ANNUAL REPORT

for the year ended 30 June 2015

BYRON ENERGY LIMITED

ABN 88 113 436 141

CORPORATE DIRECTORY

Directors

Doug Battersby	(Non-Executive Chairman)
Maynard Smith	(Executive Director & CEO)
Prent Kallenberger	(Executive Director)
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

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MELBOURNE VIC 3000

Website

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Home Stock Exchange

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ASX Code: BYE

Share Registry

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BYRONENERGY LIMITED

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CHAIRMAN'S LETTER

Dear Fellow Shareholder,

The year ending 30 June 2015 was a tumultuous one for our industry. World oil and USA gas prices fell sharply during the year with oil prices falling by approximately 50% finishing the year below US$60 per barrel and gas prices declining by around 35% to US$2.80 per mcf at 30 June 2015. Since 30 June 2015, the oil price has continued to slide with oil now below US$50 per barrel.

Not surprisingly the share prices of oil and gas companies have followed the decline in oil prices. The ASX energy index declined from 14,345 at 30 June 2014 to 10,946 at 30 June 2015, a fall of 24% with further falls since 30 June 2015. Smaller oil and gas companies have experienced share price falls of more than 50% over the last year, including Byron.

While the oil and gas industry is cyclical and used to price volatility, a price fall of the magnitude and speed experienced during the last year is a challenge for the industry, requiring rapid changes to planned investments in exploration and development as revenues shrink and access to funding diminishes.

Notwithstanding the extremely tough environment, Byron has implemented a number of initiatives that bode well for the future. Amongst these, I would include:-

(a) progressing project planning for the permitting and drilling of the first well on SM 71 project;

(b) successful completion of the Byron Energy SM 6 #1 BP 02 ("SM 6 #1 BP02") well for future production; Byron re-entered the well and perforated the lower of the two hydrocarbon bearing sand lobes in the F40 Sand;

(c) the interpretation of the Anisotropic Reverse Time Migration ("ARTM") reprocessing of 3D data over Eugene Island 63/76 Salt Dome Project having identified numerous attractive leads and prospects;

(d) completion of the full wave inversion of ARTM seismic data over the South Marsh Island 70/71 Salt Dome Project during the 2015 September quarter with analysis of the data confirming the hydrocarbon prospectivity in both J and D5 target sands; and

(e) acquisition of Eugene Island Block 18 ("EI 18") in 10 feet of water, approximately 50 miles (81 kilometres) south of Morgan City, Louisiana at the Central Gulf of Mexico Lease Sale 235 held in March 2015.

At the end of 2014 year, we said that the next well to be drilled by the Company would be the Byron Energy SM 6 #2 well ("SM 6 #2") on the SM 6 block which was expected to spud during the first quarter of 2015.

The planned drilling of SM 6 #2 did not take place as envisaged due to the sharp fall in oil prices in the latter part of 2014 year, which curtailed our capacity to raise equity capital. In May/June 2015, after a strong bounce in the oil prices, from around US$40 per barrel in January 2015 to around US$60 in May 2015 we raised A$11.0 million from existing shareholders, including directors, and from several new investors. Unfortunately a sharp drop in the oil price immediately after the issuance of the new shares at the end of June resulted in a drop in our share price such as to eliminate the viability of the planned raising of a further A$3 million via a Shareholder Purchase Plan.

Part of the funds raised in May/June 2015 was used to fund completion of the SM 6 #1 BP 02 well for future production. This completion of the lower of the two hydrocarbon bearing sand lobes in the F40 Sand also extended the lease term by six months to the end of December 2015.

We have also made good progress on permitting the South Marsh Island 71 #1 well ("SM 71 #1"), which when approved, will allow us to be ready for drilling, currently intended to be very early in 2016, subject to funding.

We are continuing to hold discussions with potential farm-in partners in relation to the drilling of the SM 6 #2 and SM 71 #1 wells. However, these partnering discussions have been negatively impacted by the return of weak oil prices, which have fallen from around US$60 in May/June 2015 to around US$45 more recently. As the funding required to drill SM 71 #1 is less than for SM 6 #2 and the prospect is economically attractive even at current low prices, we are very hopeful that an appropriate funding structure can be put in place to facilitate the drilling of the SM 71 #1 well.

Like previous downturns in oil prices, a return to a period of stability in pricing would have a positive impact on the capital spending plans in the energy sector. Of course, it is difficult to predict when this might happen. However, it should be noted that the current market conditions in the oil and gas industry have already resulted in a material decrease in drilling and operating costs which has a favourable impact on project economics and partly offsets the impact of lower prices.

During the year Byron was fortunate to secure the services of Bill Sack who joined the Company on 3 October 2014 as Executive Director, based in Lafayette, where Prent Kallenberger is also based. Bill is a geo-scientist with 26 years' experience in the Gulf of Mexico region in both technical and executive roles. Bill's excellent technical and executive capability together with his extensive network of industry contacts has already benefitted Byron and provided access to new exploration prospects.

I would like to acknowledge the continued support of Byron's staff and contractors over the last 12 months, a period which has been challenging for all. In particular I would like to thank our executive directors and the CFO & Company Secretary for their excellent work throughout the year and for their added support of the Company through a reduction in their remuneration by 33% effective, 1 April 2015.

Finally, I would like to take this opportunity on behalf of the Board to thank shareholders for their ongoing support of the Company through a very tough period.

Doug Battersby
Chairman

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REVIEW OF OPERATIONS

Introduction

Byron Energy Limited ("the consolidated entity" or "Group"), being Byron Energy Limited ("Byron" or the "Company") and its subsidiaries is focused on oil and gas exploration in the shallow water of the Gulf of Mexico ("GOM"), United States of America.

The GOM is viewed by Byron as an attractive area to focus on:-

- favourable economics associated with accessible and extensive infrastructure network,
- shallow water projects are relatively low cost,
- reservoirs are generally high rate/high recovery due to high quality sands,
- proposed wells target multiple stacked hydrocarbon objectives,
- each projects usually has multiple prospects, and
- amenable to utilisation of advanced geophysical technology

Byron currently has six projects across ten leases with a 100% working interest in each lease. With 100% ownership and operatorship Byron is able to control timing of project, optimise use of capital and retain flexibility to farm-out equity in the project. Four of these projects are around or on salt domes with Grand Isle 95 and Eugene Island 18 being conventional non-salt dome projects.

The experienced and committed team at Byron have a proven track record of drilling successful wells and creating wealth particularly through the use of high-tech leading edge technology such as high frequency Reverse Time Migration seismic. Byron is also applying Full Wave Inversion technology where appropriate to produce 3D seismic attributes at the reservoir level.

Byron actively manages its portfolio of leases mainly through participation in the GOM lease sales conducted by the Federal Government through the Bureau of Ocean Energy Management ("BOEM").

As at 1 July 2014, Byron held 16 blocks in the shallow waters of the GOM with a 100% working interest in each block. During the year Byron relinquished seven blocks and acquired one new block at the Central GOM Lease Sale 235 held in March 2015. The leases relinquished during the year were not considered to be prospective following a thorough analysis of the seismic data. The turnover in leases is consistent with Byron's current strategy of focusing its efforts on large potential projects, in the shallow waters of the GOM.

