



BYRON ENERGY LIMITED

ABN 88 113 436 141

Financial report for the year ended 30 June 2015

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BYRON ENERGY LIMITED

Directors' Report

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") and its subsidiaries, for the financial year ended 30 June 2015.

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

Maynard V. Smith

Prent H. Kallenberger

Charles J. Sands

Paul A. Young

William R. Sack (appointed 3 October 2014)

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 May 2013 when 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.

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 May 2013 when 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.

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Directors' Report

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 May 2013 when 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.

Charles J. Sands
Non-Executive Director
Appointed 18th March
2013

Charles was a non-executive director of Byron Energy (Australia) Pty Ltd until May 2013 when 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 degree 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 25 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
- Opus Group Limited

Former directorships of listed companies in last three years

- Australian Rural Capital Limited (until June 2015)
- Thomas & Coffey Limited (until June 2013)

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Directors' Report

William R. Sack
Executive Director
Appointed 3rd October
2014

Mr Sack is an explorationist with 26 years' experience in the Gulf of Mexico region in both technical and executive roles. He was appointed to the Board of Directors on 3 October 2014.

Mr Sack (BSc. Earth Sci./Physics, MSc. Geology, MBA) was co-founder/Managing Partner of Aurora Exploration, LLC ("Aurora") a private entity focused on generating and drilling Gulf of Mexico exploration opportunities, that has drilled more than 80 wells with a success rate in excess of 80%, and under his leadership has created substantial growth and monetised investments via multiple corporate level asset sales.

Other current directorships of listed companies

None.

Former directorships of listed companies in last three years

None.

Summary of shares and options on issue

At 30 June 2015, the Company had 192,019,735 ordinary shares and 38,695,984 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	36,995,984	Ordinary	A\$0.50	31 December 2016
Byron Energy Limited	1,700,000	Ordinary	A\$0.65	30 September 2017

During the financial year, 53,748,941 shares were issued at various issue prices to existing and new shareholders for cash and conversion of directors' loans to equity, as approved by shareholders. No share options were exercised during the year. Subsequent to 30 June 2015, through to the date of this report, no options have been exercised and on 3 July 2015, the Company issued 900,000 fully paid ordinary shares for cash at A\$0.25 per share.

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	Exercise price	Option expiry date
D. G. Battersby	22,662,202	6,397,876	\$A0.50	31 December 2016
M. S. Smith	15,594,534	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	9,551,182	1,953,574	\$A0.50	31 December 2016
P. A. Young	3,432,000	171,200	\$A0.50	31 December 2016
W. R. Sack	400,000	1,700,000	\$A0.65	30 September 2017
N. Filipovic	584,788	3,037,000	\$A0.50	31 December 2016

During the financial year, 1,700,000 options and nil shares were granted to directors or other key management personnel of the Company:

Director / Key Management Personnel	Number of options granted	Issuing entity	Number of ordinary shares under option
W. R. Sack	1,700,000	Byron Energy Limited	1,700,000

Company Secretary

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 May 2013 when Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited.

BYRON ENERGY LIMITED

Directors' Report

Principal activities

The principal activities of the consolidated entity during the financial year were oil and gas exploration in the shallow waters of the Gulf of Mexico ("GOM"), USA.

Consolidated results

The loss for the consolidated entity after income tax was US\$4,238,855 (2014: US\$7,305,087 loss).

Review of Operations

Financial Review

The Group recorded a net loss of US\$4,238,855 for the year ended 30 June 2015, compared to a net loss of US\$7,305,087 for the year ended 30 June 2014. The reduced net loss is mainly due to lower impairment charges of US\$1,750,123 (2014: US\$5,108,285) in relation to the Group's oil and gas properties. The impairment charge for the year ended 30 June 2015 covers six leases, over two separate projects, relinquished during the year or subsequent to balance date due to the Group deciding, following a thorough review of seismic, that the leases were no longer considered prospective.

At 30 June 2015, the consolidated entity had total assets of US\$33,810,936 (2014: US\$28,169,660) and total liabilities of US\$2,354,058 (2014: US\$6,176,980) resulting in net assets of US\$31,456,878 (2014: US\$21,992,680).

At 30 June 2015, the consolidated entity held cash and cash equivalents of US\$5,970,070 (2014: US\$7,232,585) of which US\$5,255,386 (2014: US\$6,369,503) were denominated in United States dollars and US\$714,684 (2014: US\$863,082) were denominated in Australian dollars. The consolidated entity had borrowings, in the form of unsecured loans from the directors and shareholders of US\$1,150,100 as at 30 June 2015 (2014: US\$942,000).

Exploration expenditure for the year ended 30 June 2015 was US\$8,656,807, a US\$8,853,878 reduction on the comparable period last year. The 2014 year included the cost of drilling the Byron Energy SM 6 #1 well and the Byron Energy SM 6 #1 BP01 bypass well. The 2015 year comprised expenditure on the Byron Energy SM 6 #1 BP02 ("SM 6 BP02") bypass well which was drilled in July 2014, and subsequently completed for future production in the lower of the two hydrocarbon bearing sand lobes in the F-40 sand, acquisition of the Eugene Island 18 block at the Central GOM Lease Sale 235, held in March 2015, and acquisition of spec 3D RTM seismic data over a number of the Group's GOM blocks.

Corporate review

During the financial year, the Company issued 53,748,941 fully paid ordinary shares raising US\$13,963,263 (A\$17,015,647) before equity raising costs. A further 900,000 fully paid ordinary shares were issued subsequent to year end, on 3 July 2015, raising an additional US\$170,663 (A\$225,000).

No share options were converted to ordinary shares during the financial year.

The Company's issued capital as at 30 June 2015 comprised:-

	Issued	Quoted	Unquoted
Shares (ASX:BYE)	192,019,735	192,019,735	-
Options	38,695,984	Nil	38,695,984

On 30 May 2015, 19,450,518 fully paid ordinary shares and 13,687,083 unlisted options (expiring on 31 December 2016 exercisable at A\$0.50) were released from ASX imposed escrow. The shares were quoted on the ASX while the options remained unlisted.

BYRON ENERGY LIMITED

Directors' Report

Review of Strategy, Principal Risks and Uncertainties Facing the Company

Strategy

Since inception Byron has focused on the shallow waters of the Outer Continental Shelf ("OCS") in the GOM. Byron intends to remain primarily focused on the shallow waters of the GOM as the directors believe that the shallow waters of the GOM offer significant advantages to Byron, as the GOM:-

- is a prolific producer of oil and gas;
- has significant proved and unproved reserves of oil and gas as well as significant potential for further hydrocarbon discoveries;
- has extensive, established and accessible oil and gas exploration, development and production infrastructure;
- offers a short development cycle and rapid payback;
- has modern 3D seismic coverage, suitable for improved imaging, over fields and prospects, available for purchase from third party providers;
- has a well-established and stable administration with one landowner, BOEM; and
- has regular lease sales conducted by BOEM with 5,000 acre blocks available, generally to the highest bidder, to lease for 5 years at \$US7 per acre per annum.

Byron is well positioned to exploit the competitive advantages of the GOM as the Company has:-

- an experienced team of oil and gas exploration personnel with a successful track record in the GOM;
- an inventory of relatively low risk, ready to drill prospects, including several prospects with significant oil potential; and
- the capacity to grow its asset portfolio in the shallow waters of the GOM.

Byron's strategy in the GOM comprises three key elements:

- (i) to identify highly prospective oil and gas plays, aided by leading edge seismic technology such as Reverse Time Migration (RTM), which is particularly effective in the shallow waters of the GOM;
- (ii) to secure the leases, usually on a 100% or majority working interest basis primarily through the annual Federal Government lease sale process in the GOM; and
- (iii) Byron will either drill-test the play as operator holding a 100% working interest or seek to farm out up to 50% of its working interest to another operator with a proven track record of drilling and producing wells in the GOM, retaining a 40-50% working interest in the block.

In July 2014 Byron completed drilling of Byron Energy SM 6 #1 BP02 ("SM 6 #1 BP02") well which intersected two separate hydrocarbon bearing sands in the F Sands. In June/July 2015 Byron successfully completed the Byron Energy SM 6 #1 BP 02 well for future production by re-entering the well and perforating the lower of the two hydrocarbon bearing sand lobes in the F40 Sand.

During the year ended 30 June 2015 Byron continued to actively manage its portfolio of leases, acquiring one new block, Eugene Island 18, and relinquishing six blocks after a thorough review of the seismic data (three of these blocks were dropped in July 2015). Byron also continued to acquire and reprocess modern 3D seismic using RTM to optimise delineation of prospective reservoirs below complex salt dome structures.

