ANNUAL REPORT

for the year ended 30 June 2013

BYRONENERGY LIMITED

(formerly known as Trojan Equity Limited)

ABN 88 113 436 141

CORPORATE DIRECTORY

Directors

Doug Battersby	(Non-Executive Chairman)
Maynard Smith	(Executive Director & CEO)
Prent Kallenberger	(Executive Director)
Charles Sands	(Non-Executive Director)
Paul Young	(Non-Executive Director)

Chief Executive Officer

Maynard Smith

Chief Financial Officer and Company Secretary

Nick Filipovic

Registered Office and Principal Australian Office

Level 4
480 Collins Street
MELBOURNE VIC 3000

Principal Office (USA)

Suite 604
201 Rue Iberville
LAFAYETTE LA 70508

Legal Adviser

Piper Alderman
Level 23
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE VIC 3000

Website

www.byronenergy.com.au

Home Stock Exchange

ASX Limited
20 Bridge Street
SYDNEY NSW 2000
ASX Code: BYE

Share Registry

Boardroom Pty Limited
207 Kent Street
SYDNEY NSW 2000
Tel: 1300 737 760
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CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of your Directors, I am pleased to present Byron Energy Limited's (formerly Trojan Equity Limited) Annual Report and Financial Statements for the year ended 30 June 2013.

In May 2013 Byron Energy Limited ("Byron or the Company") completed the acquisition of Byron Energy (Australia) Pty Ltd, formerly Byron Energy Pty Ltd, and a A$14.5million capital raising ("the Transaction") following approval of the Transaction, amongst other items, at a general meeting of shareholders held on 22 April 2013.

The issue of new securities for the Transaction, pursuant to the prospectus dated 2 April 2013, took place on Friday 24 May 2013 comprising 120,181,160 new ordinary shares and 37,380,084 unlisted options exercisable at A$0.50 at any time before on 31 December 2016.

Byron's goal is to become a successful oil and gas exploration and production company by:-

- discovery and commercial production of oil and gas in the shallow (less than 100 metres) waters ("the Shelf") of the Gulf of Mexico ("GOM"), commencing with the drilling of our first well on the South Marsh Island 6 block ("SMI 6"), and
- the generation and/or acquisition of new exploration plays on the Shelf, in the GOM.

During the year Byron acquired six additional blocks on the Shelf through bidding at the annual Federal Government lease sale, taking the Company's lease holdings to a total of twenty two leases covering eleven exploration projects. All of Byron's exploration projects are located on the Shelf in the GOM with seven of these projects, including SMI 6, located in and around salt domes.

Immediately following the completion of the Transaction in May 2013, Byron moved to commence the permitting process for the drilling of the Byron Energy SMI 6 #1 well on the SMI 6 block, where Byron has a 100% working interest and a 81.25% net revenue interest. Byron expects to drill this well in the March quarter of 2014, subject to all regulatory approvals and drilling rig availability. The SMI 6 block is prospective for oil and gas, and based on an independent assessment has proved and probable reserves of 4.2 million barrels of oil and 8 billion cubic feet of gas (net to Byron). In addition, SMI 6 contains possible reserves of 1.2 million barrels of oil and 3.5 billion cubic feet of gas (net to Byron) and prospective resources of 5.8 million barrels of oil and 104.8 billion cubic feet of gas (net to Byron).

In August 2013, Byron entered into an agreement with FairfieldNodal ("Fairfield") to license 3D seismic data over two of Byron's salt dome projects. Additionally, Fairfield will process one of the projects, Eugene Island 190/191/210 ("EI 190/191/210") through Anisotropic Reverse Time Migration ("ARTM') which will allow the complex salt dome to be mapped in a detailed manner. These two salt dome projects are in addition to SMI 6 which will be drilled on the basis of ARTM seismic previously acquired from Fairfield by Byron. The "conventional" 3D seismic data over the first two salt dome projects, EI 190/191/210 and South Marsh Island 70/71 ("SMI 70/71"), has been delivered. ARTM data over EI 190/191/210 is expected to be completed by Fairfield within six months i.e. by the end of March 2014. We anticipate to also acquire ARTM data over the SMI 70/71 project during 2014.

ARTM seismic processing is a further refinement of seismic imaging that allows more accurate mapping of steeply dipping stratigraphic beds and complex salt bodies. The ability to map sand bodies within these complex structural environments is the key to exploring for overlooked or unidentified hydrocarbons. All of Byron's salt dome projects have previously produced oil and natural gas. The use of ARTM will provide the groundwork to map potential sub salt and salt flank prospects around those domes. Until very recently the standard use of ARTM has been largely confined to the deep water parts of the Gulf of Mexico (and elsewhere such as offshore Brazil) where sub salt plays occur and the very high drilling and development costs can easily justify the higher cost of ARTM. In summary, technological advances in acquisition and processing of seismic are helping to resolve complex geological features around and below known oil and/or gas pay, where conventional seismic is incapable of accurately imaging complex geological features adjacent to and below salt, resulting in identification of previously bypassed hydrocarbon pay.

Consequently, the use of ARTM has the potential to materially enhance the prospectivity of the Shelf, a mature oil and gas province, which has several important advantages, including regular lease sales by the Federal Government, relatively low drill costs and ample established and accessible production and transportation infrastructure.

Byron is fortunate in having a strong and experienced, albeit small, management team under Maynard Smith's leadership. Maynard's experience and networks in the GOM, as well as those of our Chief Operating Officer, Prent Kallenberger, give the Company a competitive advantage when operating in the GOM. On behalf of the Board I express our gratitude to Maynard, Prent and the rest of our team, including contractors and consultants, who together continue to work hard in an effort to make Byron a successful oil and gas exploration and production company.

We look forward to future success, starting with SMI 6 early in 2014, and for your continued support, for which we thank you.

Yours faithfully

Doug Battersby
Chairman

REVIEW OF OPERATIONS

Byron Energy Limited ("the consolidated entity" or "Group"), being Byron Energy Limited ("Byron" or the "Company"), formerly Trojan Equity Limited, and subsidiaries commenced the financial year ended 30 June 2013 with a portfolio of oil and gas leases in the shallow waters of the Gulf of Mexico, United States ("GOM") comprising non-operated and operated areas of interest. During the year, Byron disposed of its non-operated areas of interest and substantially increased its operated areas of interest through further participation in two Gulf of Mexico lease sales conducted by the Federal Government through the Bureau of Ocean Energy Management ("BOEM").

1. Non Operated Areas

In November 2012, Byron sold its interests in the non-operated areas to Northstar Offshore Group, LLC for approximately US$4.0 million.

The non operated areas of interest sold comprised:-

(a) a working interest in Eugene Island Blocks 172, 183 and 184, a producing field, and

(b) non-producing interests in South Marsh Island Block 8, Eugene Island Block 133, Ship Shoal Block 197 and Ship Shoal Block 202; overriding royalty interest in Ship Shoal Block 201; rights to acquire a working interest in Main Pass Block 115 and West Cameron Block 106.

2. Operated Areas of Interest

As at 1 July 2012, Byron held nine blocks in the shallow waters of the GOM with a 100% working interest in seven blocks comprising West Cameron Blocks 469, 472 & 473 ("WC 472"), West Cameron Blocks 475, 490 & 491 ("WC 490") and West Delta Block 49 ("WD 49") and held an 80% working interest in two blocks, Ship Shoal Block 180 ("SS 180") and South Marsh Island Block 6 ("SMI 6").

In August 2012, Byron acquired the remaining 20% working interests in SS 180 and SMI 6, increasing its working interest in both blocks to 100%.

During the year ended 30 June 2013 Byron participated in two GOM leases sales conducted by the BOEM.

In the Central Gulf Lease Sale 216/222 conducted in June 2012 (with leases awarded subsequent to 30 June 2012), Byron acquired a 100% working interest in seven leases comprising East Cameron Block 154 ("EC 154"), East Cameron Block 190 ("EC 190"), South Marsh Island Block 70 ("SMI 70"), South Marsh Island Block 71 ("SMI 71"), Eugene Island Block 191 ("EI 191"), Eugene Island 210 ("EI 210") and Grand Isle Block 95 ("GI 95").

All the blocks, acquired in the central Gulf Lease Sale 216/222 except for GI 95, are at an early stage of evaluation and will require additional geological and geophysical analysis, probably including ARTM seismic reprocessing as most of the blocks are over salt domes, before reserves and/or prospective resources can be ascribed to the blocks.

In the Central Gulf Lease Sale 227 conducted in March 2013, Byron acquired a 100% working interest in six leases comprising West Cameron Block 263 ("WC 263"), East Cameron Block 155 ("EC 155"), Vermillion Block 200 ("VB 200"), Eugene Island Block 63 ("EI 63"), Eugene Island Block 76 ("EI 76"), Eugene Island Block 190 ("EI 190"). All of these blocks are over salt dome structures and are expected to be amenable to enhanced seismic reprocessing techniques.

REVIEW OF OPERATIONS (CONT'D)

At 30 June 2013 Byron's areas of interest, 100% owned and operated by Byron, in the GOM comprise twenty two leases, all of which are currently undeveloped and are summarised below:-

Blocks	Working Interest / Net Revenue Interest (%)	Lease Expiry Date	Lease Area (Km²)
South Marsh Island			
Block 6	100.00/81.25	June 2015	20.23
Block 70	100.00/81.25	July 2017	22.13
Block 71	100.00/81.25	July 2017	12.16
Ship Shoal			
Block 180	100.00/81.25	May 2015	20.23
West Delta			
Block 49	100.00/81.25	May 2014	20.23
West Cameron			
Block 490	100.00/79.25	May 2014	20.23
Block 491	100.00/79.25	May 2014	20.23
Block 475	100.00/79.25	January 2015	20.23
Block 469	100.00/79.25	January 2015	20.23
Block 472	100.00/79.25	January 2015	20.23
Block 473	100.00/79.25	January 2015	20.23
Block 263	100.00/81.25	May 2018	20.23
East Cameron			
Block 154	100.00/81.25	July 2017	20.23
Block 190	100.00/81.25	July 2017	20.23
Block 155	100.00/81.25	May 2018	20.23
Eugene Island			
Block 191	100.00/81.25	July 2017	20.23
Block 210	100.00/81.25	July 2017	20.23
Block 63	100.00/81.25	May 2018	20.23
Block 76	100.00/81.25	May 2018	20.23
Block 190	100.00/81.25	July 2018	20.23
Grand Isle			
Block 95	100.00/79.75	Sept 2017	18.37
Vermilion			
Block 200	100.00/81.25	June 2018	20.23

REVIEW OF OPERATIONS (CONT'D)

3. SMI 6

Byron's primary area of focus in the 2013/14 year is SMI 6, located offshore Louisiana, 216 kilometres ("km") southwest of New Orleans, Louisiana in approximately 17 metres ("m") of water. Byron owns a 100% working interest and an 81.25% net revenue interest in the block.

SMI 6 contains a number of oil and gas prospects mapped from recently acquired Anisotropic Reverse Time Migration ("ARTM") seismic data.

Byron has proved probable and possible reserves of 5.4 million barrels ("MMBbls") and 11.4 billion cubic feet ("Bcf") of gas, net to Byron, as independently assessed.

In addition to the above reserves, prospective resources in SMI 6, attributable to Byron, comprise 5.8 MMBbls of oil and 104.8 Bcf of gas *(see section 6 in Review of Operations on reserves).*

Drilling Opportunities

SMI 6 is located on the western flank of a large piercement salt dome. The face of the salt dome dips to the east forming an overhang, which most likely prevented the accurate imaging of the prospects with older seismic datasets.

SMI 6 has been productive in the past from eleven discrete, hydrocarbon-bearing, sandstone reservoirs, which are primarily trapped in three-way structural closures bound either by salt, faults or stratigraphic thinning on their updip edge. These reservoirs are Pliocene age to Upper Miocene age sands from 2,184m to 3,094m, total vertical depth.

SMI 6 is ready for drilling with a number of shallow and deep potential drilling targets identified. All of the shallow targets are mapped as being up-dip of previously producing reservoirs.

There are four proved undeveloped attic reserve drill opportunities: two in the south fault block for the F-20, F-30, G-20, H-30, H-40 and H-50 Sands; in the central fault block for the I-5 Sand; and in the north fault block for the F-30, H-40, H-50 and I-10 Sands.

There is a probable incremental reserve opportunity in the south fault block associated with the G-20 Sand.

There are two possible reserve drill opportunities: in the south fault block for the F-10, F-40, F- 45, I-5 and I-10 Sands; and in the north fault block for the I-10 Sand.

There are four prospective resource exploratory opportunities: in the south fault block for the 12,300 feet ("ft")., 13,900 ft. and 15,000 ft. Sands; in the central fault block for the 12,300 ft., 13,900 ft., 14,500 ft. and 15,000 ft. Sands; and two in the north fault block for the F-30, F-40, H-30, H-40, H-50, 12,300 ft., 13,900 ft. and 15,000 ft. Sands.

Proposed Byron Energy SM6 # 1 Well

Byron's initial focus at SMI 6 is the South West Prospect where it is proposing to drill the Byron Energy SM6 #1 Well, in the south west corner of the salt dome. Byron plans to drill this well during the March 2014 quarter, subject to regulatory approvals, required for drilling, and rig availability.

