

19 July 2018

ASX Release

South Marsh Island 74 Initial Test Well

- **Byron is finalising documentation to allow the SM74 prospect to be drilled from the adjacent existing SM 73 D platform**
- **Upon a successful well the development cost saving can be up to USD\$ 20 million and the time from completion to production reduced to six months**
- **The SM74 well will be drilled in November 2018 pending final documentation approval, BOEM permit approval and drilling rig availability**
- **Byron has farmed out a 30% working interest to Metgasco on standard industry terms**
- **The SM74 prospect has gross Prospective Resources of 5.2 million barrels and 13 Bcf of gas**

Byron Energy Limited (“Byron” or the “Company”) (ASX: BYE) is very pleased to announce it has executed a Letter of Intent (“LOI”) with the operator of South Marsh Island Block 73 (“SM73”). SM73 is immediately adjacent to Byron’s South Marsh island Block 74 lease (“SM74”) which will allow Byron to drill its SM74 prospect from an existing platform. The LOI specifically addresses the following activities:

- ❖ the drilling of the SM74 D-14 well from the existing SM73 D Platform; and
- ❖ in the case of success, the handling of production from the SM74 block by the offset operator.

The LOI gives both Byron and the offset operator time to complete the final stages of documentation on two key agreements, a Platform Use Agreement for the drilling of the SM74 D-14 well off the SM73 D Platform, and a Production Handling Agreement should the SM74 D-14 be completed for production. Both agreements are proceeding with the goal of execution prior to 1 August 2018.

The drilling of the SM74 D-14 well from an existing platform (*see illustration 2*) is highly advantageous as both the development cost and cycle time to first production will be significantly reduced if successful. Based on Byron’s recent SM71 development (*see Illustrations 1 & 2*), it is estimated as much as USD \$20 million and 12 to 15 months of cycle time could be saved through the elimination of the construction and installation of a stand-alone production facility on SM74. The reduction of potential development costs lowers the economic threshold and significantly improves the financial return. Byron has further secured an option to drill a second well off the SM73 D platform under similar terms, should any discovery warrant additional development drilling.

Having regard to its overall funding requirements, Byron has reduced its capital commitment to the SM74 D-14 well to 60% by offering Metgasco Limited (“Metgasco”) (ASX: MEL), a substantial shareholder in Byron, the right to participate for a 30% Working Interest (“WI”) in SM74 under standard industry farm-in terms. Metgasco has formally elected to participate to earn a thirty percent (30%) WI in the SM74 lease and the SM74 D-14 well

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by paying 40% of the cost of the well to casing point and 40% of the cost of the leasehold acquisition. Metgasco will also reimburse the Company for 30% of certain other acquisition expenses.

The SM74 D-14 well will be operated by Byron and will be directionally drilled from the “L” slot on the SM73 D platform to a total depth of 16,464 feet MD (14,741 feet TVD). The SM74 D-14 well will test three stacked seismic amplitude (see illustration 3) supported targets defined by Byron using the same Reverse Time Migration (“RTM”) seismic data used to make the Company’s nearby SM71 oil discovery in 2016. The three target sands have a combined gross reserve potential of 5.2 million barrels of oil and 13 billion cubic feet of gas as reported in the Company’s third-party reserve report, prepared by Collarini and Associates, released to the ASX on the 28th of September 2017.

The estimated cost to drill the SM74 D-14 well is USD\$11 million, of which USD\$6.6 million will be borne by Byron and USD\$4.4 million will be borne by Metgasco. Byron is currently in negotiations for a drilling rig suitable for the well with the expectation of spudding in November of 2018. The necessary permits have been submitted to the Bureau of Ocean Energy Management and Byron is awaiting final approval. The well is anticipated to take 40 days to reach total depth. The same rig will remain on location for completion operations which are currently estimated to be US\$3.5 million.

