BYRONENERGY LIMITED

BYRON ENERGY LIMITED

ABN 88 113 436 141

Half year report for the half-year ended 31 December 2013

BYRON ENERGY LIMITED
ABN 88 113 436 141

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DIRECTORS' REPORT

The directors of Byron Energy Limited ("Byron" or the "Company") submit herewith the financial report of Byron Energy Limited and its subsidiaries ("the consolidated entity" or "Group") for the half-year ended 31 December 2013.

Directors

The following persons were directors of Byron Energy Limited during the half year ended 31 December 2013 and up to the date of this report (in office for the entire period unless otherwise stated):

Douglas G. Battersby

Maynard V. Smith

Prent H. Kallenberger

Charles J. Sands

Paul A. Young

Principal activities

The principal activities of the consolidated entity during the half year ended 31 December 2013 were the exploration, development and leasing of oil and gas properties in the shallow waters of the Gulf of Mexico ("GOM"), USA.

Operating Result

The loss for the consolidated entity after income tax for the half-year ended 31 December 2013 was US$4,948,556 (31 December 2012: US$1,797,947 loss).

The loss for the consolidated entity after income tax for the financial half-year ended 31 December 2012 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 loss of US$4,948,556 for the half year ended 31 December 2013 was mainly due to the impairment of exploration and evaluation assets of $US3,843,533.

Of the impairment expense, $US3,248,840 related to relinquishment of leases relating to two dry gas prospects - the West Cameron 490 Area prospect leases, due to expire in May 2014, and the West Cameron 472 Area prospect leases, due to expire in January 2015. As the leases were not expected to be drilled before the lease expiry dates, given the relatively short time before the leases expire, the Company relinquished the leases in January 2014. A further $US594,693 related to impairment of the West Delta 49 lease, as the lease is not expected to be drilled prior to lease expiry in May 2014.

The consolidated half-year results reflect Byron Energy (Australia) Pty Ltd and its controlled entities plus Byron Energy Limited. The comparative period results reflect Byron Energy (Australia) Pty Ltd and its controlled entities only, as Byron Energy Limited (formerly Trojan Equity Limited) acquired 100% of the issued shares in Byron Energy (Australia) Pty Ltd and its controlled entities on 24 May 2013. According to the accounting standards, this transaction did not meet the definition of a business combination and instead was a reverse asset acquisition which was accounted for using the principles of reverse acquisition accounting in AASB 3 'Business Combinations'. Refer to the Company's annual report, which can be accessed in the Company's website (www.byronenergy.com.au), for the year ended 30 June 2013 for further details on reverse asset acquisition accounting.

Financial Position

At 31 December 2013, the consolidated entity had total assets of US$18,532,094 and total liabilities of US$336,900 resulting in net assets of US$18,195,194 (June 30 2013: US23,138,326.). The decrease in net assets was primarily due to the net loss incurred for the half-year ended 31 December 2013.

At 31 December 2013, the consolidated entity held cash and cash equivalents of US$11,884,476. The consolidated entity had no debt, nor credit facilities as at 31 December 2013.

Review of Operations

The Group's key operational activities for the half-year ended 31 December 2013 comprised:

1. Permitting of the proposed Byron Energy SM6 #1 well ("SM6 #1") in the South Marsh Island Block 6 ("SMI 6") commenced during the June 2013 quarter. The Exploration Plan ("EP"), a key step in the permitting process, was submitted to the Bureau of Ocean Energy Management ("BOEM") in early June 2013 and approved by the BOEM during the December 2013 quarter. As part of this process Byron put in place SMI 6 lease specific surety bonds, as required by the BOEM, of US$500,000, issued through a surety company to secure those obligations.

   Following receipt of BOEM's approval of the EP, Byron completed and submitted the Application for Permit to Drill ("APD") to the Bureau of Safety and Environmental Enforcement ("BSEE") in early December 2013. BSEE then commenced its review of the APD to examine the fitness of the drilling unit, mud program, casing program and cement program, amongst other things. Byron's regulatory consultants advised that this approval time could take up to 60 days.