The South West Prospect is estimated to contain gross proved, probable and possible reserves of 3.8 MMBbls of oil and 10.8 Bcf of gas (3.1 MMBbls of oil and 8.8 Bcf of gas net to Byron) in the un-pressured (shallow) sands with additional gross prospective resources of 0.3 MMBbls of oil and 10.5 Bcf of gas in the deeper pressured section (0.2 MMBbls of oil and 8.6 Bcf of gas net to Byron). Byron Energy SM6 #1 will be drilled to only test the un-pressured (shallow) section. The pressured (deep) section is intended to be tested with another well at a future date.

REVIEW OF OPERATIONS (CONT'D)

Exploration Plan and Application for Permit to Drill

During the June 2013 quarter Byron submitted an Exploration Plan ("EP") for SMI 6 to the BOEM, an important first step in obtaining a drilling permit. BOEM and other Federal and state government agencies are now conducting reviews of the EP, examining amongst other things, well locations, current structure maps, sequence of exploration activities, biological reports, coastal zone management consistency, environmental report, air emissions information and the worst case discharge and blowout scenario.

Once the EP is approved by the BOEM and coastal zone management review is completed by the State of Louisiana, an Application for Permit to Drill ("APD") will be submitted by Byron to the Bureau of Safety and Environmental Enforcement ("BSEE"). BSEE will then review the APD to examine the fitness of the drilling unit, mud program and the casing program cement program, amongst other things. Once BSEE is satisfied with Byron's APD it would grant Byron a permit to drill Byron Energy SM6 #1. Byron has commenced discussions with drilling rig operators and insurers to secure a drilling rig and the required insurances so that it can spud the well if and when the drilling permit is granted by the BSEE.

4. SS 180, WD 49, WC 490, WC 472 and GI 95

In addition to SMI 6, Byron has a 100% working interest in twenty one other leases, five of which contain either proved, probable or possible reserves *(see section 6 in Review of Operations on reserves)*. These leases comprise SS 180, WD 49, WC 490, WC 472 and GI 95.

SS 180 and WD 49 both contain undeveloped oil and gas reserves.

GI 95 acquired at the Central Gulf Lease Sale 216/222 in 2012, has a drillable gas prospect with gas reserves and prospective resources, exceeding 100 bcf, net to Byron *(see section 6 in Review of Operations on reserves)*.

WC 490 and WC 472 each also contain undeveloped gas reserves.

While these blocks are considered attractive by Byron, given Byron's initial focus on SMI 6 it is not expected that any of SS 180, WD 49, WC 490 and GI 95 properties would be drilled until 2014, subject to farm-out and funding.

5. Salt Dome Projects

Byron has now acquired acreage on a total of seven salt domes, including SMI 6. The other six projects are in the early stages of geologic and geophysical evaluation. Prior to the end of 30 June 2013, Byron initiated discussions with FairfieldNodal in order to affect ARTM processing on a number of these blocks. Blocks under consideration for ARTM processing were: SMI 70 and SMI 71, EI 63 and EI 76, VR 200, EI 190, EI 191 and EI 210, EC 154 and EC 155, WC 263 and EC 190. ARTM seismic processing is a further refinement of seismic imaging that allows more accurate mapping of steeply dipping stratigraphic beds and complex salt bodies. The ability to map sand bodies within these complex structural environments is the key to exploring for overlooked or unidentified hydrocarbons. All of Byron's salt dome projects have previously produced oil and natural gas. The use of ARTM will provide the groundwork to map potential sub salt and salt flank prospects around those domes. Until very recently the standard use of ARTM has been largely confined to the deep water parts of the Gulf of Mexico (and elsewhere such as offshore Brazil) where sub salt plays occur and the very high drilling and development costs can easily justify the higher cost of ARTM. Byron and FairfieldNodal entered into a seismic data and ARTM processing agreement subsequent to balance date, whereby Byron licensed 3D seismic data over two of Byron's salt dome projects. Additionally, FairfieldNodal will process one of the projects (EI 190/EI 191/EI 210) through ARTM which will allow the

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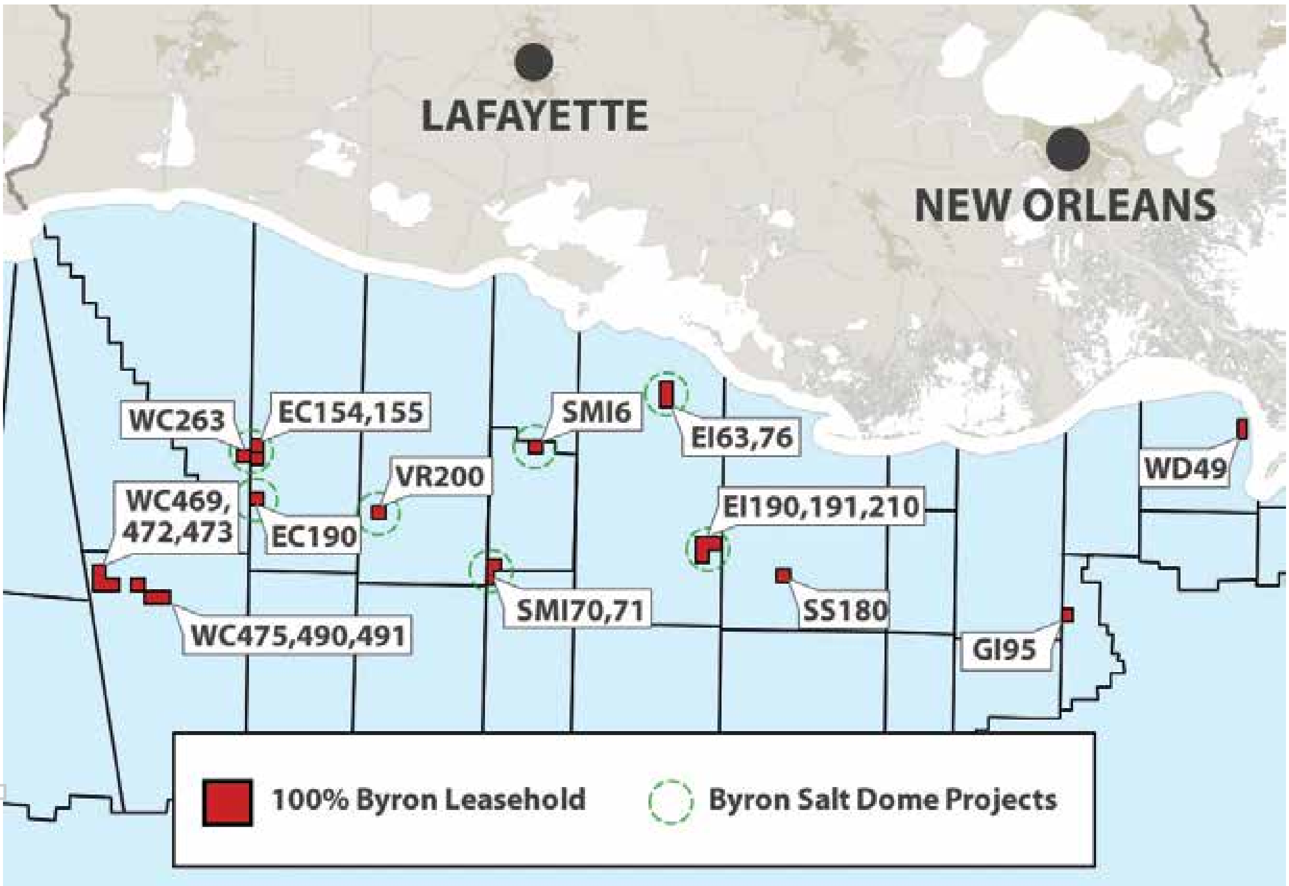
REVIEW OF OPERATIONS (CONT'D)

complex salt dome to be mapped in a detailed manner. These two salt dome projects are in addition to SMI 6 which will be drilled on the basis of ARTM seismic previously acquired from FairfieldNodal by Byron.

The "conventional" 3D seismic data over the first two salt dome projects, EI 190/EI 191/EI 210 and SMI 70/SMI 71, has been delivered. ARTM data over EI 190/EI 191/EI 210 is expected to be completed by Fairfield by the end of March 2014.



REVIEW OF OPERATIONS (CONT'D)

6. Reserves

Byron's estimated reserves as included in the Byron Energy Limited (formerly Trojan Equity Limited) Prospectus dated 2 April 2013 ("the Prospectus") are shown in the table below:-

	Net to Byron		
Reserves (net to Byron)*	**Proved Reserves (undeveloped)**	**Proved & Probable Reserves (undeveloped)**	**Proved, Probable & Possible Reserves (undeveloped)**
Oil (MMBbls)			
SMI 6	3.239	4.181	5.402
SS 180	-	-	1.436
WC 490	-	-	-
WC 472	-	-	0.041
WD 49	-	0.424	0.716
GI 95	0.026	0.173	0.225
Total Oil	**3.265**	**4.778**	**7.820**
Gas (Bcf)			
SMI 6	6.684	7.997	11.447
SS 180	-	-	1.436
WC 490	-	4.248	51.424
WC 472	-	-	20.024
WD 49	-	6.470	6.762
GI 95	12.939	51.187	73.654
Total Gas	**19.623**	**69.902**	**164.747**

In addition, Byron has prospective resources (net to Byron) of 7.448 MMBbls oil and 185.042 Bcf gas.

In the opinion of the Directors there have been no changes since the Independent Technical Report (pages 50-74 of the Prospectus dated 2 April 2013) was completed that would materially impact on the reserves position of the Company.

Competent Person Statement

** Reserve estimates shown above and used in the Prospectus are sourced from the Independent Technical Report (pages 50-74 of the Prospectus) and were compiled by Mr Andrew Andrejewskis, BSc, Grad Dip B Admin, FAusIMM (CP), FAIM, an independent technical expert. The reserve estimates used in the Prospectus and included above have been prepared in line with the listing rule requirements specific to listed oil and gas exploration and production companies as set out in the ASX Listing Rules. More specifically the reserve estimates used in the Prospectus are consistent with the definitions of Proved, Probable and Possible hydrocarbon reserves defined in Chapter 19 of the ASX Listing Rules. In November 2012 the ASX announced that oil and gas companies will be required to report, effective 1 December 2013, in accordance with the Society of Petroleum Engineers Petroleum Resources Management System ("SPE-PRMS"). The Company has not yet adopted the SPE-PRMS standards, but intends to do so by 1 December 2013. Application of the SPE-PRMS standards requires re-interpretations of available technical data and various assumptions. Any significant changes in these interpretations or assumptions from those currently used could result in a statement of estimated quantities of reserves, in aggregate and within in individual reserve categories, being different from that which is shown in the table above and included in the Prospectus.*

Mr Andrejewskis is a qualified person, as defined in ASX Listing Rule 5.11, and has consented to the disclosure of the reserves table shown above in the form and context in which it appears pursuant to ASX Listing Rules.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

BYRON ENERGY LIMITED

(FORMERLY KNOWN AS TROJAN EQUITY LIMITED)

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DIRECTORS' REPORT

Your directors submit herewith their report together with the Financial Report of Byron Energy Limited ("the consolidated entity" or "Group"), being Byron Energy Limited ("Byron" or the "Company"), formerly Trojan Equity Limited, and its subsidiaries for the financial year ended 30 June 2013.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows:

Douglas G. Battersby	(appointed 18th March 2013)
Maynard V. Smith	(appointed 18th March 2013)
Prent H. Kallenberger	(appointed 18th March 2013)
Charles J. Sands	(appointed 18th March 2013)
Paul A. Young	(appointed 18th March 2013)
Andrew P. S. Kemp	(resigned 18th March 2013)
Troy J. Harry	(resigned 18th March 2013)
Roger B. Clarke	(resigned 18th March 2013)

Names, qualifications, experience and special responsibilities

Douglas G. Battersby Non-Executive Chairman Appointed 18th March 2013	Doug is a petroleum geologist with over forty years' technical and managerial experience in the Australian and international oil and gas industry. Doug co-founded two ASX listed companies (Eastern Star Gas Limited, which was taken over by Santos Limited in November 2011, and SAPEX Limited, which was taken over by Linc Energy Limited in October 2008), and two private oil and gas exploration/development companies, Darcy Energy Limited, which was sold to I B Daiwa Corporation in 2005, and Byron Energy (Australia) Pty Ltd where he was Executive Chairman until Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited. Between 1990 and 1999 Doug was Technical Director at Petsec Energy Limited, an ASX listed operator in the shallow waters of the Gulf of Mexico with production reaching 100 MMcf per day of gas and 9,000 barrels of oil per day in 1997. He holds a Master of Science degree in Petroleum Geology and Geochemistry from Melbourne University. **Other current directorships of listed companies** None **Former directorships of listed companies in last three years** None.