If the SM74 D-14 well is successful, produced hydrocarbons will flow from the SM73 D platform to the SM69 B Platform (see Illustration 2) where separation and processing will occur. Oil and gas will then be sold through the same Crimson and Kinetica systems serving the SM71 F Platform, however no SM71 F Platform facilities will be utilized in the SM74 project. A new gas sales pipeline may be required to transport gas from SM69 B to a nearby Kinetica tie-in point. Otherwise, only new separation equipment and additional metering will be required on the SM69 B platform. Total pipeline and facility costs are estimated to be USD\$4 million and it is estimated that first production could occur six months after drilling and well completion operations are finished.

CEO Comment

Maynard Smith, Byron’s CEO had this to say regarding SM74:

“The pursuit and fruition of this deal is a testament to the skill, experience and strategic thinking of the Byron team. Both companies involved in this transaction have demonstrated a willingness to work together to conclude a mutually beneficial arrangement that serves the financial and strategic interest of both companies. We are also pleased to have Metgasco join us in our expanding exploration effort in the greater SM71 dome area. This is an exciting and advantageous development for both Byron and Metgasco.”

“The identification of our SM74 prospect further illustrates the growing value of the Western Geco RTM dataset Byron licensed in 2013, while the opportunity to test this high-quality oil and gas prospect on our lease from an existing platform greatly reduces the economic threshold necessary for a successful well. Additionally, the time to first production is reduced to just six months under this arrangement.”

“The consistent production from our SM71 F1 and F3 wells and current high oil prices are providing strong cash flow and opportunity for our company. This is a significant step in expanding our position in the Gulf of Mexico and we hope to add another revenue stream in the very near future.”

For further information, please contact:

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About Byron:

Byron Energy Limited ("Byron or the Company") (**ASX: BYE**) is an independent oil and natural gas exploration and production company, headquartered in Australia, with operations in the shallow water offshore Louisiana in the Gulf of Mexico. The Company has grown through exploration and development and currently has working interests in a portfolio of leases in federal and state waters. Byron's experienced management team has a proven record of accomplishment of advancing high quality oil and gas projects from exploration to production in the shallow water in the Gulf of Mexico. For more information on Byron please visit the Company's website at www.byronenergy.com.au.

Prospective Resources – Information in respect of LR 5.25

- (i) Prospective resource estimates in this report for SM 74 were included in the Company's ASX release, Byron Energy Independent Reserves and Resources, dated 28 September 2017, based on the independent reserves and resources estimates prepared by Collarini Associates, of Houston Texas USA (refer to the Company's ASX release dated 28 September 2017).
- (ii) The prospective resource information in this document:-
 - a. is effective as at 30 June, 2017 (Listing Rule (LR) 5.25.1)
 - b. has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)
 - c. is reported according to the Company's economic interest in the prospective resource net of royalties (LR 5.25.5)
 - d. has been estimated and prepared using the deterministic method (LR 5.25.6)
 - e. has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)
 - f. is reported on a best estimate basis (LR 5.28.1).

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 (LR 5.28.2).