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Directors' Report

At 30 June 2015, Byron's portfolio of properties in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA comprised thirteen blocks covering six separate projects:-

Properties	Operator	Interest WI/NRI* (%)	Lease Expiry Date	Lease Area (Km ²)
South Marsh Island				
Block 6	Byron	100.00/81.25	December 2015	20.23
Block 70	Byron	100.00/81.25	July 2017	22.13
Block 71	Byron	100.00/81.25	July 2017	12.16
Eugene Island				
Block 18	Byron	100.00/78.75	April 2020	2.18
Block 63	Byron	100.00/81.25	May 2018	20.23
Block 76	Byron	100.00/81.25	May 2018	20.23
Block 190**	Byron	100.00/81.25	July 2018	20.23
Block 191**	Byron	100.00/81.25	July 2017	20.23
Block 210**	Byron	100.00/81.25	July 2017	20.23
Grand Isle				
Block 63	Byron	100.00/81.25	April 2019	20.23
Block 72	Byron	100.00/81.25	April 2019	20.23
Block 73	Byron	100.00/81.25	April 2019	20.23
Block 95	Byron	100.00/79.75	September 2017	18.37

* Working Interest ("WI") and Net Revenue Interest ("NRI")

** These blocks were relinquished in July 2015.

Principal Risks and Uncertainties

The key areas of risk, uncertainty and material issues facing the Company in executing its strategy and delivering on its targets are described below.

Exploration, Development and Operating Risks

Drilling for and producing crude oil and natural gas are high risk activities with many uncertainties that could adversely affect Byron's business, financial condition or results of operations.

Drilling and operating activities are subject to many risks, including the risk that the Company will not discover commercially productive reservoirs. Drilling for crude oil, natural gas and natural gas liquids can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenues to return a profit. In addition, drilling and producing operations may be curtailed, delayed or cancelled as a result of other factors, including but not limited to:

- unusual or unexpected geological formations and miscalculations;
- pressures;
- fires;
- explosions and blowouts;
- pipe or cement failures;
- environmental hazards, such as natural gas leaks, oil spills, pipeline and tank ruptures, encountering naturally occurring radioactive materials, and unauthorized discharges of toxic gases, brine, well stimulation and completion fluids, or other pollutants into the surface and subsurface environment;
- loss of drilling fluid circulation;
- title problems;
- facility or equipment malfunctions;
- unexpected operational events;
- shortages of skilled personnel;
- shortages or delivery delays of equipment and services;
- compliance with environmental and other regulatory requirements;
- natural disasters;

BYRON ENERGY LIMITED

Directors' Report

Exploration, Development and Operating Risks (continued)

- adverse weather conditions;
- surface cratering;
- uncontrollable flows of underground natural gas, oil or formation water;
- casing collapses;
- stuck drilling and service tools;
- reservoir compaction; and
- capacity constraints, equipment malfunctions and other problems at third-party operated platforms, pipelines and gas processing plants over which the Company has no control.

If any of the above events occur, the Company could incur substantial losses as a result of:

- injury or loss of life;
- reservoir damage;
- severe damage to and destruction of property or equipment;
- pollution and other environmental and natural resources damage;
- clean-up responsibilities;
- regulatory investigations and penalties; and
- suspension of our operations or repairs necessary to resume operations.

Offshore operations are subject to a variety of operating risks peculiar to the marine environment, such as capsizing and collisions. In addition, offshore operations and in some instances operations in the Gulf of Mexico, are subject to damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production.

As a result, the Company could incur substantial liabilities that could reduce the funds available for future exploration, development or leasehold acquisitions, or result in loss of properties.

If Byron were to experience any of these problems, it could affect well bores, platforms, gathering systems and processing facilities, any one of which could adversely affect its ability to conduct operations. In accordance with customary industry practices, the Company maintains insurance against some, but not all, of these risks. Losses could occur for uninsurable or uninsured risks or in amounts in excess of existing or future insurance coverage. The Company may not be able to maintain adequate insurance in the future at rates it considers reasonable, and particular types of coverage may not be available. An event that is not fully covered by insurance could have a material adverse effect on the Company's financial position and results of operations.

Oil and Gas Price Risks

Byron has no ability to control the market price for natural gas and oil. Natural gas and oil prices fluctuate widely, and a substantial or extended decline in natural gas and oil prices would adversely affect the Company's future revenues, profitability and growth and could have a material adverse effect on the business, the results of operations and financial condition of the Company.

Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond the Company's control. Price volatility during the year ended 30 June 2015 has seen the WTI benchmark oil prices drop dramatically from a high of US\$105.68 on July 28, 2014, to a low of US\$59.48 on June 30, 2015. The natural gas benchmark price, Henry Hub, fell from a high of US\$4.49 on 20th November 2014 to US\$2.83 on 30 June 2015. This near term volatility may affect future prices in 2015/2016 and beyond. The volatility of the energy markets make it difficult to predict future oil and natural gas price movements with any certainty. An extended period at current low oil and natural gas prices or a substantial further decline from current levels could have a material adverse effect on the Company's access to capital and the quantities of natural gas and oil that may be economically produced by the Company, if any. Factors that can cause price fluctuations include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the price and volume of imports into the USA of foreign oil and natural gas;
- political and economic conditions, including embargoes, in oil-producing countries or affecting other oil-producing activity;

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Oil and Gas Price Risks (continued)

- the level of global oil and gas exploration and production activity;
- weather conditions;
- technological advances affecting energy consumption;
- USA domestic and foreign governmental regulations and taxes;
- proximity and capacity of oil and gas pipelines and other transportation facilities;
- the price and availability of competitors' supplies of oil and gas in captive market areas;
- the introduction, price and availability of alternative forms of fuel to replace or compete with oil and natural gas;
- import and export regulations for LNG and/or refined products derived from oil and gas production from the USA;
- speculation in the price of commodities in the commodity futures market;
- the availability of drilling rigs and completion equipment; and
- the overall economic environment.

Funding Risk

Byron's business plan requires substantial additional capital, which it may be unable to raise on acceptable terms, if at all, in the future, which may in turn limit its ability to execute its business strategy.

Future capital requirements will depend on many factors, including but not limited to:

- the number, location, terms and pricing of anticipated lease acquisitions;
- financing of the lease acquisitions and associated bonding;
- ability to enter into farm-outs with other oil and gas companies on satisfactory terms;
- location and depth of any drilling activities;
- cost of additional seismic data to license as well as the reprocessing cost;
- the scope, rate of progress and cost of any exploration and development activities;
- access to oil and gas services and existing pipeline infrastructure;
- the terms and timing of any drilling and other production-related arrangements that may be entered into; and
- the cost and timing of governmental approvals and/or concessions.

Byron's ability to obtain needed financing may be impaired by conditions and instability in the capital markets (both generally and in the oil and gas industry in particular). If the amount of capital Byron can raise is not sufficient, it may be required to curtail or cease operations. Byron's leases may be terminated if it is unable to make future lease payments or if it does not drill in a timely manner.

Environmental risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and USA federal, state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures, and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability, prevention of the right to operate or participate in leasing, and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require us to incur costs to remedy such discharge. The application of environmental laws to the Company's business may cause it to curtail production or increase the costs of exploration, development or production, activities.

Involvement in the exploration for, and development of, oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Byron obtains or intends to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Byron may elect not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Byron.

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Directors' Report

Other risks

Other risks related to the Company's business and financial condition include but are not limited to:-

- adverse exchange rate movements between the US dollar and the Australian dollar may impact upon cash balances held in Australian dollars; although Byron maintains the majority of its cash balances in US dollars, since most of the Company's operations are conducted in US dollars;
- changes in legislation and Government regulations in the USA, where the Company operates, can adversely affect the cost, manner or feasibility of doing business;
- deterioration in general economic conditions in USA, where the Company operates, and Australia where the Company is listed, may have a material adverse effect on the Company's business, financial condition, or results of operations; and
- loss of key management and technical team members, on whom Byron substantially depends, could have a material adverse effect on the Company's prospects, results of operations and financial condition.