DIRECTORS' REPORT (CONT'D)

Maynard V. Smith Executive Director and Chief Executive Officer Appointed 18th March 2013	Maynard is a geophysicist with over thirty years' technical and managerial experience in the oil and gas industry with a particular focus on the Gulf of Mexico. Maynard co-founded Darcy Energy Limited, sold to I B Daiwa Corporation in 2005, and Byron Energy (Australia) Pty Ltd where he has been Chief Executive until Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited. Prior to that, Maynard was Chief Operating Officer with Petsec Energy Limited (1989-2000). In the late 1970s and early 1980s Maynard held senior exploration positions with Tenneco Oil Company, based in Bakersfield, California. He holds a Bachelor of Science degree in Geophysics from California State University at San Diego. **Other current directorships of listed companies** None. **Former directorships of listed companies in last three years** None.
Prent H. Kallenberger Executive Director and Chief Operating Officer Appointed 18th March 2013	Prent is a geoscientist with over thirty years' experience in the oil and gas industry with extensive exploration and development experience in the Gulf of Mexico, having generated prospects which have led to the drilling of over 125 wells in the Gulf of Mexico and California. He was Vice President of Exploration with Byron Energy (Australia) Pty Ltd until Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited. Between 2000 and 2006, Prent was Vice President of Exploration with Petsec Energy Inc, where he was responsible for a team of seven people and generated projects leading to the drilling of ten successful wells in 12 attempts in the shallow waters of the Gulf of Mexico. These wells produced 32 Bcf and 1.5 MMBbls of oil. Between 1992 and 1998 Prent was Geophysical Manager with Petsec Energy Inc, a wholly owned subsidiary of Petsec Energy Limited. He holds a Bachelor of Science degree in Geology from Boise State University and Master of Science degree in Geophysics from Colorado School of Mines. **Other current directorships of listed companies** None. **Former directorships of listed companies in last three years** None.

DIRECTORS' REPORT (CONT'D)

Charles J. Sands Non-Executive Director Appointed 18th March 2013	Charles has been a non-executive director of Byron Energy (Australia) Pty Ltd until Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited. Charles was also a director of Darcy Energy Limited. Charles has over thirty years' of broad based business and management experience in the USA and is President of A. Santini Storage Company of New Jersey Inc, enabling him to advise on the general business operating environment and practices in the USA. He holds a Bachelor of Science from Monmouth University. Mr Sands is currently a member of the Audit and Risk Management Committee. **Other current directorships of listed companies** None. **Former directorships of listed companies in last three years** None.
Paul A. Young Non-Executive Director Appointed 18th March 2013	Paul is the co-founder and an executive director of Baron Partners Limited, a well-established corporate advisory business, and has been in merchant banking in Australia for more than 26 years. He has extensive experience in the provision of corporate advice to a wide range of listed and unlisted companies including restructurings, capital raisings, initial public offerings and mergers and acquisitions. Paul is an Honours Graduate in Economics (University of Cambridge) and has an Advanced Diploma in Corporate Finance. He is an Associate of the Institute of Chartered Accountants in England and Wales and a Fellow of the Australian Institute of Company Directors. Mr Young is currently Chairman of the Audit and Risk Management Committee. **Other current directorships of listed companies:** - Ambition Group Limited - Tidewater Investments Limited **Former directorships of listed companies in last three years** - Peter Lehmann Wines Limited (until March 2010) - Site Group International Limited (until April 2011) - GB Energy Limited (until July 2011) - Thomas & Coffey Limited (until June 2013)

DIRECTORS' REPORT (CONT'D)

Andrew P. S. Kemp Non-Executive Director Resigned 18th March 2013	Andrew is an Executive Director of Huntington Group Pty Ltd, a Brisbane based corporate advisory firm. He holds a Bachelor of Commerce degree from the University of Melbourne and is a Chartered Accountant. After working for KPMG and Littlewoods Chartered Accountants in Melbourne and Sydney, Andrew joined AIFC, the then merchant banking affiliate of the ANZ Banking Group in Sydney in 1978. From 1979 until 1985, Andrew was Queensland Manager of AIFC. He then joined North Queensland based Coutts Group as general manager early in 1985 and continued with this group until January 1987 when he formed Huntington Group. Since 1980, Andrew has structured and implemented the ASX listing of 11 companies in addition to other corporate advisory and investment activities **Other current directorships of listed companies** - G8 Education Limited since March 2011 - PTB Company Limited since December 2004 - Silver Chef Limited since April 2005 **Former directorships of listed companies in last three years** - Eureka Group Holdings Limited (formerly SCV Company Limited) from March 2004 to February 2011
Troy J. Harry Managing Director Resigned 18th March 2013	Troy Harry is the founder of Trojan Investment Management Pty Ltd, which provided management services to the Company until 3 September 2009. He has a deep understanding of the Australian stock market with over 19 years experience in the Australian Securities Industry. From April 1998 until July 2003, Troy was employed by ABN AMRO Morgans Limited in Brisbane where he advised a range of mostly high net worth individuals and small institutions. The advice provided was mostly regarding special situations identified by Troy and he developed a reputation among his clients for being able to identify undervalued asset situations. In July 2003, Troy resigned from ABN AMRO Morgans Limited to concentrate his efforts on his own business. He has experience in financial analysis, modelling & structuring, and in advising and managing investment companies. He holds a Bachelor of Business (Banking and Finance) degree from Queensland University of Technology. **Other current directorships of listed companies** - Villa World Group since February 2009 **Former directorships of listed companies in last three years** None

DIRECTORS' REPORT (CONT'D)

Roger B. Clarke Non-Executive Director Resigned 18th March 2013	Roger Clarke has over 30 years commercial experience, principally in the investment banking industry, with responsibilities in funds management, banking and corporate finance and involvement in a significant number of initial public offerings, capital raisings and corporate transactions. Roger is Chairman of the Board of Advice of RBS Morgans Limited, and has been part of its executive team for over 20 years. Roger holds a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant. **Other current directorships of listed companies** - Chairman (and director) of Tissue Therapies Limited since February 2004 - Chairman (and director) of NextDC Limited since June 2010 - Director of Maverick Drilling & Exploration Limited since November 2007 - Chairman (and director) of Coalbank Limited since September 2010 **Former directorships of listed companies in last three years** None

Company Secretaries

Nick Filipovic

Appointed 18th March 2013

Nick is a qualified accountant (FCPA) with over thirty years' experience in the financial services and natural resources industries, including oil and gas, where he has held a range of senior financial and commercial management positions. He was the Chief Financial Officer and Company Secretary of Byron Energy (Australia) Pty Ltd until Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited.

Richard Symons

Resigned 18th March 2013

Richard is a member of the Institute of Chartered Accountants, FINSIA, and is a Chartered Secretary. He has held a wide variety of CFO and company secretary positions for both publicly listed and private businesses.

Principal activities

The principal activities of the consolidated entity during the financial year were the identification, analysis and leasing of suitable oil and gas prospects, and the production of oil and gas (for part of the financial year) in the shallow waters of the Gulf of Mexico ("GOM"), USA.

DIRECTORS' REPORT (CONT'D)

Consolidated results

The loss for the consolidated entity after income tax was US$3,820,053 (2012: US$10,604,840 loss).

Review of Operations

Corporate review

In May 2013 Byron Energy Limited completed the acquisition ("Acquisition") of Byron Energy (Australia) Pty Ltd, formerly Byron Energy Pty Ltd, and a A$14,461,900 capital raising ("Capital Raising") (collectively "Transaction") following approval of the Transaction, amongst other items, at the shareholders' meeting held on 22 April 2013.

The issue of new securities for the Transaction pursuant to the prospectus dated 2 April 2013 took place on Friday 24 May 2013 comprising:-

(i) **Entitlement Offer -** 15,577,374 shares at an issue price of A$0.40 per share and 6,230,969 unlisted options exercisable at A$0.50 at any time before 31 December 2016,

(ii) **Placement Offer -** 20,577,375 shares at an issue price of A$0.40 per share and 3,292,380 unlisted options exercisable at A$0.50 at any time before 31 December 2016, and

(iii) **Acquisition Offer -** 84,026,411 shares and 13,444,235 unlisted options, exercisable at A$0.50 at any time before 31 December 2016, were issued to Byron Energy (Australia) Pty Ltd shareholders and 11,812,500 unlisted options, exercisable at A$0.50 at any time before 31 December 2016 were issued to Byron Energy (Australia) Pty Ltd option holders under the Sale and Purchase Agreement governing the Acquisition.

Following completion of the Transaction the Company's issued capital comprises:-

	Issued	Quoted	Unquoted	Escrowed*
Shares (ASX:BYE)	127,969,847	108,519,329	19,450,518	19,450,518
Options	37,380,084	Nil	37,380,084**	13,687,083

* *escrowed for 24 months from official quotation i.e. until 30 May 2015.*

** *includes escrowed options of 13,687,083.*

Financial Review

The loss for the consolidated entity after income tax for the year ended 30 June 2013 was US$3,820,053 (2012: US$10,604,840 loss).

The consolidated results reflect a full year of Byron Energy (Australia) Pty Ltd and its controlled entities plus Byron Energy Limited from 24 May 2013. The comparative period results reflect Byron Energy (Australia) Pty Ltd and its controlled entities only. On 24 May 2013 Byron Energy Limited acquired 100% of the issued shares in Byron Energy (Australia) Pty Ltd and its controlled entities. According to the accounting standards, this transaction did not meet the definition of a business combination and instead is a reverse asset acquisition which has been accounted for using the principles of reverse acquisition accounting in AASB 3 'Business Combinations'. The consolidated financial statements and the share capital

DIRECTORS' REPORT (CONT'D)

have been prepared as if Byron Energy (Australia) Pty Ltd had acquired Byron Energy Limited, not vice versa as represented by the legal position.

The loss for the consolidated entity after income tax for the year ended 30 June 2013 includes Byron's share of revenue of US$231,926 from Eugene Island Blocks 172, 183 and 184 ("EI 183/184") for the period 1 July to 8 November 2012. EI 183/184 was sold on 8 November 2012 together with Byron's interests in other non-operated areas.

The net operating loss for the previous corresponding period of US$10,604,840 included an impairment expense and dry hole cost of US$6,869,372 in relation to the non-operated properties (operated by Marlin GOM I, L.L.C.), mainly EI 183/184, sold in November 2012.

At 30 June 2013, the consolidated entity held cash and cash equivalents of US$14,989,226 of which US$12,740,893 were denominated in United Sates dollars and US$2,248,333 were denominated in Australian dollars. The consolidated entity had no debt as at 30 June 2013.

Summary of shares and options on issue

At 30 June 2013 the Company had 127,969,847 ordinary shares and 37,380,084 options. Details of the options are as follows:

Issuing entity	Number of shares under option	Class of shares	Exercise price	Expiry date
Byron Energy Limited	37,380,084	Ordinary	A$0.50	31 December 2016

There were no shares issued during the financial year as a result of the exercise of options. Subsequent to year end and prior to the date of this report, 83,800 unlisted options were exercised at A$0.50 cents each, resulting in the issue of 83,800 ordinary shares.

Shareholdings of directors and other key management personnel

The interests of each director and other key management personnel, directly and indirectly, in the shares and options of Byron Energy Limited at the date of this report are as follows:

Director / Key Management Personnel	Ordinary shares	Options over ordinary shares (unlisted)	Exercise price	Expiry date
D. G. Battersby	18,892,971	6,397,876	$A0.50	31 December 2016
M. S. Smith	15,350,688	5,956,111	$A0.50	31 December 2016
P. H. Kallenberger	1,250,000	3,450,000	$A0.50	31 December 2016
C. J. Sands	17,070,790	3,181,327	$A0.50	31 December 2016
P. A. Young	1,070,000	171,200	$A0.50	31 December 2016
N Filipovic	1,161,250	3,037,000	$A0.50	31 December 2016

DIRECTORS' REPORT (CONT'D)

During the financial year, the following options were granted to directors and other key management personnel of the Company:

Director / Key Management Personnel	Number of options granted	Issuing entity	Number of ordinary shares under option
P. H. Kallenberger	1,000,000	Byron Energy Limited	1,000,000
C. J. Sands	450,000	Byron Energy Limited	450,000
N. Filipovic	600,000	Byron Energy Limited	600,000

Significant changes in the state of affairs

During the year ended 30 June 2013, Byron completed the acquisition of Byron Energy (Australia) Pty Ltd, and a $A14,461,900 capital raising ("Capital Raising") (collectively "Transaction") following approval of the Transaction, amongst other items, at the shareholders' meeting held on 22 April 2013.

As stated under the Corporate Review's section, the issue of new securities for the Transaction pursuant to the prospectus dated 2 April 2013 took place on 24 May 2013.

As part of the Transaction Douglas G. Battersby, Maynard V. Smith, Prent H. Kallenberger, Charles J. Sands and Paul A. Young were appointed as directors on 18 March 2013 and Andrew P. S. Kemp, Troy J. Harry and Roger B. Clarke resigned as directors on the same date.

The Company also changed its name from Trojan Equity Limited to Byron Energy Limited.

Apart from those changes above, there were no other significant changes in the state of affairs of the Company during the financial year.

Significant events after the balance date

There has been no matter or circumstance since 30 June 2013 which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than those described below:

In August 2013, Byron entered into an agreement with FairfieldNodal to license 3D seismic data over two of Byron's salt dome projects where the Group holds a 100% working interest in a total of five (5) exploration leases. Additionally, Fairfield will process one of the projects through ARTM which will allow the complex salt dome to be mapped in a detailed manner. These two dome projects are in addition to SMI 6 which will be drilled on the basis of ARTM seismic previously acquired from FairfieldNodal by the Group. The "conventional" 3D seismic data over the first two salt dome projects, EI 190/191/210 and SMI 70/71, will be delivered immediately. Under the agreement, the ARTM data will be completed within six (6) months. Total licensing cost of the seismic data and ARTM processing is less than US $1 million.

Future developments

The Group's primary focus in 2013/14 financial year will be to advance the drilling of SMI 6 block and to continue its oil and gas exploration activities in the shallow waters of the Gulf of Mexico.