REVIEW OF OPERATIONS (CONT'D)

Properties

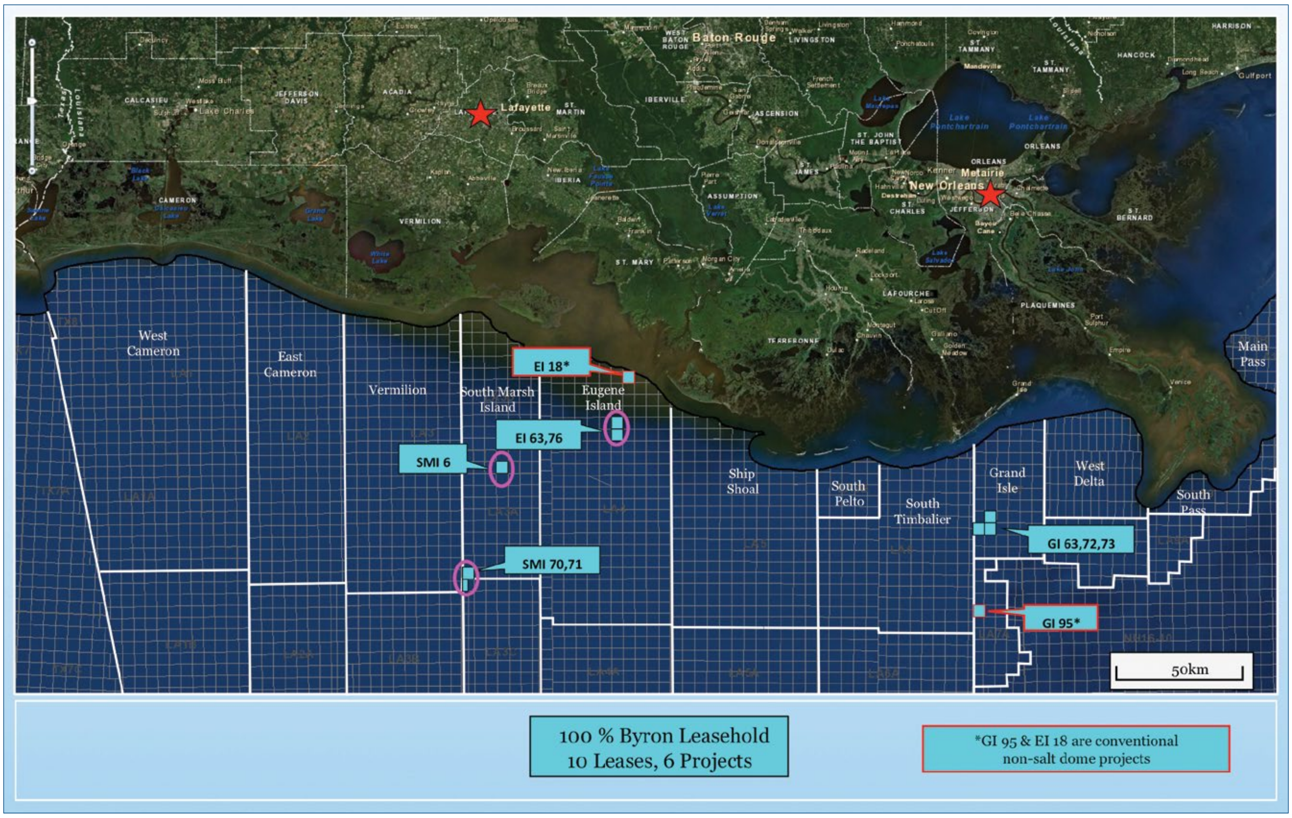
At 30 September 2015 Byron's areas of interest, 100% owned and operated by Byron, in the shallow water of the GOM, offshore Louisiana, comprise 10 blocks, all of which are currently undeveloped and are summarised below.

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
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*

Byron Energy - GOM Leases
October 2015



Salt Dome Projects

1. South Marsh Island Block 6

South Marsh Island Block 6 ("SM 6") is located offshore Louisiana, 216 kilometres (134 miles) south west of New Orleans, Louisiana in approximately 20 metres (65 feet) of water. SM 6 is located on the western flanks of a large pierecement salt dome. The face of the salt dome dips to the east forming an overhang, which most likely prevented the accurate imaging of prospects with older seismic datasets. SM 6 has been productive in the past from eleven discrete, hydrocarbon-bearing sandstone reservoirs, which are primarily trapped in three-way structural closures bound either by salt, faults or stratigraphic thinning on their up-dip edge, these reservoirs are Pliocene age to Upper Miocene age sands from 2,184 metres (7,166 feet) to 3,094 meters (10,162 feet) true vertical depth.

Byron spudded the Byron Energy SM 6 #1 ("SM 6 #1") in May 2014. Two bypass wells, SM 6 #1 BP01 and SM 6 #1 BP02, were drilled in June and July from the original wellbore to overcome mechanical problems. Net pay was intersected in the F Sands by the second bypass well, the SM 6 #1 BP02. On 28 July 2014 Byron suspended operations on SM 6 #1 BP02 and left the well in a condition that allows completion in the F 30 and F 40 Sands in the future.

REVIEW OF OPERATIONS (CONT'D)

During 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. The project was completed on schedule and on budget. The pressures encountered during the completion operation were as expected, based on data obtained whilst drilling in June/July 2014.

The completion operation in the F40 Sand enabled the SM 6 lease expiry date from 30 June 2015 to 27 December 2015.

During the second half of 2015 calendar year, Byron progressed drilling plans for SM 6 #2 well. Byron already has an approved Exploration Plan ("EP") for SM 6 from BOEM but commenced work on the Application for Permit to Drill ("APD"), in relation to the second well, which must be filed and approved by the Bureau of Safety and Environmental Enforcement ("BSEE") before drilling can commence. Byron commenced discussions with potential farm-in partners, which are still ongoing, with the intention of drilling a second well, subject to farm-out, to test the deeper G, H and I sands utilising the existing caisson that was installed for the SM 6 #1 well. During the year, Byron also evaluated and pursued production alternatives, mainly focusing on remote processing by an offset lease operator through nearby production platform facilities.

2. South Marsh Island Block 70/71

South Marsh Island Block 70/71 ("SM 70/71") covers a salt dome which has previously produced 75 million barrels of oil from sands above 7,500 feet true vertical depth. There is no current production from SM 70/71.

During the 2014/15 year WesternGeco, through its Schlumberger PetroTechnical Services team utilized full waveform inversion techniques on 3D ARTM data already licensed by the Company to create acoustic impedance volumes leading to lithofacies, porosity and water/hydrocarbon saturation prediction. The goal of this work was to define reservoir geometries and extents of previously producing sands. The full wave inversion has been completed and analysis of this data has confirmed the hydrocarbon prospectivity in both J sand and D5 target sands. Interpretation work is ongoing to optimise future drilling locations.

Byron currently intends to drill the SM 71 #1 well early in 2016, subject to funding and/or farmout. The economics of this project are considered very attractive even at current oil prices. We are hopeful that we will be able to put an appropriate funding structure in place to facilitate drilling in the indicated timeframe.

During the June 2015 quarter, work was initiated on well permitting and project planning for drilling of the first well on the SM 70/71 project. Prior to drilling of the proposed SM 71 #1 well, Byron will require BOEM to approve an EP for SM 70/71. Having obtained BOEM approval for the EP, Byron will then require BSEE approval for the APD in relation to the proposed well.

3. Eugene Island Block 63/76

Eugene Island Block 63/76 ("EI 63/76") has a salt overhang around the entire dome which makes it an ideal candidate for ARTM processing. This dome has been a prolific oil and gas producer in the past beginning in 1967 with total production of 6.5 million barrels of oil and 361 billion cubic feet of gas from 13 pay sands. There is no production from EI 63/76 currently.