Significant changes in the state of affairs

During the financial year, significant changes in the state of affairs of the consolidated entity were as follows:-

- on 28 July 2014 and as a result of mechanical problems, Byron suspended operations on SM 6 #1 BP02 well and left the well in a condition that allowed future completion in the F-30 and F-40 Sands;
- project planning commenced for drilling of SM 6 #2 well;
- during the June/July 2015, Byron successfully completed the Byron Energy SM 6 #1 BP 02 well for future production; Byron re-entered the well and perforated the lower of the two hydrocarbon bearing sand lobes in the F40 Sand;
- interpretation of the Anisotropic Reverse Time Migration ("ARTM") reprocessing on 3D data over Eugene Island 63/76 Salt Dome Project was completed having identified numerous attractive leads and prospects;
- similarly, the South Marsh Island 70/71 Salt Dome Project was subjected to 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 full wave inversion was completed during the 2015 September quarter and analysis of the data confirmed the hydrocarbon prospectivity in both J and D5 target sands;
- project planning commenced for permitting and drilling the first well on SM 71 prospect;
- Byron acquired Eugene Island Block 18 in the Eugene Island Area of the OCS in 10 feet of water, approximately 50 miles (81 kilometres) south of Morgan City, Louisiana at the Central GOM Lease sale 235 held in March 2015;
- Byron relinquished East Cameron blocks 154/155, West Cameron block 263 and Eugene Island blocks 190/191/210 during the year or immediately subsequent to 30 June 2015 following a thorough review and evaluation of seismic;
- the Company issued 50,672,018 fully paid ordinary shares comprising cash placements to existing and new shareholders at various prices raising a total of US\$12,110,063 (A\$15,015,647) before costs;
- the Company issued 3,076,923 fully paid ordinary shares at A\$0.65 cents per share upon conversion of directors' loans to equity, raising a total of US\$1,853,200 (A\$2,000,000); and
- the Company entered into an unsecured loan facility in July 2014, with four of the Company's directors and several other shareholders, comprising A\$1,400,000 and US\$1,225,000. As at 30 June 2015, the amount outstanding under the loan facility was A\$700,000 and US\$612,500 with the undrawn portion of the facility expiring in May 2015.

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

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Directors' Report

Significant events after the balance date

There has been no matter or circumstance since 30 June 2015 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:-

- (i) on 3 July 2015, the Company placed 900,000 fully paid ordinary shares for A\$225,000 cash; and
- (ii) on 4 July 2015, the Group completed the lower of the two hydrocarbon bearing sand lobes in the F-40 sand of SM 6 #2 BP02 well for future production.

Future developments

It is expected that the consolidated entity will continue its oil and gas exploration and development activities in the shallow waters of the Gulf of Mexico, USA.

Further information regarding likely developments are not included in this report. As the Company is listed on the Australian Securities Exchange ("ASX"), 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.

Dividends

No dividends in respect of the current financial year have been paid, declared or recommended for payment (2014: nil).

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 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.

Non-audit services

Deloitte Touche Tohmatsu did not provide non-audit services to the Company during the financial year.

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.

BYRON ENERGY LIMITED

Directors' Report

Directors' meetings

The charter for the Audit and Risk Management Committee was adopted on 12 July 2007 and most recently amended on 25 June 2014. The current members of the committee consist of Paul Young (Chairman) and Charles Sands.

During the year there was ten Board meetings and five Audit and Risk Management Committee meetings held. The numbers of meetings attended by each director were as follows:

Directors	Board of directors		Audit and Risk Management Committee	
	Entitled to attend	Attended	Entitled to attend	Attended
Douglas G. Battersby	10	10	-	-
Maynard V. Smith	10	10	-	-
Prent H. Kallenberger	10	10	-	-
Charles J. Sands	10	7	5	5
Paul A. Young	10	10	5	5
William R. Sack	5	5	-	-

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 2015. The prescribed details for each person covered by this report are detailed below.

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

Maynard V. Smith

Prent H. Kallenberger

Charles J. Sands

Paul A. Young

William R. Sack (appointed 3 October 2014)

Key management personnel

Nick Filipovic – Chief Financial Officer and Company Secretary

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.

BYRON ENERGY LIMITED

Directors' Report

REMUNERATION REPORT – AUDITED (CONTINUED)

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.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
	US\$	US\$	US\$	US\$	US\$
Revenue	1,445,436	1,399,158	231,926	-	-
Net loss before tax	(5,102,644)	(10,604,840)	(3,820,053)	(7,305,087)	(4,238,855)
Net loss after tax	(5,106,898)	(10,604,840)	(3,820,053)	(7,305,087)	(4,238,855)
Share price at start of year	N/A	N/A	N/A	A\$0.405	A\$0.70
Share price at end of year	N/A	N/A	A\$0.405	A\$0.70	A\$0.23
Basic earnings per share*	N/A	(US\$0.13)	(US\$0.035)	(US\$0.057)	(US\$0.029)
Diluted earnings per share*	N/A	(US\$0.13)	(US\$0.035)	(US\$0.057)	(US\$0.029)

*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).

(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), Executive Director (William Sack) and the CFO/Company Secretary (Nick Filipovic) are detailed below.

BYRON ENERGY LIMITED

Directors' Report

REMUNERATION REPORT – AUDITED (CONTINUED)

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. Effective 1 April 2015, Mr Smith's service agreement remuneration was reduced by one third and his revised remuneration is now A\$160,000 per annum plus reasonable and justifiable business expenses.

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 US\$350,000 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. Effective 1 April 2015, Mr Kallenberger's service agreement remuneration was reduced by one third and his revised remuneration is now US\$234,000 per annum plus medical insurance and reasonable and justifiable business expenses.

William Sack

The Company has entered into a service agreement with William Sack. Mr Sack's contract is for a period of two years, at annual rate of US\$350,000 plus medical insurance and reasonable and justifiable business expenses commencing on 3rd October 2014 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. Effective 1 April 2015, Mr Sack's service agreement remuneration was reduced by one third and his revised remuneration is now US\$234,000 per annum plus medical insurance and reasonable and justifiable business expenses.

Nick Filipovic

The Company has entered into a formal letter agreement with Nick Filipovic. Under Mr Filipovic's letter of engagement, he is entitled to a gross salary of A\$300,00 per annum plus superannuation at the statutory rate. Byron may terminate Mr Filipovic's employment at any time by giving 90 days' notice or in case of serious misconduct employment may be terminated without notice. Should Mr Filipovic resign from Byron he will need to give 90 days' notice. Effective 1 April 2015, Mr Filipovic's remuneration was reduced by one third and his revised remuneration is now A\$200,000 per annum, plus superannuation at the statutory rate.

B. Remuneration of directors and key management personnel

Options

1,700,000 share options were issued to William Sack following the approval of a resolution to issue the options at the Company's AGM held on 25 November 2014. Apart from this issue, no other share options were issued to directors and other key management personnel during the year (2014: nil options). No options lapsed, nor were any exercised during the financial year. There are no Employee Share Option plans in place.

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. H. Kallenberger	1,000,000	24 May 2013	31 Dec 2016	A\$0.50	A\$0.0846	24 May 2013
W. R. Sack	1,700,000	25 Nov 2014	30 Sep 2017	A\$0.65	A\$0.1790	25 Nov 2014
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.

BYRON ENERGY LIMITED
Directors' Report

REMUNERATION REPORT – AUDITED (CONTINUED)

The following table summarises the value of remuneration options granted during the year. Other than the value of options granted to Mr W. Sack, as shown below, there were no other options granted, exercised or lapsed during the year.

Grantee	Value of options granted US\$
W. R. Sack	*254,943

*The value of the options granted to a director as part of their remuneration is calculated as at the grant date using a binomial pricing model.

	Short term employee benefits				Post employment benefits	Share-based payments	
	Salaries & fees US\$	Short term cash incentive US\$	Other Benefits US\$	Service Agreements US\$	Superannuation US\$	Options US\$	Total US\$
2015							
Directors							
D. G. Battersby	-	-	-	67,040	-	-	67,040
M. S. Smith	-	-	-	184,360	-	-	184,360
P. H. Kallenberger	320,833	-	21,278	-	-	-	342,111
C. J. Sands	33,520	-	-	-	-	-	33,520
P. A. Young	33,520	-	-	-	3,184	-	36,704
W. Sack (from 3 rd October 2014)	233,333	-	12,826	-	-	254,943	501,102
Key management personnel							
N. Filipovic	230,450	-	-	-	21,893	-	252,343
	851,656	-	34,104	251,400	25,077	254,943	1,417,180
2014							
Directors							
D. G. Battersby	-	-	-	73,496	-	-	73,496
M. S. Smith	-	-	-	220,488	-	-	220,488
P. H. Kallenberger	350,000	-	19,505	-	-	-	369,505
C. J. Sands	36,748	-	-	-	-	-	36,748
P. A. Young	36,748	-	-	-	3,399	-	40,147
Key management personnel							
N. Filipovic	275,610	-	-	-	25,494	-	301,104
	699,106	-	19,505	293,984	28,893	-	1,041,488

Bonuses

No bonuses were granted during the financial year ended 30 June 2015 (2014: nil).

