

Quarterly Report for the Period Ended 31 December 2017

Summary

- Byron operated SM71 "F" Platform installation and the 4" oil line and 6" gas line connection completed without safety or operational issues;
- SM 71 F2 appraisal well intersected four high quality oil bearing sands (J-1 , B55, B65, and D5 Sands) with an estimated combined net oil pay of true vertical thickness of 190 feet (58 metres);
- SM 71 F2 well to be completed for production in B65 Sand; F2 well result expected to materially increase 1P & 2P reserves for SM 71 at next annual reserves review;
- SM 71 F3 development well drilling underway, targeting a second take point in the D5 Sand for production; and
- First production from SM 71 F1, F2 and F3 wells expected in March 2018.

Name:	Byron Energy Limited
ASX code:	BYE
Shares on issue at 30 Sep 2017:	685 million
Quoted shares:	685 million
Options on issue (unquoted):	51.8 million
Cash at 31 Dec 2017:	US\$14.5 million
Convertible notes:	7.0 million @ \$A1.00 secured convertible notes
Market Capitalisation at 31 Dec 2017:	A\$184.9 million (@A\$0.27 per share)

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

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Corporate

Issued Capital

As at 31 December 2017, Byron's issued capital comprised:-

Securities	Total issued	Quoted	Unquoted
Shares (ASX:BYE)	684,987,034	684,987,034	Nil
Options	51,800,000	Nil	51,800,000
Convertible Notes*	7,000,000	Nil	7,000,000

2,000,000 unlisted options exercisable at any time prior to 31 December 2021 at A\$0.16 per security were issued to a newly appointed management in December 2017.

Convertible Notes Outstanding

Balance at start of December 2017 quarter	Total redeemed during December quarter	Balance at end of December 2017 quarter
8,000,000 @ A\$1	1,000,000 @ A\$1 in October 2017	7,000,000 @ A\$1

8,000,000 @ A\$1.00 secured convertible notes (unquoted), were issued to Metgasco Limited in January 2017. The convertible notes are convertible at the election of the note holder (i) between 20 July 2018 and 21 July 2019; or (ii) on the occurrence of a change of control, at a price which is a 10% discount to the 30 day VWAP. The convertible notes are repayable in A\$ 1 million quarterly instalments over 2 year commencing in October 2017, with the next quarterly repayment due in January 2018. For the terms of the Convertible Notes refer to Byron's ASX release dated 22 July 2016.

Project Updates

Salt Dome Projects (Byron Operated)

South Marsh Island 71

Byron owns a lease in the South Marsh Island Block 73 ("SM 73") Field: South Marsh Island block 71 ("SM 71"). Byron is the designated operator of SM 71 and owns a 50% Working Interest ("WI") and a 40.625% Net Revenue Interest ("NRI") in the block, with ASX listed Otto Energy Limited ("Otto") (ASX: OEL) holding an equivalent WI and NRI in each block. Water depth in the area is approximately 137 feet. Currently, there is no production from the block, although production is expected to commence in the March 2018 quarter.

SM 71 Platform and Pipelines

During the December 2017 quarter, Byron successfully completed the installation of the jacket and decks comprising the SM71 F Platform without safety or operational issues. The Tetra Hedron derrick barge was demobilised off location in late November 2017 after successfully placing the jacket and decks over the SM71 F1 well drilled in 2016 and securing the structure with pilings.

Salt Dome Projects (cont)

SM71 Platforms and Pipelines (cont)

Operations to lay the 500 foot 4-inch oil and 7,000 foot 6-inch gas pipelines were also completed during October 2017. Each pipeline was initially laid and buried to within tie-in distance to Byron's SM71 F platform location and their respective sales lines. Final tie-in work at the platform end and sales lines was completed in December by dive crews soon after the jacket and decks were installed at the platform location in SM71.

SM71 Byron F2 Appraisal Well

The Ensco 68 jack-up rig spudded the Byron operated OCS G-34266 #F-2 well ("F2") on SM 71, in early December 2017.

