

7 July 2016

ASX Release

Bivouac Peak Exercise and SM 6 Update

Byron Energy Limited ("Byron" or the "Company") (**ASX:BYE**) is pleased to announce that **Otto Energy Limited** ("Otto") (**ASX:OEL**) has elected to exercise its option to acquire a working interest in Byron's Bivouac Peak Prospect ("Bivouac Peak") under the Participation Agreement between Byron and Otto, announced on 11 December 2015. Otto has acquired the option to pay 66.67% of Byron's share of the initial exploration well drilling costs to earn a 45% working interest in Bivouac Peak. Otto's drilling contribution will be capped at \$US 6.0 million, after which both companies will bear their own proportionate interests. Otto has reimbursed Byron for 50% of Byron's past costs in the project (approximately \$US321,000 to Byron) and will pay its 50% share of costs forward.

Bivouac Peak comprises an onshore/marshland lease, acquired from private landowners, over approximately 2,500 contiguous acres (9.7 square kilometres) along the southern Louisiana Gulf Coast inboard of Byron's existing shallow water projects in the Federal Outer Continental Shelf ("OCS") leasing areas. The Bivouac Peak acquisition was announced on 5 November 2015 as a significant addition to Byron's position in the highly productive transitional zone comprising the northernmost shallow waters of the Federal Gulf Of Mexico Shelf, Louisiana State Waters, and onshore coastal Louisiana.

Byron is the operator of the Bivouac Peak project, through its wholly owned subsidiary Byron Energy Inc, and currently holds a 90% Working Interest ("WI") position and a Net Revenue Interest ("NRI") of 67.05%, before Otto option exercise, while a non-operating private Louisiana based exploration entity holds a 10% WI. .

CEO Comment

Maynard Smith, Byron's CEO, said "Byron has utilised advanced 3D seismic to identify multiple exploration objectives on the acreage which lies within a regionally proven trend with prolific Miocene production.

Mr Smith added, "The Bivouac Peak prospect is considered by Byron to be a highly prospective project and would be economically attractive at today's oil and gas prices and drilling/development cost environment, assuming the first well is successful. The fact that the

prospect can be drilled from a shallow water barge type rig only enhances the project economics. Now that Otto has formally exercised its option to farm in to the project, we look forward to moving, together with our partners, towards the drilling phase of the project, currently expected early next year."

Upon Otto earning into the project, the ownership interest in the Bivouac Peak prospect will be:-

	Working Interest (%)	Net Revenue Interest (%)
Pre Otto Farmin		
- Byron	- 90%	- 67.05%
- Private US Company	- 10%	- 7.45%
Post Otto Farmin		
- Byron*	- 45%	- 33.525%
- Otto	- 45%	- 33.525%
- Private US Company	- 10%	- 7.45%

*As announced on 9 June 2016, Byron has also granted, subject to completion, Metgasco Limited ("Metgasco") (ASX:MEL) the right (but Metgasco does not incur an obligation) to farm in to Byron's Bivouac Peak prospect for a 10% working interest (out of Byron's 45% working interest. If Metgasco exercises its option and earns into the project Byron's working interest and net revenue interest will reduced to 35% and 26.075% respectively.

Bivouac Peak was not included in Byron's 2015 annual reserves and resources report, prepared by Collarini Associates ("Collarini"), released to the market on 4 September 2015 and included in the Company's 2015 Annual Report. However, it will be included in the next Collarini reserves and resources review, expected to be finalised late in July 2016. For Byron's own internal Bivouac Peak prospective resources estimate, pre the Otto transaction, refer to the Company's ASX announcement date 5 November 2015.

SM6 Update

Further to the SM 6 update announced on 9 June 2016 Byron now advises that due to increased risk and expense, it has decided not to attempt to re-enter the Byron Energy SM6 #2 ("SM6 #2") well, located in the South Marsh Block 6 ("SM6") lease to complete drilling down to the G 20 Sand target interval, the primary target of both SM6 #1 (drilled in July 2014) and SM6 #2 wells.

Accordingly, having thoroughly evaluated both the mechanical and geological risks associated with continuing drilling operations in the SM6 #2 well, Byron has decided to plug and abandon the section of the SM6 #2 well below the F Sands, in due course.

Byron is now re-assessing the status of the SM6 project based solely on the net pay intersected in the F Sands in the SM6 #1 BP02 and SM6 #2 wells. A further announcement on the SM6 project will be made when all options are evaluated and a final decision is reached. In light of Byron's significant success at SM 71, and the now smaller potential of the SM6 F Sands development, Byron will need to further assess the deployment of capital and management resources to the play.

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