

9 June 2016

ASX Release
Byron Secures Development Funding for SM 71

Highlights

- Byron Energy Limited ("Byron" or the "Company") (ASX: BYE) has entered into a Heads of Agreement ("HOA") with Metgasco Limited ("Metgasco") (ASX: MEL).
- Byron and Metgasco have agreed on the terms of a Convertible Note for up to \$A8 million, providing Byron with funding for SM 71 project development.
- As part of the transaction, Byron will issue 10 million unlisted options to Metgasco with an exercise price of 25c with a three year term.
- Byron will grant Metgasco an option to acquire a 10% Working Interest in Byron's Bivouac Peak project in consideration for Metgasco funding a disproportionate share of the costs of the first well and reimbursing part of Byron's past costs.
- Metgasco will be granted an opportunity to participate in future Byron projects.

Transaction Terms

Byron Energy Limited ("Byron" or the "Company") (ASX: BYE) is pleased to announce that it has executed a Heads of Agreement ("HOA") with Metgasco Limited ("Metgasco") (ASX: MEL) covering the raising of SM 71 development funding and related matters.

Convertible Note

Under the HOA, Metgasco will subscribe for a 3 year Convertible Note ("Convertible Note" or "Facility") of up to A\$8 million ("Face Value") under the following terms:-

- i. **Security:** the Convertible Note will be secured by a General Deed of Security and Priority, a Negative Pledge from Byron and a registered interest over Byron's share of SM 70/71 leases;

- ii. *Use of Funds*: Development of production assets at SM70/71, associated purposes and general working capital;
- iii. *Drawdown*: Facility to be drawn down within six months of establishment (undrawn funds at six months are deducted from the available facility limit);
- iv. Interest only for first twelve months from establishment on drawn funds then amortising in eight equal instalments over balance of term;
- v. *Facility Fee* of 2.5% of Face Value (AUD \$200,000), payable on first drawdown under the Facility;
- vi. *Line Fee* of 2% , payable quarterly in advance, for the first six months of the facility on the Face Value and then, thereafter, on the drawn (outstanding) balance under the Convertible Note;
- vii. Coupon on drawn funds of 12% pa payable quarterly in arrears;
- viii. Convertible at Metgasco's election after eighteen months from initial drawdown with one week's notice at a 10% discount to the then prevailing 30 day volume weighted average price ("VWAP") of Byron;
- ix. Repayable early by Byron with one month's notice at any time after eighteen months from initial drawdown at 105% of outstanding (along with any accrued interest and line fee); and
- x. Metgasco to be granted the right to nominate one director to the Board of Byron in the case of certain specified material adverse credit events only.

10 Million Byron Options to be Issued to Metgasco

On closing, Byron will issue 10 million non-transferable unlisted options ("Options") to Metgasco with an exercise price of 25c and a three years expiry.

Priority Right for Metgasco in Future Equity Raisings

Byron will grant Metgasco a priority right (with a one week notice period) for up to 10% participation in any issuances of ordinary or preferred equity, or options, by the Company during the term of the Facility.

Option for Metgasco to Acquire a 10% Working Interest in Bivouac Peak

Byron will grant Metgasco 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, assuming Otto Energy Limited ("Otto") exercises its existing option to acquire a 45% working interest out of Byron's existing 90% working interest). If Metgasco exercises its option it will pay for 13.33% of the cost of drilling the first well and reimburse 10% of Byron's past costs (currently estimated at \$US64,000). Should Metgasco exercise its option, Byron and Metgasco will enter into a farm-out agreement containing customary terms for a transaction of this type.

Opportunity for Metgasco to Participate in Future Byron Projects

Byron will grant Metgasco the opportunity to farm into future Byron projects, should Byron decide to farmout a project, during the term of the Facility (3 years) as a preferred and priority partner, subject to Byron's existing obligations to Otto under the Participation Agreement between Byron and Otto, as announced to the ASX on 11 December 2015.

Conditionality and Approvals

The Transaction is conditional upon completion of limited due diligence and legal documentation. However, the HOA does set out the principal agreed terms and conditions for the Convertible Note and the Options issue by Byron to Metgasco, Metgasco's option to acquire a 10% working interest in Byron's Bivouac Peak project and Metgasco's option to participate in future Byron projects.

Byron and Metgasco will be completing definitive documents to implement the agreed terms of the HOA as soon as possible. Byron shareholders will be required to approve the issue of the Convertible Note and the Options at a general meeting of shareholders, with further details to be available at that time.

SM 6 Update

On 30 March 2016 Byron announced that the Byron Energy SM6 #2 ("SM6 #2") well, located in the South Marsh Block 6 ("SM6") lease would be temporarily abandoned after the drill pipe became irretrievably stuck. Byron is continuing with post well studies of the engineering, drilling and geology well data to understand what, if any, options are available regarding future utility of the wellbore. A further announcement will be made when the studies are complete.

CEO Comment

Maynard Smith, Byron's CEO, said: "We are pleased to secure Metgasco as a funding partner and also a potential joint venture partner in our Bivouac Peak prospect and other Byron projects. The financing provided by Metgasco will be used primarily to fund Byron's 50% share of the costs to be incurred in bringing the SM 71 project into production, following the successful drilling of SM 71 #1 well in April/May 2016, as previously reported. The SM 71 oil project will be jointly developed with Otto Energy Limited, our 50/50 joint venture partner in the SM 71 project, targeting production start-up in the first half of 2017."

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