



22 June 2023

Company Announcement Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Byron Energy Limited

Attached please find a copy of Letter to Shareholders to be mailed to the Company's shareholders.

This announcement is authorised by the Board of Directors

Yours sincerely

A handwritten signature in black ink that reads "N. Filipovic".

Nick Filipovic
Company Secretary

Letter to Shareholders from the CEO - June 2023

Dear Shareholder,

It's been a while since I last wrote to you but over the past few weeks the Company has received a number of calls from our shareholders asking a remarkably similar set of questions. There appears to be some misinformation in the marketplace about our Company and unfortunately, we live in a time when if you say something often enough, irrespective of its merits, it is assumed to be the "truth". This letter will answer these questions in order to make sure our investors are fully informed. The five primary questions being asked by our investors are as follows.

1. Has our production collapsed?

The simple answer is NO. In the March quarter we announced a net total production of 123,761 barrels of oil (bo) and 338,266 million British thermal units (mmbtu) (equivalent to approximately 307.5 million cubic feet of gas (mmcfg) which equates to a net daily average production of 1,491 barrels of oil per day (bopd) and 3.705 million cubic feet of gas per day (mmcfpd). As of the writing of this letter, Byron has produced 104,616 bo and 279,480 mmbtu (approximately 254.061 mmcfg) to date in Q2 of 2023. This equates to 1,397 bopd and 3.438 mmcfpd on a net daily basis, which is a decline of 94 bopd and 267 mcfpd over what's now nearly the entire June quarter.

At SM71 the average net daily production for the March quarter was 621 bopd. To date in Q2 2023 net daily production has averaged 512 bopd resulting in a net 109 bopd decline. This decline is consistent with Byron's production and financial modelling due to the water ingress at the F3 well. At SM58 the March quarter net daily oil production was 875 bopd and to date in Q2 2023, the average net daily oil production was 890 bopd which is essentially flat over the period. I will discuss the production at SM58 and its importance in more detail under question five.

2. Has this supposed production collapse made it impossible to arrange suitable finance for our upcoming drilling program?

As our production remains in line with our modelling, and oil prices are also relatively stable, we are confident that suitable financing will be put in place from existing sources, with whom we have regular contact. This finance will primarily be used for the completion of the G4 and G6 wells. Consistent with the type of finance that we have recently relied upon, it is by necessity relatively short term funding, meaning that in order to minimize the term and cost of the loan, we need to know when the drilling rig will actually arrive at SM58. Just to repeat this very important point; ***Byron has a well-established relationship and is in regular contact with the most likely groups that will provide finance, and at this stage, and given the current oil price environment, we don't envisage any reason which would preclude us from arranging both timely and adequate finance on attractive terms when the rig is finally available.***

3. Are we intending an equity raise to fund our upcoming drilling program?

This is perhaps the most unexpected and disappointing of all the questions we have received. ***As we have said on numerous occasions, an equity raise is not under consideration.*** Furthermore, with the share price at a very unreasonable and historic low, we do not feel that we could or would use our shares for any corporate M&A activity. The company would much rather use cash to fund any prospective purchase. Lastly if it turns out that oil prices drop, and financing were to become more limited or unavailable, we will simply adjust or curtail the drilling program to match available funds.

Just as a reminder, Byron is the operator of all our projects and as operator, we have **full control** over the timing and extent of all drilling operations.

4. We have been asked a number of times whether we have intentionally not fully developed SM71?

Quite frankly it's hard to understand any reason why an oil company would deliberately choose not to develop a strongly economic field. These sorts of rumours have existed throughout my fifty year career in the industry and having worked for some of the largest and some of the smallest companies, I am yet to see an example of any company leaving economic reserves intentionally in the ground. Byron will continue to develop our company wide portfolio of reserves in a rational, efficient and expeditious manner.

Using our latest seismic data, the mapped recoverable oil volume for the D5 Sand is approximately 8 million barrels of oil (mmbo) on a gross basis (3.3 mmbo net to Byron). We have currently produced 4.5 mmbo, (1.3 mmbo net to Byron) from the D5 Sand. Based on our current Collarini reserves* we have 2.2 mmbo, gross (0.9 mmbo net), proved remaining in the D5 to be produced from the F1 and F3, bringing the total expected gross production from the F1 and F3 to 6.7 mmbo (2.7 net to Byron) proved. Additionally, there is approximately 1.2 mmbo gross, 0.5 mmbo net to Byron, proved in the attic updip to the F1. This attic will not likely be drilled until the F1 begins to make significant volumes of water which is not forecasted for at least another 2 to 3 years. This brings the total expected recovery from the F1, F3 and the attic well to 7.9 mmbo gross (3.2 mmbo net to Byron) proved. From this analysis it appears to us that the F1 and F3 are very efficiently producing all of the expected reserves from the D5 reservoir. We continuously review field production and engineering data and if there is any meaningful deviation from our model, we will, off course, adjust our development plan.

One might question whether an acceleration well might have quickened this process but, numerous detailed reservoir tests have indicated that the D5 reservoir cannot sustain production above 2300 barrels of total liquids (combined oil and water) per day. The F1 and F3 have consistently been tuned to this rate for their entire productive life thus far to optimize reservoir performance and oil recovery. One remaining D5 prospect is Silo. Byron attempted to drill Silo in 2020 with the F5 well and unfortunately due to severe drilling problems we were unable to reach the planned depth. We currently assess the Silo opportunity as too risky to redrill at this time. Other identified prospects on SM71 are higher risk, gas prone CP44 Sand opportunities which are deeper than, and outboard of, the D5 pool. These exploration opportunities will be drilled in due course.

