21 December 2018

ASX Release

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South Marsh Island 71 Project Update

- **Reservoir pressure testing in the D5 indicates that there is now water support from the downdip aquifer**
- **Downhole pressure work also indicates that the F1 and F3 wells are most likely connected in a single reservoir**
- **Modification of the F2 well gas lift system has stabilised oil production from the B55 at 165 bopd**
- **Current gross sales from the SM71 platform are 2,900 bopd and 7.25 mmcfpd with no associated water**
- **Total gross production to date is 928,000 barrels of oil and 1.1 billion cubic feet of gas**

Byron Energy Limited ("Byron or the Company") (**ASX: BYE**) would like to provide the following well performance and production update at its operated South Marsh Island Block 71 (SM71) F Platform.

During late November and early December, the Company undertook bottom hole pressure surveys in all three producing wells at SM71. The purpose of this work was to ascertain the current reservoir pressures in the D5 and B55 Sand Reservoirs, evaluate the reservoir drive mechanisms and to determine if two key wells, the SM71 F1 and F3 wells, are connected in the primary D5 Sand reservoir.

D5 Sand Reservoir

Since production began in March 2018, two wells completed in the D5 Sand (F1 and F3) have produced a total of approximately 885,000 barrels of oil and 1.0 billion cubic feet of natural gas (as of 20 Dec 2018). Bottom hole pressure surveys had been also conducted in May 2018 and were compared to the work done in December 2018. In December, both the SM71 F1 and F3 wells exhibited reservoir pressure decreases, but the observed decreases are well within the Company's expectations based on comparisons to nearby D5 Sand oil wells on adjacent blocks on the SM71 salt dome. The D5 reservoir is characterised by a combination drive mechanism with initial pressure depletion followed by primary water drive support through the end of life of the reservoir; it appears we are seeing signs of this transition which is consistent with our original expectations.

Two key observations can now be made by comparing data from May and December. First, the overall rate of daily pressure decline has decreased over the past 6 months. Second, the number of barrels of oil produced per psi of pressure drop in the D5 Sand reservoir has significantly increased. These

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observations are strong indications of water support from the downdip aquifer in the SM 71 D5 Sand reservoir. Neither the F1 nor the F3 well is producing any water at the present time.

Another test was performed to determine if the SM71 F1 and F3 wells are in communication in the D5 Sand reservoir. Both wells were shut in for several hours during which pressure build up rates were measured in each well. When the downdip F3 well was opened to production while the updip F1 well was still shut in, the corresponding rate of pressure build-up in the F1 decreased, indicating the two wells are in communication within the D5 Sand reservoir as expected.

B55 Sand Reservoir

Bottom hole pressure measurements were also taken in the SM71 F2 well which was recompleted in the B55 Sand in October. Based on these downhole pressure measurements the well's gas lift system was modified and since then, the SM71 F2 well has become more predictable and now is producing at a stable rate of 180 barrels per day on gas lift. This rate is in line with other B55 Sand producers on the dome and our pre-completion estimate. The F2 well will continue to be managed at appropriate production rates.

Current Production

Our SM71 project is fast approaching 1 million barrels of total oil production since March 2018. This cumulative production combined with minor amounts of facility related downtime and strong commodity prices means that the SM71 project will reach payout within one year of initial production.

Current rates form the SM71 platform are 2,900 barrels of oil per day and 7.25 million cubic feet of gas per day and no water from all three wells. Our average realised price for oil has been Louisiana Sweet minus US$7.50 per barrel which accounts for all associated transportation, marketing and handling costs and for gas we realise Henry Hub less US$0.40 per thousand cubic feet.

Total gross production at SM71 to date is 928,000 barrels of oil and 1.1 billion cubic feet of gas. Our Collarini June 30th 2018 reserve report estimated total production to the end of November 2018 would be 904,000 barrels (refer to slide 14 of Byron's ASX release, Investor Presentation, dated 19th September 2018) which compares very closely to our actual production of 878,000 barrels to the end of November. Our forecast revenue on slide 15, in that same presentation, was 24.5 million dollars which matches almost exactly our actual realised cashflow. The original production estimates for the D5 included minimal gas but in actuality we are producing a gas volume equivalent, on a revenue basis, to approximately 500 barrels of oil per day based on current pricing.

Additional downhole pressure surveys will be acquired in May of 2019.

Byron, through its wholly owned subsidiary Byron Energy Inc. is the operator of SM71 and has a 50% working interest and a 40.625% net revenue interest in SM71. Otto Energy Limited group **(ASX: OEL)** holds the remaining interest in SM71.

CEO Comment:

Maynard V. Smith, Byron CEO, had this say about the SM71 Project:

"We continue to be very pleased with the performance of our SM71 project. This project is closely matching our previous production and cashflow forecasts and will allow us to execute with confidence our very exciting exploration program in 2019. This is an outstanding result for our company and is a testament to the continued hard work of our offshore personnel and our technical staff."

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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.

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