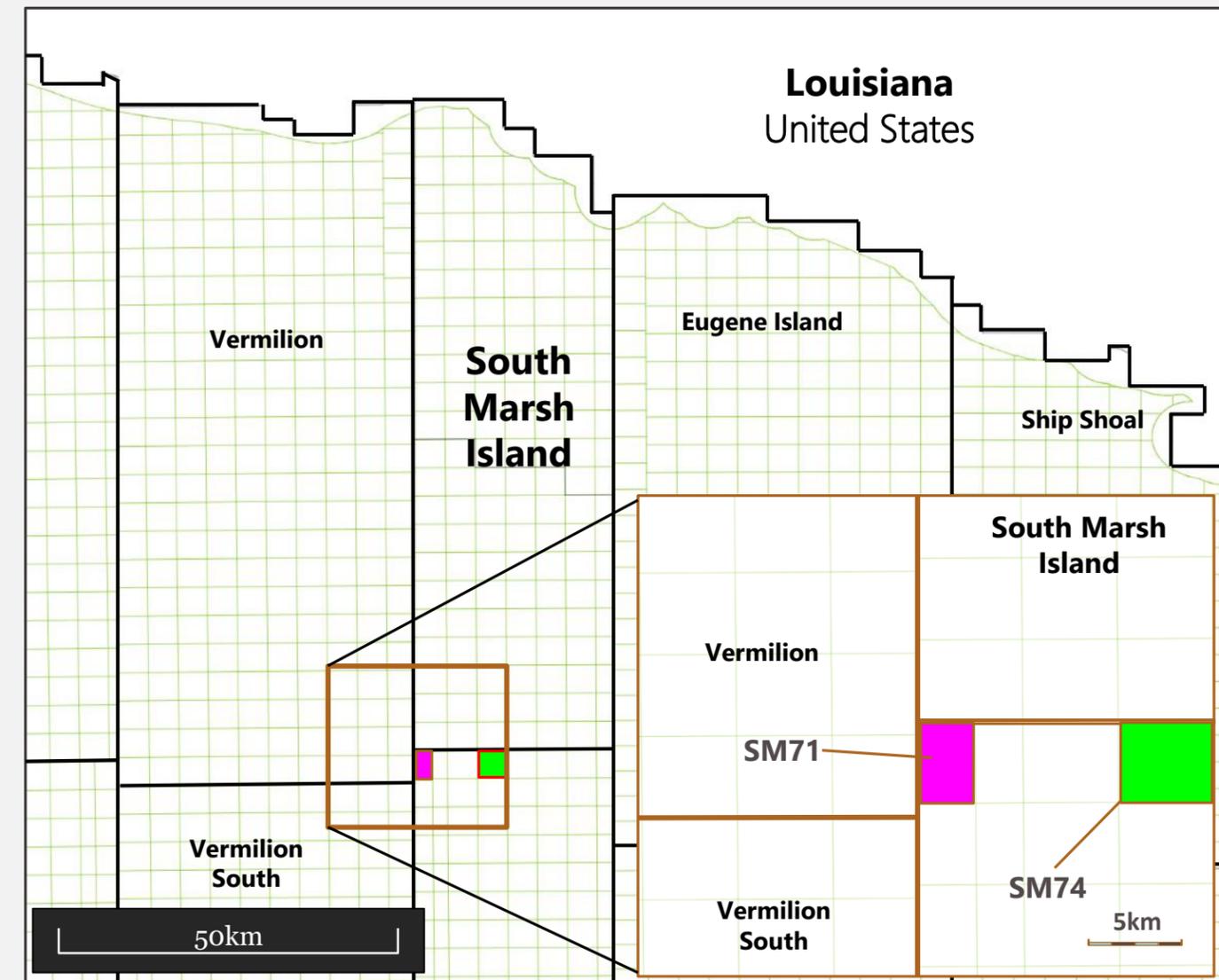
The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed (LR 5.43.2).

Glossary

Bcf = billion cubic feet
MD = Measured Depth
TVD = True Vertical Depth

Illustration 1: South Marsh Island 74 Project Summary

Operator	Byron Energy Inc.
Water Depth	138'
Previous Production	No Previous Production
Byron Energy Inc. Interest	70% WI, 56.875% NRI
Metgasco Ltd Interest	30% WI, 24.375% NRI
Acquired	OCS Sale 247 July 2017
Lease Bonus (Sale 247)	\$137,777
Byron SM74 #D-14 Drill (Dry Hole) Completion Costs	US\$11.0 million US\$ 3.5 million
Pipeline and Facility costs	US\$ 4.0 million
Collarini Prospective Resource*	5.2 mmbo + 13 bcf*



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Illustration 2: SM 74 Project Map

Gross Prospective Resource Potential*
 5.2 mmbo + 13 bcf
 3 Sands
 13,000' , 13,500' & 13,750'