The WesternGeco processing project was completed during the September 2014 quarter with final ARTM becoming available in October 2014. Interpretation of the ARTM reprocessing on 3D data over Eugene Island 63/76 Salt Dome Project was completed during the June 2015 quarter having identified numerous attractive leads and prospects. Interpretation work is ongoing.

EI 63/76 is ready for drilling subject to permitting.

REVIEW OF OPERATIONS (CONT'D)

4. Other salt dome projects

Byron's other salt dome projects comprise:-

Grand Isle 63/72/73 – these leases were acquired in March 19, 2014 at the BOEM central GOM Lease Sale 231 and cover a salt dome which has previously produced a total of 827,000 barrels of oil and 12 billion cubic feet of gas over the period 1968 to 2009. Byron licensed spec 3D RTM seismic data from TGS in the June 2015 quarter. Interpretation work commenced soon thereafter and is continuing.

5. Conventional projects

Grand Isle 95 – Grand Isle 95 is a conventional gas prospect with significant undeveloped gas reserves and prospective resources.

Eugene Island 18 – Eugene Island 18 added a new project to Byron's existing portfolio of projects in the shallow waters of the GOM, inboard of Byron's existing projects and adjacent to Louisiana State Waters. EI 18 will be subjected to enhanced seismic reprocessing techniques in the future.

New Ventures

At the time of Bill Sack's appointment as a director of the Company, on 3 October 2014, Byron advised that it had entered into a one year exploration option agreement ("Exploration Option Agreement") with Aurora Exploration, L.L.C. ("Aurora") a company associated with Mr Sack giving Byron the option to acquire specified exploration projects from Aurora on terms disclosed at the time of Mr. Sack's appointment. Since then, Byron has reviewed the specified exploration prospects under the Exploration Option Agreement. Byron is currently in the process of securing leases over one of the projects, a multi-play prospect in Louisiana State Waters/Onshore Louisiana.

Reserves

An independent reserves estimate for the Company's projects in the shallow waters of the Gulf of Mexico was prepared by Collarini Associates ("Collarini"), based in Houston, Texas, USA. The blocks covered are SM 6, SM 71, EI 76 and GI 95.

As at 30 June 2015, like 30 June 2014, reserves and/or prospective resources have been attributed to four projects comprising SM 6, SM 71, EI 76 and GI 95. Byron's remaining leases cover projects at an early stage of exploration and have not had any reserves or prospective resources assigned to them.

The combined reserves, net to Byron, for SM 6, SM 71, EI 76 and GI 95 are:-

REVIEW OF OPERATIONS (CONT'D)

Byron Energy Limited Reserves (Net to Byron)			
Gulf of Mexico, offshore Louisiana, USA			
30 June 2015	Oil MBBL	Gas MMCF	MBOE (6:1)
Undeveloped Reserves			
Proved (1P)	**1,651**	**20,913**	**5,137**
Probable Reserves	2,547	48,491	10,629
Proved and Probable (2P)	**4,198**	**69,404**	**15,766**
Possible Reserves	2,178	19,490	5,427
Proved, Probable & Possible (3P)	**6,376**	**88,894**	**21,193**

The aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation

MBBL = thousand barrels; MMCF = million cubic feet; MBOE = thousand barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency.

Oil prices used in the reserves report represent NYMEX base, starting on July 1, 2015 of $US 57.61 per barrel with a final price of $US 68.40 per barrel on December 1, 2022 and held constant thereafter; gas prices used in this report represent Henry Hub base, starting on July 1, 2015, of $US 2.87 per MMBtu, rising to a final price of $US 4.83 per MMBtu on December 1, 2027 and held constant thereafter.

Despite the current oil and gas pricing environment, compared to 2014 Byron's 2P reserves were reduced by only 4.6% on a boe basis due to the current price regime.

In addition, the combined prospective best estimate un-risked resources for SM 6, SMI 71, EI 76 and GI 95 are:-

Byron Energy Limited Prospective Resources (net to Byron)			
Gulf of Mexico, offshore Louisiana, USA			
Best Estimate Unrisked 30 June 2015	Oil MBBL	Gas MMCF	MBOE (6:1)
Total Prospective Resource	**19,183**	**334,066**	**74,861**

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Significant gains were made in Byron's prospective resource category. This reflects additional detailed technical work at SM 71 which resulted in a favourable comparison of Byron's SM 71 prospect area to analogous oil production in adjacent blocks. This work has significantly improved our understanding of trapping mechanisms and potential trap sizes at SM 71. At EI 63/76, interpretation of Byron's final proprietary RTM 3D data indicates prospective areas of salt overhang in various portions of Byron's acreage. These prospect areas compare favourably in trap style and geologic timing to analogous productive areas on the EI 63/76 salt dome. These outcomes are consistent with Byron's strategy of applying new technology to assess and manage our portfolio of exploratory acreage in the Gulf of Mexico as we position to further evaluate through exploration drilling.

REVIEW OF OPERATIONS (CONT'D)

Properties

At 30 June 2015, Byron's portfolio of properties in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA comprised:-

Properties	Operator*	Interest WI/NRI** (%)	Lease Area (Km2)	Lease Expiry date	Comments
South Marsh Island					
Block 6	Byron	100.00/81.25	20.23	Dec-15	Included in this reserves report
Block 70	Byron	100.00/81.25	22.13	Jul-17	Included in this reserves report
Block 71	Byron	100.00/81.25	12.16	Jul-17	Included in this reserves report
Eugene Island					
Block 63	Byron	100.00/81.25	20.23	Apr-20	Included in this reserves report
Block 76	Byron	100.00/81.25	20.23	May-18	Included in this reserves report
Block 18	Byron	100.00/78.75	2.18	May-18	Early stage of evaluation; not included in this reserves report
Block 190#	Byron	100.00/81.25	20.23	Jul-18	Relinquished post 30 June 2015; not included in this reserves report
Block 191#	Byron	100.00/81.25	20.23	Jul-17	Relinquished post 30 June 2015; not included in this reserves report
Block 210#	Byron	100.00/81.25	20.23	Jul-17	Relinquished post 30 June 2015; not included in this reserves report
Grand Isle					
Block 95	Byron	100.00/79.75	18.37	Sep-17	Included in this reserves report
Block 63	Byron	100.00/81.25	20.23	Apr-19	Early stage of evaluation; not included in this reserves report
Block 72	Byron	100.00/81.25	20.23	Apr-19	Early stage of evaluation; not included in this reserves report
Block 73	Byron	100.00/81.25	20.23	Apr-19	Early stage of evaluation; not included in this reserves report

** Through a wholly owned subsidiary, Byron Energy Inc*

*** WI = working interest and NRI = net revenue interest i.e. net of royalties*

 # relinquished subsequent to 30 June 2015

REVIEW OF OPERATIONS (CONT'D)

