

Quarterly Report for the Period Ended 31 December 2013

Highlights

- As previously reported, permitting of the proposed Byron Energy SM6 #1 well ("SM6 #1") on the South Marsh Island Block 6 ("SMI 6") commenced during the June 2013 quarter. The Exploration Plan, a key step in the permitting process, was submitted to the Bureau of Ocean Energy Management ("BOEM") in early June 2013 and approved by the BOEM during the December 2013 quarter. The Application for Permit to Drill was submitted to the Bureau of Safety and Environmental Enforcement ("BSEE") in early December 2013. Byron currently expects to drill SM6 #1 in the March quarter 2014, subject to rig availability and final regulatory approval. SMI 6 block is prospective for oil and gas with extensive Anisotropic Reverse Time Migration ("ARTM") seismic interpretation.
- During the December 2013 quarter Byron entered into a drilling contract with Spartan Offshore Drilling for a jack up rig which will be available to spud the SM6 #1 well after 1 March 2014. Byron also entered into an agreement for construction of a caisson for use at SM6 #1 (266 feet in length and 72 inch in diameter). The caisson was completed during the December 2013 quarter.
- In October 2013, Byron acquired and took delivery, from WesternGeco, of 3D seismic data and ARTM seismic data over its South Marsh Island 70/71 salt dome project area which will allow Byron to undertake detailed mapping of this complex salt dome.
- Byron had a cash balance of \$US 11.88 million at 31 December 2013, of which \$US 10.10 million is denominated in \$US and the balance in \$A.

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue:	128.1 million
Quoted shares:	108.7 million
Options on issue (unquoted):	37.2 million
Cash at 31 Dec 2013:	US\$11.88 million
Market Capitalisation at A\$0.78	A\$99.9 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)

Company Secretary and Chief Financial Officer

Nick Filipovic

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Quarterly Report for the Period Ended 31 Dec 2013 (Cont.)

Corporate

Issued Capital

In the December 2013 quarter, 71,360 unlisted options were exercised at \$A0.50 with the resulting shares now quoted on the ASX. At 31 December 2013 Byron's issued capital comprised:-

	Total issued	Quoted	Unquoted	Escrowed*
Shares (ASX:BYE)	128,125,007	108,674,489	19,450,518	19,450,518
Options	37,224,924	Nil	37,224,924	13,687,083

* escrowed until 30 May 2015.

Annual General Meeting

Byron held its 2013 Annual General Meeting on 28 November 2013. All resolutions were passed.

Project Update

South Marsh Island Block 6

Byron's primary area of focus in 2013/14 is South Marsh Island Block 6 ("SMI 6"), located offshore Louisiana, in the shallow waters of the Gulf of Mexico ("GOM"), 216km southwest of New Orleans in approximately 17m of water. Byron owns a 100% working interest and an 81.25% net revenue interest in the block.

Drilling opportunities

SMI 6 is located on the western flank of a large piercement salt dome. The face of the salt dome dips to the east forming an overhang, which most likely prevented the accurate seismic imaging of the prospect with older seismic datasets.

SMI 6 is productive from discrete, hydrocarbon-bearing, sandstone reservoirs, which are primarily trapped in three-way structural closures bound either by salt or stratigraphic thinning on its up-dip edge. These reservoirs are Pliocene to Upper Miocene age sands from 2,184m to 3,094m, total vertical depth.

SMI 6 is ready for drilling with a number of shallow and deep potential drilling targets identified.

Project Update

South Marsh Island Block 6 (Cont.)

Proposed SM6 #1 Well

Byron's initial focus at SMI 6 is the South West Prospect where it is proposing to drill the SM6 #1 well in the south west corner of a major salt dome. Byron plans to drill this well in the March quarter of 2014, subject to obtaining all relevant regulatory approvals and rig availability.

The SM6 #1 well will be drilled to only test the un-pressured (shallow) section. The deep section is to be tested with another well at a future date.

