered while drilling the Byron Energy SM6 #1 BP02 well in July 2014. In addition, hydrocarbon bearing sands were encountered in the F 20 Sand.

The LWD log data from SM6 #2 well shows the following estimated pay counts:-

- F 20 Sand - a 74 foot (23 metre) gross interval between 7,342 to 7,416 feet (2,238 to 2,261 metres) MD with total net hydrocarbon saturated sand thickness of 10 feet (3 metres) Measured Depth ("MD") and 7 feet (2 metres) Total Vertical Depth ("TVD") over the interval;
- F30 Sand - a 34 foot (11 metre) gross interval between 7,492 to 7,526 feet (2,284 to 2,295 metres) MD with total net hydrocarbon saturated sand thickness of 32 feet (10 metres) MD and 30 feet (9 metres) TVD over the interval; and
- F 40 Sand - a 64 foot (19 metre) gross interval between 7,628 to 7,692 feet (2,326 to 2,345 metres) MD with total net hydrocarbon saturated sand thickness of 60 feet (18 metres) MD and 53 feet (16 metres) TVD over the interval.

As announced on 18 March 2016 and 21 March 2016, Byron experienced drilling difficulties during the drilling of SM6 #2 well when the drill pipe became stuck just below casing. Having tried, without success, to free the stuck pipe Byron commenced drilling a bypass well, the SM6 #2 BP01 well.

On 23 March 2016, the SM6 #2 BP01 well reached a depth of 8,085 feet MD, 40 feet below the depth of the SM6 #2 original hole and was drilling in firm shales without any difficulties. While picking up off bottom to perform a planned cuttings sweep, the drilling assembly became stuck although full circulation was maintained. After continuous attempts to free the stuck drill pipe over the course of the next 36 hours, the drill pipe remained irretrievably stuck. Consequently, the decision was made to temporarily abandon the well.

Byron is undertaking post well studies of engineering, drilling and geology to understand what, if any, options are available regarding future utility of the wellbore. The operation to temporarily abandon the well bore was completed on Monday, March 28, 2016 USA Central Standard Time. The rig was then mobilized to South Marsh Island 71 where it is currently drilling the SM71 #1 well.

Because the SM6 #2 well failed to reach the base of the G 20 Sand Byron's partner, Otto Energy Ltd, did not earn an interest in the SM6 lease, hence Otto is not required to reimburse Byron for past costs and is only obliged to pay its share of the cost of drilling and abandoning the SM6 #2 well. As a result, Byron, through its wholly owned subsidiary Byron Energy Inc., the operator of SM6, retains a 100% Working Interest (WI) and 81.25% Net Revenue Interest (NRI) in SM6. Otto does retain the right to earn an interest in the SM6 lease by participating in any potential future SM6 Substitute Well, and satisfying the terms of the Participation Agreement ("PA") between Byron and Otto.

Byron will now review the development plans for SM6 consistent with the Development Plan Operations Coordination Document filed with BOEM and the Suspension of Operations granted by BSEE, as previously reported.

South Marsh Island 70/71

South Marsh Island Blocks 70/71 ("SM70/71") covers a portion of a large piercement salt dome which has previously produced 75 million barrels of oil from sands above 7,500 feet true vertical depth with production commencing in 1963. There is no current production from SM70 or SM71.

In late March 2016, Otto exercised its option to participate in the drilling of Byron Energy South Marsh Island 71 #1 ("SM71 #1") well, located offshore Louisiana, 250 km southwest of New Orleans, Louisiana, USA, in water depth of approximately 131 feet (40 metres).

Under the PA, Otto will pay 66.67% of the estimated dry hole costs (\$US 4.5 million) to earn a 50% working interest in the SM71 and SM70 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. Otto also paid Byron \$US 0.9 million for past costs incurred at SM71.

The Hercules Rig 205 arrived on location on 29 March 2016 and the SM71 #1 well spudded after the end of the March 2016 quarter, on 3 April, 2016 (USA time), with a planned total depth of approximately 7,452 feet MD (2,271 metres) and a vertical depth of 6,900 feet (2,103 metres).

On 20 April 2016 Byron announced that SM71 #1 well had reached a depth of 6,843 feet (2,086 metres) MD or 6,477 feet (1,974 metres) TVD.

During drilling of the SM71 #1 well three discrete hydrocarbon bearing sands were intersected. Preliminary evaluation was completed using Gamma Ray/ Resistivity Logging While Drilling ("LWD") tools and a decision to run casing was made.

As announced on 27 April 2016, a quad combo porosity logging tool run has been acquired and 7 5/8" casing has been run and cemented to a depth of 6,820 feet measured depth/6,471 feet true vertical depth.

The quad combo log, which includes neutron/density and sonic porosity data, is currently undergoing complete analysis, however, log experts, including those from Baker Hughes, confirm that the log demonstrates the presence of oil across all three pay intervals identified in the previous Company release. These zones are correlative and analogous to productive zones from the SM71 and adjacent SM72 Fields. A final, processed version of the log will not be available until later this week and will be used for further analysis to determine final net pay counts in the I3 Sand, J Sand and D5 Sands.

Additionally, Isotube samples from each sand interval have been sent to a laboratory for full analysis of hydrocarbon properties including estimates of API gravity and BTU content.

Preliminary Byron estimates of net True Vertical Thickness (TVT) oil pay counts for the SM71 #1 well are as follows:

I3 Sand	17 feet TVT Net Oil Pay (5 metres)
J Sand	24 feet TVT Net Oil Pay (7 metres)
D5 Sand	91 feet TVT Net Oil Pay (28 metres)

Based on information acquired to date, the joint venture has decided to drill an additional 600 feet (182 metres) to the original planned TD of the SM71 #1 well to ensure the entire package of D5 Sand lobes have been tested. The D6 Sand, a secondary pre-drill target also lies below the D5 Sand and will also be evaluated by deepening the well. The cost to deepen the well to the original permitted depth of 7452 feet MD/ 6900 feet TVD (2272m MD/ 2104m TVD) will be within the original AFE well cost estimate.

