BYRONENERGY LIMITED

BYRON ENERGY LIMITED

ABN 88 113 436 141

Half year report for the half-year ended 31 December 2015

BYRON ENERGY LIMITED
ABN 88 113 436 141

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DIRECTORS' REPORT

The directors of Byron Energy Limited ("Byron" or the "Company") submit herewith the financial report of Byron Energy Limited and its subsidiaries ("the consolidated entity" or "Group") for the half-year ended 31 December 2015.

Directors

The following persons were directors of Byron Energy Limited during the half year ended 31 December 2015 and up to the date of this report (in office for the entire period unless otherwise stated):

Douglas G. Battersby

Maynard V. Smith

Prent H. Kallenberger

Charles J. Sands

Paul A. Young

William R. Sack

Principal activities

The principal activities of the consolidated entity during the half year ended 31 December 2015 were the exploration, development and leasing of oil and gas properties in the shallow waters of the Gulf of Mexico ("GOM"), USA.

Operating Result

The loss for the consolidated entity after income tax for the half-year ended 31 December 2015 was US$1,101,266 (31 December 2014: US$1,425,592 loss).

The current period's loss for the consolidated entity after income tax was US$ 324,326 lower than the previous financial half-year ended 31 December 2014 of US$1,425,592, mainly due to lower executive remuneration.

Financial Position

At 31 December 2015, the consolidated entity had total assets of US$32,327,408 and total liabilities of US$1,818,073 resulting in net assets of US$30,509,335 (June 30 2015: US31,456,878).

At 31 December 2015, the consolidated entity held cash and cash equivalents of US$2,757,245 (30 June 2015: US$5,970,070). The Group had an outstanding loan provided by four of the Company's directors and several other shareholders at balance date of A$700,000 and US$612,500. Apart from this loan, the Group does not maintain any other finance facilities as at 31 December 2015.

Issued capital

During the half year ended 31 December 2015, the Company issued 900,000 fully paid ordinary shares raising a total of US$170,663 (A$225,000) by way of a July 2015 placement of 900,000 ordinary shares at an issue price of A$0.25 per.

During the half year ended 31 December 2015, the Company issued 250,000 share options with an exercise amount of A$0.25 and expiry date of 30 September 2018. The Company did not receive any applications or consideration for the conversion of options during the period.

The Company's issued capital as at 31 December 2015 comprised:-

	Issued	**Quoted**	**Unquoted**
Shares (ASX:BYE)	192,919,735	192,919,735	-
Options	38,945,984	Nil	38,695,984

Dividend

No dividends in respect of the current half year ended 31 December 2015 have been paid, declared or recommended for payment.

Review of Operations

Corporate

Multi-well Farm Out Deal with Otto on GOM Properties

On 11 December 2015, Byron announced a multi-well farm out deal with Otto Energy Ltd ("Otto") on certain Gulf of Mexico properties, summarised as follows:-

- Byron has entered into a multi-well staged farm-out agreement with Otto Energy Ltd. (ASX: OEL) that potentially injects US$ 17.3 million in capital into three of Byron's existing projects;

- This transaction accelerates Byron's drilling program in the GOM by partnering with a well-capitalised company and reduces Byron's capital requirements while Byron retains operatorship and leverages its GOM expertise;

- Otto will earn a 50% working interest in Byron's SM 6 lease by paying a disproportionate 66.67% share of drilling costs of the SM 6 #2 well, plus reimbursing a portion of Byron's past costs. Otto will then have an option to earn a 50% working interest in Byron's SM 70/71 leases by paying a disproportionate 66.67% share of drilling costs of the SM 71 #1 well and reimbursing a portion of Byron's SM 70/71 past costs;

- Otto will also have an option to earn a 45% working interest in Byron's Bivouac Peak leases by paying a disproportionate share of drilling costs of the first well on the leases and reimbursing a portion of Byron's past costs;

- Byron will utilise a Hercules jack up rig, as previously announced, to drill one well at SM 6, followed by an optional well at SM 71 beginning in the March 2016 quarter; and

- Byron has also taken steps to place the SM 6 lease on a path to production by executing a Production Handling Agreement with the offset operator, Fieldwood Energy LLC, and has applied for the necessary approvals with BOEM to modify the existing SM 6 caisson with the goal of establishing initial production by end 2016/early 2017.