DIRECTORS' REPORT (CONT'D)

As the Company is listed on the Australian Securities Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Byron Energy Limited's securities.

Dividend

No dividends in respect of the current financial year have been paid, declared or recommended for payment. In 2012, the Company (as Trojan Equity Limited), prior to change in the nature and scale of its activities under the transaction with Byron Energy (Australia) Pty Ltd, declared a dividend of $A0.135 cents per share for the year ended 30 June 2012, paid in July 2012.

Environmental regulation

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of any State or Territory of Australia. The consolidated entity's oil and gas exploration and production activities are subject to significant environmental regulation under United States of America Federal and State legislation.

The Directors are not aware of any breach of environmental compliance requirements relating to the consolidated entity's activities during the year.

Directors' meetings

The charter for the Audit and Risk Management Committee was adopted on 12 July 2007 and subsequently amended on 22 May 2013. The current members of the committee consist of Paul Young (Chairman) and Charles Sands.

The number of directors' meetings held during the year was 5 Board meetings and 3 Audit and Risk Committee meetings. The numbers of meetings attended by each director were as follows:

	Board of directors		Audit and Risk Management Committee	
Directors	**Entitled to attend**	**Attended**	**Entitled to attend**	**Attended**
Douglas G. Battersby	2	2	-	-
Maynard V. Smith	2	2	-	-
Prent H. Kallenberger	2	2	-	-
Charles J. Sands	2	2	1	1
Paul A. Young	2	2	1	1
Andrew P. S. Kemp	3	3	2	2
Troy J. Harry	3	3	-	-
Roger B. Clarke	3	3	2	2

The Audit and Risk Management Committee comprised of Andrew P.S. Kemp and Roger B. Clarke until 18 March 2013.

DIRECTORS' REPORT (CONT'D)

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Deloitte Touche Tohmatsu received the following amounts for the provision of non-audit services:

Independent Accountants Reports: US$46,014

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor independence declaration

A copy of the auditor's independence declaration under s.307C of the Corporation Act 2001 in relation to the audit of the full year is included in this report.

Indemnification and insurance of officers and auditors

During the financial year the Company paid an insurance premium in respect of Directors' and Officers' liability for the current directors and officers including the company secretary. Under the terms of the policy the premium amount, coverage and other terms of the policy have been agreed to be confidential and not to be disclosed.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor

REMUNERATION REPORT – AUDITED

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Group's directors and other key management personnel for the financial year ended 30 June 2013. The prescribed details for each person covered by this report are detailed below.

The remuneration report follows the accounting standards for a reverse asset acquisition. As such, the directors and other key management personnel remuneration disclosure reflects those of Byron Energy (Australia) Pty Ltd and its controlled entities up to the 23 May 2013 and those of the Byron Energy Limited group from the reverse asset acquisition date to 30 June 2013.

The 2012 disclosure of Byron Energy Limited have been restated to reflect the reverse asset acquisition whereby the remuneration of directors and other key management personnel represent those of Byron Energy (Australia) Pty Ltd in accordance with the accounting standard for reverse asset acquisition.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

Details of directors and other key management personnel

Directors and other key management personnel of the Company during and since the end of the financial year are as follows:-

Directors

Douglas G. Battersby	(appointed 18th March 2013)
Maynard V. Smith	(appointed 18th March 2013)
Prent H. Kallenberger	(appointed 18th March 2013)
Charles J. Sands	(appointed 18th March 2013)
Paul A. Young	(appointed 18th March 2013)
Andrew P. S. Kemp	(resigned 18th March 2013)
Troy J. Harry	(resigned 18th March 2013)
Roger B. Clarke	(resigned 18th March 2013)

Key management personnel

Nick Filipovic – Chief Financial Officer and Company Secretary (appointed 18th March 2013)

Richard Symons – Chief Financial Officer and Company Secretary (resigned 18th March 2013)

The remuneration report is set out below under the following main headings:-

A. Principles and agreements, and

B. Remuneration of directors and other key management personnel

A. Principles and agreements

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and executives. The board is responsible for remuneration policies and practices. The board may seek independent advice on remuneration policies and practices, including compensation packages and terms of employment.

The directors' and key management personnel remuneration levels are not directly dependent upon the Company or consolidated entity's performance or any other performance conditions.

Directors' remuneration is inclusive of committee fees.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

Additional information

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary. As Byron Energy Limited was created through the merger of Byron Energy (Australia) Pty Ltd and Trojan Equity Limited, and associated equity raisings on 24 May 2013, the table below shows the consolidated results for 30 June 2013, which reflect a full year of Byron Energy (Australia) Pty Ltd and its controlled entities plus Byron Energy Limited from 24 May 2013. The comparative results for the 2012 and prior years reflect Byron Energy (Australia) Pty Ltd and its controlled entities only.

	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
	US$	US$	US$	US$	US$
Revenue	9,234,624	4,495,957	1,445,436	1,399,158	231,926
Net profit & (loss) before tax	(1,536,691)	(4,046,924)	(5,102,644)	(10,604,840)	(3,820,053)
Net profit & (loss) after tax	**(1,536,691)**	**(4,185,752)**	**(5,106,898)**	**(10,604,840)**	**(3,820,053)**
Share price at start of year	N/A	N/A	N/A	N/A	N/A
Share price at end of year	N/A	N/A	N/A	N/A	$A0.405
Basic earnings per share*	N/A	N/A	N/A	(US$0.13)	(US$0.035)
Diluted earnings per share*	N/A	N/A	N/A	(US$0.13)	(US$0.035)

* *Only the 2012 year has been included for comparative purposes and adjusted to reflect the 2013 acquisition, where 2.5 Byron Energy Limited shares was issued for every 1 Byron Energy (Australia) Pty Ltd share to Byron Energy (Australia) Pty Ltd shareholders and 2.5 options over Byron Energy Limited shares were issued for every 1 option over Byron Energy (Australia) Pty Ltd shares at the date of acquisition.*

(i) Non-executive directors

The ASX Listing Rules provide that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the Extraordinary General meeting held on 22 April 2013 when shareholders approved an aggregate remuneration of A$300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually.

The Chairman, Douglas Battersby, is paid an annual non-executive director's fee of A$80,000, paid pro-rata on a quarterly basis, as well as costs relating to performance of duties as a director.

Non-executive directors, Charles Sands and Paul Young, are paid an annual non-executive director's fee of A$40,000 each, paid pro-rata on a quarterly basis, as well as costs relating to performance of duties as a director.

There are no termination or retirement benefits for non-executive directors (other than statutory superannuation where applicable).

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

(ii) Executive directors and key management personnel

Remuneration levels of executive directors and key management personnel are set to attract and retain appropriately qualified and experienced directors and executives. This involves assessing the appropriateness of the nature and amount of remuneration on a periodic basis by reference to market conditions, length of service and particular experience of the individual concerned.

Remuneration packages may include a mix of fixed and variable remuneration, short and long term performance based incentives. The remuneration packages are reviewed annually by the board as required.

Remuneration and other terms of employment of the Chief Executive Officer (Maynard Smith), Executive Director and Chief Operating Officer (Prent Kallenberger) and the CFO/Company Secretary (Nick Filipovic) are detailed below.

Fixed remuneration for executive directors and key management personnel

Maynard Smith

The Company has entered into a service agreement with Maynard Smith via a Company of which Mr Smith is a director. Mr Smith's contract is for a period of two years at an annual rate of A$240,000 plus reasonable and justifiable business expenses commencing on 24 May 2013 with an automatic extension for a further one year unless the parties elect to terminate the contract at the end of two years. The contract is further terminable by either party "for cause" immediately on notice and otherwise "without cause" on 120 days' notice.

Prent Kallenberger

The Company has entered into a service agreement with Prent Kallenberger. Mr Kallenberger's contract is for a period of two years, at annual rate of $US350,000 plus medical insurance and reasonable and justifiable business expenses commencing on 24 May 2013 with an automatic extension for a further one year unless the parties elect to terminate the contract at the end of two years. The contract is further terminable by the Company "for cause" immediately on notice and otherwise "without cause" on 90 days' notice.

Nick Filipovic

The Company has no formal service agreement in place at this time with Nick Filipovic. The Company is currently in the process of drafting a service agreement for Nick Filipovic. Mr Filipovic is paid monthly based on an annual base salary of A$300,000 plus superannuation.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

B. Remuneration of directors and key management personnel

	Short term employee benefits				Post employment benefits	Share-based payments	
	Salaries & fees	Short term cash incentive	Other Benefits	Service Agreements	Superannuat-ion	Options	TOTAL
	US$	US$	US$	US$	US$	US$	US$
2013 Directors							
D. G. Battersby	-	-	-	111,474	-	-	**111,474**
M. S. Smith	-	-	-	246,504	-	-	**246,504**
P. H. Kallenberger	350,000	-	18,970	-	-	86,856	**455,826**
C. J. Sands	16,819	-	-	-	-	39,085	**55,904**
P. A. Young	11,819	-	-	-	1,063	-	**12,882**
Key management personnel							
N Filipovic*	308,129	-	-	-	27,732	52,114	**387,975**
	686,767	**-**	**18,970**	**357,978**	**28,795**	**178,055**	**1,270,565**

* The expected increase in the cost of accumulated annual leave and long service leave during the reporting period as a result of the charge in the unused entitlements is US$41,374 (2012: US$19,050) for N Filipovic.

	Salaries & fees	Short term cash incentive	Other Benefits	Service Agreements	Superannuat-ion	Options	TOTAL
2012 Directors							
D. G. Battersby	-	-		185,742	-	-	**185,742**
M. S. Smith	-	-		247,656	-	-	**247,656**
C. J. Sands	5,000	-	-	-	-	-	**5,000**
Key management personnel							
P. H. Kallenberger	350,000	-	19,149	-	-	-	**369,149**
N. Filipovic	309,570	-	-	-	27,861	-	**337,431**
	664,570	**-**	**19,149**	**433,398**	**27,861**	**-**	**1,144,978**

In addition to the above tables, Byron Energy Limited, prior to the combination with Byron Energy (Australia) Pty Ltd, paid remuneration* for the period 1 July 2012 to 18 March 2013 (2012: year to 30 June 2012), which is as follows:

A.P.S Kemp: Fees and/or salary A$7,687, superannuation A$nil (2012: fees and/or salary A$15,000)

R.B. Clarke: Fees and/or salary A$6,881, superannuation A$619 (2012: fees and/or salary A$13,762 and superannuation A$1,238)

T.J. Harry: Fees and/or salary A$nil, superannuation A$16,350 (2012: fees and/or salary A$18,000 and superannuation A$21,240)

R.J. Symons: Fees and/or salary A$25,625, superannuation A$nil (2012: fees and/or salary A$36,000)

* for their roles as directors and company secretary up until their resignation on 18 March 2013.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

Bonuses

No bonuses were granted during the financial year ended 30 June 2013 (2012: $nil).

Options

2,050,000 options were issued to directors and other key management personnel during the year. There are no Employee Share Option plans in place. The share options where granted to directors and key management personnel as part of their role in completing the reverse asset acquisition transaction as detailed in the Prospectus.

At the end of the financial year, the following share-based payment arrangements were in existence:

Grantee	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date	Vesting date
C J Sands	450,000	24 May 2013	31 Dec 2016	A$0.50	A$0.0846	24 May 2013
P Kallenberger	1,000,000	24 May 2013	31 Dec 2016	A$0.50	A$0.0846	24 May 2013
N. Filipovic	600,000	24 May 2013	31 Dec 2016	A$0.50	A$0.0846	24 May 2013

These options are transferrable and not quoted. They may be exercised at any time after vesting date.

No options lapsed during the financial year.

The following table summarises the value of remuneration options granted, exercised or lapsed during the year

Grantee	Value of options granted US$	Value of options exercised US$	Value of options lapsed US$
C J Sands	39,085	-	
P Kallenberger	86,856	-	-
N. Filipovic	52,114	-	-

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

D. G. Battersby
Chairman

Sydney
24 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Byron Energy Limited
Level 4, 480 Collins Street
Melbourne VIC 3000

24 September 2013

Dear Board Members

Byron Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Byron Energy Limited.