Other transactions with key management personnel of the Group

There are a number of material loans, interest payments and other transactions between the directors and the consolidated entity in the year ended 30 June 2015.

BYRON ENERGY LIMITED

Directors' Report

REMUNERATION REPORT – AUDITED (CONTINUED)

Additional Information - key management personnel equity and share option holdings

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

Ordinary Shares

Director / Key Management Personnel	Balance at 1 July 2014	Granted as compensation	Received on exercise of options	Placement and loans converted*	Balance at 30 June 2015
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
D. G. Battersby	18,892,971	-	-	3,769,231	22,662,202
M. V. Smith	15,300,688	-	-	293,846	15,594,534
P. H. Kallenberger	1,250,000	-	-	-	1,250,000
C. J. Sands	9,397,336	-	-	153,846	9,551,182
P. A. Young	1,070,000	-	-	2,362,000	3,432,000
W. R. Sack	-	-	-	400,000	400,000
N. Filipovic	524,788	-	-	60,000	584,788

*Subscriptions for new shares and conversions of loans payable

During the financial year, no shares were granted to directors or other key management personnel of the Company.

Share options over ordinary shares

Director / Key Management Personnel	Balance as 30 June 2014	Granted as compensation	Exercise of options	Disposals/ Other	Balance as 30 June 2015
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
D. G. Battersby	6,397,876	-	-	-	6,397,876
M. V. Smith	5,956,111	-	-	-	5,956,111
P. H. Kallenberger	3,450,000	-	-	-	3,450,000
C. J. Sands	1,953,574	-	-	-	1,953,574
P. A. Young	171,200	-	-	-	171,200
W. R. Sack	-	1,700,000	-	-	1,700,000
N. Filipovic	3,037,000	-	-	-	3,037,000

During the financial year, 1,700,000 options were granted to Mr W. R. Sack, a director of the Company.

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

22 September 2015

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

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 2015, 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



Craig Bryan
Partner
Chartered Accountants
Melbourne, 22 September 2015

BYRON ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 US\$	2014 US\$
Expenses			
Corporate and administration costs		(1,673,250)	(1,507,630)
Impairment expense		(1,750,123)	(5,108,285)
Share based payments		(254,943)	-
Depreciation / amortisation of property, plant & equipment		(19,302)	(21,369)
Other expenses		<u>(535,762)</u>	<u>(704,663)</u>
Earnings before interest and tax (EBIT)	2	(4,233,380)	(7,341,947)
Financial income	3	125,122	47,425
Financial expense	3	<u>(130,597)</u>	<u>(10,565)</u>
Loss before tax		(4,238,855)	(7,305,087)
Income tax expense	4	<u>-</u>	<u>-</u>
Loss for the year from continuing operations		(4,238,855)	(7,305,087)
Other comprehensive income, net of income tax			
<i>Items that may subsequently be reclassified to profit and loss</i>			
Exchange differences on translating the parent entity group		<u>(25,279)</u>	<u>4,877</u>
Total comprehensive loss for the year		<u>(4,264,134)</u>	<u>(7,300,210)</u>
Earnings per share			
Basic (cents per share)	5	(2.9)	(5.7)
Diluted (cents per share)	5	(2.9)	(5.7)

The accompanying notes form part of these financial statements.

BYRON ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	Consolidated 2015 US\$	2014 US\$
Assets			
Current assets			
Cash and cash equivalents	18(b)	5,970,070	7,232,585
Trade and other receivables	6	35,014	14,388
Other	7	328,335	341,212
Total current assets		6,333,419	7,588,185
Non-current assets			
Other	7	452	8,191
Exploration and evaluation assets	8	27,407,054	20,500,370
Property, plant and equipment	9	57,753	70,206
Other intangible assets	10	12,258	2,708
Total non-current assets		27,477,517	20,581,475
Total assets		33,810,936	28,169,660
Liabilities			
Current liabilities			
Trade and other payables	11	750,985	5,071,267
Provisions	12	79,207	123,623
Borrowings	13	-	942,000
Total current liabilities		830,192	6,136,890
Non-current liabilities			
Provisions	12	373,766	40,090
Borrowings	13	1,150,100	-
Total non-current liabilities		1,523,866	40,090
Total liabilities		2,354,058	6,176,980
Net assets		31,456,878	21,992,680
Equity			
Issued capital	14	69,598,257	56,124,868
Foreign currency translation reserve	15	(171,376)	(146,097)
Share option reserve	15	2,359,051	2,104,108
Accumulated losses		(40,329,054)	(36,090,199)
Total equity		31,456,878	21,992,680

The accompanying notes form part of these financial statements.

BYRON ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Ordinary share capital US\$	Share option reserve US\$	Foreign currency translation reserve US\$	Accumulated losses US\$	Total US\$
Consolidated entity					
Balance at 1 July 2013	49,970,304	2,104,108	(150,974)	(28,785,112)	23,138,326
Loss for the year	-	-	-	(7,305,087)	(7,305,087)
Exchange differences arising on translation of the parent entity	-	-	4,877	-	4,877
Total comprehensive loss for the year	-	-	4,877	(7,305,087)	(7,300,210)
Shares issued upon the exercise of shares options at A\$0.50 per share option	175,278	-	-	-	175,278
The issue of 9,916,847 shares under a placement at A\$0.65 per share	6,022,452	-	-	-	6,022,452
Equity raising costs	(43,166)	-	-	-	(43,166)
Balance at 30 June 2014	56,124,868	2,104,108	(146,097)	(36,090,199)	21,992,680
Balance at 1 July 2014	56,124,868	2,104,108	(146,097)	(36,090,199)	21,992,680
Loss for the year	-	-	-	(4,238,855)	(4,238,855)
Exchange differences arising on translation of the parent entity	-	-	(25,279)	-	(25,279)
Total comprehensive loss for the year	-	-	(25,279)	(4,238,855)	(4,264,134)
The issue of 2,876,923 shares under a placement at A\$0.65 per share	1,756,117	-	-	-	1,756,117
The issue of 154,000 shares under a placement at A\$0.65 per share	92,753	-	-	-	92,753
The issue of 4,541,095 shares under a placement at A\$0.50 per share	1,841,868	-	-	-	1,841,868
The issue of 43,100,000 shares under a placement at A\$0.25 per share	8,419,325	-	-	-	8,419,325
The issue of 3,076,923 shares upon the conversion of loans at A\$0.65 per share	1,853,200	-	-	-	1,853,200
Recognition of share-based payments following AGM approval for the issue of 1,700,000 options to an executive director	-	254,943	-	-	254,943
Equity raising costs	(489,874)	-	-	-	(489,874)
Balance at 30 June 2015	69,598,257	2,359,051	(171,376)	(40,329,054)	31,456,878

The accompanying notes form part of these financial statements.

BYRON ENERGY LIMITED
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2015**

	Note	2015 US\$	Consolidated 2014 US\$
Cash flows from operating activities			
Payments to suppliers and employees		(2,145,688)	(1,958,017)
Interest paid		(102,426)	-
Interest received		10,352	47,425
Net cash flows used in operating activities	18(a)	(2,237,762)	(1,910,592)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(12,682,590)	(12,891,126)
Payments for intangible assets		(15,337)	(238)
Payments for property, plant and equipment		(5,887)	(42,965)
Net cash flows generated used in investing activities		(12,703,814)	(12,934,329)
Cash flows from financing activities			
Proceeds from issues of ordinary shares		12,110,063	6,197,730
Payment of equity raising and transaction costs		(481,325)	(43,166)
Proceeds from borrowings from related parties		2,197,350	933,700
Net cash flows from financing activities		13,826,088	7,088,264
Net decrease in cash and cash equivalents held		(1,115,488)	(7,756,657)
Cash and cash equivalents at the beginning of the year		7,232,585	14,989,226
Effect of exchange rate changes on the balance of cash held in foreign currencies		(147,027)	16
Cash and cash equivalents at the end of the year	18(b)	5,970,070	7,232,585

The accompanying notes form part of these financial statements.

BYRON ENERGY LIMITED
Notes to the Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2015**

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BYRON ENERGY LIMITED

Notes to the Financial Statements

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 Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 September 2015.