Placements

On 3 July 2015, the Company completed the share placement announced on 7 May 2015 by placing 900,000 fully paid ordinary shares at A$0.25 per share.

On 30 December 2015, Byron announced a A$4.5 million placement ("Placement") of 29.9 million new shares.

The Placement consists of 29,928,333 fully paid new ordinary shares to be issued at A$0.15 per share to raise A$4.5 million (before issue costs). The Placement shares comprise:-

- an unconditional placement of 23,866,666 shares to raise approximately A$3.6 million (to be completed in January 2016) utilising the Company's existing Listing Rule 7.1 placement capacity, and

- a conditional placement of 6,061,667 shares ("Conditional Placement") to raise approximately A$0.9 million comprising subscriptions from Byron directors (and their associates).

The Conditional Placement was approved by shareholders at an Extraordinary General Meeting ("EGM") of Byron's shareholders, held on 15 February 2016 and will therefore not use up any of the Company's existing Listing Rule 7.1 placement capacity.

Share Purchase Plan

On 30 December 2015, the Company announced a Share Purchase Plan ("SPP") to raise up to A$2.5 million. The SPP allows eligible shareholders to subscribe for a maximum of A$15,000 worth of ordinary shares in the Company at a subscription price of A$0.15 per share (being the issue price of the Placement). The SPP opened on 12 January 2016 and closed on 19 February 2016, raising A$280,550 requiring the issue of 1,870,344 fully paid ordinary shares.

Review of Operations (continued)

Conversion of Loans to Equity

On 30 December 2015 Byron announced that all lenders in relation to the Company's borrowings of A$700,000 ("AUD Loans") and US$612,500 ("USD Loans") repayable on 1 July 2016 had agreed to convert their loans to the Company to shares in the Company at A$0.15 per share. Conversion of loans from directors or their associates comprising the AUD Loans and US$287,500 of the USD Loans were approved by shareholders at an EGM held on 15 February 2016, subsequently all the outstanding loans were settled by the issue of 10,337,966 fully paid ordinary shares on 19 February 2016.

Issue of new share options

On 4 December 2015 Byron announced the proposed issue of 1.7 million unlisted options to Mr William ("Bill") Sack, Executive Director of the Company, exercisable at an exercise price of A$0.25 per share on or after issue at any time on or before 30 September 2018. Shareholders approved the issue of these share options at an EGM held on 15 February 2016.

On 4 December 2015 Byron also announced the issue of 250,000 unlisted options in the Company, to Mr Peter Love, an adviser to the Company, exercisable at an exercise price of A$0.25 per share on or after issue at any time on or before 30 September 2018. The issue to Mr Love was completed on 11 December 2015.

Exploration and Development

South Marsh Island Block 6 Salt Dome Project

In July 2015, Byron finalised the completion of the Byron Energy SM 6 #1 BP 02 well for future production. The Hercules 205 drilling rig was used to re-enter 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 with the Hercules 205 rig demobilised on 5 July 2015. The completion operation in the F40 Sand enabled the SM 6 lease expiry date to be extended from 30 June 2015 to 27 December 2015.

During the December 2015 quarter Byron filed a Development Operations Coordination Document ("DOCD") with the Bureau of Ocean Energy Management ("BOEM"). The DOCD is structured, to allow Byron to modify the existing SM 6 caisson and lay a flow line to the SM 10 "A" platform where hydrocarbons will be separated and transported to market for sale. Along with that DOCD application, Byron requested a Suspension of Production ("SOP") from the Bureau of Safety and Environmental Enforcement ("BSEE") for the SM 6 lease that will extend the lease term in order to give Byron time to design, install and hook up these new facilities. A key component of this process is a Production Handling Agreement between Byron and the offset operator at SM 10, Fieldwood Energy LLC ("Fieldwood").

In December 2015 BSEE granted Byron an SOP for SM 6 from December 28, 2015 through December 31, 2016, based on an activity schedule submitted by Byron. In accordance with the activity schedule, Byron will first conduct a Right of Way pipeline pre-lay survey in February 2016. The pipeline, when completed, would link SM 6 wells with the nearby Fieldwood operated host platform at SM 10, on the offset lease.

Also during the December 2015 quarter, Byron filed the Application for Permit to Drill ("APD") in relation to the SM 6 # 2 well. The APD was approved by BSEE in late January 2016.