Reserves by Project as at 30 June 2015

Byron Energy Limited Reserves (Net to Byron)			
Gulf of Mexico, offshore Louisiana, USA			
30 June 2015	Oil MBBL	Gas MMCF	MBOE (6:1)
SM 6 (Undeveloped)			
Proved (1P)	**1,134**	**11,237**	**3,007**
Probable Reserves	1,856	6,040	2,863
Proved and Probable (2P)	**2,990**	**17,277**	**5,870**
Possible Reserves*	1,344	-3,944	687
Proved, Probable & Possible (3P)	**4,334**	**13,333**	**6,557**
SM 71 (Undeveloped)			
Proved (1P)	**498**	**269**	**543**
Probable Reserves	188	102	205
Proved and Probable (2P)	**686**	**371**	**748**
Possible Reserves	354	275	400
Proved, Probable & Possible (3P)	**1,040**	**646**	**1,148**
EI 76 (Undeveloped)			
Proved (1P)	**0**	**0**	**0**
Probable Reserves	352	569	447
Proved and Probable (2P)	**352**	**569**	**447**
Possible Reserves	428	692	543
Proved, Probable & Possible (3P)	**780**	**1,261**	**990**
GI 95 (Undeveloped)			
Proved (1P)	**19**	**9,407**	**1,587**
Probable Reserves	151	41,780	7,114
Proved and Probable (2P)	**170**	**51,187**	**8,701**
Possible Reserves	52	22,467	3,797
Proved, Probable & Possible (3P)	**222**	**73,654**	**12,498**
Undeveloped reserves			
Proved (1P)	**1,651**	**20,913**	**5,137**
Probable Reserves	2,547	48,491	10,629
Proved and Probable (2P)	**4,198**	**69,404**	**15,766**
Possible Reserves	2,178	19,490	5,427
Proved, Probable & Possible (3P)	**6,376**	**88,894**	**21,193**

** Possible gas reserves are negative because two reservoirs that are treated as gas bearing for the proved and probable cases are treated as oil bearing for the possible case. This results in a reduction in total gas reserves with an increase in total oil reserves. The reductions in gas reserves for the possible cases appear as a negative value.*

REVIEW OF OPERATIONS (CONT'D)

Reserves Reconciliation as at 30 June 2015

Byron Energy Limited Reserves (Net to Byron)								
Gulf of Mexico, offshore Louisiana, USA								
Reserves Reconciliation	Oil (MBBL)				Gas (MMCF)			
	30/06/14	Production	Revisions	30/06/15	30/06/14	Production	Revisions	30/06/15
SM 6 (Undeveloped)								
Proved (1P)	**1,193**	**0**	**-59**	**1,134**	**13,908**	**0**	**-2,671**	**11,237**
Probable Reserves	1,797	0	59	1,856	3,368	0	2,672	6,040
Proved and Probable (2P)	**2,990**	**0**	**0**	**2,990**	**17,276**	**0**	**1**	**17,277**
Possible Reserves*	1,344	0	0	1,344	-3,944	0	0	-3,944
Proved, Probable & Possible (3P)	**4,334**	**0**	**0**	**4,334**	**13,332**	**0**	**1**	**13,333**
SM 71 (Undeveloped)								
Proved (1P)	**664**	**0**	**-166**	**498**	**358**	**0**	**-89**	**269**
Probable Reserves	257	0	-69	188	139	0	-37	102
Proved and Probable (2P)	**921**	**0**	**-235**	**686**	**497**	**0**	**-126**	**371**
Possible Reserves	475	0	-121	354	256	0	19	275
Proved, Probable & Possible (3P)	**1,396**	**0**	**-356**	**1,040**	**753**	**0**	**-107**	**646**
EI 76 (Undeveloped)								
Proved (1P)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Probable Reserves	706	0	-354	352	1,141	0	-572	569
Proved and Probable (2P)	**706**	**0**	**-354**	**352**	**1,141**	**0**	**-572**	**569**
Possible Reserves	261	0	167	428	421	0	271	692
Proved, Probable & Possible (3P)	**967**	**0**	**-187**	**780**	**1,562**	**0**	**-301**	**1,261**
GI 95 (Undeveloped)								
Proved (1P)	**26**	**0**	**-7**	**19**	**12,939**	**0**	**-3,532**	**9,407**
Probable Reserves	147	0	4	151	38,248	0	3,532	41,780
Proved and Probable (2P)	**173**	**0**	**-3**	**170**	**51,187**	**0**	**0**	**51,187**
Possible Reserves	52	0	0	52	22,467	0	0	22,467
Proved, Probable & Possible (3P)	**225**	**0**	**-3**	**222**	**73,654**	**0**	**0**	**73,654**
Undeveloped reserves								
Proved (1P)	**1,883**	**0**	**-232**	**1,651**	**27,205**	**0**	**-6,292**	**20,913**
Probable Reserves	2,907	0	-360	2,547	42,896	0	5,595	48,491
Proved and Probable (2P)	**4,790**	**0**	**-592**	**4,198**	**70,101**	**0**	**-697**	**69,404**
Possible Reserves	2,132	0	46	2,178	19,200	0	290	19,490
Proved, Probable & Possible (3P)	**6,922**	**0**	**-546**	**6,376**	**89,301**	**0**	**-407**	**88,894**

The changes in 1P, 2P and 3P reserves between 30 June 2014 and 30 June 2015 are mainly due to changes in oil and gas price assumptions i.e. prices used in preparation of 2015 reserves are significantly lower than prices used in 2014.

REVIEW OF OPERATIONS (CONT'D)

Prospective Resources by Project as at 30 June 2015

Byron Energy Limited Reserves (Net to Byron)			
Gulf of Mexico, offshore Louisiana, USA			
Best Estimate Unrisked 30 June 2015	Oil MBBL	Gas MMCF	MBOE (6:1)
SM 6 Total Prospective Resource	7,205	118,396	26,938
SM 71 Total Prospective Resource	4,553	3,360	5,113
EI 76 Total Prospective Resource	7,121	171,854	35,763
GI 95 Total Prospective Resource	304	40,456	7,047
Grand Total			
Total Prospective Resource 2015*	19,183	334,066	74,861
Total Prospective Resource 2014*	*11,753*	*274,492*	*57,502*

** The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons*

Notes to Annual Reserves and Resources Statement

Reserves and Resources Governance

Byron's reserves estimates are compiled annually. Byron engages Collarini and Associates, a qualified external petroleum engineering consultant, to conduct an independent assessment of the Company's reserves. Collarini and Associates is and independent petroleum engineering consulting firm that has been providing petroleum consulting services in the USA for more than fifteen years. Collarini and Associates does not have any financial interest or own any shares in the Company. The fees paid to Collarini and Associates are not contingent on the reserves outcome of the reserves report.

Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources was compiled by technical employees of independent consultants Collarini and Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini and Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/ World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Reserves Cautionary Statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking statements.

Reserves and Resources Reporting Notes

(i) The reserves and prospective resources information in this document is effective as at 30 June, 2015 (Listing Rule (LR) 5.25.1)

(ii) The reserves and prospective resources information in this document has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)

(iii) The reserves and prospective resources information in this document is reported according to the Company's economic interest in each of the reserves and net of royalties (LR 5.25.5)

(iv) The reserves and prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6)

(v) The reserves and prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)

(vi) The reserves and prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5)

(vii) The method of aggregation used in calculating estimated reserves and resources was the arithmetic summation by category of reserves. As a result of the arithmetic aggregation of the field totals, the aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation (LR 5.26.7 & 5.26.8)

(viii) Prospective resources are reported on a best estimate basis (LR 5.28.1)

(ix) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2)

(x) All of Byron's reserves and prospective resources are located in the shallow waters of the Gulf of Mexico, offshore Louisiana; furthermore, all of Byron's reserves are undeveloped as at 30 June 2015 (LR 5.39.1)

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

BYRON ENERGY LIMITED

FINANCIAL REPORT TABLE OF CONTENTS

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.