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

Basis of preparation

The financial report has been prepared on the basis of historical cost. Historical cost is based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. 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 (e) Impairment.

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 ("AASB") that are relevant to their operations and effective for the current financial year.

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

Standard/Interpretation

1. AASB 1031 'Materiality' (2013)
2. AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
3. AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
4. AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'
5. AASB 2014-1 'Amendments to Australian Accounting Standards'
- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior financial years.

BYRON ENERGY LIMITED **Notes to the Financial Statements**

1. Summary of significant accounting policies (continued)

Standards and Interpretations issued not yet effective

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

The directors anticipate that the adoption of these standards and interpretations will have no significant financial impact on the financial statements of the Group.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and relevant amending standards*	1 January 2018	30 June 2019
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards – arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2014-5 'Amendments to Australian Accounting Standards' - Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' Part E 'Financial Instruments'	1 January 2015	30 June 2016

* The AASB has issued the following versions of AASB 9:

- ☐ AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- ☐ AASB 9 'Financial Instruments' (December 2010) and the relevant amending standards;
- ☐ AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments
- ☐ AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015.

After this date only AASB 9 (December 2014) can be early adopted.

Standards and Interpretations issued not yet effective – IASB and IFRIC Interpretations

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2015, the consolidated entity incurred a loss after tax of US\$ 4.2m (2014: US\$ 7.3m), including the write-off of exploration and evaluation assets of US\$ 1.8m (2014: US\$ 5.1m), had negative net cash flows from operating activities of US\$ 2.2m (2014: US\$ 1.9m). As at 30 June 2015 the consolidated entity had net current assets of US\$ 5.5m (2014: US\$ 1.4m) and net tangible assets of US\$ 4.3m (2014: US\$1.5m).

BYRON ENERGY LIMITED

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

Going Concern (continued)

The consolidated entity currently does not have any production income and in order to continue as a going concern, is therefore reliant on:-

- (i) raising additional equity capital or debt funding;
- (ii) receiving the proceeds from either the full or partial sale of its oil and gas leases;
- (iii) initiating farm-out arrangements of its oil and gas leases; or
- (iv) a combination of the above

where existing cash reserves are insufficient to fund the consolidated entity's forecast exploration and development plan, corporate operating costs and repayment of long term loan obligations which are due on 1 July 2016.

During or since the end of the financial year, the directors have taken a number of steps to ensure the Company and the consolidated entity can continue to fund their operations and further explore and develop the consolidated entity's oil and gas properties. These steps comprise:-

- During the year, the Company issued 50,672,018 fully paid ordinary shares to existing and new shareholders at various prices raising a total of US\$12,110,063 before costs;
- Completed the conversion of the A\$2.0 million convertible loan to equity at A\$0.65 per share;
- Entered into an unsecured loan facility in July 2014, with four of the Company's directors and several other shareholders, comprising A\$1,400,000 and US\$1,225,000. As at 30 June 2015, the amount outstanding under the loan facility was A\$700,000 and US\$612,500 respectively with the undrawn portion of the facility having expired in May 2015. In April 2015, the repayment terms of the drawn facility were extended to be repayable in cash on 1 July 2016; and
- On 3 July 2015, finalised the share placement announced in May 2015 through the issue of the remaining 900,000 fully paid ordinary shares for A\$225,000 cash.

While the Company has a demonstrable track record of raising funds which historically has been strongly supported by its directors and major shareholders, the ability of the Company and the consolidated entity to continue as going concerns for the coming year is dependent on one or more of the following:-

- (i) the Company's ability to raise additional equity capital;
- (ii) the Company's ability to secure additional debt funding if required;
- (iii) the Company's ability to realise its interests in oil and gas leases or secure farm-out arrangements for the consolidated entity's oil and gas leases if required; and
- (iv) the successful refinance or extension of the current loan facility that expires on 1 July 2016.

Subject to the Company's ability to achieve one or more of the 4 factors listed above in the amount of at least approx. US\$4.3 million on or before September 2016, the cash flow forecasts prepared by management, assuming minimum cash burn to maintain assets and manage corporate overheads, demonstrate that the Company and the consolidated entity have sufficient funds to meet their commitments over the next twelve months based on the above factors, and for that reason the financial statements have been prepared on the basis that the Company and the consolidated entity are going concerns.

In the event that the Company and the consolidated entity are unsuccessful in the matters set out above, there is material uncertainty whether the Company and the consolidated entity will continue as going concerns and therefore whether they will realise their assets and discharge their liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and the consolidated entity not continue as going concerns.

BYRON ENERGY LIMITED

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

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

(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 power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(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.

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.

BYRON ENERGY LIMITED

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(c) Reserves

Foreign Currency Translation Reserve

Foreign currency exchange differences relating to the translation of Australian dollars, 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(n).

(d) 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.

(e) 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 has been a change in the estimates 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 depreciation or amortisation, if no impairment loss had been recognised.

BYRON ENERGY LIMITED

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(f) 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 amounts required to settle these future obligations are recognised in the profit and loss.

(g) Revenue recognition

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

Interest revenue

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.

BYRON ENERGY LIMITED

Notes to the Financial Statements

1 Summary of significant accounting policies (continued)

(h) 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.

(i) 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.

(j) Financial assets

Investments are initially measured at fair value, net of transaction costs.

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

Receivables

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.

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.

(k) 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.

Defined contribution plans

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

BYRON ENERGY LIMITED

Notes to the Financial Statements

1 Summary of significant accounting policies (continued)

(l) 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

(m) 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.

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 well(s) 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.

BYRON ENERGY LIMITED
Notes to the Financial Statements

1 Summary of significant accounting policies (continued)

(n) 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 in profit and loss with a corresponding increase in equity at grant date where the share based payment arrangements vest immediately.

(o) 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.

(p) Financial liabilities

Financial liabilities

Financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(q) Receivables

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

(r) 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.

BYRON ENERGY LIMITED
Notes to the Financial Statements

Consolidated
2015 **2014**
US\$ **US\$**

2. Loss for the year

Loss for the year has been arrived at after charging the following items of expense

Professional and consulting costs	432,054	504,454
Insurance	22,563	102,155
Operating lease rental expense	151,008	142,622
<u>Employee benefits expense</u>		
Other employee benefits	942,465	807,181
Share based payments (share options issued to a director)	254,943	-
Defined contribution superannuation expense	32,349	32,310
	<u>1,229,757</u>	<u>839,491</u>

3. Financial income and expenses

Financial Income

Interest income	10,352	47,425
Foreign exchange gain on A\$ denominated loan	114,770	-
	<u>125,122</u>	<u>47,425</u>

Financial Expense

Interest expense paid to others	54,962	-
Interest expense accrued or paid to a related party	75,635	2,265
Foreign exchange loss on A\$ denominated loan	-	8,300
	<u>130,597</u>	<u>10,565</u>

BYRON ENERGY LIMITED
Notes to the Financial Statements

	Consolidated	
	2015	2014
	US\$	US\$
4. Income tax		
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:		
Loss from continuing operations	(4,238,855)	(7,305,087)
Income tax benefit calculated at 30%	(1,271,657)	(2,191,526)
Expenditure not allowable for income tax purposes	13,426	3,994
Non tax deductible share based payments expense	76,483	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(262,057)	(353,284)
Tax losses and tax offsets not recognised as deferred tax assets	1,443,805	2,540,816
Income tax expense / (benefit) on continuing operations	-	-

Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences and tax losses attributable to:

Australian tax losses	1,671,931	1,755,382
USA tax losses	18,789,244	14,638,415
Temporary differences	(9,065,500)	(5,002,794)
Total deferred tax assets not recognised	11,395,675	11,391,003

The potential deferred tax asset will only be recognised 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.

Byron Energy Limited and its 100% owned Australian subsidiary, Byron Energy (Australia) Pty Ltd formed a tax consolidated group effective from 1 July 2013.