As lead audit partner for the audit of the financial statements of Byron Energy Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

C Bryan
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 US$	Consolidated 2012 US$
Oil and gas revenue		231,926	1,399,158
Cost of sales	2	(317,879)	(2,470,219)
Gross loss		**(85,953)**	**(1,071,061)**
Corporate and administration costs		(1,249,212)	(1,089,434)
Loss on divestment of oil and gas properties		(258,377)	-
Dry hole and impairment expense		-	(6,869,372)
Share based payments		(1,019,510)	-
Depreciation / amortisation of property, plant & equipment		(22,331)	(20,844)
Other expenses		(1,179,267)	(1,571,209)
Earnings before interest and tax (EBIT)	3	**(3,814,650)**	**(10,621,920)**
Financial income	4	27,756	36,497
Financial expense	4	(33,159)	(19,417)
Loss before tax		**(3,820,053)**	**(10,604,840)**
Income tax expense	5	-	-
Loss for the year from continuing operations		**(3,820,053)**	**(10,604,840)**
Other comprehensive income, net of income tax			
Items that may subsequently be reclassified to profit and loss			
Exchange differences on translating the parent entity group		(294,144)	(79,572)
Total comprehensive loss for the year		**(4,114,197)**	**(10,684,412)**
Earnings per share	6		
Basic (cents per share)		(3.5)	(13.0)
Diluted (cents per share)		(3.5)	(13.0)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	Consolidated 2013 US$	Consolidated 2012 US$
Assets			
Current assets			
Cash and cash equivalents	19(b)	14,989,226	1,600,851
Trade and other receivables	7	366,862	294,755
Other	8	201,310	647,147
Total current assets		**15,557,398**	**2,542,753**
Non-current assets			
Other	8	15,966	-
Exploration and evaluation assets	9	8,097,970	4,691,380
Oil and gas properties	10	-	4,400,000
Property, plant and equipment	11	40,855	44,499
Other intangible assets	12	10,132	21,129
Total non-current assets		**8,164,923**	**9,157,008**
Total assets		**23,722,321**	**11,699,761**
Liabilities			
Current liabilities			
Trade and other payables	13	443,963	612,280
Provisions	14	108,515	102,677
Total current liabilities		**552,478**	**714,957**
Non-current liabilities			
Provisions	14	31,517	72,820
Total non-current liabilities		**31,517**	**72,820**
Total liabilities		**583,995**	**787,777**
Net assets		**23,138,326**	**10,911,984**
Equity			
Issued capital	15	49,970,304	33,855,590
Foreign currency translation reserve	16	(150,974)	143,170
Share option reserve	16	2,104,108	1,878,283
Accumulated losses		(28,785,112)	(24,965,059)
Total equity		**23,138,326**	**10,911,984**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Consolidated entity	Ordinary share capital US$	Share option reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total US$
Balance at 1 July 2011	**31,363,340**	**1,878,283**	**222,742**	**(14,360,219)**	**19,104,146**
Loss for the year	-	-	-	(10,604,840)	(10,604,840)
Exchange differences arising on translation of the parent entity	-	-	(79,572)	-	(79,572)
Total comprehensive loss for the year	-	-	(79,572)	(10,604,840)	(10,684,412)
Issue of fully paid shares for cash	2,492,250	-	-	-	2,492,250
Balance at 30 June 2012	**33,855,590**	**1,878,283**	**143,170**	**(24,965,059)**	**10,911,984**
Balance at 1 July 2012	**33,855,590**	**1,878,283**	**143,170**	**(24,965,059)**	**10,911,984**
Loss for the year	-	-	-	(3,820,053)	(3,820,053)
Exchange differences arising on translation of the parent entity	-	-	(294,144)	-	(294,144)
Total comprehensive loss for the year	-	-	(294,144)	(3,820,053)	(4,114,197)
Value of the consideration transferred to existing shareholders in Byron Energy Limited upon reverse asset acquisition transaction	3,017,649	-	-	-	3,017,649
The issue of 20,577,375 shares under a prospectus for the Placement Offer	7,972,498	-	-	-	7,972,498
The issue of 15,577,374 shares under a prospectus for the Entitlement Offer	6,035,298	-	-	-	6,035,298
Equity raising and transaction costs	(910,731)	-	-	-	(910,731)
Recognition of share-based payments for the issue of 2,600,000 options under a prospectus to directors, executives and consultants	-	225,825	-	-	225,825
Balance at 30 June 2013	**49,970,304**	**2,104,108**	**(150,974)**	**(28,785,112)**	**23,138,326**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 US$	Consolidated 2012 US$
Cash flows from operating activities			
Receipts from customers		434,734	1,313,800
Payments to suppliers and employees		(2,807,307)	(3,443,418)
Interest paid		(26,706)	(12,797)
Interest received		27,756	36,497
Net cash flows used in operating activities	19(a)	**(2,371,523)**	**(2,105,918)**
Cash flows from investing activities			
Payments for exploration and evaluation		(3,049,694)	(750,319)
Proceeds from the divestment of oil and gas properties		4,087,464	-
Payments for oil and gas properties		-	(1,350,952)
Payments for property, plant and equipment		(10,064)	(23,826)
Net cash flows generated by/(used in) investing activities		**1,027,706**	**(2,125,097)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		14,007,796	2,492,250
Payment of equity raising and transaction costs		(910,731)	-
Proceeds from borrowings from related parties		850,350	-
Net cash acquired on reverse asset acquisition	18	1,953,736	-
Repayment of borrowings to related parties		(856,803)	-
Net cash flows from financing activities		**15,044,348**	**2,492,250**
Net increase/(decrease) in cash and cash equivalents held		**13,700,531**	**(1,738,765)**
Cash and cash equivalents at the beginning of the year		**1,600,851**	**3,512,630**
Effect of exchange rate changes on the balance of cash held in foreign currencies		(312,156)	(173,014)
Cash and cash equivalents at the end of the year	19(b)	**14,989,226**	**1,600,851**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are general-purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise of the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 24 September 2013.

The following significant policies have been adopted in the preparation and presentation of the financial statements:

Adoption of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the presentation and disclosure of these financial statements.

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
1. AASB 9 'Financial Instruments' and relevant amending standards*	1 January 2015	30 June 2016
2. AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'2011-7	1 January 2013	30 June 2014
3. ASB11 'Joint Arrangements' and AASB 2011- 7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
4. AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
5. AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
6. AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
7. AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
8. AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 January 2013	30 June 2014
9. AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
10. AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

* The AASB has issued the following versions of AASB 9 and the relevant amending standards;

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.

For annual reporting periods beginning before 1 January 2015, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

The directors anticipate that the adoption of these Standards and Interpretations will have no material financial impact on the financial statements of the Group.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States of America dollars, unless otherwise noted.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 1 (b) Exploration and evaluation expenditure, note 1 (d) Oil and gas properties and note 1 (n) Provisions for site restoration and rehabilitation of oil and gas properties.

Reverse asset acquisition accounting

Byron Energy Limited formerly Trojan Equity Limited (the "Company") is listed on the Australian Securities Exchange. The Company completed the legal acquisition of Byron Energy (Australia) Pty Ltd formerly Byron Energy Pty Ltd and its subsidiaries on 24 May 2013.

The consolidated financial report of the Company and its controlled entities (the "Group") for the year ended 30 June 2013 are issued under the name of the legal parent (Byron Energy Limited) but are a continuation of the consolidated financial report of the deemed acquirer Byron Energy (Australia) Pty Ltd. Hence the comparative figures on the consolidated financial report are those of the Byron Energy (Australia) Pty Ltd and its subsidiaries. Refer to note 18 for details.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(a) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (referred to as 'the consolidated entity' or 'the group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated entity.

Joint operating arrangements

Joint operating arrangements are those entities over whose activities the consolidated entity has joint control, established by contractual agreement. The interest of the consolidated entity in unincorporated joint operating arrangements and jointly operated assets are brought to account by recognising in its financial statements the assets it controls, the liabilities and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint operations.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring leases, are intangible assets capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:-

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or

(ii) activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, lease rental payments, seismic and other expenditure to provide legal tenure of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any capitalised costs in respect of that area are written off in the financial period the decision is made.

Exploration and evaluation assets are assessed for impairment if:-

(i) sufficient data exists to determine technical feasibility and commercial viability, and

(ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil and gas reserves relating to a prospect are demonstrable, exploration and evaluation assets attributable to that prospect are first tested for impairment and then reclassified assets to oil and gas assets.

All other exploration and evaluation costs are expensed as incurred.

(c) Reserves

Foreign Currency Translation Reserve

Foreign currency exchange differences relating to the translation of AUD, being the functional currency of the parent entity group into the presentational currency of US dollars for the consolidated entity are brought to account by entries made directly to the foreign currency translation reserve.

Share Option Reserve

The share option reserve arises on the grant of share options to staff and other service providers to the Group. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments is made in note 1(p).

(d) Oil and gas properties

The cost of oil and gas producing assets include acquisition and capitalised development costs that are directly attributable to the accessing and production of the proved oil and gas reserves.

In addition cost includes:-

(i) the initial estimate at the time of installation or acquisition and during the period of use, when relevant of the costs of dismantling and removing the items and restoring the site on which they are located, and

(ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

When an oil and gas asset commences production, acquisition and/or cost carried forward will be amortised on a units of production basis over the remaining proved developed behind pipe recoverable reserves. Changes in factors that effect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:-

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment

The carrying amounts of the company's and the consolidated entity's non financial assets, except exploration and evaluation expenditure, are reviewed each balance date or when there is an indication of an impairment loss, to determine whether they are in excess of their recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Calculation of the recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimated used to determine recoverable amounts.

An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of deprecation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(g) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ("the functional currency"). The functional currency of the Company is Australian dollars (A$) and the functional currency of the Company's overseas subsidiaries is United States dollars (US$).

The financial statements are presented in United States dollars. The consolidated entity believes the US dollar is the best measure of performance for the Group because oil and gas, the consolidated entity's dominant sources of revenue are priced in US$ and the consolidated entity's main operations are based in the USA with costs incurred in US$.

Prior to consolidation, the results and financial position of each entity within the consolidated entity are translated from the functional currency into the consolidated entity's presentation currency as follows:-

- asset and liabilities of the non US$ denominated balance sheet are translated at the closing rate at the date of that balance sheet;
- income and expenses for the non US$ denominated income statement is translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the dates of the transactions);
- components of equity are translated at the historical rates; and
- all resulting exchange differences are recognised as a separate component of equity.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary asset and liabilities denominated in foreign currencies at the balance sheet date are translated to the respective functional currency at the foreign exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities are recognised in the statement of comprehensive income.

Non-monetary asset and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation are recognised directly in equity in the foreign currency translation reserve.

Interest bearing loans and borrowings repayable in fixed currency denominations

Interest bearing loans and borrowings are initially measured at fair value, net of transaction costs. As some of the loans from shareholders are legally repayable in non functional or non United States currency denominations, any unrealised foreign currency exchange gains and losses emanating from the recognition of the functional amounts required to settle these future obligations are recognised in the profit and loss.

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sale of oil and gas

Hydrocarbon revenues are recognised when the actual physical quantity has been provided or allocated to a purchaser pursuant to a contract. Revenue from oil and gas sales is measured at the fair value of the consideration receivable.

Dividend and interest revenue

Dividend revenue from investments is recognised when the consolidated entity's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit/loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Cash and cash equivalents

Cash comprises cash on hand and deposits held at call with financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(k) Financial assets

Investments are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements.

Other financial assets are classified into the following specified categories if applicable: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(m) Property, plant and equipment (including software)

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are carried in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Plant and equipment are stated at cost less accumulated depreciation and impairment. Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:-

Buildings	40 years
Plant and equipment	2.5 to 10 years
Intangible assets - software	2.5 to 3 years

(n) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Site restoration and rehabilitation of oil and gas properties

Provisions made for environmental rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the cost of removing the facilities, abandoning the wells and restoring the affected areas. The provision for future restoration is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually; and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The amount of the provision for future restoration costs relating to exploration and producing activities is capitalised as a cost of these activities. The provisions are determined by discounting the expected future cashflows at a pre tax rate that reflects the time value of money. The unwinding of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(o) Comparative amounts

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Please also see notes under the heading "Reverse asset acquisition accounting" within notes 1 and 18.

(p) Share based payments

Equity settled share based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of an appropriate model. A share based payment expense is recognised with a corresponding increase in equity at grant date where the share based payment arrangements vest immediately.

(q) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

(r) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Receivables

Trade receivables and other receivables are recorded at amounts due, less any allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(t) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instrument to which the costs relate. Transaction costs are costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

	Consolidated	
	2013 US$	2012 US$
2. COST OF SALES		
Production costs	176,738	648,562
Amortisation of oil and gas properties	141,141	1,821,657
	317,879	2,470,219
3. LOSS FOR THE YEAR		
Loss for the year has been arrived at after charging the following items of expense		
Professional and consulting costs	769,948	757,679
Insurance	360,674	746,066
Operating lease rental expense	88,740	87,092
Employee benefits expense		
Other employee benefits	867,080	837,603
Share based payments (*also included in share base payments total below)	*147,655	-
Defined contribution superannuation	36,958	36,868
Total employee benefits expense	1,051,693	874,471
Share based payments		
Share options issued to directors, key management personnel and consultants	*225,825	-
Stock exchange listing expense (in accordance with AASB 2)	793,685	-
	1,019,510	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	Consolidated	
	2013 US$	2012 US$

4. FINANCIAL INCOME AND EXPENSES

	2013 US$	2012 US$
Financial Income		
Interest income	27,756	36,497
Total employee benefits expense	27,756	36,497
Financial Expense		
Interest expense paid to others	4,483	12,797
Interest expense paid to related parties	22,223	-
Realised foreign exchange loss on loan from shareholder	6,453	-
Unwinding of discount on rehabilitation of oil and gas properties	-	6,620
	33,159	19,417

5. INCOME TAX

	2013 US$	2012 US$
Income tax recognised in profit and loss	-	-

The prima facie income tax expense / (benefit) on pre tax accounting loss reconciles to the income tax expense / (benefit) in the financial statements as follows:

	2013 US$	2012 US$
Loss from continuing operations	(3,820,053)	(10,604,840)
Income tax benefit calculated at 30%	(1,146,016)	(3,181,452)
Expenditure not allowable for income tax purposes	1,592	16,896
Non tax deductible share based payments expense	67,748	-
Non tax deductible loss on reverse asset acquisition	238,106	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(88,480)	(494,776)
Non tax deductible foreign exchange adjustments	107,494	21,541
Unused tax losses & tax offsets not recognised as deferred tax assets	819,556	3,637,791
Income tax expense / (benefit) on continuing operations	-	-

Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

	2013 US$	2012 US$
Australian tax losses	1,486,956	1,449,693
USA tax losses	7,492,443	6,502,148
Temporary differences	(252,119)	109,260
Total deferred tax assets not recognised	8,727,280	8,061,101

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Byron Energy Limited and its 100% owned Australian subsidiary, Byron Energy (Australia) Pty Ltd have not formed a tax consolidated group as at 30 June 2013.