Further information on the oil and gas reserves and prospective resources of SM6 #1 Well, the South West Prospect and the SMI 6 block overall is contained in Byron's 2013 Annual Report, released to the ASX on 16 October 2013 and previous quarterly activity reports lodged with the ASX. These reports can be accessed on the Company's website: www.byronenergy.com.au

Exploration Plan and Application for Permit to Drill

As previously reported, Byron submitted an Exploration Plan ("EP") for SMI 6 to the Bureau of Ocean Energy Management ("BOEM") during the June 2013 quarter. During the September 2013 quarter BOEM advised Byron that its EP was Deemed Submitted, meaning that Byron had provided sufficient information for the BOEM to begin its review. During the December quarter 2013 BOEM approved Byron's EP, a major milestone in the approval process.

Following receipt of BOEM's approval of the EP, Byron completed and submitted the Application for Permit to Drill ("APD") to the Bureau of Safety and Environmental Enforcement ("BSEE") in early December 2013. BSEE is reviewing the APD to examine the fitness of the drilling unit, mud program, casing program and cement program, among other things. Once BSEE is satisfied with Byron's APD it would grant Byron a permit to drill the SM6 #1 well. Byron's regulatory consultants have indicated this approval time is currently taking up to 60 days.

In mid-October, Byron entered into an agreement with Spartan Offshore Drilling ("Spartan") whereby Spartan has agreed to furnish a rig no earlier than 1 March, 2014, unless otherwise agreed, to spud the SM6 #1 well. The exact spud date is dependent on when the rig is released from its previous drilling commitments and final regulatory approval.

During the December 2013 quarter Byron also entered into an agreement with Twin Brothers Marine for construction of a seven slot caisson for use at SM6 #1 (266 feet in length and 72 inches in diameter). The caisson was completed during the December 2013 quarter and will be set prior to the arrival of the Spartan rig and will also serve as a protective device in the event

South Marsh Island Block 6 (Cont.)

the well is successful while Byron finalises its development and production plans.

In December 2013 Byron instructed its insurance broker to place insurance cover for the SM6 #1 well, including Oil Spill Financial Responsibility cover.

Salt Dome Projects

Byron holds acreage on a total of six salt domes in the shallow waters of the GOM, in addition to SMI 6. Four projects are over oil prone salt domes and two are over more gas prone salt domes.

As previously announced, Byron has entered into an agreement with FairfieldNodal to license 3D seismic data over two of Byron's salt dome projects where the company holds a 100% working interest in a total of five (5) exploration leases. Additionally, FairfieldNodal will process the Eugene Island ("EI") 190/191/210 salt dome through Anisotropic Reverse Time Migration ("ARTM") which will allow the complex salt dome to be mapped in a detailed manner. The "conventional" 3D seismic data over the first two salt dome projects, Eugene Island 190/191/210 and South Marsh Island ("SMI") 70/71 has been delivered. Under the agreement, the ARTM data for EI 190/191/210 will be completed early in 2014.

In October 2013, Byron acquired and took delivery, from WesternGeco, of 3D seismic data and ARTM seismic data over its SMI 70/71 salt dome project area which will allow Byron to undertake detailed mapping of this complex salt dome.

Byron is currently negotiating with several seismic processing companies to acquire ARTM seismic data over its other salt dome project leases for delivery in 2014.

ARTM seismic processing is a further refinement of seismic imaging that allows more accurate mapping of steeply dipping stratigraphic beds and complex salt bodies. The ability to map sand bodies within these complex structural environments is the key to exploring for overlooked or unidentified hydrocarbons. All of Byron's salt dome projects have previously produced oil and natural gas. The use of ARTM will provide the groundwork to map potential sub salt and salt flank prospects around those domes. Until very recently the standard use of ARTM has been largely confined to the deep water areas of the Gulf of Mexico (and elsewhere such as offshore Brazil) where sub salt plays occur and the very high drilling and development costs can easily justify the higher cost of ARTM.

Other Lease Blocks (non-salt dome projects)

In addition to the salt dome projects, including SMI 6, Byron has a 100% working interest in five other projects comprising Ship Shoal Block 180, West Delta Block 49, West Cameron Block 490 and related leases, West Cameron Block 472 and related leases and Grand Isle Block 95.