On 27 December 2017 Byron reported that the SM71 F2 appraisal well encountered four discrete hydrocarbon bearing sands, including the B65 and D5, and that the drill pipe became stuck approximately 214 feet below the bottom of the D5 Sand. Byron attempted to free the stuck drill pipe while evaluating various alternatives including the optimization of the F2 wellbore and future F3 well. Consequently, it was decided to case the F2 well to a depth of 7,700 feet measured depth ("MD"), 130 feet MD below the base of the B65 Sand. By doing so, the B65 Sand, logged in the well was preserved as an optimal take point in that reservoir. The F2 can also be used to produce the J1 Sand and B55 Sand after cessation of production in B65 Sand in the future.

In early January 2018, 7 5/8 inch casing was run before temporarily suspending the F2 well for a short period while the F3 well is drilled, before completing the F2 for production. The F2 well will provide an optimal take point to produce hydrocarbons from the B65 Sand.

Further petrophysical analysis of the net oil pay counts confirmed Byron's preliminary analysis, reported on 27 December 2017. The net oil pay counts based on a full suite of transmitted log while drilling ("LWD") data, will serve as final internal pay counts as the additional higher resolution LWD memory data was not retrieved. Real time LWD Triple Combo porosity data indicates all parameters including the porosity of both the B65 and D5 Sands to be consistent with other wells the area, with measured porosities ranging up to 31% with a high net to gross sand ratio in each zone.

The Company's predrill reserves and resources as at 30 June 2017 were reported on 28 September 2017 (refer to the Company's ASX announcement dated 28 September 2017) and were prepared by Collarini and Associates, Houston, TX. The drilling results of F2 well, and the anticipated initial production from the SM71 wells are expected to result in a material uplift in Byron's proved and probable reserves when Collarini updates the Company's reserves, effective 30 June 2018, in the September 2018 quarter.

SM71 Byron F3 Development Well

Given the high quality and thickness of the D5 Sand encountered in the F2 well and the fact that Byron had a one-time option to drill a second well under the existing Ensco drilling contract, it was decided to drill OCS G-34266 #F-3 well ("SM71 F3") well immediately using the Ensco 68 rig, rather than releasing it.

The SM71 F3 well is designed to intersect the D5 Sand very near the point that the F2 well intersected the D5 Sand. The F3 well will provide a second take point in the D5 Sand reservoir in addition to the up dip F1 well, which was drilled in 2016. The engineering design of the F3 well will allow for a lower borehole angle of 24 degrees with shorter measured depth than the F2 well which had an angle of 60 degrees. The design will provide an optimal completion configuration.

Salt Dome Projects (cont)

SM71 Byron F3 Development Well (cont)

The SM71 F3 well spudded on Tuesday, 9th January 2018 USA Central Standard time, and at the date of this report was drilling ahead having set 10/34 inch casing to 3,539 feet MD. F3 is expected to be drilled and evaluated by early February 2018.

The SM71 F3 development well will be drilled to planned total depth of 7,624 ft/2,324 metres MD, equivalent to 7,423 ft/2,263 metres true vertical depth ("TVD").

SM71 Production Plan

Acceleration of the drilling of the F3 well will add a third completion to the field with initial production from the SM71 field now expected to commence in March 2018 due to the additional drilling and completion work.

Completion operations on all wells will commence sequentially once drilling and casing of the F3 well is finished.

Once all wells are completed for production, Byron expects having three wells on production with two D5 completions, in the F1 and F3 wells, and one B65 completion in the F2. Further drilling opportunities in these reservoirs from the platform will be assessed on the basis of performance.

The combined initial production of the three wells is anticipated to utilize the majority of the SM71 F Platform production capacity. The SM71 F Platform has capacity to produce up to 5,000 barrels of oil per day from wells located on SM71.

South Marsh Island blocks 57, 59 & 74

As previously reported, the BOEM awarded Byron three leases comprising South Marsh Island Area Block 57 ("SM57"), South Marsh Island Area Block 59 ("SM59") and South Marsh Island Area South Addition Block 74 ("SM74"). Byron's bid for the fourth lease, Vermilion Area Block 232 ("VR232") was rejected by the BOEM as insufficient. Byron has appealed the bid decision to BOEM and a decision from the BOEM is pending.

If VR 232 is ultimately awarded to Byron, Otto will have a right to acquire a 50% WI / 40.625% NRI, leaving Byron with a 50% WI / 40.625% NRI. Should Byron ultimately not acquire VR 232, Otto will have a right instead to acquire a 50% WI of SM 74, on same terms, for an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) WI share of certain acquisition costs, including the Dry Hole Costs of an Initial Test Well (as defined in the Participation Agreement between Byron and Otto) incurred by Byron plus an amount equal to a gross fifty percent (50%) of certain other acquisition expenses (as defined in the Participation Agreement) incurred and paid by Byron. Otto's rights to acquire one such newly acquired asset under the Participation Agreement has been satisfied by the participation rights noted above and have otherwise expired effective 31 March 2017.