5. Earnings per share

The following reflects the loss and share data used in calculating basic and diluted earnings per share:

Net loss for the year	(4,238,855)	(7,305,087)
Basic loss per share	(0.029)	(0.057)
Diluted loss per share	(0.029)	(0.057)
Weighted average number of ordinary shares	148,693,199	128,234,172
Weighted average number of diluted options outstanding	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	148,693,199	128,234,712
Anti-dilutive options on issue not used in the dilutive earnings per share calculation	38,695,984	36,995,984

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

BYRON ENERGY LIMITED
Notes to the Financial Statements

Consolidated
2015 **2014**
US\$ **US\$**

6. Trade and other receivables

GST receivable	15,474	14,388
Other receivables	19,540	-
	<u>35,014</u>	<u>14,388</u>

No receivable amounts were past due or impaired at 30 June 2015 (2014: nil)

7. Other assets

Current

Prepayments	64,576	75,936
Security deposits	263,759	265,276
	<u>328,335</u>	<u>341,212</u>

Non-Current

Prepayments	<u>452</u>	<u>8,191</u>
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8. Exploration and evaluation assets

Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost:	<u>27,407,054</u>	<u>20,500,370</u>
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Reconciliation of movements:-

Carry amount at the beginning of the financial year	20,500,370	8,097,970
Additions at cost	8,656,807	17,510,685
Impairment expense	(1,750,123)	(5,108,285)
Carrying amount at the end of the financial year	<u>27,407,054</u>	<u>20,500,370</u>

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.

The impairment charge covers six leases, over two separate projects, relinquished during the year or subsequent to balance date, due to the Group deciding, following a thorough review and evaluation of seismic, that the leases were no longer considered prospective.

9. Property, plant and equipment

Buildings at cost	11,220	13,760
Accumulated depreciation	<u>(2,538)</u>	<u>(2,769)</u>
	<u>8,682</u>	<u>10,991</u>

Reconciliation of movements:-

Carry amount at the beginning of the financial year	10,991	11,161
Depreciation for year	(306)	(335)
Foreign currency translation movements	(2,003)	165
Carrying amount at the end of the financial year	<u>8,682</u>	<u>10,991</u>

BYRON ENERGY LIMITED
Notes to the Financial Statements

Consolidated

2015 **2014**
US\$ **US\$**

9. Property, plant and equipment (continued)

Plant and equipment at cost	124,957	125,739
Accumulated depreciation	(75,886)	(66,524)
	<u>49,071</u>	<u>59,215</u>
<i>Reconciliation of movements:-</i>		
Carry amount at the beginning of the financial year	59,215	29,694
Additions at cost	5,887	42,965
Depreciation for year	(13,447)	(13,400)
Foreign currency translation movements	(2,584)	(44)
Carrying amount at the end of the financial year	<u>49,071</u>	<u>59,215</u>
 Total property, plant and equipment	 <u>57,753</u>	 <u>70,206</u>

10. Other intangible assets

Other intangible (software) assets at cost	62,090	49,742
Accumulated amortisation	(49,832)	(47,034)
	<u>12,258</u>	<u>2,708</u>
<i>Reconciliation of movements:-</i>		
Carry amount at the beginning of the financial year	2,708	10,132
Additions at cost	15,337	238
Amortisation for year	(5,549)	(7,634)
Foreign currency translation movements	(238)	(28)
Carrying amount at the end of the financial year	<u>12,258</u>	<u>2,708</u>

11. Trade and other payables

Current

Trade payables	120,623	128,920
Accrued interest payable to related parties and shareholders	27,147	2,323
Other payables and accrued expenses	603,215	4,940,024
	<u>750,985</u>	<u>5,071,267</u>

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 payables are non-interest bearing and have an average term of 30 days
- (iii) the other payables total includes an interest bearing amount, see Note 27 (c)

BYRON ENERGY LIMITED
Notes to the Financial Statements

	Consolidated	
	2015	2014
	US\$	US\$
12. Provisions		
<u>Current</u>		
Accumulated employee entitlements	79,207	123,623
<u>Non-current</u>		
Accumulated employee entitlements	34,201	40,090
Site restoration	339,565	-
	373,766	40,090
Site restoration provision		
<i>Reconciliation of movements:-</i>		
Carrying amount at the beginning of the financial year	-	-
Additions	339,565	-
Carrying amount at the end of the financial year	339,565	-

A provision was recognised for the Group's restoration obligation at SMI 6. The estimation of future costs associated with the abandonment and restoration requires the use of estimated costs in future periods that, in some cases, will not be incurred until a number of years into the future. Such cost estimates could be subject to revisions in subsequent years due to regulatory requirements, technological advances and other factors that are difficult to predict. Likewise the appropriate future discount rates used in the calculation are subject to change according to the risks inherent in the liability. The measurement and recognition criteria relating to restoration obligations is described in Note 1 (m).

13. Borrowings

Current unsecured

Convertible loan from a related party (converted to equity on 9 September 2014 following shareholder approval at an EGM)	-	942,000
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Non-Current unsecured

Director and shareholder loans	1,150,100	-
Total non-current borrowings	1,150,100	-

The above non-current loans are repayable in cash on 1 July 2016. The interest rate is fixed at 10.0% per annum and interest is paid in cash to the lenders on a quarterly (3 month) basis.

14. Issued capital

(a) Issued and paid up capital	69,598,257	56,124,868
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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.

BYRON ENERGY LIMITED
Notes to the Financial Statements

14. Issued capital (continued)

(b) Movement	2015		2014	
	<u>Number</u>	<u>US\$</u>	<u>Number</u>	<u>US\$</u>
Fully paid ordinary shares				
Balance at beginning of the financial year	138,270,794	56,124,868	127,969,847	49,970,304
<u>Shares issued</u>				
The issue of 2,876,923 shares under a placement at A\$0.65 per share	2,876,923	1,756,117		
The issue of 154,000 shares under a placement at A\$0.65 per share	154,000	92,753		
The issue of 4,541,095 shares under a placement at A\$0.50 per share	4,541,095	1,841,868		
The issue of 43,100,000 shares under a placement at A\$0.25 per share	43,100,000	8,419,325		
The issue of 3,076,923 shares upon conversion of loans to equity at A\$0.65 per share	3,076,923	1,853,200		
Shares issued upon the exercise of shares options at A\$0.50 cents per share option	-	-	384,100	175,278
Shares issued under the a placement at A\$0.65 cents per share			9,916,847	6,022,452
Equity raising costs	-	(489,874)	-	(43,166)
Balance at end of financial year	192,019,735	69,598,257	138,270,794	56,124,868

(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 192,019,735 ordinary shares (2014: 138,270,794). All of the shares are quoted on the ASX following the release of 19,450,518 ordinary shares from escrow on 30 May 2015.

(d) Share options

Options over ordinary shares

At the end of the financial year, there were 38,695,984 (2014: 36,995,984) unissued ordinary shares in respect of which the following options were outstanding:

<u>Expiry date</u>	<u>Number</u>	<u>Securities</u>	<u>Escrow period expiry</u>	<u>Exercise price</u>
31 December 2016	36,995,984	Unlisted options	Nil	A\$0.50
30 September 2017	1,700,000	Unlisted options	Nil	A\$0.65
Total	38,695,984			

During the financial year, 1,700,000 new options convertible into ordinary fully paid shares at A\$0.65 per share were issued for \$nil consideration. All the options are unlisted and transferable with 13,687,083 options released from escrow on 30 May 2015. During the financial year, nil options were exercised (2014: 384,100).

BYRON ENERGY LIMITED
Notes to the Financial Statements

	Consolidated	
	2015 US\$	2014 US\$
15. Reserves		
Foreign currency translation reserve		
Balance at beginning of financial year	(146,097)	(150,974)
Currency translation movements for the year	(25,279)	4,877
Balance at end of financial year	<u>(171,376)</u>	<u>(146,097)</u>

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	2,104,108	2,104,108
1,700,000 options issued were subject to shareholders' approval	254,943	-
Balance at end of financial year	<u>2,359,051</u>	<u>2,104,108</u>

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

16. Franking credits

There are no franking credits available for distribution (2014: nil).

17. Expenditure commitments

The Group has expenditure commitments at the end of the financial year for non cancellable operating lease office rental payments and residual work in the F-40 Sand Perforation project in the SM 6 #1 BP02 bypass well. These obligations are not provided for in the financial statements.

(a) Commitments for office lease rental payments

Not longer than 1 year	117,416	145,337
Between 1 and 5 years	25,227	124,247
	<u>142,643</u>	<u>269,584</u>

(b) Expenditure commitment for the residual F-40 Sand perforation work in the SM 6 #1 BP02 bypass well

Not longer than 1 year	<u>508,595</u>	<u>-</u>
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(c) Exploration lease 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.