BYRONENERGY
 Byron 100% WI

BYRONENERGY **METGASCO**
 Byron 70% WI
 MEL 30% WI

BYRONENERGY **OTTO ENERGY**
 Byron/Otto 50% WI

Existing Oil Line
 Existing Gas Line

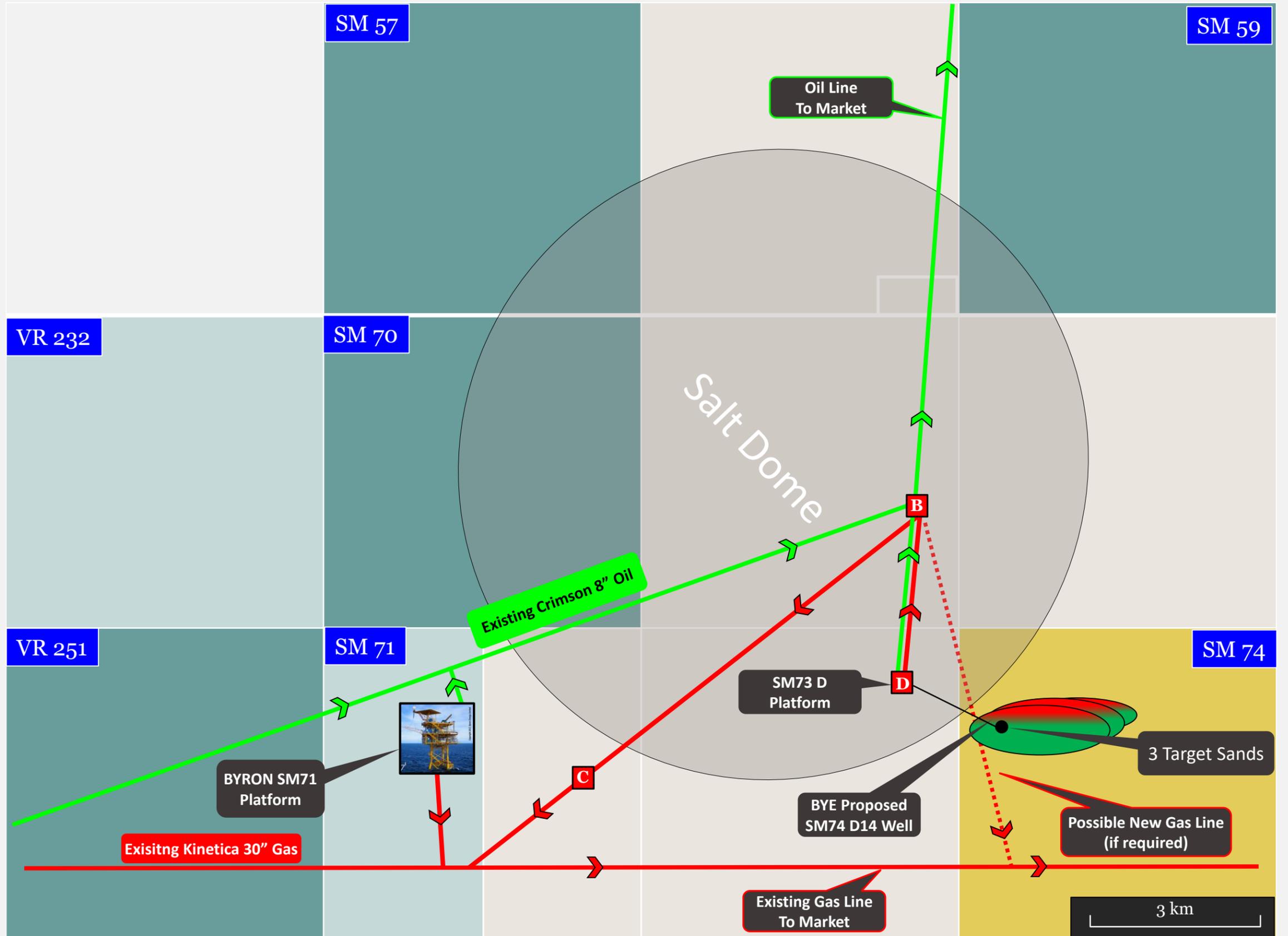