South Marsh Island 70/71 Salt Dome Project

During the half year ended 31 December 2015, work continued on well permitting and project planning for drilling of the first well on the SM 70/71 prospect. The preparation of an Exploration Plan ("EP") for approval by the BOEM was lodged with the BOEM during the September 2015 quarter. The BOEM approved the EP during the December 2015 quarter. At 31 December 2015 Byron was waiting on BSEE to approve the APD in relation to the proposed well. The APD is expected to be approved by BSEE during the March 2016 quarter. In October 2015, Byron announced it had contracted a Hercules jack up rig to drill one well plus an optional well beginning in the March 2016 quarter.

Eugene Island 63/76 Salt Dome Project

Interpretation of the Anisotropic Reverse Time Migration reprocessing of 3D seismic 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 continued during the half year ended 31 December 2015.

Grand Isle 63/72/73 Salt Dome Project

Byron licensed spec 3D Reverse Time Migration seismic data from TGS Nopec over the Grand Isle 63/72/73 Salt Dome Project in the June 2015 quarter. Interpretation work continued during the half year ended 31 December 2015.

Review of Operations (continued)

Bivouac Peak Leases

On 5 November 2015, Byron announced that it had acquired an onshore/marshland lease from private landowners over approximately 2,400 contiguous acres (9.7 square kilometres) along the southern Louisiana Gulf Coast inboard of Byron's existing shallow water projects in the Federal Outer Continental Shelf ("OCS") leasing areas. The Bivouac Peak Prospect, acquired under the Aurora Exploration Option Agreement, announced to the market on 3 October 2014, represents a significant addition to Byron's expanding position in the highly productive transitional zone comprising the northernmost shallow waters of the Federal Gulf Of Mexico Shelf, Louisiana State Waters, and onshore coastal Louisiana.

Byron will be the operator of the lease, through its wholly owned subsidiary Byron Energy Inc, and holds a 90% Working Interest ('WI") position while a non-operating private Louisiana based exploration entity will hold a 10% WI position. Byron will have a Net Revenue Interest ("NRI") of 67.05%. Byron has utilized advanced 3D seismic to identify multiple exploration objectives on the acreage which lies within a regionally proven trend with prolific Miocene production.

Bivouac Peak can be drilled and developed at similar cost and risk to Byron's existing GOM Shelf projects and complements our existing portfolio.

Eugene Island 190/191/210 Project

In July 2015, Byron relinquished the EI 190/191/210 blocks after a thorough review of the seismic data. The impairment charge in respect to this project was included in the results for the year ended 30 June 2015.

Properties

As at 31 December 2015, Byron's portfolio of properties, all in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA comprised:-

Properties	Operator	Interest WI/NRI (%)*	Lease Expiry Date	Lease Area (Km^2)
South Marsh Island				
Block 6#	Byron	100.00/81.25	December 2016**	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
Transition Zone (Offshore Louisiana)				
Bivouac Peak Leases#	Byron	90.00/67.05	September 2018	9.70

** Working Interest ("WI") and Net Revenue Interest ("NRI"). The WI and NRI percentages in respect to SM 6, SM 70, SM 71 and Bivouac Peak are before Otto earns any interest. If Otto earns an interest in each of these areas Byron's WI and NRI will reduce by 50% from the earning point.*

*** Subject to Byron complying with the terms of the SOP (refer to comments* on South Marsh Island Block 6).

 # Otto will earn a 50% working interest in Byron's SM 6 lease by paying a 66.7% disproportionate share of drilling costs of the SM 6 #2 well and reimbursing a portion of Byron's past costs. Otto will then have an option to earn a 50% working interest in Byron's SM 70/71 leases by paying a 66.7% disproportionate share of drilling costs of the SM 71 #1 well and reimbursing a portion of Byron's SM 70/71 past costs. Otto will also have an option to earn a 45% working interest in Byron's Bivouac Peak leases by paying a disproportionate share of drilling costs of the first well on the leases and reimbursing a portion of Byron's past costs.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001*, is set out on page 7.

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

On behalf of the directors

D. G. Battersby
Chairman

29th February 2016

Deloitte.