The potential deferred tax asset will only be obtained if: (i) the consolidated entity derives future assessable income of a nature and amount sufficient to enable the benefits to be realised, in the jurisdiction in which the losses were incurred (ii) the consolidated entity continues to comply with conditions for tax deductibility imposed by law and; (iii) no changes in tax legislation adversely affect the ability of the consolidated entity to realise the tax benefits.

	Consolidated	
	2013 US$	2012 US$
6. EARNINGS PER SHARE		
The following reflects the income (loss) and share data used in calculating basic and diluted earnings per share:		
Net loss for the year	(3,820,053)	(10,604,840)
Basic loss per share	(0.035)	(0.13)
Diluted loss per share	(0.035)	(0.13)
Weighted average number of ordinary shares	108,599,135	83,136,536*
Weighted average number of diluted options outstanding	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	108,599,135	83,136,536*
Anti-dilutive options on issue not used in the dilutive earnings per share calculation	37,380,084	11,812,500*

* 2012 has been adjusted to reflect the acquisition, where 2.5 Byron Energy Limited shares were issued for every 1 Byron Energy (Australia) Pty Ltd share to Byron Energy (Australia) Pty Ltd shareholders and 2.5 options over Byron Energy Limited shares were issued for every 1 option over Byron Energy (Australia) Pty Ltd shares at the date of acquisition.

Options Outstanding

There is no dilution of shares due to options issued or outstanding as the potential ordinary shares are anti-dilutive in accordance with AASB 133, paragraph 41 and are therefore not included in the calculation of diluted earnings per share.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	Consolidated	
	2013 US$	2012 US$
7. TRADE AND OTHER RECEIVABLES		
Sale of oil and gas	-	265,505
GST receivable	76,546	15,100
Other receivables - Other	-	14,150
Other receivables - ABN withholding credits	290,316	-
	366,862	294,755

No receivable amounts were past due or impaired at 30 June 2013 (2012: $nil)

8. OTHER ASSETS

	2013 US$	2012 US$
Current		
Prepayments	83,944	638,416
Security Deposits	117,366	8,731
	201,310	647,147
Non Current		
Prepayments	15,966	-

9. EXPLORATION AND EVALUATION ASSETS

	2013 US$	2012 US$
Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost	8,097,970	4,691,380
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	4,691,380	4,362,833
Additions at cost	3,525,508	593,344
Impairment expense	-	(209,867)
Divestment of working interests and expenditures recouped	(118,918)	(54,930)
Carrying amount at the end of the financial year	8,097,970	4,691,380

Ultimate recovery of deferred exploration and evaluation costs is dependent upon success in exploration and evaluation or the full or partial sale (including farm-out) of the exploration interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	Consolidated	
	2013 US$	2012 US$
10. OIL AND GAS PROPERTIES		
Oil and gas properties at cost	-	21,886,926
Accumulated amortisation and impairment	-	(17,486,926)
	-	4,400,000
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	4,400,000	11,512,136
Additions at cost	-	1,369,026
Dry hole expense	-	(1,364,005)
Amortisation	(141,141)	(1,821,657)
Impairment expense	-	(5,295,500)
Divestment of working interests	(4,258,859)	-
Carrying amount at the end of the financial year	-	4,400,000
11. PROPERTY, PLANT AND EQUIPMENT		
Buildings at cost	13,549	14,887
Accumulated depreciation	(2,388)	(2,252)
	11,161	12,635
Plant and equipment at cost	113,135	108,556
Accumulated depreciation	(83,441)	(76,692)
	29,694	31,864
Total property, plant and equipment	40,855	44,499
12. OTHER INTANGIBLE ASSETS		
Other intangible (software) assets at cost	49,255	50,353
Accumulated amortisation	(39,123)	(29,224)
	10,132	21,129
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	21,129	8,902
Additions at cost	475	17,704
Amortisation for year	(10,689)	(5,492)
Foreign currency translation movements	(783)	15
Carrying amount at the end of the financial year	10,132	21,129

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	Consolidated	
	2013 US$	2012 US$
13. TRADE AND OTHER PAYABLES		
Current		
Trade payables	37,718	74,708
Operating and development joint venture expenditure accruals	-	54,399
Other payables and accrued expenses	406,245	483,173
	443,963	612,280

Terms and conditions relating to the above financial instruments:

(i) trade creditors are non-interest bearing and are usually settled on 30 day terms

(ii) other operating creditors are non-interest bearing and have an average term of 30 days

(iii) for the 2012 year only, the other payables total includes an interest bearing amount, see note 28 (c)

14. PROVISIONS

	2013 US$	2012 US$
Current provision		
Accumulated employee entitlements	108,515	102,677
Non-current provision		
Accumulated employee entitlements	31,517	-
Restoration and abandonment provision	-	72,820
	31,517	72,820
Reconciliation of Restoration and Abandonment movements:-		
Carry amount at the beginning of the financial year	72,820	66,200
Unwinding of discount	-	6,620
Divestment of working interests	(72,820)	-
Carrying amount at the end of the financial year	-	72,820

15. ISSUED CAPITAL

	2013 US$	2012 US$
(a) Issued and paid up capital	49,970,304	33,855,590

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	2013		2012	
	Number	US$	Number	US$
(b) Movement				
Fully paid ordinary shares				
Balance at beginning of the financial year	33,610,562	33,855,590	30,714,082	31,363,340
Shares issued	-	-	2,896,480	2,492,250
Acquisition of Byron Energy (Australia) Pty Ltd				
- Elimination of existing shares in Byron Energy (Australia) Pty Ltd	(33,610,562)	-	-	-
- Existing shares in Byron Energy Limited (formerly Trojan Equity Limited)	7,788,687	-	-	-
- Issue of Byron Energy Limited shares on acquisition of Byron Energy (Australia) Pty Ltd	84,026,411	*3,017,649	-	-
- Shares issued under the Placement Offer	20,577,375	7,972,498	-	-
- Shares issued under the Entitlement Offer	15,577,374	6,035,298	-	-
- Equity raising costs	-	(910,731)	-	-
Balance at end of financial year	127,969,847	49,970,304	33,610,562	33,855,590

* measured by reference to the fair value of the accounting acquiree (Byron Energy Limited)

120,181,160 new ordinary shares were issued under a prospectus dated 2 April 2013 (2012: nil) comprising:-

(i) Entitlement Offer - 15,577,374 shares issued to shareholders of Byron Energy Limited on the basis of 2 new shares for every share held
(ii) Placement Offer - 20,577,375 shares issued to investors identified by directors
(iii) Acquisition Offer - 84,026,411 shares issued to Byron Energy (Australia) Pty Ltd shareholders to acquire Byron Energy (Australia) Pty Ltd

Based on the Group's reverse asset acquisition that was undertaken in May 2013 (refer notes 1 and 18), the capital structure of the Group is that of the legal parent Byron Energy Limited, whilst the value of the shares is that of the legal subsidiary Byron Energy (Australia) Pty Ltd immediately prior to the reverse asset acquisition.

(c) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The issued capital of the Company comprises 127,969,847 ordinary shares of which 108,519,329 shares are quoted on the ASX and 19,450,518 ordinary shares are escrowed until 30 May 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(d) Share options

Options over ordinary shares

At the end of the financial year, there were 37,380,084 (2012: 4,725,000) unissued ordinary shares in respect of which the following options were outstanding:

Expiry date	Number	Securities	Escrow period expiry	Exercise price
31 December 2016	23,693,001	Unlisted options	Nil	A$0.50
31 December 2016	13,687,083	Unlisted options	30 May 2015	A$0.50
Total	37,380,084			

37,380,084 options (2012: nil) were issued during the financial year, of which 25,256,735 were issued as part of the 100% acquisition of subsidiary Byron Energy (Australia) Pty Ltd, 6,230,969 were issued as part of an entitlement issue, 3,292,380 were issued as part of as share placement and 2,600,000 were issued to the directors, management and consultants of the Company. All the options are unlisted and 13,687,083 are escrowed until 30 May 2015. No options were exercised during the year or the previous financial year.

	Consolidated	
	2013 US$	2012 US$
16. RESERVES		
Foreign currency translation reserve		
Balance at beginning of financial year	143,170	222,742
Currency translation movements for the year	(294,144)	(79,572)
Balance at end of financial year	(150,974)	143,170

The reserve arises out of the translation of A$, being the functional currency of the parent entity group into the consolidated entity presentation currency of US$.

Share option reserve		
Balance at beginning of financial year	1,878,283	1,878,283
2,600,000 options issued were subject to shareholders' approval	225,825	-
Balance at end of financial year	2,104,108	1,878,283

The reserve arises on the grant of share options to directors, key management personnel and consultants as equity-based payments.

17. FRANKING CREDITS

There are no franking credits available for distribution (2012: $nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

18. REVERSE ASSET ACQUISITION

On 24 May 2013, Byron Energy Limited acquired 100% of the issued capital of Byron Energy (Australia) Pty Ltd. When Byron Energy Limited (the legal parent) acquired Byron Energy (Australia) Pty Ltd (the legal subsidiary), the acquisition was accounted for using the principles of reverse asset acquisition accounting under AASB 3 Business Combinations since the substance of the transaction is that the existing shareholders of Byron Energy (Australia) Pty Ltd have effectively obtained control of Byron Energy Limited. Accordingly Byron Energy (Australia) Pty Ltd is the accounting acquirer, and Byron Energy Limited is the accounting acquiree.

Under the principles of reverse asset acquisition accounting, the consolidated financial report is issued under the name of the legal parent (Byron Energy Limited) but are a continuation of the consolidated financial statements of the legal subsidiary Byron Energy (Australia) Pty Ltd and its controlled entities, with the assets and liabilities of the legal subsidiaries being recognised and measured at their pre-combination carrying amounts rather than their fair values. The assets and liabilities of the accounting acquiree Byron Energy Limited was measured at fair value at the date of acquisition.

The basis of the merger was that Byron Energy (Australia) Pty Ltd shareholders would receive 2.5 Byron Energy Limited shares and 0.40 Byron Energy Limited unlisted options (exercisable at A$0.50 with expiry date of 31 December 2016) for every Byron Energy (Australia) Pty Ltd share and option owned by them, resulting in the issue of 84,026,411 shares and 13,444,235 options in Byron Energy Limited; and each Byron Energy (Australia) Pty Ltd option holder received 2.5 share options in Byron Energy Limited resulting in the issue of 11,812,500 share options.

The consolidated entity has provisionally recognised the fair values of identifiable assets and liabilities of Byron Energy Limited based on the information available as at the date of acquisition as follows:

	Recognised on acquisition US$
Cash and cash equivalents	1,953,736
Debtors	303,557
	2,257,293
Creditors and accruals	33,329
	33,329
Fair value of identifiable net assets	2,223,964
Deemed stock exchange listing expense under AASB 2	793,685
	3,017,649
Cost of the combination:	
Fair value of issued equity instruments of acquiree before business combination	3,017,649
	3,017,649

The acquisition cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to owners of the legal parent (the acquiree for accounting purposes). However, due to the fact that the fair value of the equity instruments of the legal subsidiary (Byron Energy (Australia) Pty Ltd) was not clearly evident at the date at which the control was passed, the alternative method (per AASB 3, paragraph B20), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Byron Energy Limited) immediately prior to the business combination was used.

The acquisition cost incurred of US$793,685 was due to the actual fair value of issued equity instruments of the acquiree at the date of the reverse asset acquisition being higher than the estimated fair value of identifiable net assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	Consolidated	
	2013 US$	2012 US$
19. CASH FLOW RECONCILIATION		
(a) Reconciliation of loss from ordinary activities after tax to net cash flows from operations		
Loss for the year	**(3,820,053)**	**(10,604,840)**
Non cash flows in operating result:-		
Depreciation, amortisation and property, plant and equipment written off	163,472	1,842,501
Dry hole and impairment expense	-	6,869,372
Loss on divestment of oil and gas properties net of related legal fees paid	218,005	-
Equity settled share based payments	225,825	-
Net foreign exchange loss	6,453	-
Unwinding of restoration discount	-	6,620
Deemed stock exchange listing expense under AASB 2	793,685	-
Foreign exchange differences arising on translation of the parent entity	21,725	69,792
	(2,390,888)	**(1,816,555)**
Movements in working capital		
(Increase)/decrease in assets:-		
Trade and other receivables	202,808	47,815
Other assets	216,813	(294,834)
Increase/(decrease) in liabilities:-		
Trade and other payables	(446,840)	(66,197)
Provisions	46,584	23,853
Net cash used in operating activities	**(2,371,523)**	**(2,105,918)**
(b) Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash and bank balances	14,989,226	1,600,851

(c) Financing facility

The Group has no available finance facilities at balance date.

(d) Non-cash financing and investing activities

There were no non-cash financing or investing activities during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

20. EXPENDITURE COMMITMENTS

The Group has no expenditure commitments at the end of the financial year, except for non cancellable operating lease payments. These obligations are not provided for in the financial statements.