The company is in discussions with an offset operator to process and sell produced hydrocarbons in a cost efficient manner. Utilizing an offset operator will reduce the amount of time it will take to commence production and increase field economics.

Other Salt Dome Projects

No exploration activity was undertaken on the Company's other salt dome projects, comprising EI 63/76 and GI 63/72/73 during the quarter, due to focus of management resources on drilling of SM6 #2 and SM71 #1 wells.

Non-Salt Dome Projects

Bivouac Peak Leases

Byron has a 90% working interest in the Bivouac Peak Leases, along the Southern Louisiana Gulf Coast. No exploration activity was undertaken on Bivouac Peak Leases during the quarter.

Grand Isle Block 95

Byron has a 100% working interest in Grand Isle Block 95 ("GI 95"). No exploration activity was undertaken on GI 95 during the quarter.

Eugene Island Block 18

Byron has a 100% working interest in Eugene Island Block 18 ("EI 18"), in 10 feet (3 metres) of water, approximately 50 miles (81 kilometres) south of Morgan City, Louisiana. This block was awarded to Byron during the June 2015 quarter.

No exploration activity was undertaken on EI 18 during the quarter.

Properties

As at 31 March 2016, Byron's portfolio of properties, all in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA comprised:-

Properties	Operator	Interest WI/NRI (%) [*]	Lease Expiry Date	Lease Area (Km ²)
South Marsh Island				
Block 6#	Byron	100.00/81.25	December 2016 ^{**}	20.23
Block 70##	Byron	100.00/81.25	July 2017	22.13
Block 71##	Byron	100.00/81.25	July 2017	12.16
Eugene Island				
Block 18	Byron	100.00/78.75	April 2020	2.18
Block 63	Byron	100.00/81.25	May 2018	20.23
Block 76	Byron	100.00/81.25	May 2018	20.23
Grand Isle				
Block 63	Byron	100.00/81.25	April 2019	20.23
Block 72	Byron	100.00/81.25	April 2019	20.23
Block 73	Byron	100.00/81.25	April 2019	20.23
Block 95	Byron	100.00/79.75	September 2017	18.37
Transition Zone (Offshore Louisiana)				
Bivouac Peak Leases##	Byron	90.00/67.05	September 2018	9.70

^{*} Working Interest ("WI") and Net Revenue Interest ("NRI"). The WI and NRI percentages in respect to SM70 and SM71 and Bivouac Peak are before Otto earns any interest. If Otto earns an interest in each of these areas Byron's WI and NRI will reduce by 50% from the earning point.

^{**} Subject to Byron complying with the terms of the SOP (refer to comments on South Marsh Island Block 6 on page 4 of the activities report).

Because the SM6 #2 well failed to reach the base of the G 20 Sand Byron's partner, Otto Energy Ltd, did not earn an interest in the SM6 lease; Otto does retain the right to earn an interest in the SM6 lease by participating in any potential future SM6 Substitute Well, and satisfying the terms of the Participation Agreement between Byron and Otto.

Otto has earned the right to elect to earn a 50% working interest in Byron's SM70/71 leases. Subject to earning and interest in SM70/71, 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Byron Energy Limited

ABN

88 113 436 141

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (9 months) \$US'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(6,278) (95) - (519)	(7,944) (106) - (1,564)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	7
1.5 Interest and other costs of finance paid	(42)	(98)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - Refundable Security deposits - Cash contribution from farminee	(1,000) 5,332	(1,250) 5,332
Net Operating Cash Flows	(2,599)	(5,623)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(38) - -	(327) - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(38)	(327)
1.13 Total operating and investing cash flows (carried forward)	(2,637)	(5,950)

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,637)	(5,950)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,283	3,454
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - equity raising expenses	(133)	(161)
	Net financing cash flows	3,150	3,293
	Net increase (decrease) in cash held	513	(2,657)
1.20	Cash at beginning of quarter/year to date	2,757	5,970
1.21	Exchange rate adjustments to item 1.20	78	35
1.22	Cash at end of quarter	3,348	3,348

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	184
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

In February 2016, Byron converted all outstanding loans comprising \$A700,000 and \$US612,500, repayable on 1 July 2016, to equity as detailed on page 2 of the activities report.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$'000	Amount used \$'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

***Estimated cash outflows for next quarter**

	\$US'000
4.1 Exploration and evaluation*	2,825
4.2 Development	70
4.3 Production	-
4.4 Administration	510
4.5 Refund of Security Deposit	(300)
Total#	3,105

*Includes Byron's exploration expenditure net of (i) cash contributed by the farminee, and (ii) past costs reimbursed by the farminee, where applicable

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	3,348	2,757
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,348	2,757

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

	through securities matured, converted				
7.7	Options (<i>description and conversion factor</i>)	36,995,984	Nil	<i>Exercise price</i> \$A0.50	<i>Expiry date</i> 31 December 2016
		1,700,000	Nil	\$A0.65	30 September 2017
		1,950,000	Nil	\$A0.25	30 September 2018
7.8	Issued during quarter	1,700,000	Nil	\$A0.25	30 September 2018
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures (<i>totals only</i>)	Nil			
7.12	Unsecured notes (<i>totals only</i>)	Nil			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 28 April 2016.

Print name: Nick Filipovic

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

=====