5. Do the results at SM58 support further drilling on this block at this time?

Currently SM58 accounts for over 63% of our net daily oil production and Byron views SM58 as a very key part of its ongoing drilling program having identified over a dozen prospects yet to be drilled. We very much look forward to the full exploitation of what will surely be a very lucrative block for Byron in the fullness of time. The SM58 block had oil and gas first discovered on it in 1963 and has produced 36.2 mmbo and 273 billion cubic feet of gas (bcf) from 69 productive wells. This production has come from both stratigraphic and structural traps from numerous fault blocks. Byron has drilled 5 wells into 4 different fault blocks testing 7 separate zones and 10 different reservoirs, 9 of which were found to have oil or gas. The results for each of these tests are completely independent of each other, in other words, the results in one well, in one zone, have no bearing on the results in any other well.

The detailed results of the five SM58 Byron wells are summarised in the appendix below but, I think it is worth noting that the recent onset of oil production in the G1 is very significant. This oil confirms the presence of an oil leg in the Upper O reservoir. We find this result very encouraging, and it is something we've been anticipating since we started producing this well. Early reservoir engineering work indicates that this development will have a positive impact on our Collarini 2023 G1 reserve. We believe this oil production is very significant and gives us more confidence to begin drilling for oil in the Steelhead, Steelhead South, Smoked Trout and Smoked Trout South O Sand complex where we have mapped over 10 million barrels of oil potential. Accordingly, our third well in the upcoming drilling program, will be designed to test the Steelhead prospect. Should Steelhead not be productive, we will sidetrack the well to test the River Trout prospect.

Conclusion

Let me conclude by saying the Company is in solid financial shape, has a wealth of prospects across numerous and diverse GOM leases, has substantial financial relationships within the industry and can look forward to significant growth in the future. I, like all of you, am disappointed with Byron's current share price and do not believe it reflects the company's true value. The team at Byron are determined to stay focused and continue to apply the best geophysical and engineering technology available in a coordinated effort to maximise shareholder return.

**Refer to ASX 2022 reserves release dated 14 September 2022 with an effective date of 30 June 2022. The Company is not aware of any new information or data that materially affects the information included in the 14 September 2022 announcement and all the material assumptions and technical parameters underpinning the estimates in the 14 September 2022 announcement continue to apply and have not materially changed*

Appendix

The G1 well commenced production in September 2020, has already paid out, and will be a very profitable well. The O Sand, which is 300 feet thick in the G1 well has produced 6.9 bcf of gas and 55,000 barrels of condensate and 30,000- bo. The initial reservoir pressure was 3,331 psi and by the end of 2022 it had dropped to 1,138 psi. Since the onset of crude oil production in November of 2022 the pressure has now stopped dropping and is stable at 1,072 psi. This indicates there is now water drive support in the Upper O oil and gas reservoir. As mentioned above, the recent oil production in the G1 well will result in an upgrade to reserves for this well in the 2023 Collarini report. The G1 well now averages a daily gross production of 295 bopd of 38 degree API crude oil and 2.7 mmcfpd.

The G2 well was drilled to test the very substantial oil shows in the Lower O Sand that we found in the G1 but we were unable to test at the time due to hole conditions. The Lower O sands that had the good oil shows in the G1 were not present in the G2. The G2 well was then side tracked to test the Brown Trout prospect, an Upper O Sand prospect in a different fault block and has settled in as a consistent oil producer after early signs of crossflow. The **G2ST** has thus far produced 102,000 bo and 0.9 bcf of gas. It is currently producing at a steady rate of 70 bopd and has done so for the last year.

The G3 well was designed to test the J Sand and the K4 Sand. The J Sand came in on depth and with the expected thickness and quality. Unfortunately, the J Sand reservoir has had a very weak water drive suggesting limited down dip connectivity something that is very unusual for the J Sand which typically has a very strong water drive. The well is currently producing 130 bopd and is showing modest signs of water support. Production to date from the well is 78,000 bo and 0.2 bcf of gas and we expect Collarini to adjust the reserves in this well downward in the 2023 reserve report. Byron is investigating possible secondary recovery methods for this reservoir as there is a substantial volume of oil in place for this reservoir. The K4 has also been completed in this well bore and will be produced once production ceases in the J Sand by sliding a sleeve with wireline equipment.

The G5 well has not yet been recompleted in the primary N2 sand target. This sand will be recompleted with coil tubing after the rig leaves the SM58 G platform.

The E2 well has been both a technical and commercial success and has paid out in less than 18 months and will go a long way towards paying out the entire SM58 project. The E2 K4 Sand has produced 414,000 bo with a total gross expected production of 911,000 bo. This has been an outstanding reservoir that has produced a steady 700 bo per day over the last couple of years. Typically, the B65 begins producing water when total oil production reaches 50 to 60 percent of its oil reserves. Generally, in the K4 when the water does arrive it increases very slowly over a long period of time. This well also has two additional zones to recomplete, the L2 and the K which have a combined additional proved gross reserve of 486,000 bo, putting total well Expected Ultimate Recovery (EUR) proved reserves at 1.4 mmbo.