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

29 February 2016

Dear Board Members

Byron Energy Limited

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

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

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Alison Brown
Alison Brown
Partner
Chartered Accountants

BYRON ENERGY LIMITED
ABN 88 113 436 141

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 December 2015 US$	31 December 2014 US$
Corporate and administration costs	(687,090)	(875,676)
Share based payments	(20,193)	(271,219)
Depreciation / amortisation of property, plant & equipment	(9,417)	(9,947)
Other expenses	(357,700)	(285,053)
Earnings before interest and tax (EBIT)	**(1,074,400)**	**(1,441,895)**
Financial income	30,272	84,710
Financial expense	(57,138)	(68,407)
Loss before tax	**(1,101,266)**	**(1,425,592)**
Income tax expense	-	-
Loss for the half-year attributable to owners of parent	**(1,101,266)**	**(1,425,592)**
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	(37,133)	23,686
Total comprehensive loss for the half-year attributable to owners of parent	**(1,138,399)**	**(1,401,906)**
Earnings per share		
Basic earnings / (loss) cents per share	(0.57)	(1.00)
Diluted earnings / (loss) cents per share	(0.57)	(1.00)

The accompanying notes form part of these condensed financial statements.

BYRON ENERGY LIMITED
ABN 88 113 436 141

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Consolidated 31 December 2015 US$	Consolidated 30 June 2015 US$
Assets			
Current assets			
Cash and cash equivalents		2,757,245	5,970,070
Trade and other receivables		32,450	35,014
Other		572,112	328,335
Total current assets		**3,361,807**	**6,333,419**
Non-current assets			
Other		375	452
Exploration and evaluation assets	2	28,901,316	27,407,054
Property, plant and equipment		54,348	57,753
Other intangible assets		9,562	12,258
Total non-current assets		**28,965,601**	**27,477,517**
Total assets		**32,327,408**	**33,810,936**
Liabilities			
Current liabilities			
Trade and other payables		243,849	750,985
Borrowings	4	1,123,920	-
Provisions		77,392	79,207
Total current liabilities		**1,445,161**	**830,192**
Non-current liabilities			
Provisions		372,912	373,766
Borrowings		-	1,150,100
Total non-current liabilities		**372,912**	**1,523,866**
Total liabilities		**1,818,073**	**2,354,058**
Net assets		**30,509,335**	**31,456,878**
Equity			
Issued capital	3	69,768,920	69,598,257
Foreign currency translation reserve		(208,509)	(171,376)
Share option reserve		2,379,244	2,359,051
Accumulated losses		(41,430,320)	(40,329,054)
Total equity		**30,509,335**	**31,456,878**

The accompanying notes form part of these condensed financial statements.

BYRON ENERGY LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 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 2014	**56,124,868**	**2,104,108**	**(146,097)**	**(36,090,199)**	**21,992,680**
Loss for the half year	-	-	-	(1,425,592)	(1,425,592)
Exchange differences arising on translation of the parent entity	-	-	23,686	-	23,686
Total comprehensive loss for the half year	-	-	23,686	(1,425,592)	(1,401,906)
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 approved by an EGM 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
Equity raising costs	(155,944)	-	-	-	(155,944)
The issue of 3,076,923 shares upon the conversion of loans approved by an EGM 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	-	271,219	-	-	271,219
Balance at 31 December 2014	**61,512,862**	**2,375,327**	**(122,411)**	**(37,515,791)**	**26,249,987**
Balance at 1 July 2015	**69,598,257**	**2,359,051**	**(171,376)**	**(40,329,054)**	**31,456,878**
Loss for the half year	-	-	-	(1,101,266)	(1,101,266)
Exchange differences arising on translation of the parent entity	-	-	(37,133)	-	(37,133)
Total comprehensive loss for the half year	-	-	(37,133)	(1,101,266)	(1,138,399)
The issue of 900,000 shares under a placement at A$0.25 per share	170,663	-	-	-	170,663
Recognition of share-based payments following the issue of 250,000 options to a service provider	-	20,193	-	-	20,193
Balance at 31 December 2015	**69,768,920**	**2,379,244**	**(208,509)**	**(41,430,320)**	**30,509,335**

The accompanying notes form part of these condensed financial statements.