   In mid-October 2013, Byron entered into an agreement with Spartan Offshore Drilling ("Spartan") whereby Spartan has agreed to furnish a rig no earlier than 1 March, 2014, unless otherwise agreed, to spud the SM6 #1 well. The exact spud date is dependent on when the rig is released from its previous drilling commitments and final regulatory approval.

   During the December 2013 quarter Byron also entered into an agreement with Twin Brothers Marine for construction of a seven slot caisson for use at SM6 #1 (266 feet in length and 72 inch in diameter). The caisson was completed during the December 2013 quarter and is waiting to be set prior to the arrival of the Spartan rig. The caisson will also serve as a protective device in the event the well is successful while Byron finalises its development and production plans.

2. In August 2013 Byron announced that it had 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, FairfieldNodal will process the Eugene Island ("EI") 190/191/210 salt dome through Anisotropic Reverse Time Migration ("ARTM") which will allow the complex salt dome to be mapped in a detailed manner. The "conventional" 3D seismic data over the first two salt dome projects, Eugene Island 190/191/210 and South Marsh Island ("SMI") 70/71 has been delivered. Under the agreement, the ARTM data for EI 190/191/210 will be completed in April 2014.

3. In October 2013, Byron acquired and took delivery, from WesternGeco, of 3D seismic data and ARTM seismic data over its SMI 70/71 salt dome project area which will allow Byron to undertake detailed mapping of this complex salt dome.

4. In December 2013 Byron commenced negotiations with several seismic processing companies to acquire ARTM seismic data over its other salt dome project leases for delivery in 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 areas 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 December 2013 Byron, in conjunction with its insurance broker, commenced the process of procuring insurance cover required for the drilling of SM6 #1.

Issued capital

During the half year ended 31 December 2013 the Company received applications and consideration for the conversion of 155,160 options @ $A0.50 cents each resulting in the issue of 155,160 ordinary fully paid shares. A total of $A77,580 was received by the Company from the exercise of the options.

The Company's issued capital as at 31 December 2013 comprised:-

	Issued	**Quoted**	**Unquoted**	**Escrowed***
Shares (ASX:BYE)	128,125,007	108,674,489	19,450,518	19,450,518
Options	37,224,924	Nil	37,224,924**	13,687,083

* *escrowed from official quotation until 30 May 2015.*
***includes escrowed options of 13,687,083.*

Dividend

No dividends in respect of the current half year ended 31 December 2013 have been paid, declared or recommended for payment.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001*, is set out on the following page.

This report is made in accordance with a resolution of Directors, pursuant to section 306 (3) (a) of the *Corporations Act 2001*.

On behalf of the directors

D. G. Battersby
Chairman

Melbourne
28 February 2014

Deloitte.

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The Board of Directors
Byron Energy Limited
Level 4
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MELBOURNE VIC 3000

28 February 2014

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 review of the financial statements of Byron Energy Limited for the half-year ended 31 December 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

BYRON ENERGY LIMITED
ABN 88 113 436 141

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated 31 December 2013 US$	31 December 2012 US$
Oil and gas revenue		-	231,926
Cost of sales		-	(317,879)
Gross loss		**-**	**(85,953)**
Corporate and administration costs		(755,836)	(505,603)
Loss on divestment of oil and gas properties		-	(258,377)
Impairment expense		(3,843,533)	-
Depreciation / amortisation of property, plant & equipment		(10,145)	(11,465)
Other expenses		(364,708)	(914,306)
Earnings before interest and tax (EBIT)		**(4,974,222)**	**(1,775,704)**
Financial income		25,666	1,952
Financial expense		-	(24,195)
Loss before tax		**(4,948,556)**	**(1,797,947)**
Income tax expense		-	-
Loss for the half-year attributable to owners of parent		**(4,948,556)**	**(1,797,947)**
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		(67,432)	(11,382)
Total comprehensive loss for the half-year attributable to owners of parent		**(5,015,988)**	**(1,809,329)**
Earnings per share			
Basic earnings / (loss) cents per share		(3.86)	(2.14)
Diluted earnings / (loss) cents per share		(3.86)	(2.14)