The SM 57/59/74 blocks increased Byron's footprint near Byron's existing SM71 discovery in the greater SM 73 Field. The associated prospects and resulting leases were generated by the interpretation of Byron's high quality ARTM and Inversion processed 3D seismic data set.

The results of the SM71 F2 bode well for Byron's other leases in the greater SM71 area. Much of Byron team's strength and success over many years has come through applying the experience and knowledge gained in drilling wells in a semi-regional area to other leases within that same general area. Byron expects similar results in the greater SM71 area where the Company controls additional leases. Using the same high quality, proven RTM and Inversion processed data used at SM71, Byron has mapped over a dozen oil and gas prospects on in its 100% Byron owned leases at SM57 and SM59.

Salt Dome Projects (cont)

Eugene Island Blocks 63/76

Eugene Island Blocks 63 & 76 are located in 25 feet (8 metres) of water, approximately 110 miles (176 kilometres) south west of New Orleans, Louisiana. Byron has a 100% WI / 81.25% NRI in the blocks.

No exploration activity was undertaken on the Company's EI 63/76 salt dome project, during the quarter.

Non-salt dome projects (Byron Operated)

Bivouac Peak Leases

In October 2015 Byron acquired the Bivouac Peak Prospect, an onshore/marshland lease from private landowners over approximately 2,400 contiguous acres (9.7 square kilometres) along the southern Louisiana Gulf Coast inboard of Byron's existing shallow water projects in the Federal OCS leasing areas. The Bivouac Peak Prospect is located in the highly productive transitional zone comprising the northernmost shallow waters of the Louisiana State Waters, and onshore coastal Louisiana.

Byron is the operator of the lease, through its wholly owned subsidiary Byron Energy Inc, and holds a 90% WI position while a non-operating private Louisiana based exploration entity holds a 10% WI. Byron has a NRI of 67.05%. Since the end of the 30 June 2016, both Otto and Metgasco have acquired options to earn respective 45% and 10% WI in Byron's Bivouac Peak leases, through the participation and disproportionate carry of dry hole costs in the Initial Test Well in the lease area, together with other customary terms. If Otto and Metgasco both earn working interests in the Bivouac Peak project, Byron's WI and NRI will reduced to 35% and 26.075% respectively.

Byron has utilized advanced 3D seismic to identify multiple exploration objectives on the acreage which lies within a regionally proven trend with prolific Miocene production.

The Company will focus on two prospect locations, East Prospect and Deep Prospect, with stacked plays of 665 and 400 acres, respectively, with a gross prospective resource of 16.0 million barrels of oil and 177.7 billion cubic feet of natural gas. Byron's net share of prospective resources, based on its NRI of 67.05% as at 30 June 2017 is 10.7 million barrels of oil and 119.1 billion cubic feet of natural gas. Should both Otto and Metgasco exercise their options to earn a working interest in Bivouac Peak, Byron's interest in the Bivouac Peak leases would reduce to 35% WI and 26.075% NRI, resulting in prospective resources of 4.2 million barrels of oil and 46.3 bcf of natural gas (net to Byron).

Survey and permit work on the Bivouac Peak prospect continued during the December quarter with a goal of beginning drilling operations in the second half of calendar year 2018.

** The resources referred to in this report were reported on 28 September 2017 (refer to the Company's ASX announcement dated 28 September 2017).*

Eugene Island Block 18

Byron has a 100% working interest in Eugene Island Block 18 ("EI 18"), a non-salt dome project in 10 feet (3 metres) of water, approximately 50 miles (81 kilometres) south of Morgan City, Louisiana. No exploration activity was undertaken on EI 18 during the quarter.

Non-salt dome projects (cont)

Grand Isle Block 95

Grand Isle Block 95 ("GI 95") is located in US Federal waters, approximately 100 miles (161 kilometres) southeast of New Orleans, Louisiana, at a water depth of approximately 201 feet (61 metres). The Company has a 100% operated WI and an 87.5% NRI.