BYRON ENERGY LIMITED
Notes to the Financial Statements

Consolidated	
2015	2014
US\$	US\$

18. Cash flow reconciliation

(a) Reconciliation of loss from ordinary activities after tax to net cash flows from operations

Loss for the year	(4,238,855)	(7,305,087)
<i>Non cash flows in operating result:-</i>		
Depreciation and amortisation of property, plant and equipment	19,302	21,369
Impairment expense	1,750,123	5,108,285
Equity settled share based payments	254,943	-
Net foreign exchange (gain) / loss on A\$ loans	(114,770)	8,300
Accrued interest charges on related party loans	24,824	-
Foreign exchange differences arising on translation of the parent entity group	67,375	2,361
	<u>(2,237,058)</u>	<u>(2,164,772)</u>

Movements in working capital

(Increase)/decrease in assets:-

Trade and other receivables	(3,743)	358,336
Other assets	7,074	(130,772)

Increase/(decrease) in liabilities:-

Trade and other payables	16,030	5,124
Provisions	(20,065)	21,492

Net cash used in operating activities	<u>(2,237,762)</u>	<u>(1,910,592)</u>
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(b) Reconciliation of cash

Cash and cash equivalents comprise:

Cash and bank balances	<u>5,970,070</u>	<u>7,232,585</u>
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(c) Financing facility

The Group had nil available finance facilities at balance date and A\$700,000 and US\$612,500 has been drawn down as at 30 June 2015 under an expired financing facility.

(d) Non-cash financing and investing activities

There were one non-cash financing or investing activity during the financial year, being the issue of 3,076,923 fully paid ordinary shares at A\$0.65 cents per share on conversion of a US\$1,853,200 loan to equity.

19. Controlled entities

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

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

BYRON ENERGY LIMITED **Notes to the Financial Statements**

20. 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:-

	<u>2015</u>	<u>2014</u>
Spot rate at 30 June	0.7680	0.9420
Average rate for year	0.8380	0.9187

21. Contingent liabilities

The directors are of the opinion, that the recognition of a provision is not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

(a) 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 2015, BE Inc was contingently liable for its Gulf of Mexico operated block areas and interests of US\$550,000 (2014: US\$550,000).

(b) 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, for a period of up four years from the sale date.

	Consolidated	
	2015	2014
	US\$	US\$

22. Share-based payments

Movements in share-based payments options

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	254,943	-
Expense arising from share-based payments paid as remuneration	254,943	-

No share options were exercised during the financial year. There are no Employee Share Option plans in place.

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Number</u>	<u>Exercise price</u>	<u>Number</u>	<u>Exercise price</u>
Balance at beginning of year	2,600,000		2,600,000	A\$0.50c
Granted during the year	1,700,000	A\$0.65c	-	
Expired during the year	-		-	
Exercised during the year	-		-	
Balance at end of year	<u>4,300,000</u>		<u>2,600,000</u>	
Exercisable at end of year	2,600,000	A\$0.50c	2,600,000	A\$0.50c
Exercisable at end of year	1,700,000	A\$0.65c	-	

Weighted average remaining contractual life

The A\$0.50 share options outstanding at the end of the financial year had a remaining contractual life of 551 days (2014: 916 days). The A\$0.65 share options outstanding at the end of the financial year had a remaining contractual life of 824 days.

BYRON ENERGY LIMITED
Notes to the Financial Statements

22. Share-based payments (continued)

Director and key management personnel equity share options

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

<u>Grantee</u>	<u>Number</u>	<u>Grant date</u>	<u>Vesting date</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Fair value at grant date</u>
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
W. Sack	1,700,000	25 Nov 2014	25 Nov 2014	30 Sept 2017	\$A0.65	A\$0.1790
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\$254,943. Options were priced using the Binominal Option Pricing model and calculated by an independent external consultant entity.

Inputs into the model

5 day vwap share price at grant date	A\$0.5651
Exercise price	A\$0.65
Expected volatility	69.0%
Illiquidity discount	25.0%
Option life	2.85 years
Dividend yield	-
Risk-free interest rate	2.723%

23. Employee benefits and superannuation commitments

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

Consolidated	
2015	2014
US\$	US\$

24. Auditors' remuneration

Amounts received or due and receivable by Deloitte Touche Tohmatsu:

Audit or review of the financial statements of the Group	42,654	45,751
	<u>42,654</u>	<u>45,711</u>

The auditors did not receive any other benefits

25. Key management personnel compensation

Total aggregate remuneration of directors and key management personnel

	<u>Short term employee benefits</u>				<u>Post employment benefits</u>	<u>Share-based payments</u>	Total US\$
	<u>Salaries and fees US\$</u>	<u>Short term cash incentive US\$</u>	<u>Other benefits US\$</u>	<u>Service agreements US\$</u>	<u>Superannuation US\$</u>	<u>Share options US\$</u>	
Year 2015	851,656	-	34,104	251,400	25,077	254,943	1,417,180
Year 2014	699,106	-	19,505	293,984	28,893	-	1,041,488

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

BYRON ENERGY LIMITED

Notes to the Financial Statements

26. Related party transactions

The following related party transactions were entered into during the financial year ended 30 June 2015:-

- (a) In June 2014, Veruse Pty Ltd a company controlled by Mr Douglas Battersby, a director of the Company, entered into a loan agreement with the Company whereby Veruse Pty Ltd agreed to lend the Company A\$1,800,000 at a fixed interest rate of 7.5% per annum convertible into equity at either party's option at A\$0.65 per ordinary share, subject to prior approval by shareholders. A\$1,000,000 was advanced to the Company in the previous financial year and an additional A\$800,000 was advanced to the Company in July 2014. Following approval by shareholders at an Extraordinary General Meeting ("EGM") held on 8 September 2014, the A\$1,800,000 loan was converted to equity and interest of A\$27,447 was paid;
- (b) In June 2014, Geogeny Pty Ltd a company controlled by Mr Maynrd Smith, a director of the Company, entered into a loan agreement with the Company whereby Geogeny Pty Ltd agreed to lend the Company A\$100,000 at a fixed interest rate of 7.5% per annum convertible into equity at either party's option at A\$0.65 per ordinary share, subject to prior approval by shareholders. A\$100,000 was advanced to the Company in July 2014. Following approval by shareholders at an EGM held on 8 September 2014, the A\$100,000 loan was converted to equity and interest of A\$1,295 was paid;
- (c) Mr Charles Sands, a director of the Company, entered into a loan agreement with the Company whereby Mr Sands agreed to lend the Company A\$100,000 at a fixed interest rate of 7.5% per annum convertible into equity at either party's option at A\$0.65 per ordinary share, subject to prior approval by shareholders. A\$100,000 was advanced to the Company in July 2014. Following approval by shareholders at an EGM held on 8 September 2014, the A\$100,000 loan was converted to equity and interest of A\$1,128, net of withholding taxes was paid;
- (d) Following approval by shareholders at an EGM held on 8 September 2014, 154,000 fully paid ordinary shares in the Company were issued for cash at an issue price of A\$0.65 per share to Clapsy Pty Ltd, a company controlled by Mr Paul Young, a director of the Company;
- (e) Following approval by shareholders at an EGM held on 19 June 2015, the following fully paid ordinary shares in the Company were issued for cash at an issue price of A\$0.25 per share:-
 - 1,000,000 fully paid shares in the Company issued to Veruse Pty Ltd, a company controlled by Mr Douglas Battersby, a director of the Company;
 - 1,600,000 fully paid shares in the Company issued to Clapsy Pty Ltd, a company controlled by Mr Paul Young, a director of the Company;
 - 608,000 fully paid shares in the Company issued to Baron Partners Limited, a company associated with Mr Paul Young, a director of the Company;
 - 400,000 shares issued to Mr William Sack, a director of the Company; and
 - 140,000 shares issued to associates of Mr Maynard Smith, a director of the Company.
- (f) Corporate advisory services at normal commercial rates totalling US\$203,727 (2014: \$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 2015 (2014: \$nil).
- (g) Mr William Sack, a director of the Company, was issued with 1,700,000 share options in Byron Energy Limited exercisable at an exercise price of A\$0.65 per share at any time on or before 30 September 2017, following approval by shareholders at the Company's Annual General Meeting held on 25 November 2014.