The accompanying notes form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	Consolidated 31 December 2013 US$	30 June 2013 US$
Assets			
Current assets			
Cash and cash equivalents		11,884,476	14,989,226
Trade and other receivables		22,088	366,862
Other		360,264	201,310
Total current assets		**12,266,828**	**15,557,398**
Non-current assets			
Other		11,561	15,966
Exploration and evaluation assets	2	6,189,440	8,097,970
Property, plant and equipment		58,399	40,855
Other intangible assets		5,866	10,132
Total non-current assets		**6,265,266**	**8,164,923**
Total assets		**18,532,094**	**23,722,321**
Liabilities			
Current liabilities			
Trade and other payables		189,570	443,963
Provisions		113,062	108,515
Total current liabilities		**302,632**	**552,478**
Non-current liabilities			
Provisions		34,268	31,517
Total non-current liabilities		**34,268**	**31,517**
Total liabilities		**336,900**	**583,995**
Net assets		**18,195,194**	**23,138,326**
Equity			
Issued capital	3	50,043,160	49,970,304
Foreign currency translation reserve		(218,406)	(150,974)
Share option reserve		2,104,108	2,104,108
Accumulated losses		(33,733,668)	(28,785,112)
Total equity		**18,195,194**	**23,138,326**

The accompanying notes form part of these condensed financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 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 2012	**33,855,590**	**1,878,283**	**143,170**	**(24,965,059)**	**10,911,984**
Loss for the half year	-	-	-	(1,797,947)	(1,797,947)
Exchange differences arising on translation of the parent entity	-	-	(11,382)	-	(11,382)
Total comprehensive loss for the half year	-	-	(11,382)	(1,797,947)	(1,809,329)
Balance at 31 December 2012	**33,855,590**	**1,878,283**	**131,788**	**(26,763,006)**	**9,102,655**
Balance at 1 July 2013	**49,970,304**	**2,104,108**	**(150,974)**	**(28,785,112)**	**23,138,326**
Loss for the half year	-	-	-	(4,948,556)	(4,948,556)
Exchange differences arising on translation of the parent entity	-	-	(67,432)	-	(67,432)
Total comprehensive loss for the half year	-	-	(67,432)	(4,948,556)	(5,015,988)
The issue of 155,160 shares upon the conversion of 155,160 A$0.50 options	72,856	-	-	-	72,856
Balance at 31 December 2013	**50,043,160**	**2,104,108**	**(218,406)**	**(33,733,668)**	**18,195,194**

The accompanying notes form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated 31 December 2013 US$	Consolidated 31 December 2012 US$
Cash flows from operating activities			
Receipts from customers		-	491,614
Payments to suppliers and employees		(1,042,904)	(1,853,574)
Interest paid		-	(4,373)
Interest received		25,666	1,952
Net cash flows used in operating activities		**(1,017,238)**	**(1,364,381)**
Cash flows from investing activities			
Payments for exploration and evaluation		(2,070,882)	(1,321,198)
Proceeds from the divestment of oil and gas properties		-	4,136,325
Payments for property, plant and equipment		(24,137)	(835)
Net cash flows generated by/(used in) investing activities		**(2,095,019)**	**2,814,292**
Cash flows from financing activities			
Proceeds from issue of ordinary shares upon the conversion of share options		72,856	-
Proceeds from borrowings from related parties		-	845,254
Net cash flows from financing activities		**72,856**	**845,254**
Net increase/(decrease) in cash and cash equivalents held		**(3,039,401)**	**2,295,165**
Cash and cash equivalents at the beginning of the period		**14,989,226**	**1,600,851**
Effect of exchange rate changes on the balance of cash held in foreign currencies		(65,349)	1,089
Cash and cash equivalents at the end of the period		**11,884,476**	**3,897,105**

The accompanying notes form part of these condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Note	**Contents**
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2.	Exploration and evaluation assets
3.	Issued capital
4.	Financing facility
5.	Financial instruments
6.	Expenditure commitments
7.	Foreign currency translation
8.	Contingent liabilities and contingent assets
9.	Segment information
10.	Subsequent events

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. 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 (US$), unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 Annual Financial Report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

Standard/Interpretation

1. AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' 2011-7

2. AASB 11 'Joint Arrangements' and AASB 2011- 7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

3. 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'

4. AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

5. 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'

6. AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

7. AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

8. AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'

9. AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

10. AASB 119 'Employee Benefits (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Groups accounting policies and has no effect on the amounts reported for the current or prior half-year.