No exploration activity was undertaken on the Company's GI 95 gas project during the quarter.

Properties

As at 31 December 2017, Byron's portfolio of properties, all in the shallow waters of the Gulf of Mexico, and coastal marshlands of Louisiana, USA comprised: -

Properties	Operator	Interest WI/NRI* (%)	Lease Expiry Date	Area (Km ²)
South Marsh Island Block 71	Byron	50.00/40.625	SOP**	12.16
South Marsh Island Block 57	Byron	100.00/81.25	June 2022	21.98
South Marsh Island Block 59	Byron	100.00/81.25	June 2022	20.23
South Marsh Island Block 74#	Byron	100.00/81.25	June 2022	20.23
Eugene Island Block 18	Byron	100.00/78.75	April 2020	2.18
Eugene Island Block 63	Byron	100.00/81.25	May 2018	20.23
Eugene Island Block 76	Byron	100.00/81.25	May 2018	20.23
Grand Isle Block 95	Byron	100.00/87.50	September 2022	18.37
Transition Zone (Coastal marshlands Louisiana) Bivouac Peak Leases ##	Byron	90.00/67.05	September 2018	9.70

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

** On 28 June, 2017 Byron requested a Suspension of Production ("SOP") for lease SM 71. The request was granted in August 2017 by the Bureau of Safety and Environmental Enforcement ("BSEE") with the SOP effective from 1 August, 2017 through 30 November, 2017 based on an activity schedule submitted by Byron. Successful drilling of SM 71 F2 well has effectively extended the SOP by 12 months.

If VR 232 is not awarded to Byron (see Lease Sale 247 section in this report), Otto will have a right to acquire a 50% working interest/40.625% net revenue interest in SM 74, under promoted terms (as noted above) leaving Byron with a 50% working interest/40.625% net revenue interest.

Both Otto and Metgasco Limited ("Metgasco") have acquired an option to earn a 45% and 10% working interest respectively in Byron's Bivouac Peak leases. If both Otto and Metgasco earn into the Bivouac Peak project, Byron's working interest and net revenue interest will be reduced to 35% and 26.075% respectively.

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, 01/05/13, 01/09/16

Name of entity

Byron Energy Limited

ABN

88 113 436 141

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6.months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(547)	(743)
(b) development	(11,274)	(15,252)
(c) production	-	-
(d) staff costs	(427)	(643)
(e) administration and corporate costs	(470)	(644)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	6
1.5 Interest and other costs of finance paid	(216)	(430)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)		
- Refundable Security Deposits	-	(150)
- Advisory Fees	-	(15)
- Cash contributions from farminees / JV partners	5,722	8,647
1.9 Net cash from / (used in) operating activities	(7,208)	(9,224)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements	-	(174)
(c) investments	-	-
(d) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(174)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	22,337
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(76)	(1,034)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings / convertible notes	(779)	(779)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(855)	20,524
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	22,599	3,395
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,208)	(9,224)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(174)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(855)	20,524
4.5	Effect of movement in exchange rates on cash held	(26)	(11)
4.6	Cash and cash equivalents at end of period	14,510	14,510

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

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1 Bank balances	14,510	22,599
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,510	22,599

6. Payments to directors of the entity and their associates	Current quarter US\$'000
6.1 Aggregate amount of payments to these parties included in item 1.2	302
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter US\$'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end A\$'000	Amount drawn at quarter end A\$'000
8.1 Loan facilities*	7,000	7,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

* On 20th January 2017 Metgasco Limited (“Noteholder”) originally subscribed for A\$ 8 million in secured convertible notes, comprising 8,000,000 \$1 notes, to be used for SM 71 project development and general corporate purposes. A\$ 1 million of convertible notes were redeemed during the December 2017 quarter.

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

9.	Estimated cash outflows for next quarter	US\$'000
9.1	Exploration and evaluation, (inc rehabilitation)	(472)
9.2	Development (net to Byron)	(11,100)
9.3	Production*	(380)
9.4	Staff costs	(406)
9.5	Administration and corporate costs	(259)
9.6	Other - Financing charges and loan repayment	(946)
9.7	Total estimated cash outflows	(13,563)

* First production from Byron's SM 71 field (F1, F2 and F3 wells) expected in March 2018 with first sales receipts expect in early in June quarter 2018.

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 24th January 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.