BYRON ENERGY LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated 31 December 2015 US$	31 December 2014 US$
Cash flows from operating activities		
Payments to suppliers and employees	(1,351,161)	(1,022,831)
Interest paid	(56,455)	(27,894)
Interest received	4,092	6,480
Net cash flows used in operating activities	**(1,403,524)**	**(1,044,245)**
Cash flows from investing activities		
Payments for exploration and evaluation	(1,908,190)	(9,576,551)
Payments for property, plant and equipment	(4,201)	(21,223)
Net cash flows generated used in investing activities	**(1,912,391)**	**(9,597,774)**
Cash flows from financing activities		
Proceeds from issues of ordinary shares	170,663	5,543,938
Payment of equity raising and transaction costs	(28,090)	(149,146)
Proceeds from borrowings from related parties	-	2,197,350
Repayment of borrowings to related parties	-	(1,853,200)
Net cash flows from financing activities	**142,573**	**5,738,942**
Net increase/(decrease) in cash and cash equivalents held	**(3,173,342)**	**(4,903,077)**
Cash and cash equivalents at the beginning of the period	**5,970,070**	**7,232,585**
Effect of exchange rate changes on the balance of cash held in foreign currencies	(39,483)	(179,458)
Cash and cash equivalents at the end of the period	**2,757,245**	**2,150,050**

The accompanying notes form part of these condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note **Contents**

1. Significant accounting policies

Statement of compliance

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

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States of America dollars (US$), unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

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

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

Standard/Interpretation

1. AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

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

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 2, Exploration and evaluation assets.

1. Summary of significant accounting policies (continued)

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 six months ended 31 December 2015, the consolidated entity incurred a loss after tax of US$ 1.1 million (2014: US$ 1.4 million), had negative net cash flows from operating activities of US$ 1.4 million (2014: US$ 1.0 million) and negative net cash flows from investing activities of US$ 1.9 million (2014: US$ 9.6 million). At 31 December 2015, the consolidated entity had net current assets of US$ 1.9 million and net assets of US$ 30.5 million including US$ 28.9 million of exploration and evaluation assets.

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 and corporate operating costs.

During and since the end of the half year ended 31 December 2015, 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:-

- completed a share placement on 19 February 2016 for the issue of 29,928,333 fully paid ordinary shares at an issue price of A$0.15 per share raising a total of A$4,489,250;

- finalised a share purchase plan on 19 February 2016 that subsequently resulted in the issue of 1,870,344 fully paid ordinary shares at an issue price of A$0.15 per share raising a total of A$280,550:

- following the approval by shareholders in February 2016, loans to the Company bearing interest at 10% per annum from four directors (and several other shareholders) comprising A$700,000 and US$612,500 that were repayable in cash on 1 July 2016, were converted to equity on 19 February 2016 at A$0.15 per at an exchange rate of US$0.72 resulting in the issue of 10,337,966 fully paid ordinary shares;

- held an extraordinary general meeting of shareholders on 15 February 2016, where the shareholders approved:-
  - the conversion of A$700,000 and US$287,500 of loans from four directors to equity at A$0.15 per fully paid ordinary share at an exchange rate of US$0.72;
  - the issue of 6,061,667 fully paid ordinary shares for cash in the Company at an issue price of A$0.15 per share to directors and their related parties, completed on 19 February 2016; and
  - approved and ratified the issue of 23,866,666 fully paid ordinary issued under a placement in January/February 2016, under Listing Rule 7.4, such that the Company has refreshed its 15% placement capacity under Listing Rule 7.1.

1. Summary of significant accounting policies (continued)

Going Concern (continued)

The consolidated entity has prepared a cash flow forecast which indicates that it will not have sufficient cash inflows to meet its ongoing planned expenditures.

The Company has a demonstrable track record of raising funds which historically has been strongly supported by its directors and major shareholders. Consequently, the directors are confident that they will be successful in raising further funds during the coming year through one or more of the following:-

(a) raising additional equity capital;
(b) securing additional debt funding; and
(c) realising its interests in oil and gas leases or securing farm-out arrangements for the consolidated entity's oil and gas if required.

On the basis that the Company is able to achieve one or more of the three factors listed above, the cash flow forecast prepared by management, demonstrates that the consolidated entity will have sufficient funds to meet its commitments over the next twelve months, and for that reason the financial statements have been prepared on the basis that the consolidated entity is a going concern.

In the event that the consolidated entity is unsuccessful in the matters set out above, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and discharge its 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 consolidated entity not continue as a going concern.