The following commitments represent payments for the renting of business premises

	Consolidated	
	2013 US$	2012 US$
Commitments for expenditure		
Not longer than 1 year	144,893	28,702
Between 1 and 5 years	199,000	-
	343,893	28,702

Exploration expenditure commitments

The Group has no exploration lease commitments at the end of the financial year as the leasing arrangements of the Gulf of Mexico blocks do not require firm work programme commitments.

21. CONTROLLED ENTITIES

The following entities are controlled by Byron Energy Limited and they have been consolidated into the financial statements for the consolidated entity:-

Name	Country of domicile	Class of share	Percentage beneficially owned
Byron Energy (Australia) Pty Ltd	Australia	Ordinary	100%
Byron Energy Inc	USA	Ordinary	100%
Byron Energy LLC	USA	Ordinary	100%

22. FOREIGN CURRENCY TRANSLATION

The exchange rate utilised in the translation of the parent entity group Australia Dollar figures to United States of America Dollars are as follow:-

	2013	2012
Spot rate at 30 June	0.9275	1.0191
Average rate for year	1.0271	1.0319

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(1). One of the Group's USA subsidiaries, Byron Energy Inc ("BE Inc") is required to provide bonding or security for the benefit of the USA regulatory authorities in relation to its obligations to pay lease rentals and royalties, the plugging and abandonment of oil and gas wells and the removal of related facilities. Accordingly, BE Inc has surety bonds issued through a surety company to secure those obligations for its operated interests. As of 30 June 2013 BE Inc was contingently liable for its Gulf of Mexico operated block areas and interests of US$400,000 (2012: US$300,000).

(2). Byron Energy (Australia) Pty Ltd has agreed to provide a guarantee of the obligations of BE Inc (the seller) under the Purchase and Sale Agreement between Northstar Offshore Group, LLC (the buyer) entered into on 8 November 2012 in relation to the sale of BE Inc's interest in Eugene Island 183/184 and other non operated interests.

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

The consolidated entity contributes in accordance with the Australian Government superannuation guarantee legislation.

25. SHARE-BASED PAYMENTS

	Consolidated	
	2013 US$	2012 US$
The aggregate share-based payments paid as remuneration for the financial year are set out below:		
Details of share-based payments		
Fair value of options granted to directors and key management personnel	178,055	-
Fair value of options granted to consultants and others for services rendered	47,770	-
Expense arising from share-based payments paid as remuneration	225,825	-

Director and key management personnel equity share options

Share-based payment options held at the end of the reporting year were as follows:

Grantee	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
P Kallenberger	1,000,000	24 May 2013	24 May 2013	31 Dec 2016	$A0.50	A$0.0846
C Sands	450,000	24 May 2013	24 May 2013	31 Dec 2016	$A0.50	A$0.0846
N Filipovic	600,000	24 May 2013	24 May 2013	31 Dec 2016	$A0.50	A$0.0846

The total fair value of the share options granted during the financial year was US$225,825. Options were priced using the Binominal Option Pricing model. Where relevant, the model has been adjusted based on management's best estimate for the effects of the options not being listed on the ASX and expected volatility.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Inputs into the model

Share price at grant date	A$0.37
Exercise price	A$0.50
Expected volatility	40.9%
Option life	3.6 Years
Dividend yield	-
Risk-free interest rate	2.57%

Weighted average remaining contractual life

The share options outstanding at the end of the financial year had a remaining contractual life of 1,281 days.

Movements in share-based payments options

	2013		2012	
	Number	Exercise price	Number	Exercise price
Balance at beginning of year	-		-	
Granted during the year	2,600,000	A$0.50c	-	
Expired during the year	-		-	
Balance at end of year	2,600,000		-	
Exercisable at end of year	2,600,000		-	

26. AUDITORS' REMUNERATION

	Consolidated	
	2013 US$	2012 US$
Amounts received or due and receivable by Deloitte Touche Tohmatsu		
Audit or review of the financial statements of the Group	39,697	28,993
Non audit services: Investigating accountants reports	46,014	-
	85,711	28,993

27. RELATED PARTY TRANSACTIONS

(a) The directors and key management personnel of the Group during the financial year were:

Directors	
Douglas G. Battersby	(appointed 18th March 2013)
Maynard V. Smith	(appointed 18th March 2013)
Prent H. Kallenberger	(appointed 18th March 2013)
Charles J. Sands	(appointed 18th March 2013)
Paul A. Young	(appointed 18th March 2013)

Other key management personnel	
Nick Filipovic	(appointed 18th March 2013)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Total aggregate remuneration of directors and key management personnel

	Short term employee benefits				Post employment benefits	Share-based payments	
	Salaries and fees US$	Short term cash incentive US$	Other Benefits US$	Service Agreements US$	Superannuation US$	Options US$	Total US$
Year 2013	686,767	-	18,970	357,978	28,795	178,055	1,270,565
Year 2012	664,570	-	19,149	433,398	27,861	-	1,144,978

More detailed information on remuneration and retirement benefits of directors is disclosed in the Remuneration Report.

(b) Other related party transactions during the year

Corporate advisory services at normal commercial rates totalling US$361,555 (2012:$nil) were provided by Baron Partners Limited, of which Paul Young is an executive director and shareholder. There was no outstanding amounts payable at 30 June 2013 (2012: $nil).

(c) Loans from related parties

During the year, Veruse Pty Ltd, a company controlled by Douglas Battersby, made short term interest bearing loans to the Group on normal commercial terms and interest rate. All loans were repaid during period and interest charges of US$22,223 (2012: $nil) were paid.

(d) Director's and key management share holdings including related parties:

(i) Fully paid ordinary shares in Byron Energy Limited

	Opening balance 1 July 2012 Number	Acquisition Offer Number*	Placement Offer Number*	Net change other Number	Closing balance 30 June 2013 Number
2013 Directors					
D. G. Battersby	-	18,517,971	375,000	-	18,892,971
M. V. Smith	-	15,225,688	125,000	-	15,350,688
P. H. Kallenberger	-	1,250,000	-	-	1,250,000
C. J. Sands	-	15,070,790	2,000,000	-	17,070,790
P. A. Young	-	825,000	245,000	-	1,070,000
Other key management personnel					
N. Filipovic	-	1,031,250	130,000	-	1,161,250
Total	**-**	**51,920,699**	**2,875,000**	**-**	**54,795,699**

*acquired on same terms and conditions as all other participants in the Acquisition Offer and the Placement Offer

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(ii) Share options (exercisable at $A0.50 payable) held in Byron Energy Limited

	Opening balance 1 July 2012 Number	Acquisition Offer Number*	Placement Offer Number*	Net change other Number	Closing balance 30 June 2013 Number
2013 Directors					
D. G. Battersby	-	6,337,876	60,000	-	6,397,876
M. V. Smith	-	5,936,111	20,000	-	5,956,111
P. H. Kallenberger	-	2,450,000	-	1,000,000	3,450,000
C. J. Sands	-	2,411,327	320,000	450,000	3,181,327
P. A. Young	-	132,000	39,200	-	171,200
Other key management personnel					
N Filipovic	-	2,415,000	22,000	600,000	3,037,000
Total	**-**	**19,682,314**	**461,200**	**2,050,000**	**22,193,514**

*acquired on same terms and conditions as all other participants in the Acquisition Offer and the Placement Offer

(iii) Equity based share performance options (exercisable at A$0.50) held in Byron Energy Limited

	Opening balance 1 July 2012 Number	Granted as remuneration during period Number	Lapsed during period Number	Exercised during period Number	Closing balance 30 June 2013 Number
2013 Directors					
D. G. Battersby	-	-	-	-	-
M. S. Smith	-	-	-	-	-
P. H. Kallenberger	-	1,000,000	-	-	1,000,000
C. J. Sands	-	450,000	-	-	450,000
P. A. Young	-	-	-	-	-
Other key management personnel					
N Filipovic	-	600,000	-	-	600,000
Total	**-**	**2,050,000**	**-**	**-**	**2,050,000**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

28. FINANCIAL INSTRUMENTS

The consolidated entity's financial instruments consist mainly of cash and cash equivalents, trade and other receivables and trade and other payables. The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

This note presents information about the consolidated entity's exposure to each of the above risks and processes for measuring and managing the risks, and the management of capital.

	Consolidated	
Categories of financial instruments	**2013 US$**	**2012 US$**
Financial assets		
Cash and cash equivalents	14,989,226	1,600,851
Trade and other receivables	366,862	294,755
Security deposits	117,366	8,731
	15,473,454	1,904,337
Financial liabilities		
Trade and other payables	373,963	612,280

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders. The Group's capital structure consists of equity comprising issued capital, reserves and accumulated losses.

During 2013 no dividends were paid (2012: $nil).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

(b) Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(c) Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and if required, standby credit facilities to meet commitments when they fall due. Management continuously monitors cash forecasts to manage liquidity risk.

Liquidity, credit and interest risk tables

The following table details the Group's remaining contractual maturity for its financial assets.

Consolidated	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
	%	US$	US$	US$	US$
2013					
Non-interest bearing		-	366,862	117,366	
Variable interest rate instruments	1.35%	14,989,226	-	-	-
Fixed interest rate instruments		-	-	-	-
2012					
Non-interest bearing		167,284	127,471	8,731	
Variable interest rate instruments	1.26%	1,600,851	-	-	-
Fixed interest rate instruments		-	-	-	-

The following table details the Group's remaining contractual maturity for its financial liabilities.

Consolidated	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
	%	US$	US$	US$	US$
2013					
Non-interest bearing	-	373,963	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-
2012					
Non-interest bearing	-	280,910	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	3.7%	-	-	331,370	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

(d) Fair values

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at cost less any accumulated impairments in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

(i) holdings in unlisted shares are measured at cost less any impairments. The directors consider that no other measure could be used reliably; and

(ii) other financial assets and financial liabilities are determined in accordance with generally accepted pricing models.

(e) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. The Group is not currently engaged in any hedging or derivative transactions to manage interest rate risk. This risk is managed through the use of cash flow forecasts supplemented by sensitivity analysis.

The Group currently has no borrowings.

Interest rate sensitivity analysis.

A sensitivity analysis have been determined based on the exposure to interest rates at reporting date with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would decrease by US$41,475 or increase by US$41,475. (2012: increase by US$12,784 or decrease by US$12,784). This is mainly due to the Group's exposure to variable interest rates on cash and cash equivalents.

(f) Foreign currency risk management

The Group incurs costs in US dollars and Australian dollars.

The Group holds the majority of liquid funds in US dollars.

Fluctuations in the Australian dollar / US dollar exchange rate can impact the performance of the consolidated entity. The consolidated entity is not currently engaged in any hedging or derivative transactions to manage foreign currency risk. As cash inflows and cash outflows are predominately denominated in US dollars, with the exception of Australian dollar denominated equity funding, surplus funds are primarily held in US dollars.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Monetary Assets		Monetary Liabilities	
Consolidated	2013 $	2012 $	2013 $	2012 $
USA currency denominated	12,850,134	1,824,988	206,280	412,514
Australian currency denominated	2,828,377	77,863	180,790	196,022

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

The following table details the Group's sensitivity to a 10% increase and decrease in the US$ against the A$. A positive number below indicates an increase in profit or equity where the US$ dollar strengthens 10% against the relevant currency. For a 10% weakening of the US$ dollar against the relevant currency, there would be a comparable negative impact on the profit or equity. The impact is mainly due to the Australian group of holding companies incurring and settling expenses and outgoings in Australian dollars.

	Australian dollar impact on loss	
Consolidated	2013 US$	2012 US$
Equity	173,476	63,590

29. SEGMENT INFORMATION

The Group determines operating segments based on the information that is internally provided to the executive management team. Using this 'management approach' segment information is on the same basis as information used for internal reporting purposes. As such, there are no significant classes of business, either singularly or in aggregate. The Group therefore operates within one business segment of oil and gas exploration and development; and one geographical segment, The Unites States of America.

The geographical locations of the Group's non-current assets are USA US$8,054,030 (2012: US$ 9,118,379) and Australia US$40,893 (2012: US$38,629).

30. PARENT ENTITY INFORMATION

Financial position	2013 US$	2012 US$
Assets		
Current assets	1,578,012	3,965,773
Non-current assets	46,434,019	-
Total assets	**48,012,031**	**3,965,773**
Liabilities		
Current liabilities	47,759	1,579,415
Non-current liabilities	-	-
Total liabilities	**47,759**	**1,579,415**
Net assets	**47,964,272**	**2,386,358**
Equity		
Issued capital	49,306,560	2,886,614
Accumulated losses	(855,538)	(472,799)
Reserves	(486,750)	(27,457)
Total Equity	**47,964,272**	**2,386,358**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

Financial performance	2013 US$	2012 US$
Profit (loss) for the year	(382,739)	1,073,410
Other comprehensive income	(685,118)	(27,457)
Total comprehensive income for the financial year	**(1,067,857)**	**1,045,953**

Expenditure commitments

The parent entity has no expenditure commitments at the end of the 2013 financial year (2012: $nil).

Guarantees

There were no guarantees entered into during the year by the parent entity in relation to the debts of it's subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities at 30 June 2013 (2012: $nil).

