

**12 June 2014**

**ASX Release  
Unsecured Loan Agreement**

Earlier today Byron Energy Limited ("Byron or the Company") (ASX:BYE) released a progress report in relation to drilling of the Byron Energy SM 6 #1 ("SM 6 #1") well and also advised that three of Byron's existing directors ("Lenders"), each a substantial shareholder, had agreed to provide a loan facility to the Company of up to \$A 2,000,000 ("the Loan").

The purpose of this release is to clarify the key terms of the Loan.

The key terms of the Loan are summarised on the following page.

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**The key terms of the Loan are:-**

- (i) The Loan is unsecured.
- (ii) The Loan is to be repaid in cash on or before 31 December 2014, unless it is converted to equity under (v) or (vi) below
- (iii) Interest on the drawn amount is 7.5% per annum.
- (iv) If the Company completes a capital raising of no less than \$A2.0 million (by way of placement, entitlement offer or a combination of both), the Lenders may elect to have the Loan repaid through conversion of the Loan into fully paid ordinary shares in the capital of the Company ("Shares") at the Conversion Price (defined below).
- (v) If the Lenders do not exercise their options to convert the Loan to Shares by 30 September, 2014, the Company may on or before 3 October 2014, elect to repay the Loan through conversion of the Loan into Shares at the Conversion Price (defined below).
- (vi) The Loan cannot be converted into Shares if such conversion would cause the Lenders or the Company to breach the Corporations Act 2001 (Cth) or the ASX Listing Rules. In this regard, any conversion of the Loan into Shares will require the prior approval of shareholders for the purposes of Listing Rule 10.11.

*Conversion Price means:-*

- (a) in the event that Lenders exercises their conversion right, the issue price at which the Company undertook the first capital raising, after 12 June 2014, of no less than \$A2.0 million (by way of placement, entitlement offer or a combination of both) between the date of Loan agreement and the date on which a Lender conversion notice is given; and*
- (b) in the event that Company exercises its conversion right, the 30-day volume weighted average price of the Company's shares, up to and inclusive of the day immediately prior to the date on which the Borrower conversion notice is given.*