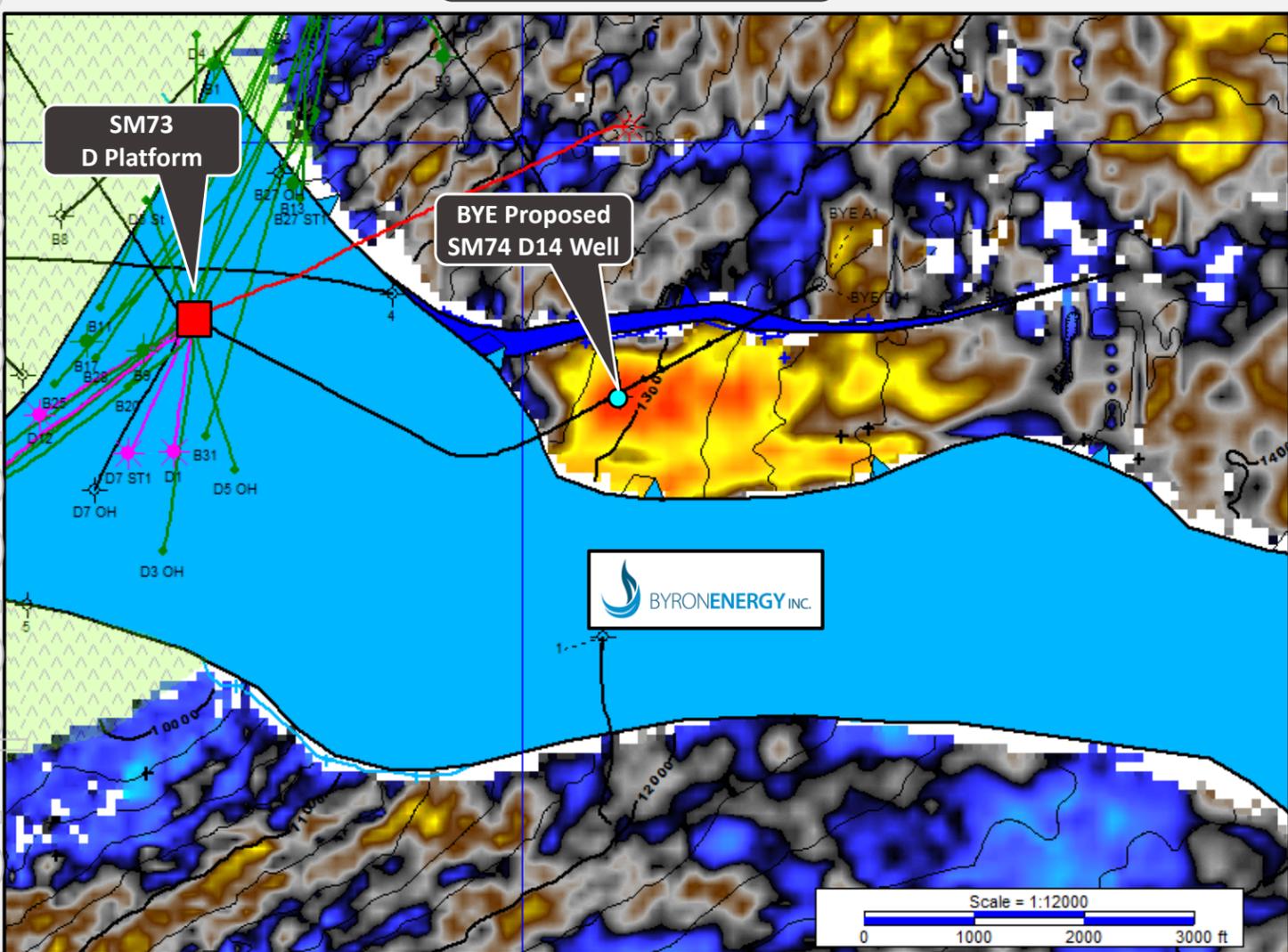


Illustration 3: SM74 Prospect Structure & Amplitude Maps

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13,000' Sand Amplitude Structure



13,500' Sand Amplitude Structure