DIRECTORS' REPORT (CONT'D)

Maynard V. Smith Executive Director and Chief Executive Officer Appointed 18th March 2013	Maynard is a geophysicist with over thirty years' technical and managerial experience in the oil and gas industry with a particular focus on the Gulf of Mexico. Maynard co-founded Darcy Energy Limited, sold to I B Daiwa Corporation in 2005, and Byron Energy (Australia) Pty Ltd where he has been Chief Executive until 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.
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.

DIRECTORS' REPORT (CONT'D)

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)
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.

DIRECTORS' REPORT (CONT'D)

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

DIRECTORS' REPORT (CONT'D)

Shareholdings of directors and other key management personnel (Cont'd)

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.

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).

DIRECTORS' REPORT (CONT'D)

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.

DIRECTORS' REPORT (CONT'D)

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.

DIRECTORS' REPORT (CONT'D)

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.

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 (Km2)
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;
- adverse weather conditions;
- surface cratering;
- uncontrollable flows of underground natural gas, oil or formation water;

DIRECTORS' REPORT (CONT'D)

- 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.

DIRECTORS' REPORT (CONT'D)

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;
- 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.

DIRECTORS' REPORT (CONT'D)

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.

DIRECTORS' REPORT (CONT'D)

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:-

(i) 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;

(ii) project planning commenced for drilling of SM 6 #2 well;

(iii) 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;

(iv) 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;

(v) 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;

(vi) project planning commenced for permitting and drilling the first well on SM 71 prospect;

(vii) 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;

(viii) 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;

(ix) 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;

DIRECTORS' REPORT (CONT'D)

(x) 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

(xi) 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.

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.

DIRECTORS' REPORT (CONT'D)

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.

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:

	Board of directors		Audit and Risk Management Committee	
Directors	**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	-	-

DIRECTORS' REPORT (CONT'D)

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.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

Additional information

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary.

	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).

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

(ii) Executive directors and key management personnel

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

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

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

Fixed remuneration for executive directors and key management personnel

Maynard Smith

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

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

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.

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.*

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

	Short term employee benefits				Post employment benefits	Share-based payments	
	Salaries & fees	Short term cash incentive	Other Benefits	Service Agreements	Superannuation	Options	TOTAL
	US$	US$	US$	US$	US$	US$	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 3rd 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.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT – AUDITED (CONT'D)

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
	Number	Number	Number	Number	Number
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
	Number	Number	Number	Number	Number
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

BYRONENERGY LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

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

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

		Consolidated	
	Note	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		(535,762)	(704,663)
Earnings before interest and tax (EBIT)	**2**	**(4,233,380)**	**(7,341,947)**
Financial income	3	125,122	47,425
Financial expense	3	(130,597)	(10,565)
Loss before tax		**(4,238,855)**	**(7,305,087)**
Income tax expense	4	-	-
Loss for the year from continuing operations		**(4,238,855)**	**(7,305,087)**
Other comprehensive income, net of income tax			
Items that may subsequently be reclassified to profit and loss			
Exchange differences on translating the parent entity group		(25,279)	4,877
Total comprehensive loss for the year		**(4,264,134)**	**(7,300,210)**
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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	Consolidated 2015 US$	Consolidated 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.

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

Consolidated entity	Ordinary share capital US$	Share option reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total US$
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.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	2015 US$	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.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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).

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;

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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.

(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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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 deprecation or amortisation, if no impairment loss had been recognised.

(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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	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
Employee benefits expense		
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
	1,229,757	839,491

3. FINANCIAL INCOME AND EXPENSES

Financial Income		
Interest income	10,352	47,425
Foreign exchange gain on A$ denominated loan	114,770	-
	125,122	47,425
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
	130,597	10,565

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	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:

	2015 US$	2014 US$
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:

	2015 US$	2014 US$
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

5. EARNINGS PER SHARE

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

	Consolidated 2015 US$	Consolidated 2014 US$
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.

6. TRADE AND OTHER RECEIVABLES

	2015 US$	2014 US$
GST receivable	15,474	14,388
Other receivables	19,540	-
	35,014	14,388

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	Consolidated 2015 US$	2014 US$
7. OTHER ASSETS		
Current		
Prepayments	64,576	75,936
Security Deposits	263,759	265,276
	328,335	341,212
Non Current		
Prepayments	452	8,191
8. EXPLORATION AND EVALUATION ASSETS		
Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost:	27,407,054	20,500,370
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	27,407,054	20,500,370

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	Consolidated	
	2015	2014
	US$	US$
9. PROPERTY, PLANT AND EQUIPMENT		
Buildings at cost	11,220	13,760
Accumulated depreciation	(2,538)	(2,769)
	8,682	10,991
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	8,682	10,991
Plant and equipment at cost	124,957	125,739
Accumulated depreciation	(75,886)	(66,524)
	49,071	59,215
Reconciliation of movements:-		
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	49,071	59,215
Total property, plant and equipment	57,753	70,206
10. OTHER INTANGIBLE ASSETS		
Other intangible (software) assets at cost	62,090	49,742
Accumulated amortisation	(49,832)	(47,034)
	12,258	2,708
Reconciliation of movements:-		
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	12,258	2,708

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	Consolidated 2015 US$	Consolidated 2014 US$
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
	750,985	5,071,267

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)

	2015 US$	2014 US$
12. PROVISIONS		
Current		
Accumulated employee entitlements	79,207	123,623
Non-current		
Accumulated employee entitlements	34,201	40,090
Site restoration	339,565	-
	373,766	40,090
Site restoration provision		
Reconciliation of movements:-		
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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	Consolidated	
	2015 US$	2014 US$
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
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

	2015 US$	2014 US$
(a) Issued and paid up capital	69,598,257	56,124,868

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.

	2015		2014	
	Number	US$	Number	US$
(b) Movement				
Fully paid ordinary shares				
Balance at beginning of the financial year	138,270,794	56,124,868	127,969,847	49,970,304
Shares issued				
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		

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	2015		2014	
	Number	US$	Number	US$
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 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:

Expiry date	Number	Securities	Escrow period expiry	Exercise price
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).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

	Consolidated	
	2015 US$	2014 US$

15. RESERVES

Foreign currency translation reserve

	2015 US$	2014 US$
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	(171,376)	(146,097)

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

	2015 US$	2014 US$
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	2,359,051	2,104,108

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

	2015 US$	2014 US$
Not longer than 1 year	117,416	145,337
Between 1 and 5 years	25,227	124,247
	142,643	269,584

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

	2015 US$	2014 US$
Not longer than 1 year	508,595	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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.

18. CASH FLOW RECONCILIATION

	Consolidated	
	2015 US$	**2014 US$**
(a) Reconciliation of loss from ordinary activities after tax to net cash flows from operations		
Loss for the year	(4,238,855)	(7,305,087)
Non cash flows in operating result:-		
Depreciation and amortisation of property, plant and equipment	19,302	21,369
Impairment expense	1,750,123	5,108,285
Equity settled share based payments	254,943	-
Net foreign exchange (gain) / loss on A$ 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
	(2,237,058)	**(2,164,772)**
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	**(2,237,762)**	**(1,910,592)**
(b) Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash and bank balances	5,970,070	7,232,585

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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:-

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

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:-

	2015	2014
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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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.

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:

	Consolidated 2015 US$	Consolidated 2014 US$
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.