	Consolidated	
	31 December 2015 US$	**30 June 2015 US$**

2. Exploration and evaluation assets

	31 December 2015 US$	30 June 2015 US$
Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost	28,901,316	27,407,054
Reconciliation of movements:-		
Carry amount at the beginning of the period	27,407,054	20,500,370
Additions at cost	1,494,262	8,656,807
Impairment expense	-	(1,750,123)
Carrying amount at the end of the financial half- year	28,901,316	27,407,054

In accordance with the Company's accounting policies, the Company performs its impairment testing bi-annually. Notwithstanding the continuing decline in the oil prices during the half year ended 31 December 2015, the Company's assessment was that no impairment to the Exploration and evaluation assets is required as at 31 December 2015.

3. Issued capital

	31 December 2015		30 June 2015	
(a) Movement for period	**Number**	**US$**	**Number**	**US$**
Fully paid ordinary shares	192,919,735	69,768,920	192,019,735	69,598,257
Movements in ordinary share capital for the period:-				
Balance as at 1 July 2015	192,019,735	69,598,257		
The issue of 900,000 shares under a placement at A$0.25 per share	900,000	170,663		
Balance as at 31 December 2015	192,919,735	69,768,920		

(b) Terms and conditions of contributed equity

Ordinary shares

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

As at 31 December 2015, the issued capital of the Company comprised 192,919,735 ordinary shares and all shares are quoted on the ASX.

3. Issued capital (continued)

(c) Share options

Options over ordinary shares

As at 31 December 2015, there were 38,945,984 unissued ordinary shares in respect of which the following options were outstanding:

Expiry date	Number	Securities	Exercise price
31 December 2016	36,995,984	Unlisted options	A$0.50
30 September 2017	1,700,000	Unlisted options	A$0.65
30 September 2018	250,000	Unlisted options	A$0.25
Total	38,945,984		

During the half-year ended 31 December 2015, 250,000 share options were issued with an exercise amount of A$0.25 and expiring on 30 September 2018. No share options were converted into ordinary fully paid shares during the period.

4. Borrowings and financing facility

During the half-year and at balance date, the Company does not have any undrawn loan facilities. The Company has outstanding loans from four of the Company's directors and several other shareholders, totaling A$700,000 and US$612,500, repayable in cash by 1 July 2016. Please note that following shareholder approval at Byron's EGM held on 15 February 2016, all the lenders have agreed to convert their loans into shares at A$0.15 per share at a US$ / A$ exchange rate of US$0.72 in February 2016.

5. Financial instruments

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

6. Expenditure commitments

(a). General expenditure commitments

The Group has no general expenditure commitments at the end of the period, except for non cancellable operating lease payments. These obligations are not materially different from those disclosed in the financial statements for the year ended 30 June 2015.

(b). Well drilling commitment

The Group has no exploration lease commitments at the end of the half-year ended 31 December 2015 as the leasing arrangements of the Gulf of Mexico blocks do not require firm work programme commitments. The Group does have a financial commitment as at balance date for part of the drilling expenditure of the SM 6 #2 well that spudded in February 2016 as detailed below.

	Consolidated	
	31 December 2015 US$	**31 December 2014 US$**
Commitment for drilling expenditure		
Not longer than 1 year	1,776,200	-

7. Foreign currency translation

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

	31 Dec 2015 (half year)	30 June 2015 (full year)	31 Dec 2014 (half year)
Spot rate	0.7306	0.7680	0.8202
Average rate for the period	0.7232	0.8380	0.8915

8. Contingent liabilities

(a) One of the Group's USA subsidiaries, Byron Energy Inc ("BEI") 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, BEI has surety bonds issued through a surety company to secure those obligations for its operated interests. As of 31 December 2015, BEI was contingently liable for its Gulf of Mexico operated block areas and interests of US$1,150,000 (31 December 2014: US$550,000).

(b) Byron Energy (Australia) Pty Ltd has agreed to provide a guarantee of the obligations of BEI (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 BEI's interest in Eugene Island 183/184 and other non operated interests.

9. Segment information

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

The geographical location of the Group's non-current assets at 31 December 2015 is USA US$28,946,107 (31 December 2014: US$26,592,061) and Australia US$19,494 (31 December 2014: US$24,742).