	Consolidated 31 December 2013 US$	30 June 2013 US$
2. Exploration and evaluation assets		
Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost	6,189,440	8,097,970
Reconciliation of movements:-		
Carry amount at the beginning of the period	8,097,970	4,691,380
Additions at cost	1,935,003	3,525,508
Impairment expense	(3,843,533)	-
Divestment of working interest and expenditures recouped	-	(118,918)
Carrying amount at the end of the financial half- year	6,189,440	8,097,970

Impairment of exploration and evaluation assets for the half year end financial statements

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

As foreshadowed in the Chairman's address at the Company's AGM held on 28 November 2013, in January 2014 Byron relinquished the West Cameron 490 Area prospect leases and the West Cameron 472 Area prospect leases. As a consequence, the carrying value of these projects of $US3,248,840 was written off to the Profit and Loss as at 31 December 2013. A further impairment charge of $594,693 was made in the half-year accounts for the West Delta 49 block due to expire in May 2014, which is not expected to be drilled prior to expiry.

3. Issued capital

	31 December 2013		30 June 2013	
(a) Movement for period	**Number**	**US$**	**Number**	**US$**
Fully paid ordinary shares	128,125,007	50,043,160	127,969,847	49,970,304
Movements in ordinary share capital for the period:-				
Balance as at 1 July 2013	127,969,847	49,970,304		
Options converted to fully paid ordinary shares	155,160	72,856		
Balance as at 31 December 2013	128,125,007	50,043,160		

(b) 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.

As at 31 December 2013, the issued capital of the Company comprised 128,125,007 ordinary shares of which 108,674,489 shares are quoted on the ASX and 19,450,518 ordinary shares are escrowed until 30 May 2015.

3. Issued capital (continued)

(c) Share options

Options over ordinary shares

As at 31 December 2013, there were 37,224,924 unissued ordinary shares in respect of which the following options were outstanding:

Expiry date	Number	Securities	Escrow period expiry	Exercise price
31 December 2016	23,537,841	Unlisted options	Nil	A$0.50
31 December 2016	13,687,083	Unlisted options	30 May 2015	A$0.50
Total	37,224,924			

During the half-year ended to 31 December 2013, no new options over ordinary shares were issued and 155,160 share options were converted into ordinary fully paid shares @ A$0.50 per share.

4. Financing facility

The Group has no available finance facilities at the half-year end balance date.

5. Financial instruments

The directors consider the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements to approximate their fair values.

6. Expenditure commitments

(a). General expenditure commitments

The Group has no general expenditure commitments at the end of the period, except for non cancellable operating lease payments. These obligations are not materially different from those disclosed in the financial statements for the year ended 30 June 2013.

(b). Exploration drilling and seismic expenditure commitments

The Group has no exploration lease commitments at the end of the half year ended 31 December 2013 as the leasing arrangements of the Gulf of Mexico blocks do not require firm work programme commitments. The Group does have financial commitments relating to the planned drilling of the SM6 #1 well and the planned ARTM seismic processing as disclosed below:

	Consolidated	
	31 December 2013 US$	31 December 2013 US$
Commitments for drilling and seismic expenditure		
Not longer than 1 year	2,858,600	-

7. 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:-

	31 Dec 2013 (half year)	30 June 2013 (full year)	31 Dec 2012 (half year)
Spot rate	0.8948	0.9275	1.0384
Average rate for the period	0.9225	1.0271	1.0386

8. Contingent liabilities and contingent assets

(1). One of the Group's 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 at 31 December 2013 BE Inc was contingently liable for its Gulf of Mexico operated block areas and interests of US$550,000 (31 December 2012: US$300,000).