	2015		2014	
	Number	Exercise price	Number	Exercise price
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	4,300,000		2,600,000	
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

Director and key management personnel equity share options

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

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

24. AUDITORS' REMUNERATION

	Consolidated 2015 US$	Consolidated 2014 US$
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
Audit or review of the financial statements of the Group	42,654	45,751
	42,654	45,711

The auditors did not receive any other benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

25. KEY MANAGEMENT PERSONNEL COMPENSATION

Total aggregate remuneration of directors and key management personnel

	Short term employee benefits				Post employment benefits	Share-based payments	
	Salaries and fees US$	Short term cash incentive US$	Other Benefits US$	Service Agreements US$	Superannuation US$	Options US$	Total US$
Year 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.

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 Maynard 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;

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(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.

(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 $A700,000 was drawn down and A$200,000 repaid during the year ended 30 June 2015. Interest of $A31,021 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

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
	6,253,369	7,497,861
Financial liabilities		
Trade and other payables	750,985	5,071,267
Unsecured loan from a related party	1,150,100	942,000
	1,901,085	6,013,267

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

Liquidity, credit and interest risk tables

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

Consolidated financial assets	Weighted average effective interest rate %	Less than 1 month US$	1 to 3 months US$	3 months to 12 months US$	1-5 years 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.

Consolidated financial assets	Weighted average effective interest rate %	Less than 1 month US$	1-3 months US$	3 months to 1 year US$	1-5 years 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	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

(d) Fair values

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

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

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

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

(e) Interest rate risk management

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

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	
Consolidated	2015 $	2014 $	2015 $	2014 $
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

The following table details the Group's sensitivity to a 10% increase and decrease in the US$ against the A$.

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

	Australian dollar impact on loss	
Consolidated	2015 US$	2014 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).

29. PARENT ENTITY INFORMATION

Financial position	2015 US$	2014 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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

Financial position	2015 US$	2014 US$
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**

Financial performance	2015 US$	2014 US$
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 it's 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.

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

Deloitte.

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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 38 to 75.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Deloitte.

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 31 to 36 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

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Compliance with Corporate Governance Principles and Recommendations

On 27 March 2014, the ASX Corporate Governance Council released its 3rd edition of the Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations") which came into effect from 1 July 2014.

Byron Energy Limited ("Byron or the Company") being an entity with a 30 June balance date is expected to measure its governance practices against the recommendations in the third edition commencing with the financial year ending 30 June 2015.

The corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations. This corporate governance statement is current as at 23 October 2015 and has been approved by the Board of the Directors of the Company ("the Board").

Principle 1 - Laying Solid Foundations for Management and Oversight

Recommendation 1.1 – Role of the Board and Management

The Board is responsible for corporate governance, that is, the system by which the Company and its subsidiaries ("the Group") are managed.

The Board has adopted a Corporate Governance Charter, incorporating a Board Charter, which outlines the manner in which its powers and responsibilities are exercised and discharged having regard to principles of good corporate governance and applicable laws.

The Corporate Governance Charter, incorporating a Board Charter, is available on the Company's website: www.byronenergy.com.au in the Corporate Governance section of the website.

The role of the Board is to create sustainable shareholder wealth in a manner consistent with the Company's Constitution, the Board Charter and all legal and regulatory requirements.

The Board achieves this by:

(a) charting strategy and setting financial targets for the Group;

(b) monitoring the implementation and execution of strategy and performance against financial targets;

(c) appointing and overseeing the performance of executive management;

(d) setting and overseeing the Company's values and corporate governance framework, and ensuring that the Company acts with integrity and in accordance with the highest ethical standards;

(e) ensuring there is an effective balance between the delegation and responsibility for the day to day operation and management to the Managing Director and the role of the Board in monitoring, guiding and providing oversight; in setting, overseeing the Company's direction; and

(f) ensuring effective communication with shareholders

The Board has responsibility for the matters specified above and, in addition to those matters reserved to it by law, reserves to itself the following matters and all power and authority in relation to those matters:

(a) oversight of the Group including its control and accountability systems;

(b) appointing and removing the Managing Director;

(c) ratifying the appointment and, where appropriate, the removal of the secretary;

(d) reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

(e) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;

(f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;

(g) approving and monitoring financial and other reporting;

(h) performance of investment and treasury functions;

(i) monitor industry developments relevant to the Group and its business;

(j) developing suitable key indicators of financial performance for the Group and its business;

(k) input into and final approval of management's development of corporate strategy and performance objectives;

(l) the overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals; and

(m) oversight of Committees.

To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate including, by way of example only, audit matters, finance and business risks, remuneration, and nominations, and to establish a framework for the effective and efficient management of the Company and the Group.

The Company complies with Recommendation 1.1 of the ASX Principles and Recommendations.

Recommendation 1.2 – Director Checks

The Company has processes in place to ensure the appropriateness of candidates for appointment and election as Directors.

Full details of each Director are announced in the initial appointment announcement and also included in the Annual Report. Where a director is seeking election, shareholders are given full details.

The Company complies with Recommendation 1.2 of the ASX Principles and Recommendations.

Recommendation 1.3 – Written Agreement with each Director and Senior Executive

The Company has written agreements with each Director, including Managing Director/Chief Executive Officer, setting out the terms of their appointment.

The Company complies with Recommendation 1.3 of the ASX Principles and Recommendations.

Recommendation 1.4 - Company Secretary

The Company Secretary reports directly to the Board, through the Chairman, on all matters regarding the functioning of the Board.

The Company complies with Recommendation 1.4 of the ASX Principles and Recommendations.

Recommendation 1.5 - Diversity

Having regard to the size (including a small complement of staff), current ownership structure of the Company and the nature of its activities, a separate formal diversity policy has not been adopted.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

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

The Company currently has no women in senior executive positions or women on the Board. The Board fully supports the gender diversity concept and is committed to establishing measurable objectives for achieving gender diversity as the business expands.

The Company does not comply with Recommendation 1.5 of the ASX Principles and Recommendations.

Recommendation 1.6 - Board Performance Assessment

The Company has a process for periodically evaluating the performance of its Board and each Director. The performance of all the directors is reviewed by the Chairman each year. The performance of the Chairman is reviewed and assessed each year by the other directors. The Chairman determines the evaluation criteria and process.

The performance of the committees is reviewed by the Chairman each year. The Chairman determines the evaluation criteria and process.

The Company complies with Recommendation 1.6 of the ASX Principles and Recommendations.

Recommendation 1.7 - Performance Evaluation of Senior Executives

The Company has a process for periodically evaluating the performance of its Managing Director/Chief Executive Officer and other senior executives. The performance of Managing Director/Chief Executive Officer and other senior executives is reviewed by the Board each year. In addition, the performance of the Managing Director/Chief Executive Officer and other senior executives is constantly reviewed by the Board as part of the ordinary course of meetings of directors.

The Company complies with Recommendation 1.7 of the ASX Principles and Recommendations

Principle 2 - Structure the Board to add value

Recommendation 2.1 – Nomination Committee

The Board has not formed a Nomination Committee as recommended by Recommendation 2.1 of the ASX Principles and Recommendations.

The Board as a whole reviews the composition of the Board and appointment of new Directors, to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The composition of the Board is currently determined according to the following principles:

(a) the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;

(b) the Board must consist a minimum of three Directors and a maximum of ten Directors;

(c) the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;

(d) the Chairman must be a non-executive Director; and

(e) at least half of the Board must be non executive Directors.