There was no activity on these blocks during the December 2013 quarter. As foreshadowed in the Chairman's Address at the Company's AGM, on 28 November 2013, subsequent to the end of the December 2013 quarter Byron relinquished the dry gas prone West Cameron 490 project leases and the West Cameron 472 project leases. As a consequence, the carrying value of these projects of approximately \$US 3.3 million will be written off as at 31 December 2013. While the remaining non-salt dome projects are considered attractive by Byron, given Byron's initial focus on SMI 6 and other salt dome projects it is not expected that any of the non-salt dome projects would be drilled until sometime in 2014/15, subject to permitting, farm-out and funding.

Properties

At 31 December 2013, Byron's portfolio of properties in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA comprised:-

Properties	Operator	Interest WI/NRI* (%)	Status	Lease Expiry Date	Area (Km ²)
South Marsh Island Block 6	Byron	100.00/81.25	Exploration	June 2015	20.23
South Marsh Island Block 70	Byron	100.00/81.25	Exploration	July 2017	22.13
South Marsh Island Block 71	Byron	100.00/81.25	Exploration	July 2017	12.16
Ship Shoal Block 180	Byron	100.00/81.25	Exploration	May 2015	20.23
West Delta Block 49	Byron	100.00/81.25	Exploration	May 2014	20.23
West Cameron Block 490**	Byron	100.00/79.25	Exploration	May 2014	20.23
West Cameron Block 491**	Byron	100.00/79.25	Exploration	May 2014	20.23
West Cameron Block 475**	Byron	100.00/79.25	Exploration	January 2015	20.23
West Cameron Block 469**	Byron	100.00/79.25	Exploration	January 2015	20.23
West Cameron Block 472**	Byron	100.00/79.25	Exploration	January 2015	20.23
West Cameron Block 473**	Byron	100.00/79.25	Exploration	January 2015	20.23
West Cameron Block 263	Byron	100.00/81.25	Exploration	May 2018	20.23
East Cameron Block 154	Byron	100.00/81.25	Exploration	July 2017	20.23
East Cameron Block 155	Byron	100.00/81.25	Exploration	May 2018	20.23
East Cameron Block 190	Byron	100.00/81.25	Exploration	July 2017	20.23
Eugene Island Block 191	Byron	100.00/81.25	Exploration	July 2017	20.23
Eugene Island Block 210	Byron	100.00/81.25	Exploration	July 2017	20.23
Eugene Island Block 63	Byron	100.00/81.25	Exploration	May 2018	20.23
Eugene Island Block 76	Byron	100.00/81.25	Exploration	May 2018	20.23
Eugene Island Block 190	Byron	100.00/81.25	Exploration	July 2018	20.23
Grand Isle Block 95	Byron	100.00/79.75	Exploration	September 2017	18.37
Vermilion Block 200	Byron	100.00/81.25	Exploration	June 2018	20.23

* Working Interest ("WI") and Net Revenue Interest ("NRI")

** Blocks relinquished subsequent to the end of the December 2013 quarter.

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 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (6 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	(957) - - (632)	(1,907) - - (1,194)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
- Withholding tax refund	282	282
- Refundable security deposit	-	(150)
Net Operating Cash Flows	(1,294)	(2,943)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	(173) - -
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	-	(173)
1.13 Total operating and investing cash flows (carried forward)	(1,294)	(3,116)

+ See chapter 19 for defined terms.

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Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,294)	(3,116)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	34	73
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	-	-
	Net financing cash flows	34	73
	Net increase (decrease) in cash held	(1,260)	(3,043)
1.20	Cash at beginning of quarter/year to date	13,209	14,989
1.21	Exchange rate adjustments to item 1.20	(65)	(62)
1.22	Cash at end of quarter	11,884	11,884

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	206
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

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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

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	4,900
4.2 Development	-
4.3 Production	-
4.4 Administration	650
Total	5,550

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	11,884	13,209,
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	11,884	13,209

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Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Nil	-	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	128,125,007	108,674,489	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	71,360	71,360	\$A0.50
7.5	+Convertible debt securities <i>(description)</i>	Nil		

+ See chapter 19 for defined terms.


Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	37,224,924	Nil	Exercise price \$A0.50	Expiry date 31 December 2016
7.8	Issued during quarter	Nil	Nil		
7.9	Exercised during quarter	71,360	Nil	\$A0.50	31 December 2016
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	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: 17 January 2014.

Print name: Nick Filipovic

+ See chapter 19 for defined terms.

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.

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