31. SUBSEQUENT EVENTS

Subsequent to the end of the financial year the following has occurred:

In early August 2013, Byron entered into an agreement with FairfieldNodal to license 3D seismic data over two of Byron's salt dome projects where the Company holds a 100% working interest in a total of five (5) exploration leases. Additionally, Fairfield will process one of the projects through ARTM which will allow the complex salt dome to be mapped in a detailed manner. These two dome projects are in addition to SMI 6 which will be drilled on the basis of ARTM seismic previously acquired from FairfieldNodal by Byron. The "conventional" 3D seismic data over the first two salt dome projects, EI 190/191/210 and SMI 70/71, will be delivered immediately. Under the agreement, the ARTM data will be completed within six (6) months. Total licensing cost of the seismic data and ARTM processing is less than US$ 1 million.

Except for the above there have not been any other matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the company in future financial period.

DIRECTORS' DECLARATION

The directors of Byron Energy Limited declare that in the opinion of the directors:

a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 1 to the financial statements;

c) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors of Byron Energy Limited made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

D. G. Battersby
Chairman

Sydney
24 September 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Byron Energy Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 - 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Byron Energy Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Byron Energy Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 2, and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Byron Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 24th September 2013

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Byron Energy Limited ("the Company") (formerly Trojan Equity Limited) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Compliance with Corporate Governance Codes

Byron Energy Limited is a listed Company on the Australian Securities Exchange ("ASX"). The Board has assessed the Company's current practice against the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) and outlines its assessment below:

Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1 – Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions reserved to the Board and those delegated to senior executives and disclose those functions.

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives

Recommendation 1.3 – Companies should provide information indicated in the Guidelines to reporting on Principle 1

The Board has adopted the Corporate Governance Charter dated 5 April 2005 and updated 22 May 2013, which defines the role of the Board and management. The Company's Corporate Governance Charter is available on the Company's website: www.byronenergy.com.au.

The primary functions and responsibilities of the Board are to:

- chart strategy and set financial targets,
- monitor the implementation and execution of strategy and performance against financial targets,
- appoint and oversee the performance of executive management, and generally to take and fulfil an effective leadership role in relation to the Company,
- oversight of the Company including its control and accountability systems, and
- review and oversight the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance.

Given the small number of senior executives, their performance is constantly reviewed by the Board on a regular basis as part of the ordinary course of meetings of directors.

The Company complies with Recommendation 1.1, Recommendation 1.2 and Recommendation 1.3 of the Guidelines.

Principle 2 - Structure the Board to add value

Recommendation 2.1 – A majority of the Board should be independent directors

Recommendation 2.2 – The Chair should be an independent director

Recommendation 2.3 – The roles of Chair and Chief Executive Officer should not be exercised by the same individual

Recommendation 2.4 – The Board should establish a nomination committee

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the Board, committees and individual directors

Recommendation 2.6 – Companies should provide the information indicated in the Guide to reporting on Principle 2

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Company's Corporate Governance Charter requires:

- the Board to comprise a minimum of three directors,
- at least half of the Board must be non-executive directors, and
- the Chairman must be a non-executive director.

The current Board comprises five directors being three non-executive directors and two executive directors. None of the directors is considered by the Board to be independent, based on the criteria in the Guidelines. Consequently, the Company does not comply with Recommendation 2.1 and Recommendation 2.2 of the Guidelines.

The Company complies with Recommendation 2.3 as the roles of Chair and Chief Executive are not exercised by the same individual.

The Company also does not comply with Recommendation 2.4 to the extent that it has not established a nominations committee.

The performance of all the directors is reviewed by the Chairman each year. The performance of the Chairman is reviewed and assessed each year by the other directors. The Chairman determines the evaluation criteria and process.

Having regard to the current ownership structure of the Company, its current stage of development and the nature of its activities, the directors believe that:

- it is not appropriate to have a majority of independent directors (Recommendation 2.1),
- it is not appropriate for the Chair to be independent (Recommendation 2.2),
- the Board should not establish a nomination committee (Recommendation 2.4)

as the current composition of the Board will add value by ensuring there is a broad range of experience, expertise, skills, qualifications, and contacts which are deemed relevant to the business of the Company.

To ensure that independent judgment is achieved and maintained in respect of its decision-making processes, the Board has adopted a number of measures which include the following:

- each director has the right to seek independent legal or other professional advice at the Company's expense, and
- any director having a conflict of interest in relation to a particular item of business must declare their interest and not vote on that item of business and excuse themselves from the Board meeting if required by the Board before commencement of discussion on the topic.

The Board also considers it more efficient for the selection and appointment of directors to be considered by the Board itself. The Board may also engage an external consultant where appropriate to identify and assess suitable candidates who meet the Board's selection criteria.

These issues will be reassessed by the Board on a regular basis.

Principle 3 - Promote ethical and responsible decision making

Recommendation 3.1 – *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- the practices necessary to maintain confidence in the Company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Recommendation 3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Recommendation 3.5 – Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Board has adopted a detailed Code of Ethics and Values (as part of its Corporate Governance Charter) and a Securities Trading Policy. Both are published on the Company's website, www.byronenergy.com.au. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both the directors and management, and their respective associates, are permitted to deal in securities.

Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

Due to the size of the Company, small number of employees and low turnover of employees, a separate formal diversity policy has not been adopted. Consequently, the Company does not comply with Recommendation 3.2 and Recommendation 3.3.

The Company does not discriminate on the basis of age, ethnicity or gender in any employment matters and when a position becomes vacant the Company seeks to employ the best candidates available for the position.

The Company has no full time female employees. The Company currently has no women in senior executive positions or women on the Board. It should be noted that the Company has only three full time employees. The Board fully supports the gender diversity concept and is committed to establishing measurable objectives for achieving gender diversity as the business expands.

Principle 4 - Safeguard integrity in financial reporting

Recommendation 4.1 – The Board should establish an audit committee

Recommendation 4.2 – The audit committee should be structured so that it: (i) consists only of non-executive directors, (ii) consists of a majority of independent directors; (iii) is chaired by an independent chair, who is not the Chair of the Board; and (iv) has at least three members

Recommendation 4.3 – The audit committee should have a formal charter

Recommendation 4.4 – Companies should provide the information indicated in the Guide to reporting on Principle 4

An Audit and Risk Management Committee has been established by the Board and is governed by its own charter.

Part of the Committee's responsibilities includes:

- advising the Board on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company,
- provision of additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report, and
- reviewing the risk management framework and policies within the Company and monitoring their implementation.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Company's Audit and Risk Management Committee comprises two non-executive directors, Paul Young (Chairman) and Charles Sands. To that extent the Company complies with recommendation 4.2 (i).

In light of the size and scale of its operations as well as the composition of the Board and the nature of its activities, the Company is not able to comply with:

- Recommendation 4.2 (ii) and Recommendation 4.2 (iii), as neither Paul Young (Chairman) nor Charles Sands are deemed independent based on the criteria in the Guidelines, and
- Recommendation 4.2 (iv), as the committee only has two members.

The Board believes that given the size of the Company and composition of the Board, the Committee will adequately fulfil its intended role. Nevertheless, it will reassess its ability to do this on a regular basis. The Company may consider appointing further independent directors in the future at which time it may reconsider the composition of the Audit and Risk Management Committee.

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 – Companies should put in place mechanisms designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Recommendation 5.2 – Companies should provide the information indicated in the Guide to reporting on Principle 5

Policies and procedures for compliance with ASX Listing Rules are included in the Corporate Governance Charter. The Board and Company Secretary are responsible for ensuring that the Company complies with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX. The Board believes that the Company's practice on disclosure is consistent with the Guidelines.

Principle 6 - Respect the rights of shareholders

Recommendation 6.1 – Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Recommendation 6.2 – Companies should provide the information indicated in the Guide to reporting on Principle 6

The Board and Company Secretary are responsible for the communications strategy with the Company's shareholders.

In line with ASX's continuous disclosure requirements, the Company keeps its shareholders informed through regular reports including the annual reports, half yearly reports, quarterly reports and specific ASX releases covering material developments and other price sensitive information. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors attend the annual general meetings and are available to answer shareholders' questions. The directors believe that the Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7 - Recognise and manage risks

Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2 – *The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risk managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

Recommendation 7.3 – *Companies should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.*

Recommendation 7.4 – *Companies should provide the information indicated in the Guide to reporting on Principle 7*

The issue of risk management is formalised in the Corporate Governance Charter (which directors believe complies with the Guidelines in relation to risk management) and the charter for the Audit and Risk Management Committee and will continue to be kept under regular review by the Board. The Board and the Audit and Risk Management Committee will constantly seek to identify, monitor and mitigate risk.

The Board believes that the risk management and internal control systems designed and implemented by the directors and Chief Financial Officer & Company Secretary are adequate given the size of the Company and the nature of its activities.

The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

The Board believes that the Company complies with the Guidelines in this regard.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 – *The Board should establish a remuneration committee*

Recommendation 8.2 – *The remuneration committee should be structured so that it:*

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

Recommendation 8.3 – *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

Recommendation 8.4 – *The Company should provide the information indicated in the Guide to reporting on Principle 8*

In light of the size of the Company and composition of the Board, the Board has not established a remuneration committee and therefore the Company does not comply with Recommendation 8.1 and Recommendation 8.2. Any matters pertaining to remuneration issues, should they arise, will be considered by the full Board.

The Board will from time to time review the merits of establishing a separate remuneration committee.

Details of remuneration of directors during the year are disclosed in the Remuneration Report contained in the Directors' Report.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 30 September 2013.

Use of funds at time of re-instatement to official quotation

The Company used its cash and assets in a form readily convertible to cash that it had at the time of re-instatement to official quotation in a way consistent with its business objectives.

Distribution of Equity Securities

As at 30 September 2013 the Company had a total of 128,053,647 Ordinary Shares on issue and 37,296,284 Options on issue comprising:

Quoted Ordinary Shares

108,603,129 fully paid Ordinary Shares are held by 553 shareholders. All issued ordinary shares carry one vote per share without restriction. Every member at a meeting of shareholders shall have one vote and up on a poll each share shall have one vote.

Unquoted Options on issue

37,296,284 options are held by 329 option holders. All the options are exercisable on or before 31 December 2016 at an exercise price of $A50 cents each. There are no voting rights attached to these options.

Escrowed Securities

As at 30 September 2013 the Company had restricted securities as follows:

- 19,450,518 escrowed Ordinary Shares
- 13,687,083 escrowed options.

Number of shareholders by size of holding

The number of shareholders, by size of holding and the total number of quoted shares on issue:

Size of holding	No. of holders	No. of shares
1 – 1,000	78	27,968
1,001 – 5,000	137	404,906
5,001 – 10,000	62	471,657
10,001 – 100,000	148	5,578,780
100,001 and over	131	102,119,818
Total Holders	**556**	**108,603,129**

The number of security investors holding less than a marketable parcel of securities is 47 with a combined total of 5,147 securities.

ASX ADDITIONAL INFORMATION (CONT'D)

Substantial Shareholders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates), as disclosed in the substantial shareholding notices given to the Company:

	Name of holder	No. of ordinary shares held	Percentage of issued capital
1.	Douglas Battersby (and associates)	18,892,971	14.75%
2.	Charles Sands (and associates)	17,070,790	13.33%
3.	Maynard Smith (and associates)	15,350,688	11.99%

20 Largest Shareholders

	Quoted Ordinary shares	Number	Percentage
1.	Veruse Pty Limited	8,733,939	8.04%
2.	Summit Limited LLC	8,057,192	7.42%
3.	Geogeny Pty Limited	6,986,492	6.43%
4.	Mr William Reifers <WH&PK Reifers Revocable A/C>	5,072,910	4.67%
5.	Mr Charles Sands	4,854,440	4.47%
6.	Cameron Richard Pty Ltd <LPS PL No 5 Exec B/Plan A/C>	4,517,372	4.16%
7.	Mr John Sands	3,339,952	3.08%
8.	Smithley Super Pty Ltd <Smith Super Fund A/C>	2,800,000	2.58%
9.	Mr Douglas Geoffrey Battersby & Ms Alison Rosemary Battersby & Mr Ewan Battersby <Veruse Employees S/Fund A/C>	2,697,938	2.48%
10.	Cockleshells Aust Pty Ltd <Cockleshells Super Fund A/C>	2,293,353	2.11%
11.	Linwierik Super Pty Ltd <Linton Super Fund A/C>	2,000,000	1.84%
12.	Rocket Science Pty Ltd <The Trojan Capital Fund A/C>	2,000,000	1.84%
13.	Laurie Thomas Family Nominees Pty Ltd <Laurie Thomas Family S/F A/C>	1,864,029	1.72%
14.	Tintern (VIC) Pty Ltd <A & P Miller Family A/C>	1,750,000	1.61%
15.	Geogeny Pty Limited <M & V Smith Super Fund A/C>	1,711,558	1.58%
16.	Howard H Wilson JR	1,663,119	1.53%
17.	Chatterton Pty Ltd <The Chatterton A/C>	1,425,000	1.31%
18.	McBratney Services Pty Ltd <McBratney Twelfth Ave A/C>	1,400,000	1.29%
19.	Singular Energy Pty Ltd <Singular Pet Fund A/C>	1,250,000	1.15%
20.	Stuart Andrew Pty Ltd <Campese Family A/C>	1,082,628	1.00%
Total quoted shares held by top 20 Shareholders		**65,499,922**	**60.31%**
Quoted shares held by other Shareholders		**43,103,207**	**39.69%**
Total quoted shares		**108,603,129**	**100.00%**