BYRON ENERGY LIMITED
Notes to the Financial Statements

26. Related party transactions (continued)

- (h) The Company entered into an unsecured loan facility, bearing interest at 10% per annum in July 2014, with four of the Company's directors and several other shareholders, comprising A\$1,400,000 and US\$1,225,000 repayable in cash on 1 July 2016 (as amended). As at 30 June 2015, the amount outstanding under the loan facility was A\$700,000 and US\$612,500 with the undrawn portion of the facility expiring in May 2015. As at 30 June 2015 the individual directors' transactions and balances under this facility were:-

- Veruse Pty Ltd, a company controlled by Mr Douglas Battersby, provided an unsecured loan facility of A\$1,000,000 to the Company; of which A\$700,000 was drawn down and A\$200,000 repaid during the year ended 30 June 2015. Interest of A\$31,021 was paid during the financial year and an interest charge of A\$12,466 is accrued to 30 June 2015 on the A\$500,000 loan balance;
- Geogeny Pty Ltd, a company controlled by Mr Maynard Smith, provided an unsecured loan facility of A\$400,000 to the Company of which A\$200,000 was drawn down during the year ended 30 June 2015. Interest of A\$11,995 was paid during the financial year and an interest charge of A\$4,986 is accrued to 30 June 2015 on the A\$200,000 loan balance;
- Mr Charles Sands provided an unsecured loan facility of US\$500,000 to the Company of which US\$250,000 was drawn down during the year ended 30 June 2015. Interest, net of withholding tax of US\$12,543 was paid during the financial year and an interest charge, net of withholding tax of US\$5,610 is accrued to 30 June 2015 on the US\$250,000 loan balance; and
- Middle Fork Resources LLC, a company controlled by Mr Prent Kallenberger, a director of the Company, provided an unsecured loan facility of US\$75,000 to the Company with US\$37,500 drawn down during the year ended 30 June 2015. Interest, net of withholding tax of US\$2,014 was paid during the financial year and an interest charge net of withholding tax of US\$841 is accrued to 30 June 2015 on the US\$37,500 loan balance.

- (i) On 3 October 2014, Mr William Sack was appointed a director of the Company. At the same time, Aurora Exploration, LLC ("Aurora") a company controlled by Mr Sack, entered into a one-year exploration option agreement ("Exploration Option Agreement") with Byron Energy Inc ("BEI"), a wholly owned subsidiary of the Company. Under the Exploration Option Agreement, BEI has an option to acquire specified exploration projects ("Prospects") from Aurora on the following terms:-

- payment of US\$187,500 upon execution of the Exploration Option Agreement (this payment was made during the financial year ended 30 June 2015);
- a further payment of up to a maximum of US\$187,500 upon submittal of a bid or lease proposal for the Prospects;
- acquisition of mutually agreed upon 3D seismic licenses to further evaluate the Prospects, at BEI's sole cost; and
- grant by BEI of a 2.5% overriding royalty interest to Aurora for Prospects, if any, acquired by BEI under the Exploration Option Agreement (to be formalised in recordable form if and when Prospects are granted to BEI following its election to pursue them).

- (j) During the year ended 30 June 2015, BEI also entered into the Eugene Island 18 ("EI 18") Exploration Agreement with Aurora under which:-

- BEI paid US\$50,000 in prospect fees to Aurora upon BEI lodging a bid for EI 18 in the BOEM Central GOM Lease sale 235 held in March 2015 with BEI subsequently awarded the lease; and
- granted Aurora a 2.5% (8/8ths) overriding royalty interest over EI 18.

BYRON ENERGY LIMITED **Notes to the Financial Statements**

27. Financial instruments

The consolidated entity's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, security deposits, trade and other payables and unsecured loans. 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.

Categories of financial instruments	Consolidated	
	2015 US\$	2014 US\$
Financial assets		
Cash and cash equivalents	5,970,070	7,232,585
Trade and other receivables	19,540	-
Security deposits	263,759	265,276
	<u>6,253,369</u>	<u>7,497,861</u>
Financial liabilities		
Trade and other payables	750,985	5,071,267
Unsecured loans from related parties and shareholders	1,150,100	942,000
	<u>1,901,085</u>	<u>6,013,267</u>

(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; (i) equity comprising issued capital, reserves and accumulated losses and (ii) unsecured borrowings from related parties and shareholders.

During the 2015 financial year, no dividends were paid (2014: nil).

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

(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

BYRON ENERGY LIMITED
Notes to the Financial Statements

27. Financial instruments (continued)

(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.

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 months to 12 months	1-5 years
Consolidated financial assets					
	%	US\$	US\$	US\$	US\$
2015					
Non-interest bearing	-	-	19,540	263,759	-
Variable interest rate instruments	0.94%	5,970,070	-	-	-
Fixed interest rate instruments	-	-	-	-	-
2014					
Non-interest bearing	-	-	-	265,276	-
Variable interest rate instruments	0.64%	7,232,585	-	-	-
Fixed interest rate instruments	-	-	-	-	-

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

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 months to 12 months	1-5 years
Consolidated financial liabilities					
	%	US\$	US\$	US\$	US\$
2015					
Non-interest bearing	-	590,542	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	3.37%	-	120,332	40,111	-
Repayable loan	10.0%	-	-	-	1,150,100
2014					
Non-interest bearing	-	4,957,482	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	5.0%	-	113,785	-	-
Convertible loan	7.5%	-	-	942,000	-

(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:

- holdings in unlisted shares are measured at cost less any impairments. The directors consider that no other measure could be used reliably; and
- other financial assets and financial liabilities are determined in accordance with generally accepted pricing models.

BYRON ENERGY LIMITED

Notes to the Financial Statements

27. Financial instruments (continued)

(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.

As at 30 June 2015, the Group had loans outstanding of A\$700,000 and US\$612,500 and the interest rate payable on these loans is fixed at 10.0% per annum.

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\$33,007 or increase by US\$33,007 (2014: increase by US\$55,555 or decrease by US\$55,555). 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 USA dollars and Australian dollars.

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

Fluctuations in the Australian dollar / USA 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 USA dollars, with the exception of Australian dollar denominated equity funding, surplus funds are primarily held in USA 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	
	2015	2014	2015	2014
Consolidated	\$	\$	\$	\$
USA currency denominated	5,512,448	6,626,565	1,187,929	4,939,681
Australian currency denominated	984,889	940,217	928,589	1,139,687

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 loss or equity. The impact is mainly due to the Australian group of holding companies incurring and settling expenses and outgoings in Australian dollars.

Consolidated	Australian dollar impact on loss	
	2015	2014
	US\$	US\$
Loss or equity	263,723	169,264

28. 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 United States of America.

The geographical locations of the Group's non-current assets are United States of America US\$27,459,317 (2014: US\$20,544,241) and Australia US\$18,200 (2014: US\$37,234).

BYRON ENERGY LIMITED
Notes to the Financial Statements

29. Parent entity information

	2015	2014
<u>Financial position</u>	US\$	US\$
Assets		
Current assets	747,223	8,363,751
Non-current assets	64,892,794	46,433,890
Total assets	65,640,017	54,797,641
Liabilities		
Current liabilities	133,191	1,015,750
Non-current liabilities	1,150,100	-
Total liabilities	1,283,291	1,015,750
Net assets	64,356,726	53,781,891
Equity		
Issued capital	68,934,513	55,461,125
Accumulated losses	(2,021,518)	(1,269,347)
Reserves	(2,556,269)	(409,887)
Total Equity	64,356,726	53,781,891
<u>Financial performance</u>		
Loss for the year	(752,171)	(413,809)
Other comprehensive income	(2,146,382)	76,863
Total comprehensive loss for the financial year	(2,898,553)	(336,946)

Expenditure commitments

The parent entity has no expenditure commitments at the end of the 2015 financial year (2014: nil).

Guarantees

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

Contingent liabilities

The parent entity had no contingent liabilities at 30 June 2015 (2014: nil).

30. Subsequent events

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

- (i) on 3 July 2015, the Company placed 900,000 fully paid ordinary shares for A\$225,000 cash; and
- (ii) on 4 July 2015, the Group completed the lower of the two hydrocarbon bearing sand lobes in the F-40 sand of SM 6 #2 BP02 well for future production.

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.

BYRON ENERGY LIMITED

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

22 September 2015

Independent Auditor's Report to the members of Byron Energy Limited

We have audited the accompanying financial report of Byron Energy Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit and loss and other 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 18 to 48.

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.

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:

- (a) the financial report of Byron Energy Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$4,238,855 and had negative cash flows from operating activities of \$2,237,762 for the year ended 30 June 2015. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's and Consolidated Entity's ability to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan

Partner

Chartered Accountants

Melbourne, 22 September 2015

BYRON ENERGY LIMITED

CORPORATE DIRECTORY

Directors

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

Chief Executive Officer

Maynard Smith

Chief Financial Officer and Company Secretary

Nick Filipovic

Registered 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

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20 Bridge Street
SYDNEY NSW 2000
ASX Code: BYE

Share Registry

Boardroom Pty Limited
Grosvenor Place, Level 12, 225 George Street
SYDNEY NSW 2000
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Fax: 1300 653 459