10. Related party

The following related party transactions were continued or entered into during the half year ended 31 December 2015:-

(a) The Company has unsecured loans, bearing interest at 10% pa, with four of the Company's directors and several other shareholders, comprising A$700,000 and US$612,500, repayable in cash on 1 July 2016. As at 31 December 2015, the individual directors' transactions and balances under this facility are:-

- Veruse Pty Ltd, a company controlled by Mr Douglas Battersby, has provided an unsecured loan of A$500,000 to the Company; and interest charges of A$25,205 were paid or accrued in the half year to 31 December 2015;
- Geogeny Pty Ltd, a company controlled by Mr Maynard Smith, has provided an unsecured loan of A$200,000 to the Company; and interest charges of A$10,082 were paid or accrued in the half year to 31 December 2015;
- Mr Charles Sands has provided an unsecured loan of US$250,000 to the Company, and interest charges of US$12,603 were paid or accrued in the half year to 31 December 2015; and
- Middle Fork Resources LLC, a company controlled by Mr Prent Kallenberger has provided an unsecured loan of US$37,500 to the Company; and interest charges of US$1,890 were paid or accrued in the half year to 31 December 2015.

(b) On 3 October 2014, Mr William Sack was appointed a director of the Company. At the same time Aurora Exploration, LLC 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;
- 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 formalized in recordable form if and when Prospects are granted to BEI following its election to pursue them).

During the period ended 31 December 2015 and with reference to the above Exploration Agreement with Aurora, BEI acquired a 90% working interest in the Bivouac Peak Prospect Leases ("BPPL") which triggered the following related party transactions:-

- BEI has accrued US$37,500 in prospect fees payable to Aurora as at 31 December 2015; and
- granted Aurora a 2.5% overriding royalty interest in the BPPL.

(c) As announced to the ASX on 4 December 2015, and subsequently approved by shareholders at an EGM held on 15 February 2016, Mr Sack was issued with 1,700,000 options in Byron Energy Limited exercisable at an exercise price of A$0.25 per share on or after issue at any time on or before 30 September 2018.

11. Events subsequent to balance date

Subsequent to the end of the half year ended 31 December 2015 the following events occurred:

(1). held an extraordinary general meeting ("EGM") of shareholders on 15 February 2016, where the shareholders approved:-

- the conversion of A$700,000 and US$287,500 of loans from four directors to equity at A$0.15 per fully paid ordinary share at an exchange rate of US$0.72;
- the issue of 6,061,667 fully paid ordinary shares for cash in the Company at an issue price of A$0.15 per share to directors and their related parties, completed on 19 February 2016; and
- approved and ratified the issue of 23,866,666 fully paid ordinary issued under a placement in January/February 2016, under Listing Rule 7.4, such that the Company has refreshed its 15% placement capacity under Listing Rule 7.1;

(2). in consequence of the above EGM, the Company:-

- completed the second part a share placement on 19 February 2016, that was announced on 30 December 2015 for the issue of 29,928,333 fully paid ordinary shares at an issue price of A$0.15 per share raising a total of A$4,489,250;
- loans to the Company bearing interest at 10% per annum from four directors (and several other shareholders) comprising A$700,000 and US$612,500 that were repayable in cash on 1 July 2016, were converted to equity on 19 February 2016 at A$0.15 per at an exchange rate of US$0.72 resulting in the issue of 10,337,966 fully paid ordinary shares;

(3). finalised a share purchase plan on 19 February 2016 that subsequently resulted in the issue of 1,870,344 fully paid ordinary shares at an issue price of A$0.15 per share raising a total of A$280,550; and

(4). on 16 February 2016, announced the spudding of the SM 6 #2 well, anticipated to take approximately 40 days to drill and evaluate.

DIRECTORS' DECLARATION

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

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

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

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

On behalf of the directors

D. G. Battersby
Chairman

29th February 2016

Deloitte.

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

We have reviewed the accompanying half-year financial report of Byron Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 8 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Byron Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of US$1,101,266 and had negative cash flows from operating activities of US$1,403,524 and negative net cash flows from investing activities of US$1,912,391 for the period ended 31 December 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 consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alison Brown

Alison Brown
Partner
Chartered Accountants
Melbourne, 29 February 2016

BYRON ENERGY LIMITED
ABN 88 113 436 141

CORPORATE DIRECTORY

Directors

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

Chief Executive Officer

Maynard Smith

Chief Financial Officer and Company Secretary

Nick Filipovic

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