Having regard to the size, current ownership structure of the Company and the nature of its activities, the Board believes that the current composition of the Board is appropriate as it adds value by ensuring there is a broad range of experience, expertise,

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

skills, qualifications, and contacts which are deemed relevant to the business of the Company.

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

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director / Chief Executive Officer) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001 (Cth), the Board does not subscribe to the principle of a compulsory retirement age and there is no maximum period of service as a Director. A Managing Director / Chief Executive Officer may be appointed for any period and on any terms the Directors think fit and, subject to the terms of the written agreement entered into, the Board may revoke this appointment according to the terms of this agreement.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically to determine if a Nominations Committee is required for the Board to properly perform its responsibilities and functions.

The Company does not comply with Recommendation 2.1 of the ASX Principles and Recommendations.

Recommendation 2.2 – Board Skills Matrix

The Board endeavours to ensure that the Board comprises members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business. Having regard to the size, current ownership structure of the Company and the nature of its activities, the Board considers that it has the necessary balanced mix of skills.

To date the Board does not consider that a specific skills matrix is required. However, the Board will continue to consider whether it would be appropriate for the Company to adopt a board skills matrix as the Company continues to develop and grow.

The profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

The Company does not comply with Recommendation 2.2 of the ASX Principles and Recommendations.

Recommendation 2.3 – Directors Independence

The Company's Corporate Governance Charter requires:

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

The current Board comprises six directors with three non-executive directors and three executive directors.

The Board has followed the criteria outlined in Box 2.3 of ASX Principles and Recommendations when assessing the independence of the Directors. Based on the criteria in the ASX Principles and Recommendations the only director considered to be independent is Mr Charles Sands. Messrs Battersby, Smith, Kallenberger, Sack and Young are not considered independent according to the definition under the ASX Principles and Recommendations.

The profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

The Company does not comply with Recommendation 2.3 of the ASX Principles and Recommendations.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

Recommendation 2.4 – Majority of Directors Independent

The Company does not currently have a majority of the Board who are independent directors as recommended by Recommendation 2.4 of the ASX Principles and Recommendations.

Having regard to the size, current ownership structure of the Company and the nature of its activities, the Directors believe that the current composition of the Board is appropriate as it adds value by ensuring there is a broad range of experience, expertise, skills, qualifications, and contacts which are deemed relevant to the business of the Company.

The situation will be monitored and changed in line with best practice as and when the Directors feel the company is of sufficient size.

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

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

The Company does not comply with Recommendation 2.4 of the ASX Principles and Recommendations.

Recommendation 2.5 – Independent Chairman & Chief Executive Officer

The roles of Chairman and Managing Director/Chief Executive Officer of the Company are separately held by Mr Doug Battersby and Mr Maynard Smith respectively. Although the Company's Chairman is a non-executive director he is a substantial shareholder and as such is not an independent director under the definition of the ASX Principles and Recommendations

The Board considers Mr D. Battersby's role as Non-Executive Chairman essential to the success of the Company at this stage of its development.

The Company does not comply with Recommendation 2.5 of the ASX Principles and Recommendations.

Recommendation 2.6 – Company Induction and Professional Development of Directors

The Board considers that its Directors are suitably qualified and experienced to fulfil their roles, and that the Board possesses the correct mix of skills for the Board to be able to carry out its function effectively.

Each new director of the Company is, upon appointment, provided with an induction into the Company's assets and business including policies and procedures. This includes discussions with members of the existing Board, the Company Secretary and other key executives to familiarise themselves with the Company.

The Company complies with Recommendation 2.6 of the ASX Principles and Recommendations.

Principle 3 - Act Ethically and Responsibly

Recommendation 3.1 – Code of Conduct

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

The Company complies with Recommendation 3.1 of the ASX Principles and Recommendations.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

Principle 4 - Safeguarding Integrity in Corporate Reporting

Recommendation 4.1 – Audit & Risk Management Committees

The Company has an Audit and Risk Management Committee which is governed by its own charter.

Part of the Committee's responsibilities includes:

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

The Company's Audit and Risk Management Committee comprises two non-executive directors, Mr Paul Young (Chairman) and Mr Charles Sands. While Mr Young is not the Chairman of the Board he is not considered independent. Mr Charles Sands is considered independent.

A copy of the Audit and Risk Management Committee Charter (incorporated in the Company's Corporate Governance Charter) is available on the Company's website: www.byronenergy.com.au.

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

The Company has disclosed the relevant qualifications and experience of the members of the Audit and Risk Management Committee in the Directors' Report.

The Audit and Risk Management Committee met a total of four times during the year ended 30 June 2015.

While the Company has an audit committee in line with Recommendation 4.1 of the ASX Principles and Recommendations, the Company does not comply with Recommendation 4.1 (a) (1) and 4.1 (a) (2) in that it does not have at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and is chaired by an independent director, who is not the chair of the board.

Recommendation 4.2 – Declarations from the CEO and CFO

The Managing Director/Chief Executive Officer and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

The Company complies with Recommendation 4.2 of the ASX Principles and Recommendations.

Recommendation 4.3 – External Auditors

The Company invites the auditors to attend the AGM. The auditors are available to answer any questions from shareholders relevant to the audit.

The Company complies with Recommendation 4.3 of the ASX Principles and Recommendations.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 – Disclosure Policy

The Company is committed to providing timely, complete and accurate disclosure of information to allow a fair, and well informed market in it securities and compliance with continuous disclosure requirements imposed by law including the Corporations Act and the ASX Listing Rules.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website: www.byronenrgy.com.au

The Company complies with Recommendation 5.1 of the ASX Principles and Recommendations.

Principle 6 - Respecting the rights of shareholders

Recommendation 6.1 – Information on Website

The Company provides information about itself and its governance to its investors via the Company's website: www.byronenrgy.com.au which contains all relevant information about the Company. The Company will regularly update the website and its contents therein as deemed necessary

The Company complies with Recommendation 6.1 of the ASX Principles and Recommendations.

Recommendation 6.2 – Investor Relations Program

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs.

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

In addition, the Company has in place a key investor relations program that aims to facilitate effective two-way communication with investors. The program comprises:-

- meetings with key existing and potential shareholders and brokers, and
- presentations to these key stakeholders on the Company's activities and on its and the industry outlook. Those presentations are released to the ASX prior to those presentations in accordance with the ASX Listing Rules.

The Company complies with Recommendation 6.2 of the ASX Principles and Recommendations.

Recommendation 6.3 – Participation at Meetings of Shareholders

All shareholders are notified in writing of general meetings and encouraged to participate in person or by to ensure a high level of accountability and understanding of the Group's strategy, activities and financial position and performance.

The Company complies with Recommendation 6.3 of the ASX Principles and Recommendations.

Recommendation 6.4 – Electronic Communication

The Company's website, www.byronenergy.com.au has a facility for investors to send emails to the Company.

The Company's share registry, Boardroom Pty Ltd, has facilities for shareholders to receive and send communications electronically.

The Company complies with Recommendation 6.4 of the ASX Principles and Recommendation.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

Principle 7 - Recognising and managing risk

Recommendation 7.1 – Risk Committee

The Company has an Audit and Risk Management Committee which is governed by its own charter.

Part of the Committee's responsibilities includes:

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

The Company's Audit and Risk Management Committee comprises two non-executive directors, Mr Paul Young (Chairman) and Mr Charles Sands. While Mr Young is not the Chairman of the Board he is not considered independent. Mr Charles Sands is considered independent.