(2). Byron Energy (Australia) Pty Ltd has provided 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.

9. 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 location of the Group's non-current assets at 31 December 2013 is USA US$6,226,725 (31 December 2012: US$ 6,298,260) and Australia US$38,541 (31 December 2012: US$33,560).

10. Events subsequent to balance date

Subsequent to the end of the half year ended 31 December 2013 the following events occurred:

(a) As announced in the Quarterly Report for the period ended 31 December 2013, released on 17 January 2014, Byron Energy Inc relinquished the West Cameron ("WC") 490 Area prospect leases, comprising WC 490, WC 491 and WC 475, and the WC 470 Area prospect leases, comprising WC 469, WC 472 and WC 473.

(b) In January 2014, the Company secured insurance coverage in relation to the SM6 #1 well. This includes, inter-alia, well control coverage to US$55 million, general liability coverage to US$100 million and oil spill financial responsibility coverage to US$150 million. Subsequently the Company entered into a premium financing agreement whereby a part of the insurance premium will be financed by a lender, with the amount financed, together with the finance charge, payable by the Company in nine equal monthly instalments.

(c) On 4 and 14 February 2014 the Company announced the conversion of 52,940 options to fully paid shares, resulting in an increase in issued shares to 128,177,947.

10. Events subsequent to balance date (continued)

(d) On 17 February 2014 the Company announced that:

(i) On 15 February 2014 it completed installation of a seven slot caisson (266 feet in length and 72 inch in diameter) for use at SM6 #1 well. The caisson was set prior to the arrival of the Spartan jack-up drilling rig and will also serve as protective device in the event the well is successful while Byron finalises its development and production plans. The Bureau of Safety and Environmental Enforcement ("BSEE") had previously granted approval for Byron to install the caisson.

(ii) On 14 February 2014 the BSEE granted final approval for Byron to drill the SM6 #1 well. The Spartan jack-up drilling rig, is currently expected to spud SM6 #1 in the first half of March 2014, subject to Spartan completing its existing drilling commitment.

(iii) It had entered into an agreement with WesternGeco whereby WesternGeco will:

- Perform ARTM reprocessing on 3D data already licensed by the Company over the Eugene Island ("EI") 63 salt dome. The objective of the reprocessing is to provide an improved depth image of sediments and salt body around the EI 63 salt dome which allow the Company to delineate hydrocarbon prospects on EI 63 and EI 76 leases. This processing project will begin in March and is anticipated to take 5-6 months to complete, and

- Utilise full waveform inversion techniques on 3D ARTM data already licensed by the Company to create acoustic impedance volumes leading to lithofacies, porosity and water/hydrocarbon saturation prediction. The goal if this work is to define reservoir geometries and extents of previously producing sands which could lead to drilling on acreage controlled by the Company. This project is expected to take 5-8 months to complete and will commence in March.

Except for the above there have not been any other matters or circumstances occurring subsequent to the end of the half year ended 31 December 2013 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; and

b) 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.

Signed in accordance with a resolution of the directors of Byron Energy Limited made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

D. G. Battersby
Chairman

Melbourne
28 February 2014

Deloitte.

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Independent Auditor's Review Report to the Members of Byron Energy Limited

We have reviewed the accompanying half-year financial report of Byron Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 6 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Byron Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Byron Energy Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 28 February 2014

BYRON ENERGY LIMITED
ABN 88 113 436 141

CORPORATE DIRECTORY

Directors

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

Chief Executive Officer

Maynard Smith

Chief Financial Officer and Company Secretary

Nick Filipovic

Registered and Principal Australian Office

Level 4
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MELBOURNE VIC 3000

Principal Office (USA)

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201 Rue Iberville
LAFAYETTE LA 70508

Legal Adviser

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Level 23
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE VIC 3000

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20 Bridge Street
SYDNEY NSW 2000
ASX Code: BYE

Share Registry

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207 Kent Street
SYDNEY NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459