A copy of the Audit and Risk Management Committee Charter is included in the Company's Corporate Governance Charter available on the Company's website: www.byronenergy.com.au .

The Board believes that given the size of the Company, the Committee will adequately fulfil its intended role.

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

The Company has disclosed the relevant qualifications and experience of the members of the Audit and Risk Management Committee in the Directors' Report.

The Audit and Risk Management Committee met a total of four times during the year ended 30 June 2015.

While the Company has a committee to oversee risk as recommended by Recommendation 7.1 of the ASX Principles and Recommendations, it does not comply with Recommendation 7.1 (a) (1) & (2) in that it does not have at least three members, a majority of whom are independent directors and is chaired by an independent director.

Recommendation 7.2 – Annual Risk Review

The Board annually reviews and approves the risk framework of the Company.

The Company undertook a review of the Company's risk management framework during the year ended 30 June 2015.

The Company complies with Recommendation 7.2 of the ASX Principles and Recommendation.

Recommendation 7.3 – Internal Audit

Having regard to the size (including a small complement of staff), current ownership structure of the Company and the nature of its activities, the Company does not have an internal audit function. The Board as a whole, in conjunction with the Audit and Risk Management Committee and its external auditor, discharges the function of evaluating and continually improving the effectiveness of its risk management and control processes.

The Company complies with Recommendation 7.3 of the ASX Principles and Recommendation.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015 (CONT'D)

Recommendation 7.4 – Economic, Environmental and Social Sustainability Risks

The Company's performance is subject to business, financial and operational risks including but not limited to:

- industry risks associated with exploration and production of oil and gas generally and offshore operations specifically, including inability to find or replace reserves;
- oil and gas price risk;
- economic risks, such as changes in economic conditions that may adversely impact the Company's business or operations; and
- environmental risks due to oil spills, natural gas leaks, pipeline ruptures or discharges of toxic gases,
- financial risks including access to needed capital on satisfactory terms, and
- social sustainability risks.

The key areas of risk, uncertainty and material issues facing the Company in executing its strategy and delivering on its targets are included in the Directors' Report incorporated in the Company's Annual Report

The Company's Risk Management Policy incorporates these risks into a formal risk profile prepared by management to keep the Board informed about risks of this nature facing the Company. This risk profile is reviewed and updated at least annually.

The Company complies with Recommendation 7.4 of the ASX Principles and Recommendation.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 – Remuneration Committee

Having regard to its size, with a small complement of staff and executive, the Company does not currently have a dedicated Remuneration Committee. The task of ensuring that the level of director and executive remuneration is appropriate and competitive, and that its relationship to performance is clear, is dealt with by the Board.

The Company does not comply with Recommendation 8.1 of the ASX Principles and Recommendation.

Recommendation 8.2 – Disclosure of Remuneration Policies and Practices

The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives is disclosed in the in the Remuneration Report which forms part of the Directors' Report.

The Company complies with Recommendation 8.2 of the ASX Principles and Recommendation.

Recommendation 8.3 – Policy on Equity Based Remuneration Scheme

Under the Company's Securities Trading Policy, available on the Company's website: www.byronenergy.com.au senior executives and directors are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of any equity based remuneration packages, such as options and employee incentive rights.

The Company complies with Recommendation 8.3 of the ASX Principles and Recommendation.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 30 September 2015.

Distribution of Equity Securities

As at 30 September 2015 the Company had a total of 192,919,735 Ordinary Shares on issue and 36,995,984 Options on issue comprising:

Quoted Ordinary Shares

192,919,735 fully paid Ordinary Shares are held by 814 shareholders. All issued ordinary shares carry one vote per share without restriction. Every member at a meeting of shareholders shall have one vote and up on a poll each share shall have one vote.

Unquoted Options on issue

33,695,984 options are held by 322 option holders. 36,995,984 options are exercisable on or before 31 December 2016 at an exercise price of $A0.50 cents each and 1,700,000 options are exercisable on or before 30 September 2017 at an exercise price of $A0.65 cents each. There are no voting rights attached to these options.

Escrowed Securities

As at 30 September 2015 there are no escrowed securities.

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

Size of holding	No. of holders	No. of shares
1 – 1,000	94	38,733
1,001 – 5,000	168	493,653
5,001 – 10,000	106	829.769
10,001 – 100,000	244	9,870,131
100,001 and over	202	181,687,449
Total Holders	**814**	**192,919,735**

The number of security investors holding less than a marketable parcel of securities is 48 with a combined total of 5,246 securities.

ASX ADDITIONAL INFORMATION (CONT'D)

The number of optionholders, by size of holding and the total number of unquoted options on issue:

Size of holding	No. of holders	Options exercisable at $A0.50	No. of holders	Options exercisable at $A0.65
1 – 1,000	15	8,786	-	-
1,001 – 5,000	82	226,313	-	-
5,001 – 10,000	34	285,033	-	-
10,001 – 100,000	139	5,734,196	-	-
100,001 and over	52	30,741,656	1	1,700,000
Total	**322**	**36,995,984**	**1**	**1,700,000**

Substantial Shareholders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates).

	Name of holder	No. of ordinary shares held
1.	Douglas Battersby (and associates)	22,662,202
2.	Maynard Smith (and associates)	15,594,534
3.	Cameron Richard Pty Ltd (and associates)	11,570,907

ASX ADDITIONAL INFORMATION (CONT'D)

20 Largest Equity Security Holders

	Quoted Ordinary shares	Number	Percentage
1.	Veruse Pty Limited	15,155,404	7.86%
2.	Geogeny Pty Limited	9,380,711	4.86%
3.	First Colby Co Pty Ltd <PJ Jones Family Account>	8,373,544	4.34%
4.	Mr Charles Sands	7,926,182	4.11%
5.	Linwierik Super Pty Ltd <Linton Super Fund A/C>	6,400,000	3.32%
6.	Merrill Lynch (Australia) Nominees Pty Limited	6,106,940	3.17%
7.	Mr John Sands	5,998,181	3.11%
8.	Smithley Super Pty Ltd <Smith Super Fund A/C>	5,270,000	2.73%
9.	Mr Matthew Dominello	4,895,400	2.54%
10.	Mr Douglas Geoffrey Battersby & Ms Alison Rosemary Battersby & Mr Ewan Battersby <Veruse Employees S/Fund A/C>	4,631,798	2.40%
11.	Barrijag Pty Ltd	4,000,000	2.07%
12.	Geogeny Pty Limited <M & V Smith Super Fund A/C>	3,373,823	1.75%
13.	Cockleshells Aust Pty Ltd <Cockleshells Super Fund A/C>	2,986,448	1.55%
14.	Citicorp Nominees Pty Limited	2,955,827	1.53%
15.	National Nominees Limited	2,889,876	1.50%
16.	Clapsy Pty Limited <Baron Super Fund A/C>	2,794,000	1.45%
17.	Cameron Richard Pty Ltd <LPS PL No 5 Exec B/Plan A/C>	2,687,036	1.39%
18.	HSBC Custody Nominees (Australia) Limited	2,397,225	1.24%
19.	Yuan Quan Pty Ltd <Pocock Family No 2 A/C>	2,200,000	1.14%
20.	Allegro Capital Nominees Pty Ltd <Allegro Capital Account>	1,919,853	1.00%
Total quoted shares held by top 20 Shareholders		**102,342,248**	**53.05%**
Quoted shares held by other Shareholders		**90,577,487**	**46.95%**
Total quoted shares		**192,919,735**	**100.00%**

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